



Outsource Portfolio

Methods and Tools for Achieving Quality in BPO and ITO



There is some irony in the fact that India has long been at the forefront of the quality movement in business process outsourcing (BPO) and outsourcing in general. After all and at least on the surface, India appears to be one of the most chaotic and volatile societies on earth and Indians themselves are known for being confrontational, energetic and willing to break rules – nearly all the time.

However and at the same time, Indians have a deep respect for tradition, family and the value of education and self improvement while they also tend to not be egoistic when working as part of a team. Moreover, Indian managers recognized at a very early stage the value in creating process based organizations and investing time and money into quality standards and certifications. Thus, it is India and the standards and certifications sought by India based operations that have become the established benchmark for quality in both BPO and outsourcing.

1. The Drive for Quality in BPO and Outsourcing

This drive for and focus on quality in India was first triggered by the need to have ISO certification in order to export to Europe. However, the real momentum began when Motorola's software center in Bangalore became the second site in the world (the first being NASA) to achieve Capability Maturity Model (CMM) Level 5 status in 1994. This opened the floodgates in the drive for quality in the software industry and within a decade, there were 80 software centers around the world with such a certification and 60 of these were located in India.

Meanwhile in BPO, GE became the hallmark of quality and quality standards by pioneering the back office concept in the 1990s. The spectacular success of their operations in India, which soon had over US\$300 million in annual cost savings, would attract the attention of MNCs around the world. Furthermore, GE's India operations helped to further drive the obsession with quality and continuous improvement in the country as Indians woke up to the full potential that BPO had to offer.

Today, the highly competitive nature of the industry and the emergence of new players in new offshore, nearshore and even homeshore locations has further focused the attention of Indian BPO and outsourcing vendors away from just lowering costs towards achieving the highest possible quality in service while the increasingly sophisticated clients of today are looking for a solution that combines cost, quality of service and a long-term relationship. Moreover, BPO and outsourcing vendors must increasingly guard the reputations that have taken years to build up and can easily be destroyed overnight by providing poor service.



2. Globally Recognized Quality Methods or Tools

Hence and while many BPO and outsourcing organizations have developed their own management philosophies, methods and quality tools, there are certain globally recognized quality standards, certifications or philosophies that Indian outsourcers and BPOs have not only strived to achieve but have also been at the forefront of achieving. These include ISO 9000, Total Quality Management (TQM), Six Sigma, the Capability Maturity Model Integration (CMMI), the eSourcing Capability Model for Service Providers (eSCM) and the People Capability Maturity Model (People-CMM).

2.1. ISO 9000

Developed back in 1987, the ISO 9000 family of standards maintained by the [International Organization for Standardization](#) remains the most basic quality standard sought by new BPO and outsourcing players and among the most common standards adopted by Indian industry players. In fact, their consistency in terminology and content through the years has resulted in ISO reaching a stage in maturity where they are considered to be almost generic quality standards. Moreover and although originally developed for the manufacturing sector, ISO standards are applicable across industries and sectors. Hence, they have already been adopted by most BPO and outsourcing players.

ISO standards deal mainly with the management systems that are used to design, produce, deliver and support products and services and include the following eight basic principles:

1. Customer focus
2. Leadership
3. Involvement of people
4. Process approach
5. System approach to management
6. Continual improvement
7. Factual approach to decision making
8. Mutually beneficial supplier relationships

These eight principles are then incorporated into the basic ISO requirements that include:

- A standard set of procedures and policies covering all key processes.
- Monitoring processes to ensure that procedures are effective and followed.
- Adequate record keeping.
- Checking for defects and taking appropriate to correct any.
- Regular review of processes and the system itself to ensure continual effectiveness.
- Continual process improvement.

In addition, the latest ISO revisions (ISO 9001:2008) that were released in November 2008 have adopted a more process approach where emphasis is placed on measuring

process performance, process effectiveness and process improvement through objective measurement.

2.2. Total Quality Management (TQM)

Like ISO, Total Quality Management or TQM is applicable across industries and sectors. However, while ISO is a quality management standard, TQM is an organization-wide management philosophy that encompasses planning, directing and assuring quality at all levels and works particularly well when tasks are routine and repeated over and over. Although its exact origins are unclear, much of the philosophy behind TQM is attributed to the work of William Edwards Deming and others in Japan following World War II. In fact, TQM in Japan incorporates the Kaizen philosophy of "continuous process improvement" as one of its four process steps.

Today, as ISO has matured and there is little in the way of competitive advantage gained from it, TQM has become the next stage in the quest for quality – usually three years after the implementation of ISO in an organization. In fact, implementing ISO will put 80% of the necessary steps for TQM in place and hence, TQM could almost be considered as an add-on to ISO. Hence, Indian BPO and outsourcing organizations in particular have increasingly adopted TQM as a standard management philosophy.

2.3. Six Sigma

In the same manner that ISO as a quality standard and TQM as a management philosophy have become standards in Indian BPO and outsourcing organizations, Six Sigma has increasingly become a standard tool to fine tune, perfect and improve outsourced business processes. First formulated at Motorola in the mid 1980s, Six Sigma incorporates TQM along with the work of other quality pioneers such as Deming. It uses a simplified performance improvement model known as the DMAIC (define, measure, analyze, improve, control) that contains five parts:

Define the objectives of the improvement activity.

