

Industry Leader Q&A: Innovation

OI's Frank Casale Talks Innovation with the CEO of CapGemini's BPO Business, Christopher Stancombe

Frank Casale: The topic that I figured we would focus on is innovation because I know it's a topic close to your heart. It's certainly been a hot topic within our network for the past two years, so much so that we actually rethemed a couple of our conferences and are focusing a lot of our editorial on it.



The first thing I wanted to ask you is why you think innovation has moved to the top of the list, or toward the top of the list, for many players in recent years? We didn't hear that much about it with regards to outsourcing eight-ten years ago.



Christopher Stancombe: That's a really tough question because innovation often means different things to different people. If you look back at the history of BPO over the past ten years, everybody knows it started with lift and shift.

Then you got into process improvements. Then it was all about six sigma. That's useful but all very systematic, very deliberate, and it steadily moves you towards a certain point.

There's a certain reassurance to that steady improvement, but now clients should expect more. I've been using that expression with my team: "expect more". Expect more from yourselves, expect more from the client, expect more from the market, expect more disruption. That's when we will finally leave lift and shift behind for good and make BPO 100% about delivering business value.

Innovation is what will make that step change happen. You have the tools, you have different delivery centers you can move to, you can change your grade mix, you can look at process... but realistically, innovation is that spark of creativity that suddenly makes you look at things in a different way.

The market has evolved. To be different and to continue to push it harder and faster, you need innovation and new ideas. Of course, innovation is not always new things.

Sometimes, it's about taking old things and reapplying them. I'm not frightened of reuse. I think it's good, in a slightly different way. It brings energy, it brings excitement, and it continues to drive people forward.

Frank: Let's address that issue. I have found even with our membership base if we put three, four, five clients in the room and say, "Who wants innovation?" they will all raise their hand. We ask them to define it, we get five different definitions or non-definitions. So, now here you are. They're expecting you to come up with a solution for something that they haven't clearly defined.

Christopher: That's innovation!

Frank: That's the secret, I like it! Is that truly a challenge for your teams as they go out there with their clients? They want more innovation but it's up to you to corner them to define it.

Christopher: That's where you need really good salespeople who listen. Many people think selling is about pitching whereas in our business, the best salespeople are those who are really good at listening.

The client may not have defined their problem, but if you listen to the type of language they use, how their emotion changes when they get to certain topics, the best salespeople can understand the client and their challenge.

Frank: That's a good point. That's one of the better answers I've heard. It's less, you could argue, of an industry definition or maybe less about any definitions and more about listening to that client. What's missing, what are they looking for, what are they struggling with?

Christopher: Exactly, and that's where it's so exciting. Someone recently asked what I thought has been the biggest change in the last ten years in our industry, and I said the best thing is that we have people who have grown up in the BPO industry over the last 10 years. They're now managers, senior managers, vice presidents. They're very demanding and always looking forward. If you define the problem, and then you throw it back to these guys, they're always looking for solutions, drawing from other sectors, other clients and their own experience. I think that's where the client finds innovation.

Frank: We're finding that although many would like to achieve innovation, most do not. Part of what I'm sensing as I dig deeper in this is that the buyer is doing the same thing and expecting different results. The provider is doing the same thing. Maybe even the advisor is doing the same thing. What is your sense as to what should be done differently from day one in a discussion? Is it jumping to the old playbook in the old RFP? Is that mistake number one? Is that where the problem begins? What are you seeing?

Christopher: A really interesting question, the heart of what we do. The answer is to have more partnerships based on trust, which is much easier with contract renewals of course. When it's an initial relationship, you've got a matchmaker which is the advisor who sets up the prenuptials which are often setup as quite adversarial. I understand the advisor thinks they're trying to get the best for the client, but some of the contracts are still management contracts.

It's fine to have some metrics around service levels, but surely there is a bigger reason for this contract than just wanting your transactions processed the same way they've been processed before. I think the important thing is actually sitting down and having a conversation around

“what are some of the bigger transformational aspects that you're looking for?”

Frank: In that case, you would recommend, and I agree by the way, more of an open discussion, less adversarial, more collaborative, using terms that can be seen to be trite but in the general sense, they're the right words.

Christopher: Absolutely, and I think we're now in the place where they become more than words. This question is always: “What is it our client is trying to achieve in their business and how can we help?”

A simple example is collections. The questions should be “What is your working capital requirement? How do we work with you to improve your working capital?” It's not about “How cheap can we make it to collect cash?” Really, does that matter to the overall business? If you look at F&A using simple benchmarks, F&A might represent one percent of your costs. The piece you're going to outsource is going to be 0.4 percent. Let's say you take 25% to a third off that, you save a business 0.1 percent of its costs. Does the CEO care?

Frank: That's not going to move the dial for anybody.

Christopher: There are other things that shareholders care about. How is your competitive position on working capital? What do your customers say about you on order fulfillment? What share of wallet do you have?

The trick is to use analytics to make sure that you use BPO to help with those kind of questions.

