



PERFORMANCE CONSULTING

POINT OF VIEW

Don't outsource your upside.

Maximising value capture from shared services and BPO

THE PROBLEM

The BPO provider reported 103% productivity.
Measured properly, it was 37%.

REPORTED BY THE BPO¹ PROVIDER

103%

Inflated standards, credit for being busy, paid time not counted

MEASURED PROPERLY

37%

Every paid hour counted, every loss exposed

100%

Same people, same work

The difference came from how productivity was measured. The underlying data was the same.

The upside was invisible

At 100% there's no opportunity and no scrutiny. At 37% there's clear opportunity and it's likely there's significant latent capacity.

Outsource on these numbers...

...and the provider captures the improvement, not you.

In this case, where the work was already outsourced, BPO productivity rose by >50% within weeks, exposing >20% excess capacity the client had been paying for over an extended period (see case study on page 16).

¹BPO = Business Process Outsourcing

Most organisations overstate their maturity before they outsource, and pay their provider for inefficiency they could have removed themselves

The issue

Productivity reporting usually flatters the operation. Processes look more mature than they are, and the opportunity to extract quick wins stays hidden.

Why it matters

Outsource those processes as they are and the provider captures the hidden upside, typically around 10-20% of total labour cost, but often more. You also miss chances to improve service, and lose the insight you need to manage the contract and any gain share.

What this paper answers

- Why does reporting overstate how mature your processes are?
- How do you decide, process by process, whether to fix then shift or shift then fix?
- What are the hidden quick wins you can surface and bank before the work moves?
- How does better measurement help you set up and manage the contract?

Benefit estimate based on our experience of productivity programs.

AT A GLANCE

10-20%+

of labour cost typically at stake

CASE STUDY

>20%

labour cost cut within ~10 weeks in a BPO productivity program

What's in this paper

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BUT BEWARE

Lift and shift, or fix first? Either way, there's a trap: you're probably starting further back than you think.

READ ON FOR THE FOUR STRATEGIES, WHERE VALUE LEAKS, AND TWO CASE STUDIES.

