Executive Summary

Organizations that believe a successful outsourcing partnership is built on a 400-page contract, an abundance of SLAs, and the sensation of stinging non-performance penalties are the same ones that, two years into a deal, spend millions of dollars on consultants to undo what went wrong. Avoiding that kind of scenario requires an outsourcing relationship that leverages five essential activities of collaboration:

» Vigilantly Select the Right Partner

» Identify and Retain Talent

» Set the Goals Together and Share the Responsibility

» Pair Functions to Support Alignment

» Keep Both Sides of Senior Leadership Involved

In this report, HfS examines how to build a collaborative partnership, specifically through the lens of an industry prototype that Genpact and AstraZeneca have established together. Neither organization would have been able to reap the benefits of collaboration independently, so they focused on putting in place the right team and functional structure to work together effectively as partners and generate results over time.
Strong Collaboration = Strong Performance

Collaboration is critical in all aspects of the business; when teams work together, performance levels and outcomes improve. Collaboration has proven a critical component in each area of the program. (See Exhibit 1.) Companies that fail to work together in defining, executing, and measuring each area will struggle. Many buyers consider transition management the responsibility of the provider, and that is a huge mistake; the provider cannot manage all the complex areas of the buyer’s business that the program impacts, including IT, Risk, HR, and Operations. Change management is the inverse: Many providers consider this the buyer’s responsibility. Wrong again, because the provider is driving much of the change. In both situations, the only way to be successful is to collaborate.

Exhibit 1: Collaboration Is Critical in Each Area for Success

Q. How would you define the importance of the following processes to your entire enterprise’s success?

Source: HfS 2012 N=204 buyer respondents

Executives agree that strong collaboration increases performance; however, the buyside and the providers continue to allow bad collaboration habits to creep into their organization. Following is a list of examples of good and bad collaboration seen in the outsourcing industry. (See Exhibit 2.)
### Exhibit 2: Examples of Good and Bad Collaboration

<table>
<thead>
<tr>
<th>GOOD COLLABORATION</th>
<th>BAD COLLABORATION</th>
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<tbody>
<tr>
<td>• Joint team designs transition methodology that includes buyer and provider action items</td>
<td>• Expectation that the provider will provide the entire transition methodology</td>
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<tr>
<td>• Leaders in both organizations are managed by similar criteria where applicable</td>
<td>• Performance indicators are different for provider leaders and buy side leaders who manage the same process</td>
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<td>• Joint sessions take place to communicate goals and expectations at various levels</td>
<td>• An email is sent by procurement informing the provider of the intent to modify SLAs</td>
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<td>• Joint innovation counsel is established to vet and implement ideas for innovation</td>
<td>• Change control form is used to communicate innovation ideas</td>
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<tr>
<td>• Teams work together each month to analyze the volume impacts of the business and modify the ongoing forecast as needed</td>
<td>• Buyer sends a rolling 90-day forecast to the provider</td>
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<tr>
<td>• Councils designed to problem solve and support problem resolution</td>
<td>• Fingers are pointed at the other, and problems are thrown over the wall</td>
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<tr>
<td></td>
<td>• Contracts are referenced regularly</td>
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*Source: HfS Research 2012*

### Targeting Five Places Where Collaboration Pays Exceptional Dividends

It is critical to take all necessary steps to realize value through a strong governance structure in important areas of the program. Without collaboration, the relationship is left with a large group of individuals with good intentions acting independently. The outcome will be disparate ideas with little support from anyone. Collaboration in these five areas is not just important; it is critical.

### Vigilantly Select the Right Partner

Start by evaluating the service provider’s ability and willingness to collaborate. If a provider is rigid and inflexible during the selection process, it will not get better after the contract is closed. In 2007, AstraZeneca was inexperienced in business process outsourcing when the company began looking at outsourcing transactional
elements of its finance and accounting (F&A) organization. AstraZeneca generates about 40 percent of its revenue in the United States, about 25 percent in Europe, and the remaining 35 percent across the rest of the globe. AstraZeneca’s F&A professionals worked in more than 50 countries, and approximately 75 percent were organizationally decentralized. Moreover, AstraZeneca recognized that it was a pharmaceutical company good at researching, developing, and marketing its products – not a company that wanted to spend its investment dollars on its finance operations. Executives understood that moving F&A in a $30 billion global pharmaceutical company to the next level would require a heavy investment of time, money, and resources, and therefore, looking for external assistance would be required.

AstraZeneca spent at least a year in evaluating potential providers based on many of the standard attributes associated with outsourcing. (See Exhibit 3.) As AstraZeneca evaluated the level of criticality of each area, the importance of finding a provider willing to collaborate became more important in the selection process, and the prerequisite would have to be a strong cultural fit.

**Exhibit 3: Buyers Want Strong Fundamentals**

Q. In today’s economy, how important are the following attributes, when selecting a service provider for IT/BPO services?

![Bar chart showing the importance of various attributes.]