Frank: My experience, at least my observation, has been that corporate culture plays a big role in a company's ability to innovate. Most companies are pretty much risk adverse and there's some risk in innovation. You need to be able to be comfortable failing or investing and trying something three or four times and making it happen. You see companies like Google and the like where they embrace that. Do you agree with that and how do you work within a particular corporate culture to achieve innovation when maybe some are tougher than others?

Christopher: Again, very insightful because when you've established something, you've got more to lose, haven't you? There is a fear of failure rather than a joy of success in most organizations because you've got a lot to lose. I think what's fantastic about the environment we're in today is with cloud and all that brings with it, you can go through prototypes and pilots really quickly now.

People used to talk about roll-outs being years. Now you're into weeks, if not days. You can say, "Okay, this is my business problem. Let me scan," there's probably an app that does it. I have an app that will help you with that problem.

Similar to Apple's App Store, we've created a set of BPO technology applications to mirror that type of mentality and we encourage our people to think exactly in that way. We can prototype offline and literally within weeks. Typically, we'll do that investment because it's in our interests anyway and then we'll find a piece of the client where we can pilot it, test it, make it comfortable, and then we can roll it out. The speed with which you can do that and the investment required to do things like the prototypes is so much smaller. I'm sure you see that.

Frank: That's a really good point. That risk and that cost actual cash-wise, time-wise, resource-wise, is significantly compressed in recent years, to your point.

Christopher: Yes, and I will say to clients, when we're doing things like that, "You have to throw away your way of working a bit" because if we're going to do that and it's going to be our money, I don't want to do lots of workshops, I don't want

lots of discussions. It's not six weeks of "let's get all the definitions done, all the needs assessment done, business analytics done."

Frank: That would be another chapter in the new playbook, right, to avoid those multi-month discussions?

Christopher: Everybody needs to be consulted, you've seen it, because everyone is worried about change. When there was only one way to do it, which was to invest hundreds of millions and then roll it out globally, then you probably did want everybody to be consulted.

A different type of model is to do a small app and then let market forces pull it. I think that's more important because you need to create a pull in the organization rather than pushing innovation to the organization. If you can create pull for innovation, you're done.

Frank: Create the demand. Is there a case study that you can talk to, where it spells out innovation, an innovative scenario where it really delivered?

Christopher: Syngenta is a great example. They're a global organization and growing rapidly. With their crop protection, the active ingredient is manufactured in a center and shipped to where the

farmers are all over the world. They had two problems: One was a recruitment problem and the other one was a development problem. When new people came in, or new products were launched, everyone needs to be trained. Which is very costly if you have to keep doing it globally.

After many workshops, I said, "Let me build you a prototype." The client agreed. We showed them a prototype of how we could monitor and manage their equipment as well as the demand and supply and how to bring it all together. We showed them a prototype mid-January and by end of March, we were in global roll-out and because it was a cloud-based solution, we sent the link to the managers that wanted to use it. Most apps are pretty intuitive. That's the thing. Who reads the manual?

Frank: It needs to be intuitive.

Christopher: You look at apps today, you don't expect to have to be trained to use them. I think that's the other thing. It has to be intuitive. It has to look like something else you've used before because if you have to train people how to use it, then you won't get anything done. I think it's quite interesting. It's a good example. Within that very short time span, we went from a project where we were really struggling to a global rollout inside a quarter really.

Frank: You recently referred to, I'm not sure if I read this or you mentioned this to me when we last spoke, but you talked about "the art of the possible" which caught my attention. How does this mindset impact your approach to BPO and to innovation from the perspective of your clients?

Christopher: There's a UK television program called the Dragon's Den. I think it's Shark Tank in the US. We did an internal competition using the same concept to encourage our teams to come forward with what's possible. We also hold an annual internal delivery program that rewards best practices across the organization while enabling the sharing of these with other engagements. This year's event focused on technology and who had developed the best applications, whether it's a micro app for just helping clients do robotics or monitoring and mitigating risk; all of which is going into our applications store.

All of those things are removing the shackles. You're not bound by anything. I say to our teams, "We're going to move, spread the footprint broader and deeper." Whether technology, sector, value, volume - all of those different components come together and the possibilities are unlimited. We can then go into related topics like order management or data management or down into the whole technology stack and look at cloud solutions and bring that back to a client.

For example, we just signed this deal with NetSuite which you've seen. Our clients have asked "how do we get our start-up to market quicker?" I said, "We'll tell you what.

We'll invest in the ERP. We'll use NetSuite. It's ready now."

Frank: Final question: what is your advice to the CFO out there or a CXO that is seeking more innovation from their organization and ultimately from their provider partners out there? If you had one bit of advice to that executive who is maybe a bit frustrated trying to get to a more innovative place?

Christopher: You have to go and find someone that you trust or someone that you like or someone that you respect, because innovation is ultimately around trust. We're human beings, so I think trust comes generally when you like and respect someone. I don't think you can build trust into a contract...but quite often, a contract can build mistrust, can't it?

Frank: You could argue that trust is either developed or earned, or all the above, right? You can't contract it or manufacture it.

Christopher: Exactly, but I don't think you can contract trust. You have to look someone in the eye, "This is what I'm looking for. How can you help me?" Ultimately, it all comes back to the relationship.

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