Business Process Outsourcing (BPO), Case Siltanen oy

Kutvonen, Jennifer

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Laurea University of Applied Science
Laurea Leppävaara
Information Technology Programme

Abstract

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The purpose of this thesis is to contribute towards development of a management framework for offshore business process outsourcing (BPO). A workflow process will be designed to aid the successful implementation of part of the Project Management tasks to global data centers (GDC).

Although the paper focuses on one global company in a single industry sector (telecommunications), it does not limit the possible beneficiaries of this information since the model chosen may be comparable to other companies with similar operational needs regardless of the industry.

The paper contributes to literature on offshore BPO operations and the findings have practical implications for managers designing offshore BPO strategies for companies looking to outsource parts of their project management process. The paper utilises case studies, which means the observation of how the already established offshore centers have fared within the company across borders, to identify success factors in managing offshore BPO for the Finnish subsidiary.

The success of the project will be measured according to the willingness of the project managers (PMs) to use the workflow process as part of their normal routine and their willingness to use the GDC centres. This should then reflect on expected production cost savings due to the utilisation of GDC centres in carrying out the routine jobs, as PMs should then have more time to concentrate on core business improvements.

Keywords
Key words include, but not limited to: Globalization, Outsourcing, off shoring, Business processes, Business process re-engineering, design, Six Sigma, GDC, and DMAIC

Laurea University of Applied Science **Tiivistelmä**
Laurea Leppävaara
Information Technology Programme

Jennifer Kutvonen

Liiketoimintaprosessi Ulkoistaminen, Siltanen oy

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Tämän lopputyön tavoitteena on kehittää hallintotyötä ja johtamista ulkomailla tapahtuvissa ulkoistamisissa (business process outsourcing BPO). Suunnitelman tueksi on tehty prosessikavio helpottamaan projektitehtävien käyttöön ottamista globaaleissa ulkoistamiskeskuksissa (global data centres GDC).

Vaikka tämä lopputyö keskittyykin vain yhteen yritykseen tietyllä toimialalla (telekommunikaatio), siitä on hyötyä myös muilla toimialoilla ja yrityksissä. Samaa toimintamallia voidaan käyttää apuna ulkoistuksen mallinnuksessa.

Tämä lopputyö vahvistaa jo olemassa olevaa tietoa BPO operaatioista. Esille tulleet tiedot helpottavat yritysjohtoa suunnittelemaan ulkoistamisstrategioita yrityksissä, jotka suunnittelevat projektien hallinnan tai niiden osien ulkoistamista. Tämä lopputyö hyödyntää pitkäaikaisia tutkimustuloksia jo olemassa olevien Siltanen Oy:n ulkoistamiskeskusten toiminnasta ulkomailla sekä yksilöi menestykseen vaikuttaneita tekijöitä, joiden avulla on johdettu Suomen maatoimiston ulkoistamishankkeita (BPO).

Projektin onnistumista on mitattu projektipäälliköiden halukkuudella käyttää prosessikaaviota osana tavallista työskentelyä ja halua käyttää GDC keskuksia. Tämän pitäisi näkyä odotettuina säästöinä tuotannossa ja GDC keskusten hyödyntämisenä tavallisissa rutiinitöissä. Projektipäälliköillä pitäisi olla siten enemmän aikaa keskittyä ydinliiketoiminnan parantamiseen ja kehittämiseen.

Avainsanoja
Avainsanoja ovat muun muassa: globalisaatio, ulkoistaminen, ”off shore”, liiketoimintaprosessit, liiketoimintaprosessin uudellen suunnittelu, suunnittelu, SixSigma, GDC ja DMAIC.

Content

1 Purposes

The purpose of this thesis is to define a workflow process for Siltanen OY. The thesis will aim to provide possible suggestions to companies operating within the same industry.
It will also explore factors the organisation considered when it "Outsourced" part of its project management business processes to offshore destinations. It will focus on highlighting the issues that were considered and challenges faced during the offshore sourcing project.

The research should provide enough information to help create a functional workflow process. A model illustrating the outsourcing process will be put in place.

Topics to be covered

- What is Business Process Outsourcing (BPO?)
- Why BPO
- Successful approaches to BPO
- Risks
- Business Process Models
- BPO process implementation

Project stakeholders:

- The company
- Project Managers
- Project coordinators (On-shore and off-shore solution centres)
- Team Managers
- Technical solutions experts

2 Methodologies

For the process development the DMAIC approach which is an incremental process improvement using Six Sigma methodology will be used.
Why six Sigma:
It has been successfully used in other projects within Siltanen OY.
What is Six Sigma?
According to the iSixSigma magazine, May, 2009, Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects.
SixSigma is a methodology that provides businesses with the tools to improve the capability of their business processes. This increase in performance and decrease in process variation leads

to defect reduction and vast improvement in profits, employee morale and quality of product.
The SixSigma methodology comprises of 5 different levels. Define, Measure, Analyse, improve and control referred to as the each step in the cyclical DMAIC Process is required to ensure the best possible results.

We will define the customer's core business process, who is the customer, what they require and what are the expectations. We also need to define the project boundaries in order to concentrate on the core process requiring improvement.

The collected data will be Analysed map to determine root causes of defects and opportunities for improvement. We will identify the gaps between the current process workflow against the expected goals. The data will help us identify the sources of variation and define improvement priorities.

The workflow process will be re-designed using technology and discipline to support its development and deploy implementation.

The improvements will be controlled in order to keep the process on the new course. This will prevent the PMs and other stakeholders from reverting to old and unproductive habits.
The development team will be required to develop, document, implement and monitor the project.
The improvements will be institutionalized through the modification of systems and structures (staffing, training, incentives)

3 What is Business Process OUTSOURCING (BPO)

According to A. B. Patel and H. Aran in their book, Outsourcing Success, BPO may be defined as the contractual service of transferring one or more business processes to a third party provider, where the latter takes care of applications or processes.
When these processes are executed by vendors in a different country, it is known as offshore outsourcing or “off-shoring”.

Although outsourcing was originally associated with manufacturing firms, i.e. the outsourcing of part of a production segment, nowadays BPO is also about outsourcing services e.g. human resource services, IT service, otherwise known as back office outsourcing and other services such as customer services like call centers, also known as front office outsourcing.

