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## **The Outsourcing Unit Working Research Paper Series**

### **Paper 12/1 Mastering High Performance BPO: Strategic F&A Partnering at BP**

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## **Introduction: Reinvigorating Long-term Relationships**

In the twenty years we have been studying global outsourcing, clients and providers have expressed some persistent challenges about the outsourcing industry. One of these challenges is: —~~bw~~ can clients and providers reinvigorate long-standing arrangements to reclaim high performance?” Within the first two years of the typical relationships we studied, providers had dispensed all their transformational levers, the initial leaders had moved on to new challenges, and the remaining team lacked ideas for new rounds of transformation. In long-term arrangements, crossing three or four generations of contracts, the issue of reinvigoration arises multiple times. The outsourcing industry can learn from exemplars that reinvigorate relationships and reclaim high performance over the long-term. Based on our recent case study research on more than 20 client-provider relationships<sup>i</sup>, the BP-Accenture BPO relationship for F&A services stands out as one of these enduring exemplars.

How do partners deliver high-performance? Our research into the BP-Accenture 20 year relationship identified nine practices that reinvigorated the relationship to high-performance.<sup>ii</sup> Five of these practices (indicated by a single asterisk) confirm and extend findings from a recent survey of more than 250 BPO clients by the Everest Group<sup>iii</sup> and we uncover four interrelated additional practices based on our interviews (indicated by double asterisks).

1. Bring in transformational leaders to reinvigorate a relationship\*\*
2. Centralization, standardization and optimization facilitates outsourcing\*
3. Drive strong transformational and change management capability\*
4. Align the retained organization with the outsourced processes\*
5. Take a holistic approach to the scope of the BPO relationship\*
6. Adopt a partnership-based approach to governance\*
7. Don't settle for “green” service level performance\*\*
8. Prioritize and incent innovation\*\*
9. Integrate, empower and reward the provider's staff \*\*

As we will see, there is also evidence for three other practices identified by Everest: contextualising data through domain expertise and analytics, focusing on benefits beyond cost reduction, and targeting strategic business outcomes. In the case, at different points across the 20 year relationship, there has been a greater focus on achieving more F&A business benefits and even more strategic benefits. These are particularly evident during 2008-12, as BP and Accenture have been shifting the relationship to focus on alignment of back-office functions on a global scale. But before we get into these practices, let us step back and see them in the broader context of BP as an ITO/BPO pioneer.

## **BP-Outsourcing Pioneer**

BP is a global company, with business activities in more than 100 countries in five major focus areas: Exploration and Production; Integrated Supply and Training; Refining and Marketing; Alternative Energy; and Shipping and Operations. It has over 100,000 employees worldwide and annual revenues of more than \$US 230 billion. Until 1987, the company had been partly government-owned, and by 1990 was still too bureaucratic and costly to succeed in a rapidly changing industry. The next fifteen years saw BP transformed into a world leader in the oil and energy industry, not least through mergers with Amoco (2000) and ARCO (2001). An important component in its rise to world class

has been outsourcing its business and IT services. Then CEO, John Browne, set the tone in the early 1990s, stating: *“failure to outsource our commodity IT will permanently impair the future competitiveness of our business.”* Subsequently this philosophy was applied to all BP back office functions.

As early as 1991 the CEO of the BP Exploration business unit took an important first step in what would be a thorough transformation of the company by outsourcing all of the division's accounting operations for Europe. The 1991 agreement consolidated all of BP's accounting centers throughout the U.K. in a single accounting system and at a single site managed by Accenture. In 1996, BP outsourced the accounting functions (and IT support) for its U.S. upstream, downstream, and chemicals businesses. And in 1999, following its merger with Amoco, BP outsourced, on five year deals, its US upstream business to one outsourcing provider (PWC), and its US downstream businesses and upstream European business to another (Accenture).

BP was also an early, effective proponent of multi-sourcing. Against the fashion for single-provider, long-term deals, from 1993-98 BP Exploration outsourced its IT to three providers – SAIC, Sema, and Syncordia on a best-in-class basis. In 2000, the then BP Amoco pioneered and experimented with a £400 million, five year outsourcing deal for US-based start-up Exult to manage the whole of the merged company's Human Resource operations (including IT support)<sup>iv</sup>. Throughout the 2000s BP continued with its dynamic multi-sourcing ITO and BPO strategy, while looking for offshore advantages and drawing increasingly on Indian-based providers. In 2009, BP reined in its multi-sourcing strategy to pursue more bundled sourcing by consolidating its IT providers from 40 down to six, on contracts worth \$US 1.5 billion over five years. From 1991, then, BP's successes--and learnings--have shaped outsourcing by all other companies looking to improve the efficiency and effectiveness of their business processes.

