

HP's approach to quality management under business process outsourcing

Driving operational excellence beyond service-level requirements



Overview

- Increase operational efficiency of outsourced processes through quality
- Improve compliance with internal policies and external requirements
- Enhance productivity and establish ongoing process improvements

Quality as a value driver for outsourcing

With increasing complexity in the type of business processes being outsourced to third-party providers, the demand for quality as a practice is steadily expanding—directly impacting your employees, customers, vendors, and business partners.

While business process outsourcing (BPO) leverages a service provider's people, process, and technology expertise to streamline your non-critical business operations around finance and accounting (F&A), how can you be sure of getting the level of quality you demand?

Traditionally, quality in the BPO context has been restricted to defining, measuring, and reporting the status of service-level agreement (SLA) metrics. However, sophisticated clients are increasingly demanding value beyond service-level compliance, requiring proactive identification of process improvement opportunities and compliance mechanisms.

If you have outsourced or are planning to outsource some of your business operations, you too may be concerned about some of the key challenges relating to quality:

- **Maintaining quality initiatives:** How do you make sure quality initiatives continue to drive improvements even after outsourcing?
- **Improving performance standards:** How can you use quality to drive performance improvements without significant incremental costs?
- **Driving adherence to quality:** How can you use outsourcing as an opportunity to drive adherence to standard policies and processes across global operations?

Industry recognition

"Six Sigma Quality Improvement Project of the Year" from the Indian Statistical Institute and Quality Council of India (December 2005)

The initiative helped reduce headcount and led to cost savings associated with customer contract data migration across platforms. This was managed by applying manufacturing concepts like Lean, Six Sigma, and Work Cell in a services context.

Robust, innovative quality management systems and methodologies hold the key to meeting these challenges. But do you have the time and resources needed to implement and manage these systems? With HP's unique approach to quality management, we put to work for you our experience and long tradition of quality practices within our own business.

Typical benefits from effective deployment of quality systems include:

- **Reduction in defects**—Experience fewer processing errors and re-work, leading to more reliable data, by identifying quality issues earlier and before they escalate to clients or business partners.
- **Improved productivity**—Streamline workflows for improved productivity through quality initiatives and tools.
- **Reduced costs**—Reduce operating costs with process improvements, increased capacity utilization, and better production planning.
- **Improved compliance**—Equip your F&A processes with better preparedness and adherence to various regulatory requirements.
- **End-to-end process improvement**—Streamline operations through a comprehensive assessment of upstream and downstream processes.

Core elements of quality management

With over 15 years of experience in the field of BPO, HP has adopted a powerful combination of quality methodologies that help you achieve the level of quality you demand in all your business processes.

Our approach to quality management is based on key concepts such as *ISO 9001:2000* (adopting standard definitions for business processes to achieve uniformity), *Six Sigma* (disciplined, data-driven methodology to eliminate defects by identifying root causes), and *Kaizen* (participative approach to small, continuous improvements that have a major impact on costs, accuracy, and speed).

ISO standards help stabilize processes in the initial phase, after which Six Sigma and the Kaizen approach help in taking the process to the next level by driving periodic improvements.