The geographical definition of process outsourcing may either be offshore or nearshore. Offshore refers to the outsourcing of processes to vendors or locations outside of the main company’s’ locations e.g. in different continents, whereas nearshoring refers to the outsourcing into neighbouring countries.
A case in point would be the out sourcing of call centers by major companies to far of destinations.

Simply put, BPO is the delegation of one or more business processes to an external provider who in turn provides services for the selected process based on certain defined and measurable performance criteria specified by the outsourcing organization. This generally involves an organization's non-core processes.

According to the Sparx Systems UML Tutorials on Enterprise architect, (The Business Process Model, Sparx Systems 2004), a successful business process has:

- Goal (s)
- Specific inputs
- Specific outputs
- Uses resources
- Has a number of activities that are performed in some order
- May affect more than one organizational unit. Horizontal organizational impact
- Creates value of some kind for the customer. The customer may be internal or external.

The above points are further explained below.

Goal

A business process has some well defined goal. This is the reason the organization does this work, and should be defined in terms of the benefits this process has for the organization as a whole and in satisfying the business needs.
A goal is the business justification for performing the activity.

Information

Business processes use information to tailor or complete their activities. Information, unlike resources, is not consumed in the process - rather it is used as part of the transformation process.
In formation may come from external sources, from customers, from internal organizational units and may even be the product of other processes.
For example, order templates may be used over and over to provide new orders of a certain style but the templates are not altered or exhausted as part of this activity.

Output

A business process will typically produce one or more outputs of value to the business, either for internal use of to satisfy external requirements. An output may be a physical object (such as a report or invoice), a transformation of raw resources into a new arrangement (a daily schedule or roster) or an overall business result such as completing a customer order.
An output of one business process may feed into another process, either as a requested item or a trigger to initiate new activities.

Resource

A resource is an input to a business process, and, unlike information, is typically consumed during the processing. For example, as each daily train service is run and actuals recorded, the service resource is 'used up' as far as the process of recording actual train times is concerned. In other words the resources are a supply link to activity Business Process. As an example, as customer orders are processed they are completed and signed off, and typically are used only once per unique resource (The Business Process Model, Sparx Systems 2004).

4 Why BPO?

BPO may be perceived in various ways, depending on what the company outsourcing is hoping to achieve.
Some companies outsource in order to gain flexibility, meaning they need to be able to offload various tasks to different locations to balance the workload between the employees. Some may outsource in the hope of saving production costs. This mainly applies to industrial companies. An automotive company aiming at production costs reduction may for instance outsource the manufacturing of certain production process to low costs regions.
Other issues influencing outsourcing may be the need to free internal resources to enable them concentrate on core operations, improve company capabilities and also give them time to work on core process improvements.

Siltanen OYs' primary goal is to free company resources to focus on core business operations. As they already have an established offshore solution hub, the secondary goal is cost reduction in relation to productivity.

4.1 Cost reductions

Cost savings are realized due to economies of scale of continuous improvements in processes and low wage rates in developing countries. Labour forms an important part of the cost structure as these processes are predominantly labour intensive.
The prevalence of fixed costs for owning the processes depends on the outsourcer.
Siltanen OY owns the outsourcer and therefore is also responsible for the fixed costs.

Free company resources to focus on core operations
An important aspect of business process outsourcing is its ability to free corporate employees from some of their day-to-day process management responsibilities. Traditionally, management personnel spend 80 percent of their time managing details, and only 20 percent on strategy. Once a process is successfully outsourced, the ratio can be reversed allowing the management team members to get more control over their most valuable resource: time to explore new revenue streams, time to accelerate other projects, and time to focus on their customers.

4.2 Improve processes

Companies that outsource business processes are often able to re-engineer those processes and capture new efficiencies.
In the project process, the company is aiming at improving the current model of offshore in sourcing to support their goals better.

4.3 Increase company capabilities

In addition to doing things more efficiently, a company may expand their ability to deliver new products and services to your customers. As the Project managements team resources are freed up, the project managers should have time to explore more service options to the customer, more directly.

5 Successful approaches to BPO

In order to offshore successfully, certain measures need to be taken. Some of the issues that need to be addressed before making a decision on whether to use internal or external resources are:
Complete understanding of the company's needs and constrains
The identification and prioritisation of the projects goals
Cost-Benefit Analysis both for the external and internal alternatives.

5.1 Identifying Goals and Needs

In order to make an effective decision, one of the first steps is to identify the needs of the organization and understand why outsourcing may or may not be appropriate.
Geographical locations also serve to influence the decision on what services the customer may wish to outsource and to what locations.

As Siltanen oy already has an established offshore in shoring centre, the decision on whether to offshore PM process was as appropriate.
Factors that lead to the decision to outsource PM processes were:
Increasing routine workload for the Project managers
Too little time for the PMs to actually handle customer services efficiently
Insufficient time for PMs to explore and develop company core business
The offshore in shoring centre was already successful in another aspect that improved the goals of the company.

5.2 Reasons to Use External Resources

To have access to technology, skills, and knowledge not internally available
To improve business processes and enable organizational change
To provide needed short-term services without adding to ongoing operational costs
To focus internal resources on core strategic plans and projects
Reasons to Use Internal Resources
To retain skilled personnel who are able to respond directly to agency needs
To take advantage of employees' unique insight into a project or the agency's goals
To have ownership and control over resource and personnel assets

5.3 Cost-Benefit Analysis

Once a company's needs and goals have been established, a thorough cost-benefit analysis should be conducted. Having a secure understanding of in-house operational cost, as well as an understanding of the true, total cost of an outsourcing engagement will enable the company to make the best decision.

5.4 Costs of Outsourcing

Contract management costs to the offshore site
Effectiveness costs from lack of understanding of project objectives
Higher project costs as organizations may experience greater overall project costs in order to access necessary skills and expertise that are unavailable internally
Higher costs from inadequately defined requirements
Costs of Using Internal Resources
Opportunity costs of staff time
Ongoing costs for additional full time equivalent (FTE) employees
Unpredictable costs as overtime occurs and as employees spend varying amounts of time month-to-month working on the project
Effectiveness costs if in-house resources are not sufficient or skilled enough for the project
The decision whether to use internal or external resources on a project is determined by a mixture of both the hard dollar costs and the soft dollar the more intangible needs, risks, and benefits costs. Significant benefits will be realized from prioritization and determination of success criteria, as the company is able to identify a complete and comparable set of costs and benefits regarding resource choices. Resource limitations, in-house skill sets and knowledge, and expected performance and outcome measures are important factors that must be analyzed in making the outsourcing decision. Establishing and analyzing quantitative

and qualitative criteria provides a bottom-line total that indicates which staffing decision is most effective and states the reasoning used in reaching that decision. Outsourcing can be an efficient and effective alternative to using in-house resources, but a full determination of costs and benefits is required to make that decision. Successful decisions are dependent on having a clear understanding of all the options available.

