

Business Process Outsourcing. Integrity in an era of digital transformation

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Abstract - Within the current trend of globalization, outsourcing services and strategic partnerships there's a set of values which make up as a key differentiator in every successful corporation. The purpose of this article is to expose some basic principles that can be applied in every outsourcing process of any given company that uses an offshore or nearshore model. Making good decisions goes beyond knowing what's important and what's not and abiding innovation comes from knowing your purpose, embracing change and having the right attitude, skills and knowledge to transpose your ideas into actions in a structured way.

Keywords - innovation, process, outsourcing, skills, attitude, knowledge

I. INTRODUCTION

Having a feeling of contentment with one's own condition and considering that a certain process, product or service is sufficient in its current state, represents the death of its own evolution. Thus, strategic management concepts such as value chain analysis and benchmarking have begun to emerge. They not only provide an internal evaluation of the firm's activities, but also generate insight by comparing them with the current market values therefore increasing efficiency and helping their management to determine if outsourcing might be an improvement solution. Outsourcing used as a tool for strategic management has grown since the 1990s and has been developed under certain conditions into strategic partnerships. The main reasons behind the decision to outsource a particular function, process or service within a company are cost reduction and the ability to shift company focus on activities that generate the most value. Since most companies with global presence choose developing countries such as India, Indonesia, Estonia or China to outsource their services and implicitly reduce transaction costs, there is an intellectual risk factor that undermines quality. Looking at the current technological progress, companies want to gain competitive advantages by

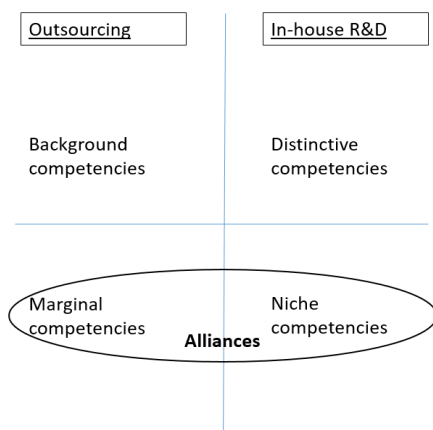
outsourcing processes or services which imply human resources without valuing them as individuals, but as teams. In other words, it is hoped that human resources can be replaced at all times to avoid any volatility of the quality of service offered when changes occur. From a contractual point of view, the service offered can be regarded as a product that the outsourcing company offers regardless of the experience, expertise or know-how of the human resources involved. This is possible because a standardization of activities is acquired and the whole process is delineated to facilitate the learning, support and execution of activities. As a civilization of large organizations, it is dependent on a large supply of people capable of being executives with a modicum of effectiveness. [1] With the help of IT infrastructure that favors communication, collaboration and execution, there is a tendency to outsource products, processes or services in a superficial way, thus damaging the company's image and reputation through non-values or low quality in favor of cost reduction. In this context, there is a set of unchanged concepts whereby any organization can mitigate the negative impacts of outsourcing and transform its risks into opportunities for individual and collective growth thus evolving from legacy outsourcing centers into centers of excellence recognized as a source for value creation[2]. A good example of this happening are eastern European countries like Romania where innovation[3], talent and competence are easy to be found. [4]

II. OUTSOURCING AND THE EFFECTS OF DIGITAL TRANSFORMATION

The world prepares for an era in which all devices will be connected and the technology will be integrated into all areas. IoT[5] will invade the market and by 2020 and there will be over 20 billion new connected devices[6], each with its own intelligence, able to interpret, produce and consume information. Most devices manufactured over the past 2 years have the ability to be connected so that communication is possible in a common language, forming a network of more than 30 billion devices called IoE [7] to foster the

digital transformation of all segments of society from music and tourism which are already transformed, transport, banking services that are being transformed to industry, insurance and construction to be transformed in the near future. Moreover, artificial intelligence has passed from the theoretical concept phase to a practical manifestation, so that we can speak of hearing devices for deaf people using algorithms for ambient noise filtering; GPS devices that display maps and give hints to drivers; programs that recommend books or music albums considering what the user bought before and the reviews which he has given to certain products; medical systems that help doctors diagnose breast cancers; systems that recommend therapeutic plans or interpret electrocardiograms. There are robotic pets and housekeeping robots, lawn mowing robots, robots which perform surgery and millions of industrial robots. The world population of robots exceeds 10 million. [8] In these circumstances, the leaders of corporations excel through continuous innovation, which exploits distinct competencies and leads them to outstanding performance by finding new ways that penetrate the market or even create new markets and exploit on the other hand background competencies at lower cost through outsourcing.

Figure 1. Outsourcing: Past, Present and Future



Source: Dorwin, D., Outsourcing: Past, Present and Future – Washington, 2004, pg 21

Figure 1 stands for the optimal solution for companies that cannot afford to invest in specialized centers focused on research and development using Western-based human resources with higher professional training.