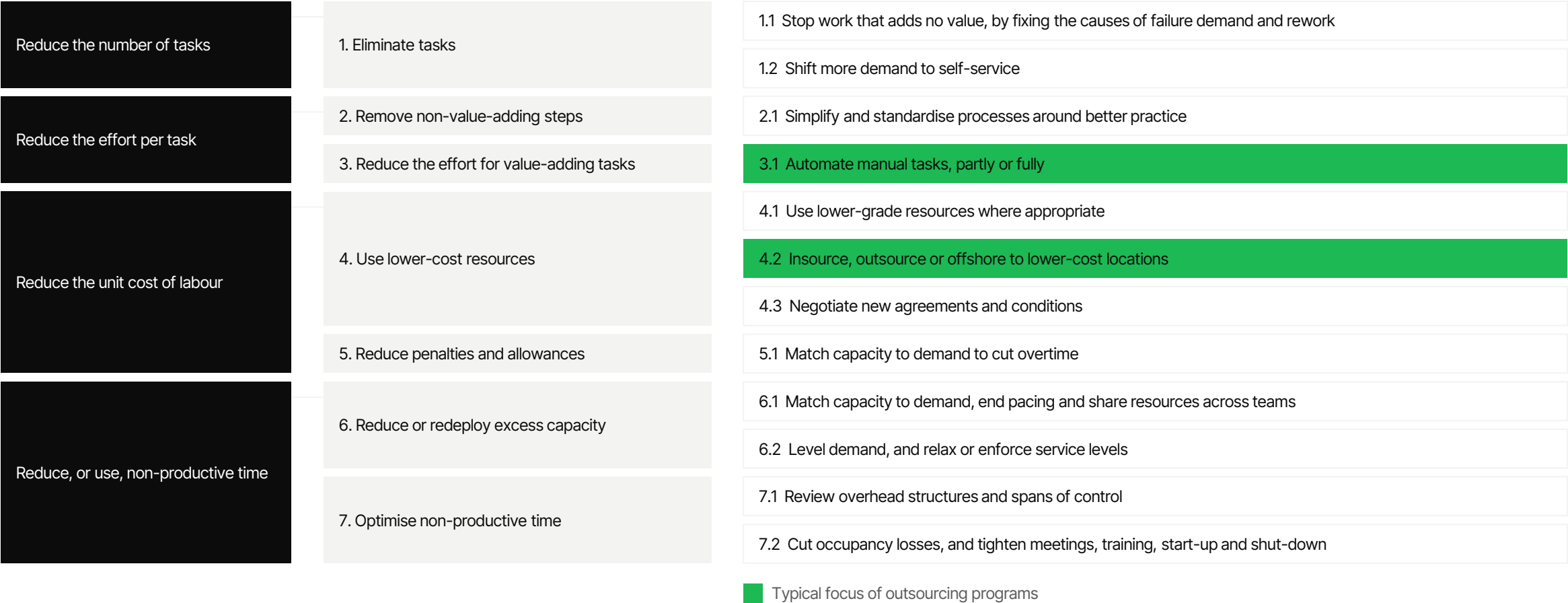
/01

Where productivity comes from.

There are seven levers for labour productivity. Most outsourcing programs pull only two of them.

Organisations can pull several productivity levers at once, but outsourcing programs usually focus on two

Cinc Productivity Driver Tree:

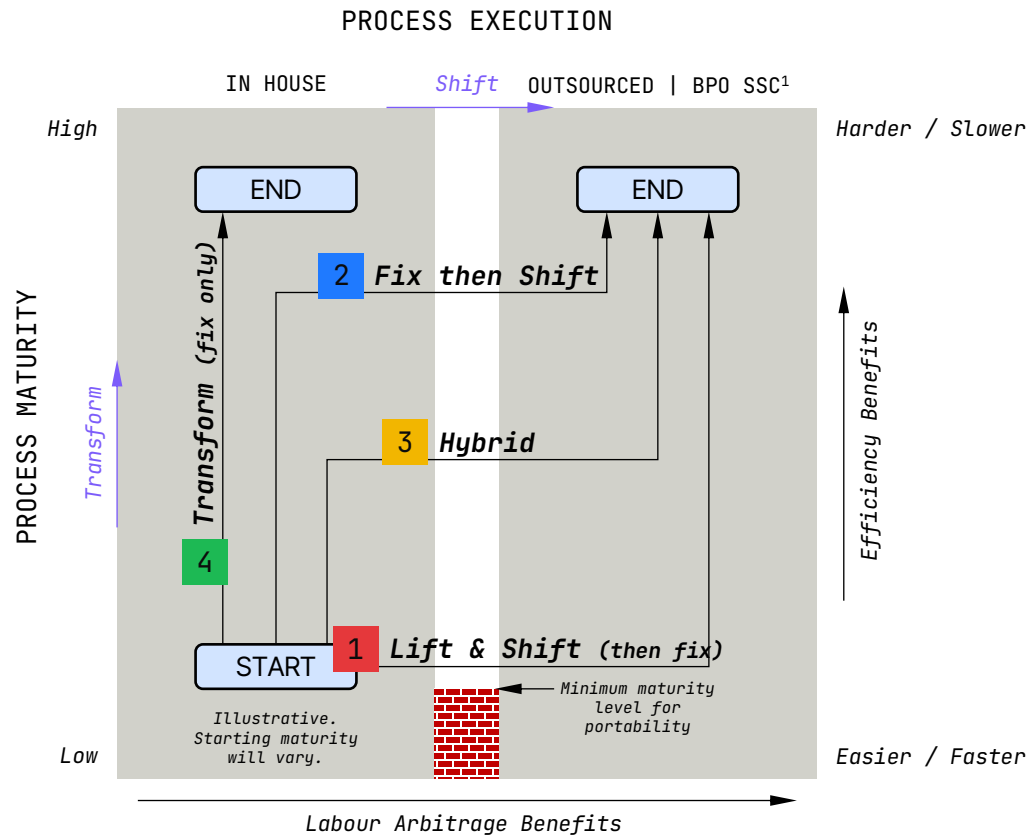


/02

Four ways to outsource.

Each strategy trades the speed of arbitrage savings against the efficiency gains you keep.