Although BPO has many potential advantages there are a few stumbling blocks, which could counter these advantages. Among problems, which arise in practice are:

- A failure to meet service levels,
- Unclear and or changing requirements.
- Human resourcing issues at the offshore sites.

6 Risks

The risks of outsourcing act as a big inhibitor for BPO. Some of these have been described below:

Information security and privacy, (ISP)

BPO vendors have to meet all regulatory and security requirements (Mouhalis, 2006). A vendor's slacking security practices can increase the risk of an ISP for the clients (Shi, 2007). Data confidential to the customer may be prone to theft if the vendor firm does not have stringent security policies.

Hidden costs (HC)

The major reason affecting BPO decision may be the need to reduce and control HC (Willcocks et al., 1995). These costs may be incurred in communicating and coordinating with the BPO vendor, in transferring employees and software licensing agreements, and in managing contracts (Grover et al., 1994; Embleton and Wright, 1998).

Loss of control

Companies perceive the risk of losing control over the operations of their processes. Also, if the (trained) employees in the vendor/ inshore site firm leave the job, the buyer may be at risk.

Financial instability of the vendor: If the vendor becomes financially unstable in some years, the buyer will have to search another vendor; the operations being at risk, if it does not search the new vendor fast.

Loss of expertise; Customers may lose the expertise and knowledge of carrying out the outsourced processes with time.

Employees' morale problems, (EMP) “BPO obviously has an effect on company morale Severe cuts in staff can decrease morale of existing workers where the human aspect of BPO often is overlooked (Embleton and Wright, 1998).

Business environment, (BE)
The nature of the BE should be considered when deciding to outsource business process. Ages of company, trends in the industry, degree of competition, and responsiveness to changes are some of the key risk factors that have to be considered in BE (Udo, 2000). Thus, companies need a stable and mature environment for conducting suitable BPO

For Siltanen OY, perhaps the biggest risk of the above is the loss of control.
As seen in the SWOT ANALYSIS, the high HR turnover is also an issue. However, when HR-turnover is anticipated, the company tries to retain outgoing resources long enough to for the new recruits to be trained

7 Business Process Model

A business process is a collection of activities designed to produce a specific output for a particular customer or market. It implies a strong emphasis on how the work is done within and organization, in contrast to a product's focus on what. A process is thus a specific ordering of work activities across time and place, with a beginning, an end, and clearly defined inputs and outputs: a structure for action (The Business Process Model, Sparx Systems 2004).

According to Valiris.G et al (George Valiris, Michalis Glykas, (2004) "Business analysis metrics for business process redesign), there exists in the current BPR (Business Process Remodelling) methodologies diverse business analysis techniques. The methodologies of choice may be influenced by the costs of design, or the knowhow and the successful use of IT".

As a result business analysis techniques are directed towards this central issue ignoring any other means of analysis. Agent relationship morphism analysis (ARMA) is a BRP methodology that applies different analysis techniques from various disciplines in different perspectives. These techniques are influenced from organizational theories, IS development and existing work in BPR giving business analysis a more holistic approach.
"The main focus of business analysis in ARMA is the analysis of the business models with a view of developing solutions for the subsequent stage of redesign. The emphasis is on why the operations and processes of the organization are performed the way they are performed. The aim is to develop solutions that enhance the levels of efficiency and effectiveness in these operations and processes. The dimensions of improvement include service, quality, timeliness or cost" (Business analysis metrics for business process redesign". George Valiris and Michalis Glykas)

An example of an UML business model may be seen below:

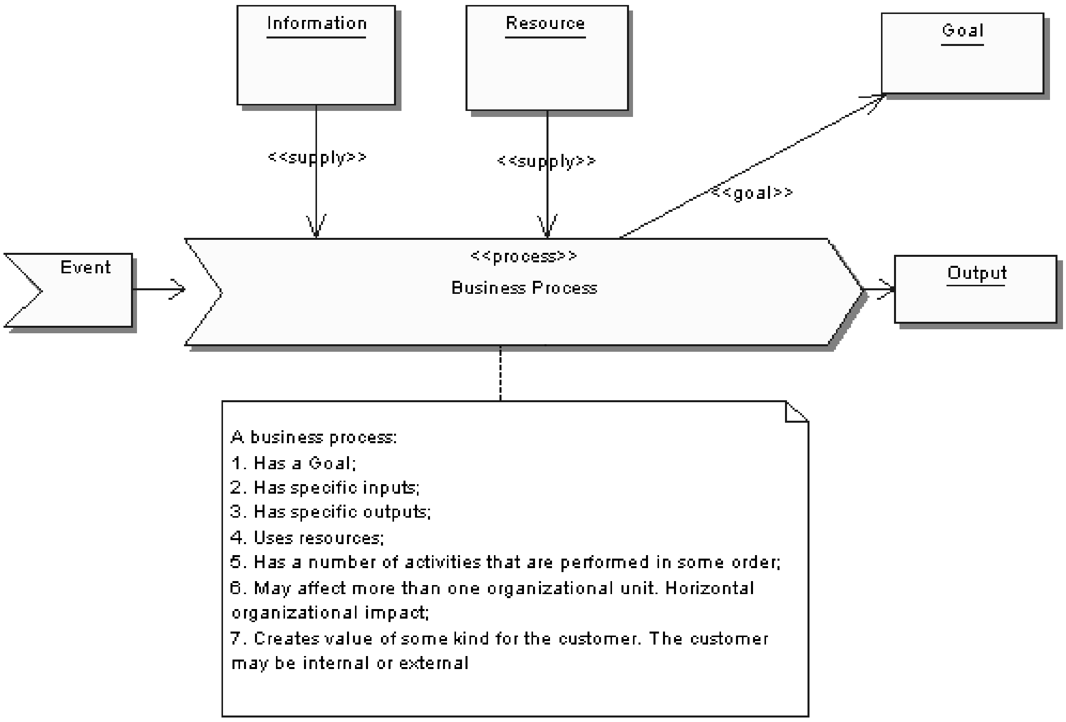


Figure 1: Example of a business process model (© Sparx Systems 2004)

Basically the business process drivers may be summarised into three major categories. The categories have been well described below by Marc Fasbinder, in his article, (Why model business processes? IBM, 2007).