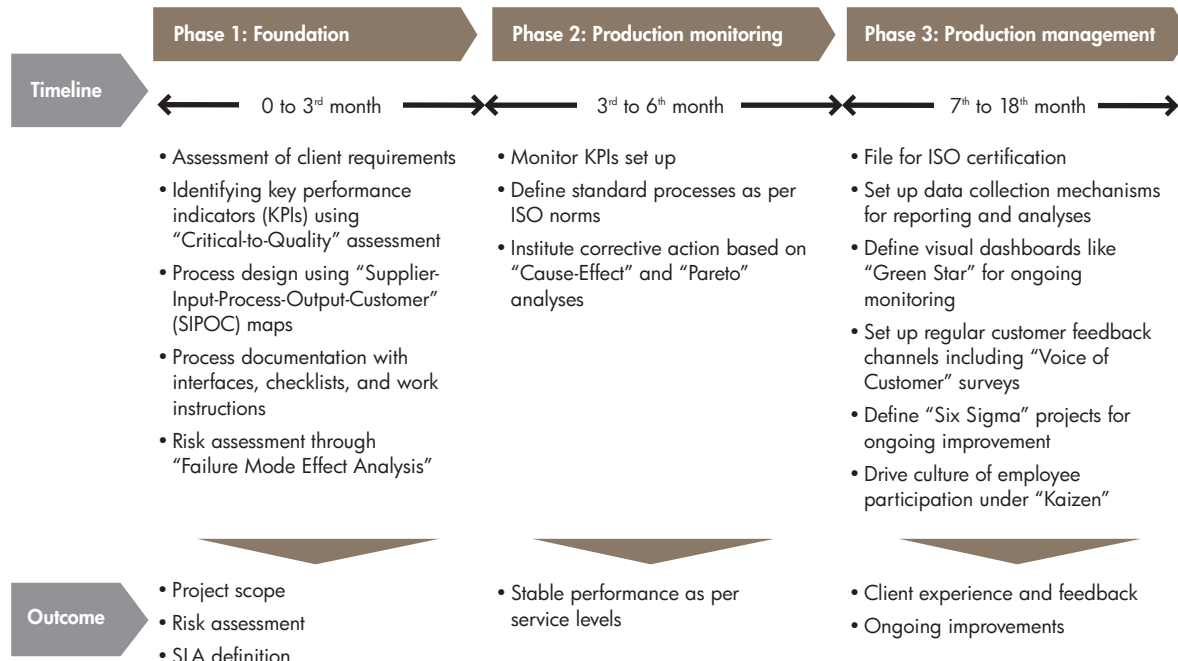
Case study: a global foods company

Business context: The client observed that a delay in payments led to a loss of vendor discounts and incurred penalties for key expenditures such as rentals and utilities. Outsourcing the accounts payable activity to HP represented an opportunity to bring about discipline in the process related to vendor information consistency, improved matching between invoices and goods receipts, and reduced delays in payables processing.

Solution overview: Using the Six Sigma cycle of Define-Measure-Analyze-Improve-Control (DMAIC), HP's team worked with the client business managers and finance teams to:

- Educate the business on use of existing discrepancy management workflow
- Set up a process to communicate any changes in the client's internal financial systems to HP's BPO team
- Define a phased escalation process for discrepancy resolution

Client benefits: On-time payments led to an annualized benefit of more than U.S. \$750,000. The client business also managed to address late-payment penalties and experienced reduced escalations from vendors.



Quality at every stage in the process lifecycle

In our approach to quality management, the lifecycle of any process is broken down into three phases. Quality plays a critical role throughout the entire lifecycle, from the initial stage of defining service metrics to the final stage of performance management.

Stage 1: Foundation

Objective—Understand your requirements from a performance standpoint and set SLA metrics

Benefit—The success of any process is largely dependent on the diligence and accuracy achieved in the initial phase of the project. Your needs are thoroughly captured to avoid any kind of re-work.

Stage 2: Production monitoring

Objective—Stabilize performance and achieve planned service levels

Benefit—All activities here are aimed at increasing the performance predictability of processes. This avoids fluctuations in performance metrics and increases control.

Stage 3: Production management

Objective—Drive ongoing improvements to go beyond service levels, using quality frameworks and tools

Benefit—Process improvement projects impact your business's overall performance by:

- Saving time and human resources, thereby driving down costs
- Reducing customer complaints and improving overall satisfaction
- Eliminating re-work and waste, allowing for more time spent on value-add activities and real innovation

Delivering operational excellence with proven quality methodologies

Across its ten global delivery centers, HP has over 70 dedicated quality professionals and more than 4,000 Six Sigma trained (Green belt, Black belt) processing staff with experience in finance support across industries. The teams can be scaled rapidly, depending on the process lifecycle and requirements of specific quality projects. These professionals conduct regular knowledge-sharing sessions to drive best practices and training across the delivery centers.

We have systems in place to drive compliance with key quality requirements in a BPO setup:

- **ISO 27001**—Information Security Management
- **ISO 9001:2000**—Quality Management Systems
- **SOX**—Sarbanes-Oxley
- **SAS 70**—Auditing

We have adopted processes for ongoing improvement based on Six Sigma methodologies and promote a culture of employee participation through Kaizen concepts.

Benefits for your business

When you outsource to HP, we make sure that every process meets its primary need of standardization, stabilization, and continuous improvement. By breaking down the lifecycle of any process into phases, we drive quality in managed increments, facilitating predictable performance.

Our approach to quality management is designed with flexibility in mind. We create quality solutions for clients, like you, on the basis of your specific F&A processes and specific business requirements. We work closely with your teams to evaluate individual quality needs that fit with your overall corporate quality strategy.

To learn more

To learn more about how HP can help you achieve outsourcing success with improved quality systems, please contact us at BPO_Info@hp.com or visit www.hp.com/go/bpo

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