Figure 2. SWOT analysis of the outsourcing process

Strengths <ul style="list-style-type: none"> low costs standardized operations focus on high-value activities 	Weaknesses <ul style="list-style-type: none"> cultural differences increased response time loss of capacity
Opportunities <ul style="list-style-type: none"> globalization innovation product quality improvement flexibility 	Threads <ul style="list-style-type: none"> increasing cost exchange rate risks enhanced competition

Alliances are outsourced research and development centers that offer a mix of background skills and distinct skills to provide innovation and a middle way to competitive advantage at low cost.

Since many developing countries have human resources capable of generating a high level of innovation, we can talk about a double gain considering the developing country's economic growth and added cultural and intellectual value, and on the other hand good results on innovation at a very good cost.

Having the prospect of digital transformation on how to do business through outsourcing, in Figure 2 we can draw some conclusions that expose both gaps and possibilities of exploiting the internal or external environment in order to gain a competitive advantage:

- Technological advancement enables real-time information sharing to streamline business and collaboration with Microsoft SharePoint [9], Microsoft's Skype for Business [10], Yammer [11] platforms that enable both internal and external communication and information sharing thus creating an optimal environment to implement changes and standardize processes. With the help of these technologies, human interaction can be achieved with the same degree of efficiency in the virtual environment, the need for employees to be all in the same place being eliminated. Thus relocation, travel and even office space costs can be avoided given that the employees involved can work from anywhere through an internet connection.
- Differences in the values and cultural peculiarities of virtual teams create difficulties in both communication and collaboration for completing a particular product, process or service. Balancing existing teams and processes raises the need for implementing a set of benchmarks and references to evaluate both internal and external engagement with partners, stakeholders and customers. Each client has a certain history, status, and strategic perspective on future goals that require increased attention and a certain set of skills to enable a meaningful development of the relationship underpinning the common strategy to be achieved.
- Given that digitization penetrates into more and more branches, it is inevitable that each person will have at least four devices connected to the Internet by 2020 [12] that will have the ability to communicate with each other and the environment. Thus, the business can be carried out under more and more circumstances of employees, not being dependent on an office environment, having the ability to communicate or work from anywhere at any time.

In this context, the human resources involved in the outsourcing process tend to unify the interactions of the different teams by using standard procedures and processes that, on the one hand, facilitate communication by using standardized forms for each application or entry and, on the other hand, create templates for each response or output through which the

dependence on stable human resources is diminished. This makes companies have certain cost-per-center caps, so that human resource costs are kept under control, being very easy to predict. In other words, it is intended that employees have certain limits in their professional development within outsourcing processes in order to avoid increased costs, their performance objectives being general or on an organizational level.

III. CONCEPTS THAT ADD VALUE

Any outsourcing process that aims to reduce costs and helps the company focus on competencies that provide a competitive edge is based on an intangible resource exchange that sacrifices certain values to gain advantages that favor the company in the long run. Mainly, it sacrifices response time, quality and integrity in order to reduce costs and develops specific competencies that add more value to the company. Because most companies reduce the risks that arise through the outsourcing processes, eliminating contact with the end customer of the human resources involved in these processes, or compensate losses with incentives, the disadvantages that arise through these processes are often ignored or despised. This chapter presents three concepts through which these risks can be mitigated and transformed into development opportunities.

A. Training and coaching

Outsourcing a business process is a challenge for the entire organization involved, with people being forced to change their ways of doing business. In most cases, this involves new methods of communicating, producing or having results, which often generates a decrease in the quality of the outcomes. Human resource training is the most effective way to achieve quality and performance in a short time, being a core principle in management and the formation of new teams, groups or organizations. The difference between training and coaching consists in the fact that training usually refers to groups or teams while coaching is done individually.

Human resources training is necessary to increase the capacity, reasoning and skills of workers. [13] It is directly proportional to the abilities, success and high potential employees rate, collectively and individually. 71% of business executives have identified human capital as a key source for sustaining economic value [14], which places their level of training far above tangible resources such as technology or their working conditions. When comparing the best-performing companies with the weakest performing companies, we can see that 84% of the employees in the best performing companies receive the training they need, with 68% more than those in the companies with the weaker performances [15]. Looking at the ratio between hours spent in training and the success rate of projects, we can see that teams which receive 40 hours of training per member achieve their project goals three times more often than the teams which receive 30 hours of training or less [16]. When we talk about the relationship between team skills and project sponsors, we can very easily conclude that training increases the success rate of projects, namely that goals are met by 90% more often by improving team skills whereby increasing these skills increases by 1/3 the chances of

success. Sponsors' goals success rate also increases from 10% to 100% [16]. Recognizing the benefits of training for society has persuaded many countries around the world to adopt national policies to carry out training programs at a national level. The purpose of these policies is to improve human capital at national level, which in turn is linked to greater economic prosperity. [17]