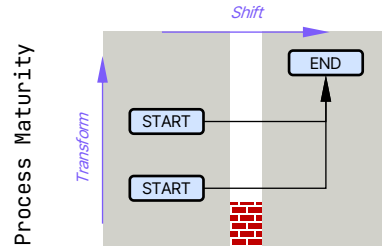
There are four basic strategies to drive rapid and sustainable cost optimisation through a balance of transformation and outsourcing



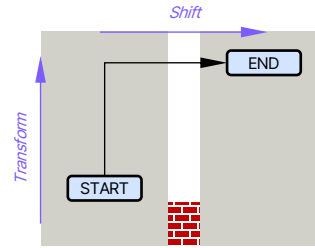
Strategy	Overview
1 Lift & Shift (then fix / transform)	- Processes are transferred to the BPO SSC (optimised location) "as-is" - Processes are automated, optimised and continuously improved in the BPO SSC over time
2 Fix (Transform) then Shift	- Processes are redesigned, optimised and automated prior to centralisation - Optimised and improved processes are transitioned into the BPO SSC
3 Hybrid	- Priority process areas are redesigned and reengineered in preparation for transition, with a focus on high value 'quick wins' to maximise value capture without significantly delaying the timeline to arbitrage benefits - Commoditised and mature processes are transitioned in the immediate term - BPO commercial agreements drive further cost optimisation for early transitioned process areas
4 Transform (fix only)	- Focus on transforming the process onshore only - Embed Continuous Improvement onshore - Typically adopted for business-critical processes where it is essential to maintain control and maximise agility

¹BPO SSC = Business Process Outsourcing Shared Services Centre

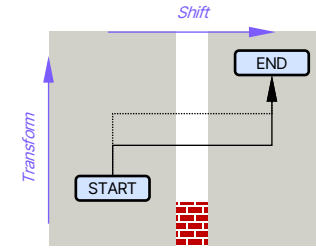
Each strategy trades cost, effort, risk and pace differently



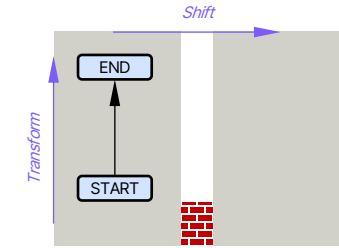
1 Lift & Shift (then fix / transform)



2 Fix (Transform) then Shift



3 Hybrid



4 Transform (fix only)

Pros	- Drives immediate labour arbitrage benefits - Requires less time investment (from you) - Shifts the transformation target over to the vendor - Removes the need for you to transform your processes (responsibility shifts to the vendor) - Utilises the BPO provider's ability to automate and improve the process	- Improves quality and efficiency before transfer - Provides you with control of process changes - Avoids paying for services which are not required / eliminated through optimisation - Enhances BAU transparency of BPO performance and coordination of handoffs	- Delivers compounding process quality and cost benefits - Avoids paying for services which are not required / eliminated through optimisation - Drives immediate labour arbitrage in priority areas	- Greater control and oversight to transform the process - Process knowledge and control is retained within your organisation - Delivers process optimisation and continuous improvement - Greater agility (ability to respond to change)
Cons	- Existing inefficient processes continue in the offshore locations - Process redesign becomes harder to control once transitioned - Requires commercial due diligence to embed continuous improvement and automation - Requires innovation support from you to advise the vendor - Benefits are shared with the vendor	- Requires greater time and financial investment upfront to improve the process prior to transition - Delays labour arbitrage benefit achieved through 'lift & shift' - Requires greater stakeholder engagement / management	- Additional time required compared to 'lift & shift' (prioritisation required) - Introduces another dependency to be achieved prior to 'go-live' date of BPO process - Not all activities can be optimised prior to transition	- Requires in-house capability and maturity to drive optimisation - Labour arbitrage not achieved - Not suitable for all processes, e.g. sub-optimal to have low value, non-time-sensitive transactional activity remaining in high-cost locations

/03

Where value leaks.

Most organisations are less mature than their reporting suggests. Whatever stays hidden when the work moves, the provider keeps.

Three common measurement practices make operations look more productive than they are

HOW A TYPICAL 'TALLY' SYSTEM CALCULATES PRODUCTIVITY

$$\text{Productivity} = \frac{\sum \text{Core tasks completed} \times \text{Standard time}}{\text{Time worked} - \text{Diverted time}}$$

Each completed task earns credit at its standard time, then the total is divided by the hours the system counts. Each part of the formula can flatter the result.

1 Inflated standards

Standard times are set generously and rarely recalibrated, so people routinely score above 100%, which should be impossible.

2 Credit for being busy

Every completed task earns credit, including rework, chasing and admin that add nothing for the customer. Handling failure demand shows up as productive time.

3 Paid time at work not counted

Meetings, training, breaks and other diverted time come out of the denominator, so time spent away from the work never shows up as loss.