Documentation
To make it easier for others to understand the how they work, documentation on shareholders the workflow processes is required.
Typically a business analyst who understands how the processes work models these processes." (Marc Fasbinder, Why model business processes? IBM, 2007).

In the case study company the following documentation exists in part:
Work flow process draft
IT-systems user guides
Random processes documentation
Random Task automation templates and guides

Many businesses are focusing on capturing their business processes, and are trying to understand what is the best way and methodology.

Below we will compare several of the common approaches, showing the advantages of building a process model.

To capture any business process you need to use tools to fit your needs. In general, the three most common tools are:

- Text-based document
- Drawing tools
- Business modelling tool

Text based documents

Some of the simpler available tools include text-based document processors. It is almost always by default that virtually every business would already have one if not nowadays there are many freeware documents processors available for download.

However some concepts are not always easy to express with just words. For example, in a complex flow containing nested sub processes, or branching decisions with several different outputs, it may be difficult to understand the process flow it has been done using just words. In such cases pictures and will express these concepts more easily, whereas words alone may cause confusion. Multinational corporations have faced language barriers when using just text for documentation as the language in use may not always be clear to the non-native.
Text is perhaps best used when expressing single steps in a business process though the overall end-to-end scenario can be difficult to envision.
The disadvantages of using word documentation include the challenges of updating or process modifications. It may be difficult to determine all of the places in the document that need to be updated. For example, if one needs to combine several steps, into a sub process, to be reused again later in a high level process, it’s not easy to spot all the places that contain the editable texts. This means that the document would become less accurate over time, as the process changes.
Only one person at a time can work on a document, since it is just a simple file and collaborative development is not possible.

Although text based document are for cases documentation and for storing information, they should not be used redesigning a complex workflow process.

Drawing tool

Businesses have used flowcharts and other graphics for years for one simple reason: What may take pages in word to explain may simply be expressed by a simple drawing. A flowchart is ideal for explaining the big picture.

A flowchart picture is, however, just a picture and does not provide any of the details behind the process steps. The diagram boxes are usually no large enough to contain detailed steps information. The text based documentation then comes in handy to hold the details missing from the picture. However you need to keep the picture and the document in sync whenever a change is made to either one which is not easy especially in large and complex processes.

Although the flowchart may provide the over process visually, it does not allow you to look at different aspects of pictures. For example, you cannot click a button to show the flow by organization or by role.
Most available drawing tools store large libraries of shapes and graphic icons that you may use in the picture. This allows for flexibility, but doesn't necessarily enable you to create customized pictures. For example A circle can be used as a decision, or a diamond, or a square, or any shape for that matter. This means when others than the author examine the picture, there room for miscommunication.
Often a company sets standards on which shapes are to represent different objects in a process. This means that the author has the responsibility if enforcing the set standards. As this is a simple document only one person at a time can work on a drawing and therefore collaborative development is not possible.

As a simple picture, the flowchart cannot represent any of the dynamic aspects of a business process. Therefore it may be assumed that in itself a drawing tool does nothing to aid in the redesign of a business process. You would still need to re-enter all of the information from the flowchart as well as the accompanying text document into their own tool set.
To capture the details you would still need to use them along with a word processing tool. In addition, the two documents must be kept in sync. Together they work better than either one does alone.
Business modelling tool

One of the best ways to capture the full process is by using a modelling tool which has the same advantages as the flowchart picture, as it includes a visual representation of the process. It also has the advantages of a text document, since each object in the model can include attributes like comments and documentation.

Just as in the drawing tool, a model presents a visual image of the business process. It is however not just a picture as each of the elements in a model has attributes you can use for documentation. It helps combine both the visual and textual aspects of the process in one single entity. The view on the screen is just one aspect of the model. For example you can switch from a free-form flowchart to a swim lane (line of visibility) view at any time.

A modelling tool usually contains a set of objects that represent the business process. For example, a decision is almost always a diamond shaped object. The model is precise in the representation vital aspects of a business process.
The modelling tool enables you to import standards-based artefact such as XSD and WSDL, or search for them in a registry. This does not encourage the reuse of existing assets, it also means you do not have to re-enter or recreate information.

An advantage of many business modelling tools over simple pictures is it enables you to simulate a process model which helps the user to understand the dynamic behaviour of the business process. I.e. location of the times for milestone checks in the process, the costs, bottlenecks, and the availability of resources. These questions help in the effort to redesign the business process.

7.1 Redesign

Many businesses want to improve their business processes to reduce inefficiencies, drive down costs, and respond faster to customer requests. A process cannot be redesigned before it is understood, so it must first be captured. Redesign can only come after you have properly documented the process. Typically a technical analyst, or perhaps an IT liaison to the business who understands both the business needs, and the IT systems models these processes.
When a process has been redesigned, it too can be simulated. The as-is (current state) process can be compared with the to-be (future state) process, to verify the impact of the process redesign.
These capabilities enable a business to perform the redesign themselves, rather than having to hire expensive consultants. (Fasbinder.M, Why model business processes? 2007).

According to Ajit Kambil, in his article, (Synchronization: moving beyond re-engineering, in the beginning of the 1990s), many companies adopted process re-engineering to obliterate functional Silos and create process based organizations. However, despite re-engineering, many organizations are still disconnected.

What this means is, Synchronization is the mutual adjustment of processes to align key information, material and cashflow across business processes to maximize returns and minimize losses. Often failures of synchronization across five key business processes can be costly and limit the potential of the organization. Connecting across supply chain, product development, customer service, financial and IT
Development and delivery processes to ensure the right product is delivered to the right customer at the right time and at the right margin remains a challenge. Failures to synchronize across these core business processes can create direct losses or, even worse, obliterate opportunities.