## **High Performance F&A Sourcing–Re-Learning To Be Great**

Within the BP outsourcing portfolio, its long-standing, several times renewed and much expanded Finance and Accounting (F&A) outsourcing relationship with Accenture continues to be an acknowledged BPO success story. Indeed the arrangement has won multiple industry awards.<sup>v</sup> In 1991 Accenture set up a shared service center in Aberdeen, Scotland for F&A and SAP support. In 1996, in a pioneering development, Sun, Conoco and other oil companies came into the arrangement, leading to economies of scale and reducing BP's unit fixed costs. In 2002 Accenture also standardized all customers on SAP, providing them with synergies on cost and performance. By this date, financial operating costs had been reduced by 35% by leveraging technology and scale, and despite a doubling of work volumes, F&A costs had been halved. In 2002 the BP CFO commented: *“Ironically, the deal we did with Accenture 10 years ago may be the single most successful deal that BP has ever done – in any function, anywhere. And that's deeply laden with irony, because your first one out of the box is the one you'd expect to be where you'd make all your mistakes. But we got it right, and it has been a tremendous success.”*

The relationship has been expanded and has maintained success ever since its inception. By 2007 the F&A outsourcing relationship consisted of 760 plus FTEs across four delivery centres at Aberdeen, Houston, Bangalore and Shanghai.<sup>vi</sup> Throughout the 2000s, to further enhance cost and effectiveness, positions were increasingly moved to Bangalore. In addition to continuous improvements in the cost base and service effectiveness, one notable achievement to this date had been the transition of BP Castrol's F&A. This was

managed through a collaborative approach, robust governance mechanisms, clear hand-offs between multiple stakeholders, and the fact that improvements were customized to business requirements. The relationship also achieved world-class close performance by reducing close from 11 to 6 working days through consolidation and reporting using a new, web-based remote control tool. However, by the mid-2000s, the relationship had become routine. In an increasingly difficult business environment, the relationship needed to be recharged.

The next challenge BP has set for itself and its ITO/BPO providers is to develop best-in-class capability for its global shared business service centers. By 2010, BP had five captive centers and multiple service providers for F&A, HR, Procurement, and IT & Systems. F&A outsourcing, led by Accenture, was based primarily at Bangalore, but also operated out of Aberdeen, Stavanger, Krakow, Istanbul, Athens, and Buenos Aires. The challenge was to lead centralization, standardization, and integration by migrating additional scope of work from all the BP businesses, not just Refining and Marketing, to the captive business service centers or outsourcing service providers.

Once again, BP is operating as a pioneer in its global sourcing, and after 20 years, Accenture remains a key strategic partner in BP's commitment to best-in-class capability in F&A. In what follows, we detail the nine distinctive practices the parties adopted in the process of re-learning to be great.

## **Practice 1: Bring in transformational leaders to reinvigorate a relationship**

As we found in other high-performing BPO relationships, transformational leadership is a key success factor and often involves personnel changes in both client and provider organizations from senior level to more operational levels. We found instances where new transformational leaders improved BPO performance from bad to good or from good to great.

The BP/Accenture relationship was unproblematic, productive (as indicated by green SLAs), and routine. What prompted a change in the BPO relationship was BP's desire to create the Americas Business Service Center (BSC) in 2009. To lead the BSC, BP recruited from outside the company and hired a proven transformational leader who had previously created a world-class, global financial services organization for another company. BP took the initiative on providing transformational leadership, but it was also looking for new leadership from its service provider. The new Head of Americas BSC immediately relocated the Accenture lead position from Texas to BP HQ in Chicago. A new Accenture person was brought in to fill the role. The Head of Americas BSC described the new service provider lead in this way: *–She's fantastic. She's very action-oriented. She pushes back and can challenge us in the right way. That's the difference I think in terms of making it a more strategic approach rather than sitting back and accepting business as usual.* These new client and provider transformational leaders worked with the best existing performers within each organization. In particular, BP praised Accenture's long-time, Bangalore delivery center manager: *–Through it all, we've had a really strong leader in Bangalore. She's just been phenomenal.*

BP's Americas BSC commercial director described the effects of change in leadership: *“We have changed things fairly dramatically in the last two years. We came into a relationship that was good and fairly stable, but left a lot on the table in terms of overall value. With some concentrated effort and some key adjustments made on both sides in*