CLIENT EXAMPLE

Remove the distortions and the picture changes completely

Read the full analysis in [Seeing Operational Reality](#)

129% → 45%

a high performer's productivity: as reported, and measured properly

56%+

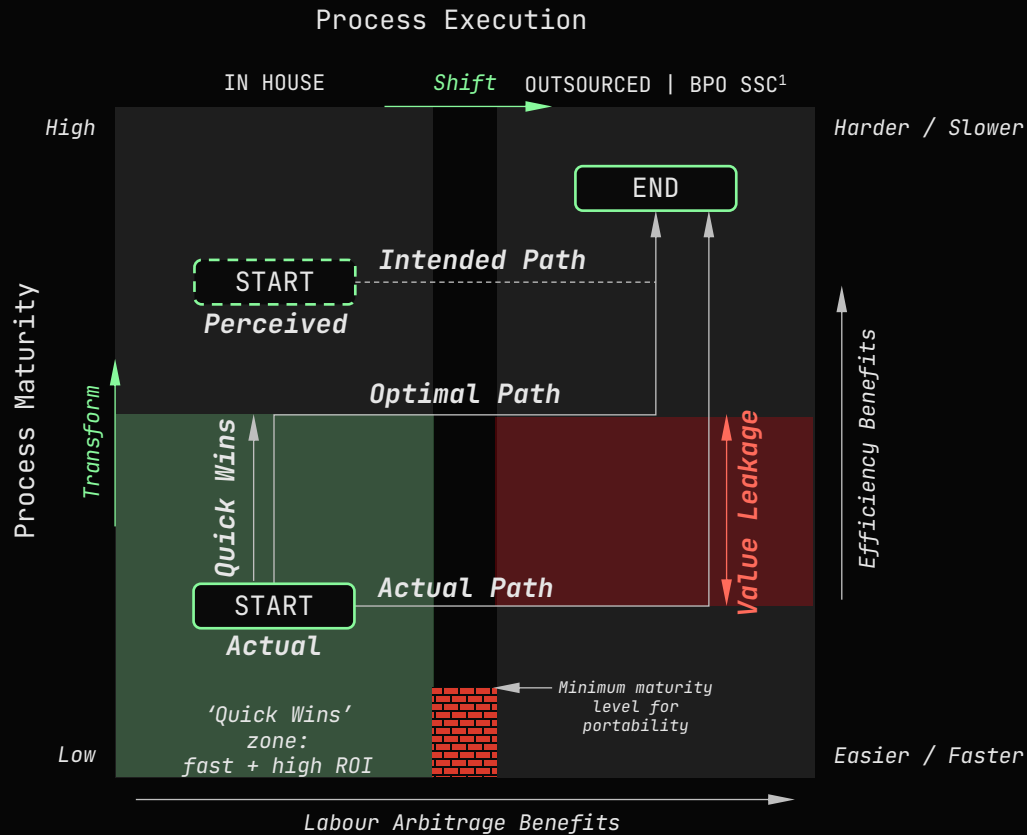
average cut to standard times needed to remove the inflation

1.8–2.9x

productivity inflation across individual team members

Sanitised data from a real client operation, as published in [Seeing Operational Reality](#).

Most organisations **overstate their maturity**, so quick wins are missed and the upside goes to the provider



The real starting point is lower

Reporting in most organisations overstates performance. The actual starting point is often materially less mature than perceived, which hides the opportunity for rapid improvement.

Quick wins are fast and high-return

These improvements deliver significant returns in short timeframes, so capturing them shouldn't materially delay the arbitrage benefits.

Miss them and the provider keeps them

If the quick wins aren't identified and at least quantified before outsourcing, the bulk of the benefits flow to the BPO provider.

¹BPO SSC = Business Process Outsourcing Shared Services Centre

Seven quick wins are usually available, and most can be delivered in weeks

01

Measure honestly

Expose all loss rather than building it into standards. This is the root cause of the distorted view.

02

Tighten operational control

Strengthen the operating rhythm so issues are seen and acted on every day.

03

Spread better practice

Find the better ways some people already work, and make them the standard.

04

Automate simple, high-volume work

Use AI, RPA or APIs where the work is high volume and low complexity.

05

Improve flow

Cut queues and improve handoffs between process steps to improve service.

06

Remove unwanted demand

Fix the root causes of failure demand, and move simple requests to self-service.

07

Match capacity to demand

Right-size teams and share resources to cut idle time, overtime and poor service.

Miss them, and the benefit flows to the provider.

Honest measurement also protects the contract. Numbers with fat and distortion built in are open to manipulation, which undermines negotiation and monitoring. An undistorted baseline gives both sides numbers they can trust.