7.2 Execution

In most cases, the best way to improve the efficiency of a business process is to apply automation to it. If you can reduce or eliminate manual work, the process can be performed faster and at a lower cost. To apply process automation, the business's IT staff or a consultant must write code or use a middleware product. It would not be advisable to automate an inefficient process. For this reason, this phase should only occur after you have redesigned the process. Marc Fasbinder (mfasbind@us.ibm.com).

8 Case (Siltanen OY)

For the purpose of thesis, Siltanen OY will be discussed as an illustrative example. It has been agreed that the company will be used as the pilot platform for realizing the project.

8.1 Company History

SILTANEN OY is a large company with subsidiaries all over the continent. The company's core business is in providing services related to localisation industry.

Company Facts
Founded: 1996
SILTANEN employs more than 4,600 specialists, in 26 countries including solution centres in India, China, and Eastern Europe.

Areas of Expertise
SILTANEN specialises in delivering the ICT localisation services around the world:

8.2 Current model: SILTANEN OY

Unfortunately in the current situation, there is no actual model yet in place. Most of the processes exist as separate entities.
As the work flow process is not complete, a clear picture for executing a functional model is lacking.
Agent relationship morphism analysis (ARMA) methodology will be applied as it is most appropriate in terms of IS development and existing work in BP (Business process) for the company once clear a clear work flow strategy is defined.

The choice of model is influenced by the success of a similar model used with a previous GDC implementation.

8.3 Current Workflow Process: SILTANEN OY

Defining and developing the work process will be the main point of focus in this project. Once the process is defined measures to support the functionality will be put in place.

Although Siltanen OY has had offshore in-sourcing centres, the utilisation of the centres has not been fully maximized and the following issues need to be addressed in order to have a successful process.

- Work flow processes
- Tools
- Communication process
- Information flow process
- Delegation chain

Some of the reasons are addressed in the questionnaire and the answers will be further analysed to provide insights on what the stakeholders expect of the workflow.

The following questions were sent out the PMs and offshore coordinators:
Background: 11 local PMs and 4 offshore coordinators

PM questions: 1-5

1. Do you know what is a GDC
2. Do you use GDCs in your projects
3. If yes, how often
4. If not, why not
5. Do you have a dedicated GDC coordinator

Coordinator questions 1-3

1. Have you worked with the Finnish office PMs
2. If yes, how often
3. If not, why not

The main stakeholders, local PMs, responded to the questions according to the below answers.

For questions 1, all the PMs knew and understood what GDC is. However some explained that the value of the GDC to the core business was not obvious.

For question 2, the PMs 90%, do not use GDCs.
Their reasons for not using the centres were as follows:

- Their immediate workload was too much, leaving no time to train the coordinators
- There were no clear processes in place or templates to enable task transfer.
- Perhaps work ethics and cultural barriers caused misunderstandings
- The Coordinators spent too much time performing simple tasks, affecting schedules and profitability.

For the 10% that did, the reasons given for using GDC were:

- Because management encourages the use of GDC
- My workload was too much and I had to delegate as no local PM was available.
- Because the GDC coordinators asked for tasks.

However, although they used the GDC centres, the following shortcomings were cited.

- Comprehensive project work flow needs to be clearly defined

- Responsibilities ought to be clearly defined
- PM training in outsourcing should be given
- Coordinators need to be trained in in-house processes
- Coordinators need to be trained in in-house Information systems (IS)
- The PMs feel that they would need dedicated offshore coordinators for the various projects type.

Due to the above mentioned issues, the project managers have felt that:

- They had to include finer details while defining the process requirements due to lack of process standardisation
- Due to tight project deadlines, knowledge transfer was not always successful.
- Project delays were experienced when time zone differences were not coordinated or communicated to the PMs.
- Lack of initiative or competence from offshore coordinators caused higher transaction costs.
- Due to communication challenges, Project managers needed to thoroughly verify offshore supplier's work estimates.
- The PMs also felt that due to non-westernized business practices, communication issues arose. This was reflected on the sharing of information, i.e. the offshore centres when presented with questions the answers were almost always given on a "what you want to hear" attitude.

The coordinators responses were as follows:

All 4 had worked with Finnish PMs and 1 had also received direct training for a period of 3 months in Finland.
The one who had been in Finland worked closely with the Finnish colleagues and also acted as a mentor for the others
The others only worked with the Finnish PMs upon request.
They all felt that when they did, they received the support they thought they needed.

8.4 SILTANEN SWOT ANALYSIS

The following analyses will help us identify the areas of development and the areas to preserve in the outsourcing process.

Strengths: • Established offshore inshore data enter • stable and knowledgeable PM source pool • Stable core business in the industry	Opportunities • Large labour market in offshore centre • Low labour costs • Time zone advantage
Weaknesses: • cultural barrier • Business practices • communication process • chain of command /hierarchical barriers • IT infrastructure: slow network connections • unfamiliar tools • High HR turnover: As soon as new people are trained, they move to better other jobs • Business process unclear to stakeholders • No clear work flow process in place yet.	Threats • Economy slow down • Underutilisation of offshore resources Incurs idle costs • High HR turnover • Ways to keep trained coordinators in-house not thought through • Growing outsourcing industries • New companies might offer better packages to our already trained staff • Data Security vulnerable: difficult to monitor the exchange of information between offshore workers and their peers and external contacts.

Expected results: SILTANEN OY

Customized work flow process for all project types
Process supporting Tools
Competence maintenance for the in-house and offshore personnel
The thesis we will concentrate on redesigning and documentation of a workflow process.

8.5 BPO process implementation

Key Questions related to the case study

Which services do the customers prefer to have (and not to have) sourced out and to which geographic locations?
How will global sourcing impact the future delivery capabilities of services providers?
What effect will the global sourcing phenomenon have on IT and business services pricing?
What is the structure of an optimal global sourcing model?
How does a global sourcing strategy offer opportunities regarding IT, business process out-sourcing (BPO), and engineering services?
How do regional and local trends and preferences affect a firm's global sourcing services strategy?