*terms of the approach of managing the contract, with the personnel, and in terms of what we asked Accenture to do, they have risen to the occasion.”*

## **Practice 2: Centralization, standardization, and optimization facilitates outsourcing**

Our research has shown that centralization, standardization, and optimization are the most powerful transformation levers for achieving efficient back offices. We have studied three common routes to high-performing back offices: (1) the organization does everything itself through shared services and captive centers, (2) the organization engages a service provider to deploy the transformation levers on their behalf (lift and shift), and (3) the organization deploys some or all of the transformation levers before outsourcing. Each approach has its benefits and limitations and requires different management practices.<sup>vii</sup> As explained next, BP follows the third route, but with the ~~—tist~~ of having an incumbent provider well-placed to identify opportunities for deploying the transformation levers.

The overall strategic direction of BP from 2009-15 has been towards a global business services model based on centralization, standardization, optimization, and then strategic sourcing. Understandably, throughout the 2000s, BP's complex global structure segregated by geographies and into strategic business units, became even more fragmented by mergers, acquisitions and strategic and more opportunistic responses to competition and events in a dynamic business environment. Process simplification, economies of scale, shared resources, and better uses of fewer strategic providers have been business necessities in the difficult business climate since 2008. In this context, high business services performance using the services market only becomes possible through strategic partnering with providers, as in the case of Accenture and F&A functions.

A powerful change management vehicle was a robust Stabilization, Standardization, Optimization and Sourcing (SSOS) methodology introduced by the client. This provided a controlled, logical route for creating world-class shared services. The Head of BSC explains: *“I took my team through what I call the SSOS model. Stabilize what you just brought in, run it through some stabilization that included setting up process documentation and process maps and setting up SLAs between us and the businesses we support. Then standardize. When we added more businesses into our service center, we actually were doing the same things but in different ways. I was really pushing people to come up with what are the things we could do to standardize it. Optimize is the O: What can we do with our new systems or new processes, end-to-end? For example, implementing global SAP templates. The final S in the model was Sourcing: do we continue to do things here or do it in one of our other service centers or do we do it offshore?”*

The ~~—tist~~ in BP's transformation route is that the incumbent strategic provider is productively involved in the client-controlled change process. In the BP-Accenture relationship, the centralization and standardization are both facilitated by outsourcing. This point is made well by BP's commercial director of Americas BSC: *“BP is a very decentralized organization. One of the problems with decentralization is that we probably make life more difficult from the standpoint of missing opportunities to standardize the way we do things across the organization. Accenture, sitting where they do, supporting us in some key activities across many, many business units obviously have a great view and a great visibility to lots of these opportunities where we are inherently doing things inefficiently. One of the things we should be looking for from them in terms of value is that*

*sort of insight and some suggestions of ways to continuously improve and standardize the things we do.”*

### **Practice 3: Drive strong transformational and change management capability**

The Everest Group’s BPO survey found that best-in-class performers drive strong transformational and change management capability. Our study of BP F&A outsourcing confirms a general finding from our research—that leaders from high-performing BPO relationships understand that enthusiasm at the top ranks is key in shaping the engagement, but does not trickle down automatically to the operational ranks. Therefore, partners from high-performing BPO relationships, as at BP and Accenture, couple ambitious transformational projects with aggressive change management. The client’s business users—who may be scattered world-wide—must understand and embrace the outsourcing objectives. High-performing BPO clients communicate clearly and frequently to their business users and recruit their best people for transition and project teams. Best-in-class BPOs not only place greater emphasis on change management, they are also more successful in executing change management plans, as compared to typical BPOs. These propositions—transformational leadership at all levels, change management design and execution capabilities—clearly emerged from our research at BP. Here our particular focus, by way of example, will be the very eventful 2009-2012 period.