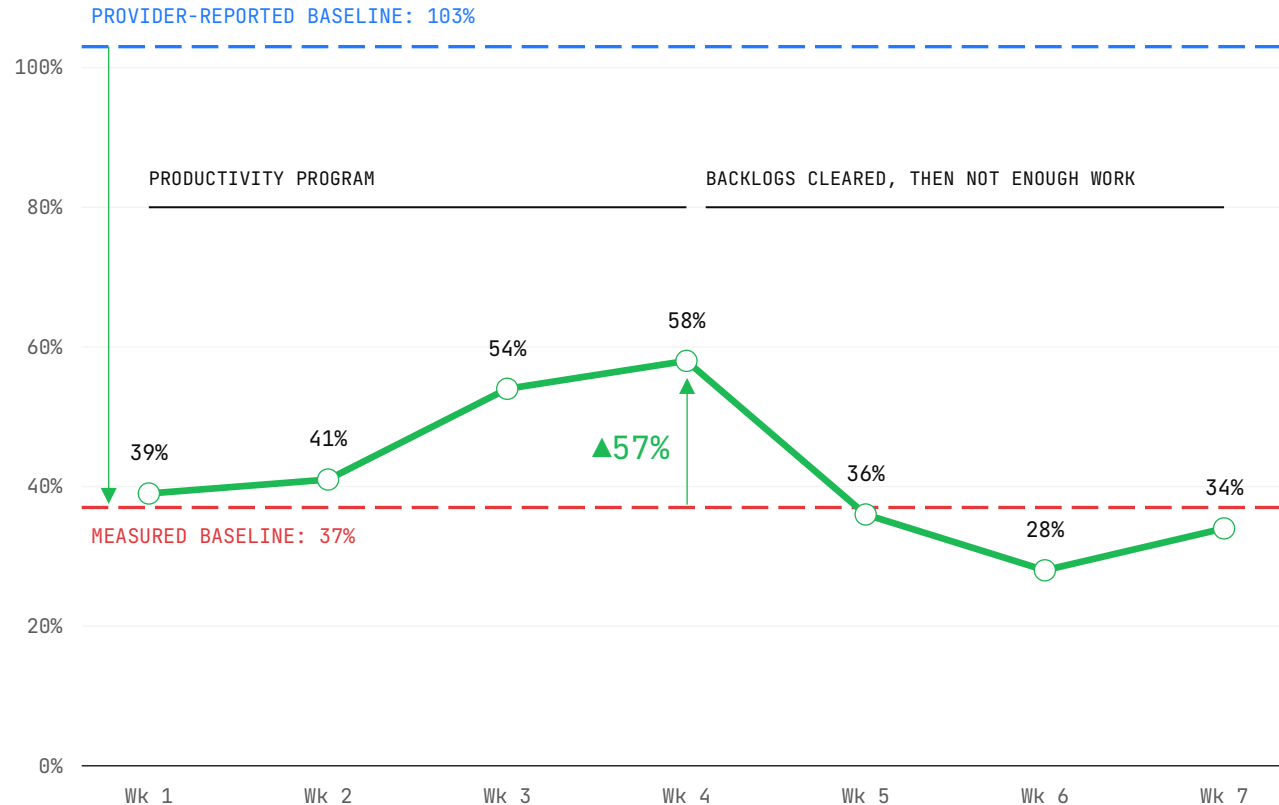
/04

Case studies.

Two programs, one in an operation already outsourced and one preparing work to be outsourced.

Changing how productivity was measured exposed capacity the client was paying its provider for

WEEKLY PRODUCTIVITY, CLIENT'S BPO PROVIDER



Context

The client measured productivity across in-house and outsourced teams. Its BPO provider reported over 100% productivity, so there appeared to be nothing left to gain.

What we did

A rapid diagnostic, a new measurement method that exposed all loss, a data capture tool and dashboards, leadership upskilling and a standard operating rhythm, deployed team by team.

What we found

The BPO's real productivity was 37%. With tighter management this increased by 57% (to 58%) within a few weeks. Higher output rapidly cleared the backlog and service improved substantially. However, productivity returned to baseline because they could only do the work that came in that day. That surfaced the significant surplus capacity the client had been paying for over a long period.