Source: HfS 2012 N=100 buyers

How does a buyer determine the level of cultural fit? AstraZeneca’s leadership team boarded the plane to get a firsthand understanding of providers’ locations and abilities that no PowerPoint presentation could ever give. What the executives found was fascinating:

» **The true story hung on the walls...** Did they measure the right levels of performance? Does management look at individuals, teams, groups, and program-level data? Where are the signs of focus on attendance, innovation, and performance recognition? The differences among service providers were obvious.
...and showed in the faces of rank-and-file team members... Were employees excited about their work? Did employees identify themselves as siloed service provider teams or as extensions of their clients’ teams? Trainers and recruiters, in particular, were great sources of cultural information because they set the tone for their teams.

...and reflected by the leadership... During the RFP and negotiation process was the provider open to structuring the relationship that would be serve the buyer’s need, or did they push the standard model, cookie-cutter SLAs, and the same provisions that looked to have been used in every contract for the last decade?

Using these criteria, AstraZeneca executives evaluated service providers. According to Tony Glynn, Head of Centre of Excellence and Transformation for Global Financial Services (GFS) at AstraZeneca, “The site visit was key for us. When we visited Genpact, the people were genuine, they were excited to be working there, and there was a buzz all around the floor.”

After several site visits from different members of the leadership team, AstraZeneca concluded that Genpact was the right partner and, following contract negotiations, began to build the structure to support F&A services delivery from Romania, India, Morocco, Guatemala, and Brazil.

**Identify and Retain Talent**

Smart organizations start by getting the right profiles, evaluating the right skills, and involving the right people in the decision process. This model is perpetuated throughout the delivery teams but not carried into the account and support roles. This model is imperative in these roles because they set the tone for collaboration for the organizations. Providers like to move their best people to new pursuits, and on the buy side, executives move their top talent to their next pet project after the deal closes. However, when both commit to each other that they will keep the talent involved, the outcome will always be more positive.

Right off the bat, AstraZeneca knew that the longer the same team members from Genpact worked with AstraZeneca, the better Genpact would understand AstraZeneca’s goals and strategies. These team members would also feel more confident and empowered to bring their ideas to their client through structured interactions including staff meetings, town halls, or one-on-one discussions. Genpact has largely maintained the original “A” team members assigned to the program, which has made a massive difference in the quality of service and process improvement.

**Set the Goals Together and Share the Responsibility**

Aligning goals is critical to ensuring that everyone is working hard, and with the same focus. Performance degrades when goals do not correspond with those of the clients. For example, in a customer service area, is it more important to have a low handle time or higher customer service? Depending on the company’s strategy, the answer can vary by segment or company goals. It is important to ensure the teams understand how success is
measured. To avoid these scenarios, AstraZeneca and Genpact undergo an annual process of evaluating AstraZeneca’s strategies and goals and then review the programs’ performance four times a year to ensure that the goals are achieved.

**Pair Functions to Support Alignment**

Organizational alignment is more than just similar goals for the relationship; it is also about matching similar functions in a way that encourages collaborating and sharing ideas and best practices. The benefits of the alignment include the following:

- Knowledge Transfer
- Joint Responsibility
- Joint Accountability
- Formal & Informal Knowledge Transfer
- Strong Change Management Tool
- Better Ongoing Relationships
- Faster and Better Conflict Resolution

AstraZeneca and Genpact adopted this model and attributed much of their joint success to it. According to AstraZeneca executives, the model created joint accountability and partnership at every level of the organization, from the transition phase of the program through its lifecycle. In this model, both parties selected specific individuals and assigned these pairs of individuals joint accountability and responsibility. This required the two organizations to collaborate closely on a daily basis.
Exhibit 3: Collaboration Starts with Strong Organizational Alignment

Organizational Roles:

- Executive Teams
- Account Management and Governance Organization
- Delivery Organizations
- Support Teams

Processes:

- Co-location Where Feasible
- Joint Approval Process
- Alignment of Success Goals
- Informal Interactions
- Group Design Sessions
- Co-Branded Deliverables

Source: HfS 2012

Keep Both Sides of Senior Leadership Involved

Although leadership involvement in the selection process is normally high, that involvement quickly tapers off after senior people on both sides have signed the agreement and moved on to the next initiative. Keeping these executives involved is critical to the long-term success of the program. Both companies have to make collaboration a priority and ensure that everyone involved is communicating regularly to stay on the same page:

- **Regular Site Visits**: AstraZeneca’s CFO, Process Owners and other key Finance Leaders make regular trips to visit their Genpact team members and stay involved with the F&A programs at Genpact.

- **Town Hall Meetings**: Genpact and AstraZeneca work together on regular town hall-style meetings in the delivery locations. The more informed the teams are, the more likely they will remain part of the program, support improvements, and take ownership of the program’s success. Town halls take place during each trip, and if the appropriate company leaders are not present, they participate via video conferencing to share strategies and discuss business results.