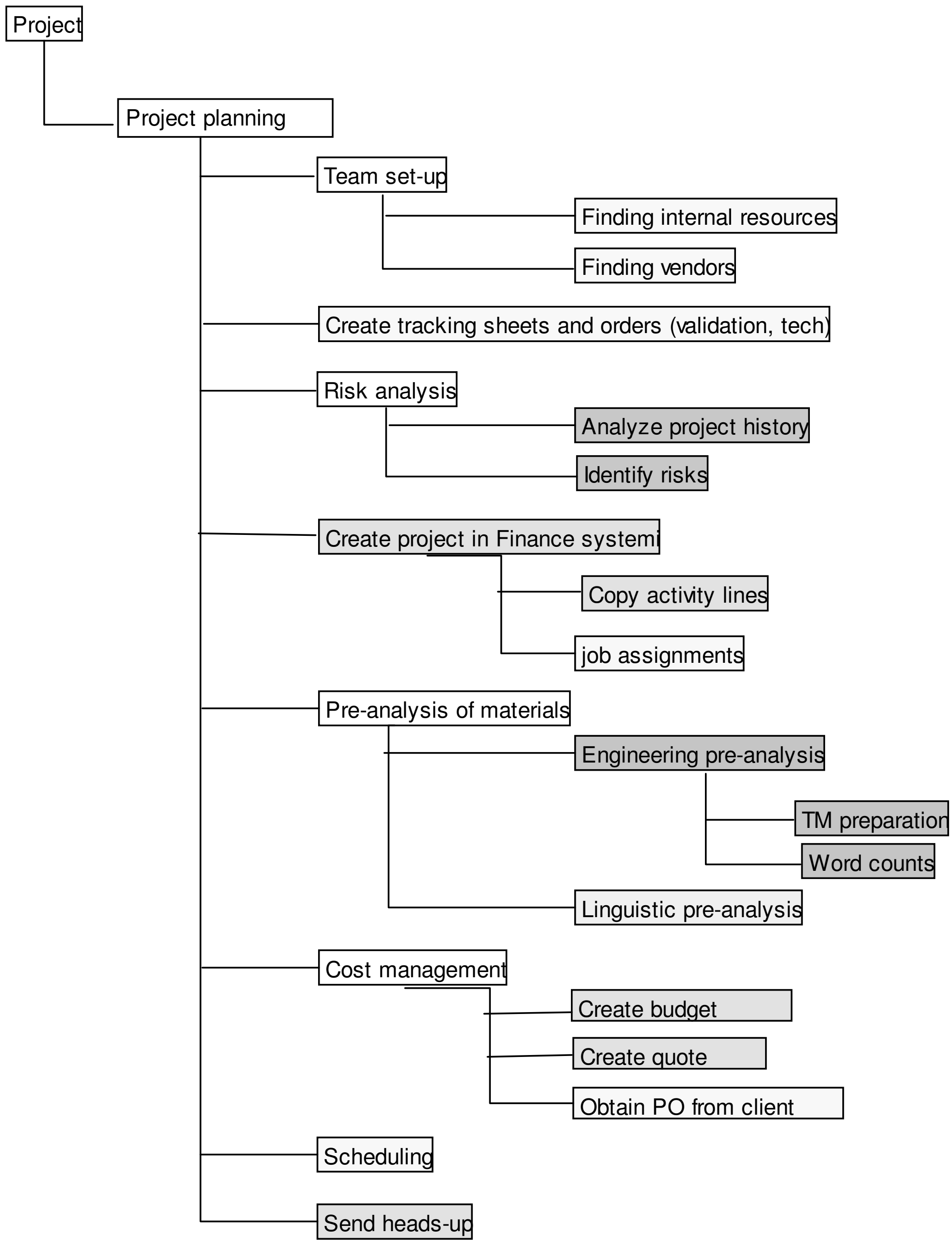
For Siltanen OY, most of these questions may only be truly known once the process has been implemented and results measurable.
However as the point is to transfer internal processes the quality yardstick for the company will be measured on the following basis:
Efficiency of the offshore solution centre
How well have they have adapted to their new roles
How well do they implement the provided instructions?
Costs per task when performed offshore as opposed to local costs
Clear understanding of roles and responsibilities
Efficiency of the local contractor
Has knowledge transfer been successful?
Clear role definition to offshore partners
Documentation of instructions
Provision of training and continuous support

8.6 Redesigning

Business Processes can be modeled through a large number of methods and techniques. Various tools, freeware and commercial are available to help create business process work flow diagrams.
Redesigning/reengineering

Points to consider while creating the BP workflow:
Stakeholders
Responsibilities
Training
Support

The current draft of the company's' workflow process as seen below is clumsy. It has been designed using Microsoft excel 2003.