>50%

productivity uplift

>20%

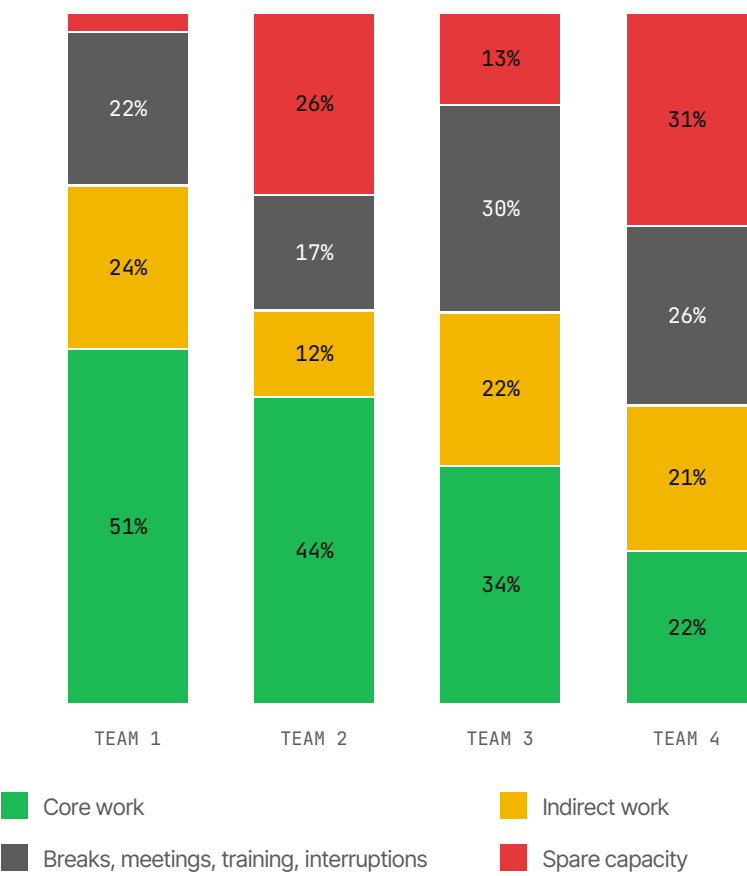
labour cost reduction within ~10 weeks
once surplus capacity was removed

Global financial services organisation. Program architected and led by Dr Peter Campbell while a Partner at a Big-4 consulting firm, before founding Cinc.

Cinc.

Right-sizing a finance team cut FTE by 44%, and separated the work that could be outsourced

CURRENT STATE: HOW EACH TEAM'S TIME WAS SPENT



44%

fewer FTE in the future structure

→ Four mixed teams became two: one for skilled work, and one for transactional work, consolidated and ready for the transactional work to be outsourced

HOW WE DID IT

- 01 Profiled demand and right-sized teams to peak, removing latent capacity
- 02 Reviewed roles to allocate work more efficiently
- 03 Split value-add from non-value-add time
- 04 Grouped like processes to match work to skill level
- 05 Built in improvements already under way
- 06 Reduced non-productive time, and reviewed spans and layers

Invoice-to-cash team, finance function of a global FMCG and agribusiness. Program architected and led by Dr Peter Campbell while a Partner at a Big-4 consulting firm, before founding Cinc.

We help you find the upside before you outsource, and secure your fair share after

Measure true maturity

A baseline in weeks, using CincPI¹.

- Process taxonomy and demand / task volumes
- Effort per task, productivity and losses
- Variation in handling times across individuals
- Service performance
- The impact of rework and pends on cost and service, and what drives them

Choose the path

Process by process.

- Where to fix, shift, or both
- Based on maturity and your cost-out goals
- A sequenced roadmap

Capture the quick wins

Before the work moves.

- Measurement and operating rhythm that expose and eliminate loss
- Better practices standardised at the intersection of variation and materiality
- Excess capacity identified, and tested via ringfencing
- Busy work, non-value-adding activity and failure demand removed

(see page 14 for more)

Manage the provider

With numbers both sides can trust.

- Evidence for contract negotiation
- Improvement targets based on a credible performance baseline
- Ongoing performance tracking
- A fair share of future gains

Planning a shared services or BPO program?

Talk to us about measuring your true starting point, banking the quick wins before the work moves, and setting the contract up for success:

enquiries@cincperformance.com

¹CincPI: Cinc Performance Insights, our platform for measuring operational performance.



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Thank you.



Dr Peter Campbell, Founder

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Peter founded Cinc. after more than eight years as a Partner at EY, where he led the Supply Chain practice for Oceania and was global lead for Intelligent Operations. He has designed and led operations transformation programs across Australia, the US and the UK.

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