Measure the current system in order to collect relevant data.

Analyze the system in order to determine how to eliminate the gap between current performance and the desired goals.

Improve or optimize the system through data analysis techniques.

Control the system that was put in place.

The Six Sigma model is designed to force systematic change and to identify and resolve problems that are preventing an organization from achieving its goals. Moreover, in BPO and especially in contact centers, the Six Sigma model is considered to be a tool that helps to devote more attention to the Voice of the Customer (VOC) as automated feedback systems are put in place while it can also help in assigning the right person for the right job.

2.4. Capability Maturity Model Integration (CMMI)

Like Six Sigma, the Capability Maturity Model Integration (CMMI) is another process improvement approach that is specifically intended for the software engineering organizations. CMMI was released in 2002 as the successor to the Capability Maturity Model (CMM) that was developed by Carnegie Mellon University's Software Engineering Institute (SEI) from 1987 into the late 1990s and widely implemented by the Indian software industry.

CMMI is different from traditional quality management programs as organizations are appraised rather than certified. Depending on the type of appraisal, an organization can be awarded one of five maturity levels:

Maturity Level 1– Initial: Unpredictable processes that are reactive and poorly controlled.

Maturity Level 2 – Managed: Processes are often reactive.

Maturity Level 3 – Defined: Processes are proactive and are tailored for projects from an organizational standard.

Maturity Level 4 – Quantitatively Management: Processes are measured and controlled.

Maturity Level 5 – Optimizing: Process improvement focus.

However, CMMI is focused on what processes should be implemented and not so much with how these processes can be implemented.

2.5. eSourcing Capability Model for Service Providers (eSCM)

Similar to CMMI, the eSourcing Capability Model (eSCM) was developed by Carnegie Mellon University's [IT Services Qualification Center \(ITSqc\)](#) specifically for IT organizations but is it focused on improving relationships between them and their customers. Currently, eSCM consists of two capability models, the eSourcing Capability Model for Service Providers (eSCM-SP) which was released in 2004 and the eSourcing Capability Model for Client Organizations (eSCM-CL) which was released in 2006. In addition, a third capability model dealing with eSecurity is currently under development.

For IT service organizations, the eSCM-SP capability model contains six basic capability areas:

- Relationship Management
- People Management
- Knowledge Management
- Technology Management
- Performance Management
- Threat Management

For each of these capability areas, there is a list of activities and guidelines for establishing a policy, procedure, program or action plan.

2.6. People Capability Maturity Model (People-CMM)

Although previously mentioned quality standards or philosophies may touch on human capital issues, the [People Capability Maturity Model \(People-CMM\)](#) focuses exclusively on continuous improvement of the management and development of an organization's human capital. It was first released by the [Software Engineering Institute \(SEI\)](#) at Carnegie Mellon University in 1995 and eventually published in book format in 2001.

People-CMM seeks to help organizations determine the maturity of their human resources (HR) practices, set priorities for improving workforce competencies, integrate the growth in competence with process improvement and to establish a culture of excellence among the workforce. It has five maturity levels:

- Initial – Workforce practices applied without analysis of impact.
- Managed – Managers take responsibility for managing and developing their people.
- Defined – Develop workforce competencies and workgroups and align with the overall business strategy.
- Predictable – Empower and integrate workforce competencies manage quantitatively.
- Optimizing – Continuous improvement.

Although People-CMM is a relatively new model, organizations that have implemented it have experienced improvements in their human capital management capabilities, lower attrition and turnover and improved employee satisfaction – just what is needed by many BPO and outsourcing organizations in India. However, People-CMM does not function as a guide on implementing a quality improvement program in and of itself but rather it is meant to be a roadmap for organizational growth that is combined with other quality improvement programs.

3. Criticism of Quality Models or Tools

With so many different types of quality standards, certifications and philosophies to choose from, all have attracted their share of criticisms. Much of the criticism has been directed towards Six Sigma for its “lack of originality” while others have criticized the cottage industry of consulting firms that have sprung up to offer training and certification and often what amounts to short-cuts or quick fixes. Moreover, while TQM relies on employee involvement, Six Sigma relies on training experts who work to solve the organization's problems and train others.

However, what is probably the most serious criticism of Six Sigma along with many of the other models or tools that have sprung up is that these tools can stifle creativity and innovation by being misapplied in areas where people are supposed to be innovative. More importantly, once a firm's competitors have adopted the same practices, there is no

longer a competitive advantage and hence, a company will still need to seek advantages in other areas. In addition, it is unlikely that small companies with few resources will gain many benefits from tools such as CMMI as their primary competitive advantage will tend to rely on their ability to innovate and be nimble.

At the end of the day though, BPOs and outsourcing organizations still need to tailor their capabilities for each of their clients and no quality model or tool can effectively do this. Furthermore, no quality model or tool can replace deep industry and market knowledge and once such a level is reached, process costs are generally low and of high quality.

4. Conclusion

Nevertheless, the adoption of global quality standards, certifications and philosophies has clearly enabled Indian BPOs and outsourcers to become global leaders and establish the global benchmark for quality in outsourcing. Moving forward, maintaining a leadership position in the industry will depend upon how well a provider can balance the sometimes competing demands of cost and quality along with maintaining a long-term relationship and having the ability to provide innovative solutions to clients.

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