During this period, BP set out to transform its business services, globally, and not just F&A. It identified disjointed processes, a fragmented application landscape and high operating costs. It meant developing end-to-end processes, cost optimization and process standardization, and moving more work from the businesses to a more developed network of business service centers (BSCs) and outsourcing service providers (OSPs). As an example let us focus on the Americas BSC, formed in 2009. Throughout 2010-11 BP transitioned and consolidated this BSC optimizing end-to-end processes, and sorting out OSP ownership and management. From mid-2010 a key part was transforming the OSP business model with Accenture. That meant identifying joint strategies by process on Procure to Pay, Record to Report, Order to Cash and Finance operation services to enable a joint operating model. The objectives were to raise the level of customer experience, expand BSC/Accenture business scope, reduce BP operating costs, and raise productivity levels. BP and Accenture identified top joint priority initiatives for 2011 on organization structure, process approach, continuous improvement, transition and resources<sup>viii</sup>. The change process involved working directly with Accenture, joint process ownership, engagement and teaming, acknowledgment, recognition, much more transparency and feedback and the maximum use of ‘invest days’ (see below). High engagement between the parties drove key business changes for BP, while Accenture expanded its responsibility for scope of services, and achieved top tier employee satisfaction (see below), while also increasing performance levels and customer satisfaction. More strategic goals, tight deadlines for change, new transformational leadership and a practical change management tool with stretch deadlines – these set the context for further supporting changes.

## Practice 4: Aligning retained capabilities with outsourcing objectives

Best-in-class BPOs place as much importance on internal transformation as they place on transforming the outsourced processes. Successful BPO relationships are forged not only as a result of a world-class outsourced process, but also require transforming the retained organization in terms of roles, responsibilities, and requisite skills around the new service delivery model. A successful internal transformation also empowers the business users to align the direction of the BPO relationship with organization goals. At BP this is precisely what the leaders set about doing in order to underpin the vision and delivery of a future global shared financial services model. Part of this, as we have seen, was moving the retained staff to a more teaming, collaborative way of working with the provider. But the really powerful key for success was the newly introduced SSOS methodology:

The Head of BP Americas BSC described its application: *“When I came in, there really wasn’t an effort within our operations or leadership to keep pushing the envelope forward and drive more continuous improvement. What SSOS did was awaken an awareness (on the BP side). We went through every department in my organization and said, “Are we generally stabilizing it or has it already been standardized, have we optimized it and what are we doing about sourcing it?” This revealed that we actually had a couple of departments that were running really well, they were standardizing the way they did things and needed to look at what we can source.”*

Time and again in our research programs, we have found many clients needing to recalibrate their retained processes and organization first, in order to get real added value from their service providers<sup>ix</sup>. BP not only stepped up to this requirement but, recognizing the strategic role of the provider in the future model, and began to involve Accenture heavily in these change processes. Investing in changing the retained organization and its behaviours and practices has meant that the provider’s capabilities can be leveraged to more strategic effect for BP.

## Practice 5: Take a holistic approach to the scope of the BPO relationship

The Everest Group’s BPO survey found that in best-in-class BPO relationships the parties take a holistic view across processes, technologies, business units and geographies. The client includes the provider and business end-users in —the whole picture” of the end-to-end business process, even when the provider is only directly accountable for discrete sub-processes. Everest also includes consolidation and standardization in this practice. However, as we have seen, at BP the practice is transformational, key and multi-dimensional, and, in our view, deserves highlighting as a distinctive key to the kingdom.’

At BP our research shows an evolution from a relatively simple F&A deal in the early 1990s to one that became highly complex, with dynamic changes in scope, scale, technologies, and locations over time. Each change represented a recalibration of the relationship between processes, people and technology, and levels of consolidation and standardization needed. BP and Accenture managed these challenges effectively on each occasion. More recently the relationship has been further invigorated in the face of much greater consolidation of shared service centers globally. Firstly, BP got its own arms around its own processes, using the SSOS methodology. Secondly, BP’s Head of Americas BSC told us: *“I’d say there was a shift to a culture that we all own end-in-end*

*processes, and Accenture delivery is an integral part of those processes.” Thirdly, BP brought greater rigour to end-to-end process design and documentation which embraced what both BP and Accenture did, together with end-to-end metrics that focused not just on service, but also business process outcomes. This allowed the provider to better align their expertise and opportunities to BP’s desire to stabilize and optimize certain processes: –Accenture came to the table, and said, „here are the processes and what other companies do” and where they do it....we call them process breakouts...and (they) realigned some of their organizational aspects to match with how we were organized... and brought to the table some metric methodologies, testing out some new stuff. This improved alignment allowed us to better match some of their demonstrated strengths with our areas of identified need”–BP Commercial Director BSC.*