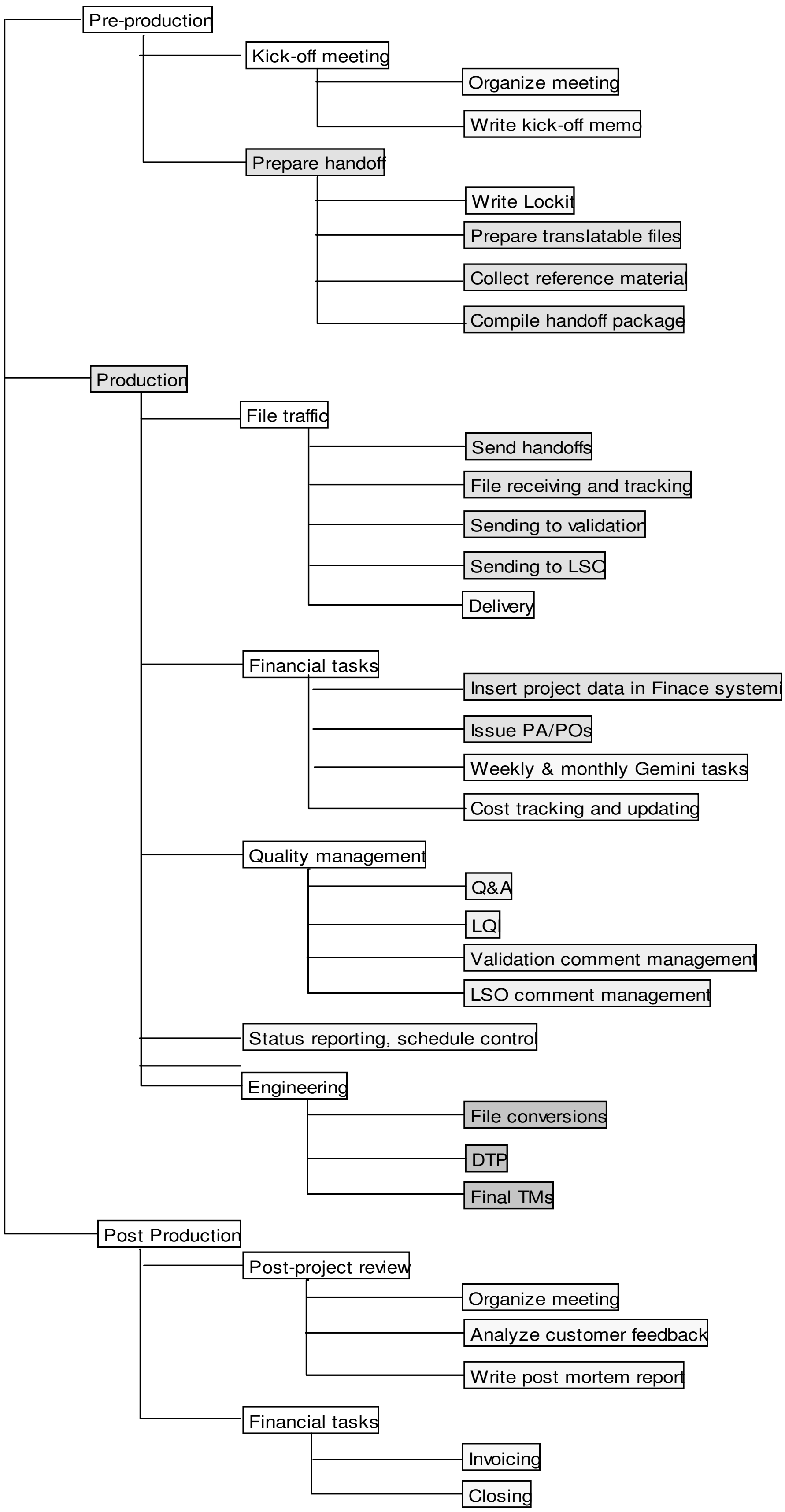


Figure 2: current Siltanen work flow process (Siltanen OY, 2007)

The PM delegation of the task according to the work flow is not efficient as the GDC coordinators are not involved in the project from the start.
Most of the tasks carried out by the PMs currently could well be outsourced. (See all greyed tasks).

The described workflow makes the task allocations seem complicated although in fact the main process wholly comprises of 6 phases as seen in the Figure below. For every phase there are certain tasks allocated out and for every task in the phase there are procedures to be carried out.

In Project planning for instance, the coordinators are never involved. Factors contributing to this are mainly:
They are offshore making communicating an issue
They are not involved in customer communication
They are not fully aware of the "big picture"
There are no dedicated coordinators for each PM therefore the coordinators may not be available during the project set up.
During the project flow, the coordination work is not in tandem with the project
Sometime the project scope and schedule will change, meaning there is no to communicat and implement the changes using the GDCs.
Some tasks will be performed by whoever is available at the time of the changes.
This mostly makes it difficult for others to just step in as only the PM almost always knows the whole project scope.

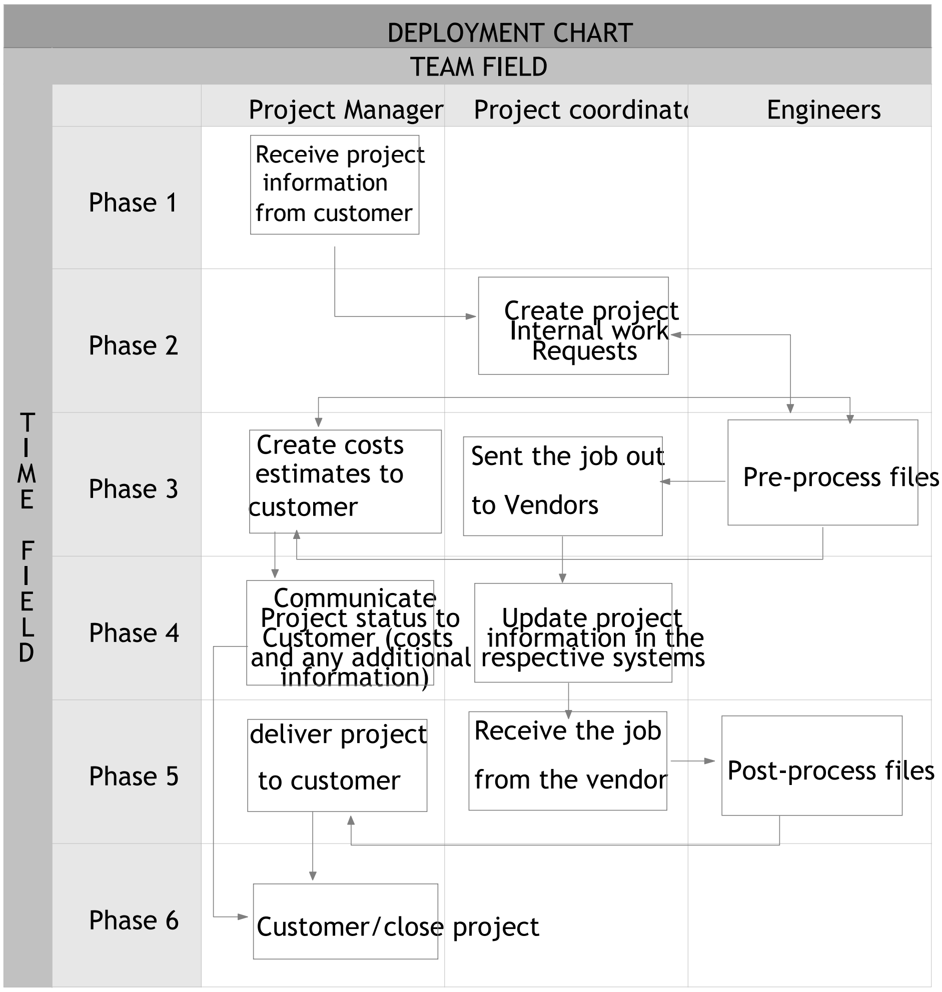


Figure 3: The proposed Workflow process for SILTANEN OY GDC

If the entire routine project tasks were to be outsourced successfully the attached, Figure 3, workflow should suffice to enable the GDC coordinators carry out the project process from start to finish.

The workflow process simplifies the understanding of the core processes to be followed in the project cycle.