Coaching is nothing else but the training of human resources at an individual level, therefore it consumes more time and resources and requires increased attention from the employees. There are two types of coaching, internal and external. One of the rudimentary advantages of internal coaching is that it costs far less than external coaching, and usually, those who do it have more knowledge of in-house organizational culture and can create more accurate development plans having access to company resources. The advantage of an external coach is that he has a different way of thinking that stimulates the development and learning of the employee.[18]

One study reveals the following benefits of coaching:

- increasing perception (63%)
- acquiring a new skill or improving on an existing one (50%)
- improving work relationships within a team (50%)
- being able to see other perspectives (47%)
- applying some clarity to work life (43%)
- increasing motivation (43%)
- performance approved (43%)
- coachee seemed happier (40%)
- enjoying a better atmosphere (40%)
- growing into a new role (40%)
- changing approaches to work situations (37%)
- agreed goals were obtained. (20%)

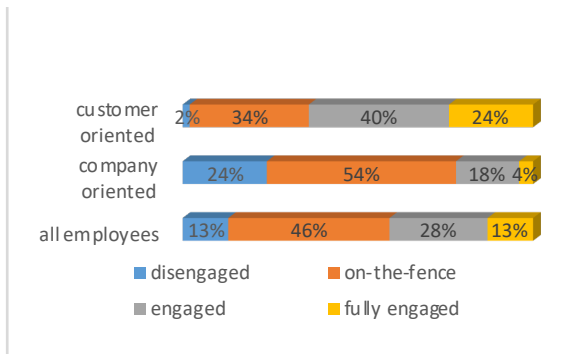
Source: Marber, J., Clear Coaching Limited – February 2007, p 21, www.clearcoaching.co.uk

B. Customer centricity

Customer-centered organizational guidance starts from customer-oriented human resources at an individual level. In order to achieve a high level of independence through process outsourcing, companies aim to cover or mitigate the negative effects that occur when an employee leaves the role so that a uniformity of interactions is desired, generating superficiality and lack of integrity. By dedicating or allocating human resources to meet the needs of each customer, businesses get a high level of employee engagement, thus increasing customer satisfaction.

Figure 3 shows a 42% increase in employees' engagement when they are customer-oriented towards those who are company-oriented, which is a major difference in their approach towards work and implicitly their results. How can people from different cultures produce the synergy effect when they are customer-oriented? Diversity is a key factor in long-term success [19]. Diversity allows teams from different outsourced processes to create an environment where the standards of ethics and respect for the individual is superior to the culture they come from. This generates added confidence and proves to be the right solution to boost performance at an organizational level.

Figure 3. employee engagement customer centric vs. company centric



Source: 7 Practices of a Customer-Centric Organization, Peoplemetrics, 2011, pg. 3
www.peoplemetrics.com

All these values have a major effect on customers who receive more attention and enjoy an experience that helps them achieve their goals. Customer-oriented employees also develop six characteristics that significantly improve business relationships: customer life-cycle view, solution mindset, advice bundling, can-do customer interface, fit-for-purpose business processes and collective, cross-functional effort. [20]

C. Performance goals

Why are they important? The organization that makes it a priority to develop effective and quality objectives will be successful in performance management, in business in general and in developing the skills and confidence of its employees. [21] Individual or organizational goals are nothing but fragments of the company's strategy and mission, grouped on the different spheres of interest, collective objectives of teams, departments, divisions and organizations. They create a set of benchmarks after which, periodically, individual or corporate results can be measured and management can take action to influence employee progress. Moreover, companies that have written objectives generate 700% more growth. [22] The easiest way to determine if a goal is relevant is to follow a SMART structure and respond consistently and in close correspondence with the business environment to the following questions:

- S: specific – what is the outcome expected?
- M: measurable – how will goal achievement be evaluated?
- A: attainable – what will it take to achieve the goal?
- R: results-oriented – does the goal focus on the right results?
- T: time-defined – by when is the goal to be achieved? [23]

Goal setting increases performance and productivity by 11-25%. This is equal to two extra hours of weekly work. [24] Therefore, objectives are ahead of exceptional results, performance increases, moral enhancement and employee involvement and accountability.

CONCLUSION

Industry trends and technology shifts demand a higher number of centers of excellence through strategic alliances in SEE and effects can be clearly seen in countries like Romania where companies like Oracle, IBM, Microsoft, Google, Amazon, ADP, HPE, Dell, Veeam and many more are continuously expanding their teams and raising the complexity of current job offerings. 2018 comes with an expanding manifestation of artificial intelligence[25] and despite companies are increasingly implementing new digital ways of doing business, human capital is and remains clearly superior to the impact of digital transformation. Therefore, no matter how significant the technological advancement is, it is even more important for human resources which are involved in outsourcing processes to invest in their professional development on individual, team and organizational level.

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