## **Practice 6: Adopt a partnership based approach to governance**

The Everest Group’s BPO survey found that adopting a partnership-based approach to governance is a best-in-class BPO practice. The survey identified several important sub-dimensions of this practice: collaborative BPO governance, viewing the provider as a strategic partner, resolving conflicts fairly, and re-defining business objectives as the partnership matures. Our own research confirms the importance of collaborative BPO governance and these three related practices. On governance structures, BP and Accenture have joint review boards at strategic, managerial operational, process council, and tactical (daily) levels. While these are designed well, we have found in our wider research that they act as hygiene factors in the sense that the absence of such structures may result in poor performance, but the presence of collaborative governance structures does not in itself necessarily lead to high performance. In practice, if not designed correctly, they can inhibit, rather than enable, high performance. What has been more salient at BP are the behaviours and objectives that have led to optimal use of such governance arrangements.<sup>x</sup>

A primary component of this is adopting **a partnership-based approach by treating the provider as a strategic partner**. This can show itself in many ways.

The Accenture OADM<sup>1</sup> talked in late 2011 of *“an openness on their side to focus on some of the gaps in our [joint] operating model... it comes back to a commitment and an openness... looking to create a strategic plan together ... and having transparency as to where they are going with their business and how we can help in those types of discussions... the whole getting the business perspective from BP has stepped up as well.”* She also talked of executive behavior on the provider side: *“Being extremely responsive and listening to where they are going. Not selling but truly becoming as I say that trusted advisor. Getting things done, taking action. That’s been our strength in turning the corner with the relationship.”*

BP’s commercial director for Americas BSC adds to this picture: *“It’s about engagement across the board, in terms of having multi-stakeholder engagement and regular governance, giving regular contact in mutually structuring metrics and scorecards that force people to focus on the right activities and outcomes. It’s engagement from the standpoint of working together to understand mutual strategic objectives and making sure the activities are aligned with those objectives”.* BP’s commercial director stressed this high level of engagement stretches from the senior executive Joint Review Board that

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<sup>1</sup> Outsourcing Account Delivery Manager



now meets monthly to focus on strategy and key metrics, to a monthly meeting that now focuses on continuous improvement and that encourages and rewards Accenture team leads for ideas generation. Key to the quality of the ideas generated is the great deal of contextual strategic alignment senior Accenture executives can now give their staff. For him, the top provider behavior that contributed to success was strategic partnering; *“it is showing the real willingness to get in here and understand our strategic objectives... and be willing to be flexible enough and change some historic behaviors and policies to better align with our objectives. Also the quality of the people... we talk regularly with them, they feel part of our business, there are some rewards above the norm in some cases. There is a tremendous amount of longevity in some of the employees and dedication to BP’s work and the account that is just different.”*

A further component is **adopting a partnership-based approach by resolving conflicts fairly**. Clearly in any large-scale BPO there are going to be numerous points of difference and conflict especially in fast-changing environments as at BP. Our respondents were clear that both parties handled conflicts toughly but fairly in a partnering style. The Head of Americas BSC described what he called one such Howitzer Moment involving Accenture employees working onshore. BP could not see their value, and a conflict developed for several months. However, according to the BP commercial director, *“the new contract manager... came on board and that was the key. We all agreed after time to transition those five remaining FTEs worth of activities to Bangalore rather than here. But it came from a partner who in the end was willing (but was not contractually bound) to be transparent and take challenge and work with you to achieve objectives that were not helpful to them in terms of revenue but more helpful in terms of partnership.”*

A third component of partnering is **redefining business objectives as the relationship matures**. At BP the relationship began as a pioneering one as the world’s first F&AO deal shifted to an industry shared services model for BP and other oil majors, moved to extension into other BP regions and consolidation of BP mergers and acquisitions, while focusing on continuous cost reduction and increasingly on improvements in F&A outcomes. Examples include faster closing globally, more efficient procure-to-pay - reducing costs by millions of dollars while gaining better business outcomes, better cash use, and tighter debt/credit control. In a twenty-year relationship there have been periods of stabilization of goals, and other periods that have seen an acceleration towards new business outcomes consequent on dynamic changes in the BP business environment. Thus since 2009 the strategic relationship has been re-galvanized as BP has re-imagined its F&A operations within a larger global business services model. For its part the service provider has stepped up to the new challenges, with both parties leveraging processes and mechanisms in the strategic relationship, that had been in place but not fully optimized in the previous five years. Throughout this history, both parties recognized and engaged with the fact that redefining business objectives required a further maturing of the outsourcing relationship.

## **Practice 7: Don’t settle for “green” service level performance**

In our case study research, we found that excellence in service level delivery is a characteristic of high-performing BPO relationships. But partners in relationships that *sustain* high-performance over the long-term do not stop there; —Green indicators on service level performance reports are not the end-game. In high-performing BPO relationships, the client and provider doesn’t just care that its services levels are —green”,

but also that the provider is driving the right behaviours that matter most to business clients.