The flow chart will then be designed to allow for the task templates to be hyperlinked, see figure 4.

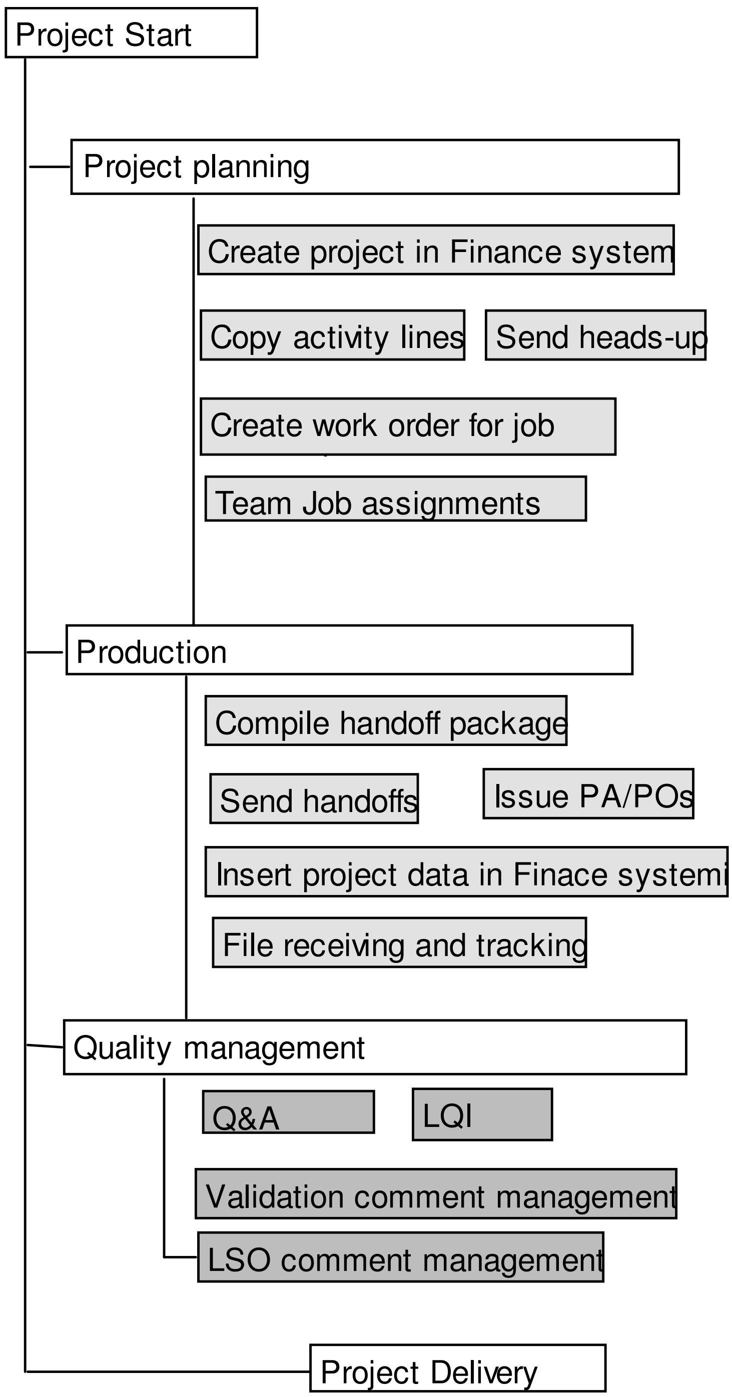


Figure 4: work flow breakdown diagram (Siltanen OY 2009)

9 Action points

9.1 Process development

The pilot workflow process is currently under review.
The process workflow in figure 3 and 4, have been sent to the stakeholder for piloting and comments.

9.2 Redesign

If the current pilot workflow is accepted, the suggested improvements will be integrated. Templates linked to the process flow will be designed and linked to the process. Some of the required templates already exist but they will also require re-evaluation to decide on whether they can be used as they are or, will they also require re-designing.
The idea is to make it easy for the stakeholders to take into use the workflow with ease and avoid wasting time looking for various instructions or templates related to the process flow.

9.3 Training

Instructions on the proposed workflow process and its functionality have already been sent out the stake holder.
However there have been set backs to the follow-ups due to internal company role changes.
The training will include the following:
Process familiarisation; this means that the GDC centres will be required to take into use the work flow process and make it a per of their daily routines. Support will be provided by the PMs as soon as they too have integrated the process into their daily routines.

10 Conclusions

The re-designing of the workflow process brought on some challenges, but it was partially successfully done. I say partially, because it was not implemented and successful, as now there is a workflow process that may be used for future outsourcing purposes.
The project was able to capture the needs of the company and develop a simple and effective workflow process. The process provided an avenue for open discussions on what the stake-holders expected either individually or as a team.
It was accepted that the workflow could be utilised as guidelines to new coordinators in the GDC centres.
It was also agreed that real drawing tools would be required for further improvements to the workflow. This will enable the addition of linked templates the respective tasks.

Some of the issues that affected the project negatively were, time, which was not allocated as a separate entity. The project was being carried out while the project team was still expected to carry out their core tasks as project managers.

Due to the time difference, the virtual stakeholder's i.e. off-shore teams, co-ordination and collaboration had to be well planned. This meant that either team had to be flexible and work out of office hours from time to time.

Support from upper management was found wanting. Some of the risks and threats stated in the SWOT analyses were also realised i.e. the initial members in GDC team lost a couple of their most valuable members. These were the persons involved right from the project planning phase. Due to the change in the GDC team, the new members were stranded as information was not documented or passed on successfully

11 Lessons learnt

Although the project was not carried out to the end, at least information was gathered to enable the next possible team to successfully implement process transfer to another site.

Clear responsibility boundaries need to be defined. The lack of named process owner caused the project to stand as no one was taking responsibility.

In order for the project to succeed, the following issues need to be addressed:

Commitment and support from upper management level will be required.

Resources need to be re-organised and allocated in terms of: time needs to be allocated exclusively and human resources made available.

While the idea of low cost offshore centres is appealing, it is prudent to put in place clear ways to measure the success or failure of outsourcing. E.g. although wages in GDCs may be lower than onshore centres, the time spent on the tasks by GDC may be longer meaning the costs remain constant though the schedules may then be affected.

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