According to one BP participant, BP was *“historically a bit passive as recipients of service, with metrics that were really outdated and not necessarily transparent or indicators of what BP, as the client, cares about.”* Within the last two years, BP and Accenture have been digging deeper into SLAs and have been revisiting measures. Concerning the former, BP has recently revisited service delivery even though unproblematic, to good effect: *“That’s something that was actually already strong. But again one of the transitions over the last two years we went from a set of metrics, I call [them] Green Metrics --they were the ones tied to contract that were always magically green-- we went from the Green Metrics and, looking deeper, to process metrics that showed that there were other areas that needed some improvement. From the beginning, they [Accenture] have had a strong delivery. I’m not saying that we went deeper and found all the red items it was just more of finding some yellow metrics on some things that started pointing to where we could do some continuous improvement. A lot of outsourcing arrangements argue over all the process failures and breakdowns, we weren’t in that state at all, even at the beginning two years ago. They always had a strong delivery.”* – Head of BP Americas BSC.

Concerning the metrics that matter most to clients, BP and Accenture agreed on a set of metrics that better represent the actual activities that the business recipients of the service care about: *“We also created a service catalog both for the business service center and for Accenture. This is critical, listing what you are asking them to do at an activity level, what is agreed and then putting metrics and SLAs around those activities to hold the right people –BP or Accenture -- accountable, and determine whether work is new or something they’re already supposed to be doing. Then we put governance around that, that connects to higher level metrics and more strategic conversations.”* - BP Commercial Director, BSC. BP and Accenture were clearly not settling for just “green” service level performance.

## **Practice 8: Prioritize and incent innovation**

Clients in high-performing BPO relationships understand that they need to incent providers if they seek innovation. Most outsourcing deals we have studied are not designed for innovation, even though the parties may devote a lot of rhetoric to innovation. At the beginning of most deals, the usual sticking point is: Who will pay for innovation? Sometimes clients volunteered an innovation fund against which approved client/provider proposals could draw. However, when incarcerated inside a traditional cost-focused contract, innovations were rarely achieved because the provider’s attention was focused on urgent operational issues. Two or three years into most deals, we found clients asking, *“Well we’ve had good service but where’s the innovation you promised?”* The truth is that providers were reluctant to spend time and expert resources on an ancillary part of the contract, especially when clients themselves did not take the positive action required from them to work together with the provider to achieve the more business impactful innovations. Risk-sharing and strong partnering behaviours, and a vendor seat at the strategy and business table, are critical components in any outsourcing arrangement that is going to deliver meaningful innovations<sup>xi</sup>.

BP and Accenture designed in innovation at the very start of the deal using “Invest Days”. In the contract, BP is entitled to 150 consulting days from Accenture’s top consultants for free. The contract stipulates that the content of the Invest Days has to be mutually agreed

upon. The idea is that the client gets complimentary access to top consulting expertise and the provider gets an opportunity to sell additional services. When the Head of BSC came on board in 2009, BP was not using any Invest Days. As part of re-learning to be great, BP by 2011 was using 100% of Invest Days. BP's Commercial Director for Americas BSC talked animatedly about the Invest Days:

*"Invest Days is a great idea. One of the most mutually beneficial activities you can engage in with that kind of consulting is thinking about more things that you can potentially offshore to India that increase their scope and revenues while also saving us money because we are doing work that we need to do at a lower cost, by benefiting from the arbitrage."*

The outcomes from Invest Days have been beneficial to both parties. Most recently, the parties identified two clear candidates for offshoring that had not been offshored previously. Customer master data is one example:

*"Customer master data came out of Accenture saying, „This is an area that we do this for other companies and we do it very effectively.“ It was almost a gimme. And we went, „Oh! ...Don't just take our requests, you need to come and challenge us around our processes and bring in that external view.“" - BP Head of BSC.*

The provider also gains from this work, not least in working more closely and strategically with the client to identify future opportunities.

*"It has resulted in mutual benefit - they are transitioning 10% of their America's service center business over to us in Bangalore.... Also I've actually worked with the BP commercial team (through SSOS) to look at each area and based on what we typically see outsourced where they are in their maturity.... and we honed in on a couple of opportunities, that went through risk assessments, due diligence and that was what they decided to use their Investment Days on. We brought individuals in from our BPO capability [group] and a transition lead from mobilization and that's part of our investment that we used". - Accenture OADM.*

## **Practice 9: Integrate, empower and reward provider's staff**

Global BPO deals are serviced by the provider's remote delivery teams located in places like India, the Philippines, and Eastern Europe. Our research has found that providers need clients to integrate, empower and reward the provider's staff so they feel connected to their clients. In high-performing BPO relationships we have studied, the client's leaders personally visit remote provider employees at least once a year and frequently acknowledge and reward good work. The bottom line results are reduced turnover in offshore locations and provider employees who feel empowered to positively challenge the status quo.

Since 2009, BP has focused harder on integrating the provider into the client organization. The BP Head of Americas BSC undertook several initiatives: *"I challenged my own leadership team members - you don't just have just 20 people here, you actually have 120 because 100 of your people are over in Bangalore with the provider. They were sort of out-of-sight-out of-mind but now are included in regular staff meeting calls."*

We found the client also doing a good job of getting BP process owners and subject matter experts (SMEs) working with Accenture's offshore resources: *"When we make the decision that we're offshoring work, we might send 20 roles to Bangalore, and keep the*

*team lead and add extra SMEs at BP. So from a team of 20, you now have 4 in-house. And every week and month, the team leader here is now managing an extended virtual team directly, having meetings and sharing strategic context.” - BP Commercial Director BSC.*

We identified a further practice whereby the BP client empowered and rewarded the staff in India, through a monthly meeting specifically intended to discuss the notion of continuous improvement: *It’s an opportunity for the folks from Accenture and various team leads, to encourage and reward [the delivery teams], and we fund this reward and the generation of ideas from their folks. It’s produced lots of good ideas that we’ve been able to put into practice.” - BP Commercial Director, Americas BSC.*

Empowering and rewarding vendor staff also links back to practices 1 and 3, especially transformational leadership. Asked to explain her staff commitment in India, the Accenture OADM told us: *“We have a really strong leader that has been on the account for five or six years. In addition, working with the client, coaching the, that their notes of thank you and their site visits are very important to the teams with their culture, that helps. [This is] something that BP has stepped up to and continues to do is recognition so when we do the site visits, we do team meetings, they do the floor walks. Through our governance we give recognition to continuous improvement projects, [highlighting] how the ideas were raised, and so notes are sent. I think that type of level down to the people level - that’s helped tremendously. Our team members have also been on the account for quite a while and there’s a sense of family. We’ve had a focus on succession planning and Accenture has a strong career counsellor and training opportunities. It has all added up.”*

In practice, the Bangalore service center had technically smart people who had really lacked context and strategic alignment and therefore struggled with things like judgment, critique and advancing new ideas. This had changed: *“They are getting directed by the people who really understand the things we’re doing and why we are doing them. That’s critical.” – BP, Commercial Director, BSC.*

In the BP-Accenture BPO relationship, integrating, empowering and rewarding provider staff has become a key practice. One outcome is the highest employee satisfaction in the company, and a very low labour turnover at the Bangalore site: *“Our turnover on the account in Bangalore is single digit, which is almost unheard of in Bangalore. It is below 10 percent turnover of people. It’s gotten all the way down so even the employees of Accenture at Bangalore feel far more valued and that’s resulted in lower turnover and results in more effective operation.”- BP Head of Americas BSC.* Another BP senior manager told us that *“they seem to almost take more pride and support in BP than in working for Accenture. They view themselves as BP employees which again is unusual amount of ownership”.*

## **Conclusion**

Our case study has been about re-learning to be great. Long-term relationships can frequently see both sides taking their eyes off the road, their feet off the accelerators. High performance BPO partners regularly revisit, refocus and re-energise targets and activities. They do so in order to release the potential of the relationship to deliver on changing and new business imperatives. In researching this case we identified nine keys to the kingdom for high performance in F&A Business Process Outsourcing. If the partnership approach is fundamental, then transformational leadership, operationalising the SSOS methodology,

and strong transformational and change management capability were critical in avoiding the possible dangers of complacency in long-term partnering - and achieving change momentum. The other practices reinforce the drive towards re-learning to be great. BP's Head of Americas' BSC summarises the learning succinctly:

*"Some people take the approach of my mess for less. They chuck it over the wall or say, „I'm not going to mess my hands and I'm going to hire a bunch of people in Bangalore to do it for less." My biggest advice is you really have to know what you've got, what your processes are, how you want them run end-to-end. Then start on the BPO relationship and be open to bringing things to the table that you didn't know were possible or new ways things can be done. To make it work, it truly has to be a two-way partnership."*

## **Acknowledgement**

We would like to express our gratitude to our respondents who gave so willingly of their time, insight and experience, and also acknowledge the strong support of Accenture for our large-scale research project into Business Process Outsourcing.

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<sup>i</sup> We conducted interviews with BPO clients and providers from October 2011 to February 2012. The interviews were typically 45-60 minutes in length and used a pre-designed questionnaire aimed at eliciting performance outcomes and effective and unsuccessful practices. The sample was drawn from across sectors and countries, with outsourcing deals ranging in size from small to very large. Nearly 50% could be identified as high-performers.

<sup>ii</sup> Our in-depth research after 2005 was primarily into the F&A outsourcing arrangement as it affected the Refining and Marketing area of BP, particularly the Procure-to-Pay, Record-to-Report and Order-to-Cash processes. However, the

on-going moves towards centralization and standardization of service centres across countries and geographies and business units has led us into other areas of BP, for which the practices we detail also stand.

<sup>iii</sup> The survey was conducted by Everest Group Research Institute with support from Accenture in late 2011 and is reported in Accenture (2012) *Achieving High Performance in BPO* Accenture, London. The survey identified 20% of respondents as “best-in-class” scoring strongly on at least three must-have attributes, and in the top quartile on seven additional attributes. A further 20% were potential “best-in-class” performers meeting one or other of these two criteria; 60% were “normal” BPO performers meeting neither criteria. Note that “normal” here covers a wide spectrum of performance from normal to poor. The research found that levels of performance were independent of industry, geography, size of deal, tenure of BPO relationship and business function outsourced. “Best-in-class” performance was twice as frequent when two functions were outsourced as a bundle (as opposed to one function or three or more functions).

<sup>iv</sup> The 1993-98 deals and subsequent events are analysed in detail in Lacity, M. And Willcocks (2001) *Global Information Technology Outsourcing: In Search of Business Advantage*. Wiley, Chichester. The HR deal with Exult proved more challenging. For an analysis see Willcocks, L. and Lacity, M. *Global Sourcing of Business and IT Services*. Palgrave, London. For an account of the Exult (subsequently Hewitt) HRO with BP see Willcocks, L., Feeny, D. and Olson, N. (2006) IT Outsourcing and Retained IS Capabilities: Challenges and Lessons. *European Management Journal*, February

<sup>v</sup> These include The Outsourcing Journal’s 2002 Editor’s Choice award, BP FC and A Awards 2004, 2005, 2006, and several awards from professional associations and journals.

<sup>vi</sup> The scope of the outsourcing is that Accenture manage systems and data management, financial accounting and reporting, most of management accounting and reporting, accounts payable and capital projects and fixed assets. BP retains capability primarily in regulatory funds and reporting, receivables and collections and approving and executing capital projects.

<sup>vii</sup> Successful examples of each transformation approach are documented in:

Lacity, M., and Fox, J. (2008), “Creating Global Shared Services: Lessons from Reuters,” *MIS Quarterly Executive*, Vol. 7, 1, pp. 17-32; Lacity, M., Feeny, D., and Willcocks, L. (2004), “Commercializing the Back Office at Lloyds of London: Outsourcing and Strategic Partnerships Revisited,” *European Management Journal*, Vol. 22, 2, pp. 127-140; Lacity, M., Feeny, D., and Willcocks, L. (2003), “Transforming a back-office function: Lessons from BAE Systems’ Experience With an Enterprise Partnership,” *MIS Quarterly Executive*, Vol, 2, 2, pp.86-103.

<sup>viii</sup> Medium priority was also assigned to performance metrics, technology, scope, governance, and contracting.

<sup>ix</sup> See for example the cases in Lacity, M. and Willcocks, L. (2012) *Advanced Outsourcing: Rethinking ITO, BPO and Cloud Services*. (Palgrave, London). Also Willcocks, L. and Lacity, M. (2010) *The Practice of Outsourcing*. (Palgrave, London).

<sup>x</sup> This is a common finding across our BPO research and is confirmed also in our parallel case study of Microsoft – see Lacity, M and Willcocks, L. (2012) *Sustaining High BPO Performance: The Case of Microsoft*. Accenture, London.

<sup>xi</sup> See Willcocks, L. et al. (2011) *The Outsourcing Enterprise: From Cost to Collaborative Innovation*. (Palgrave, London) especially chapter 5.