- **Staff Inclusion**: AstraZeneca includes Genpact management and process leaders in regular staff meetings. Integrating these teams into the overall leadership structure supports both companies by ensuring joint responsibility and accountability for the F&A program.
Results Speak for Themselves

In the end, the success of the AstraZeneca/Genpact partnership is best judged by its performance:

» The program began with 50 people in the first transition but quickly ramped up to over 350 resources and continues to grow.

» AstraZeneca achieved savings of 35 percent through the three-year relationship while leveraging a global delivery model, achieving higher levels of centralization, and improved process rigor.

» Process programs have also created significant additional savings through over 50 projects in Order to Cash, Procure to Pay, Record to Report, Fixed Assets, and Travel and Entertainment.

Tony Glynn summed up the record nicely: “In general, if everything is going well with a change program of this nature I do not hear anything from the customer base. On the whole, our F&A program has been very quiet.”

However, the program hasn’t been quiet, and for a good reason. The program’s success has netted both organizations three important awards:

» The SSON award for Excellence in People and Communication, Europe with AstraZeneca

» Outsourcing Excellence Awards - with AstraZeneca for Best F&A/Procurement

» An internal AstraZeneca CFO ‘AMAZE’ Award

In phase 2 of their journey together, collaboration will become even more of an imperative, as AstraZeneca and Genpact have now embarked on the transformation journey. This transformation program, which began in 2012, entails a three-year program of more than 50 initiatives in seven process areas. As part of the engagement, AstraZeneca and Genpact teams are defining roadmaps for operational excellence and vision to take AstraZeneca processes to “Best in Pharma.” Genpact is leveraging its proprietary Smart Enterprise Processes (SEP) framework – a detailed, scientific framework that helps organizations measure and improve business processes to enable them to operate at world-class levels of performance as part of the transformation journey.
About the Authors

Michael Koontz

Michael Koontz is Senior Vice President and Research Director for HfS’ Banking, Financial Services and Insurance (BFSI) analyst advisory practice. He provides leading-edge and practical research into global outsourcing and shared services strategies in the BFSI sector, which is in high demand from HfS Research’s 120,000-strong readership base and knowledge community, which has a very strong representation from global financial services institutions.

Looking into the past, present and future of the outsourcing and shared services markets, reinforced with HfS data and supported by its global analyst team, Michael supports HfS financial services clients in creating strategies for their businesses. He examines the core financial services industry dynamics driving global sourcing strategy, as the boundaries between IT, Shared Services and Business Process Outsourcing strategy continue to blur.

Prior to joining HFS, Michael spent 4 years working as SVP of BFS on the provider side of the business, working with many of the top financial institutions in North America. Michael supported the creation of new capabilities, account management and new business development. Michael was at Wachovia Bank for 14 years, where he was the SVP of Outsourcing Strategy and Governance; leading over 130 transitions, and managing over 1000 SLAs, over four countries and three providers. Michael played a critical role in the creation of one of the most creative offshore models in existence, the idea of the virtual captive.

Michael held many other roles within Wachovia, including; CFO for Banking Operations, Operations Manager in Check Processing and Research Adjustments, and Process Improvement Leader in Treasury Services.

Michael has been very active in the offshoring world for the past 10+ years, and has spoken at many industry conferences including: the Gartner Offshoring Summit, TPI, The Conference Board, BAI, SIG and many others. He was selected by Finance and Accounting Outsourcing Magazine in 2006 and 2008 as one of their “FAO Superstars”.

Michael has a BS in Finance from the University of Tennessee, and an MBA from Kennesaw State University in Georgia.

His favorite times are those with his family, his wife Renee and two sons, Dylan and Tyler. They spend much of their free time at baseball and soccer games with the kids.

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Tony Filippone

Tony Filippone is Executive Vice President, Research, at HfS Research. He oversees the quality of HfS' overall research agenda and published research and works with the HfS analyst teams to ensure HfS' content is relevant for the firm's buy-side clients’ sourcing strategies.

His prime research focus is delivering practical advice, and imparting real-world vendor management experience to buy-side clients and service providers on what really matters – how to govern outsourcing programs in a manner that creates real value to all parties. He also oversees the company’s research in the healthcare industry BPO vertical and the document management and call center BPO horizontals.

Prior to joining HfS, Tony spent nine years at WellPoint, the United States’ largest health benefits company, where he had multiple leadership roles. Tony initiated and led the company’s enterprise-wide BPO governance for a multi-vendor, multi-process (call center, back office processing, imaging/data entry/mailroom, and KPO) program with thousands of FTEs. Tony led strategic sourcing in complex indirect services procurement, where he managed the selection and enterprise-wide implementation of an industry leading procurement application while simultaneously leading cross-functional sourcing teams in outsourcing, marketing, consulting, facilities, contingent labor, and human resources categories. Tony also led WellPoint’s strategic procurement initiatives, including creating and leading its strategic supplier management program, demand and consumption management analyses, and business process benchmarking. Before joining WellPoint, Tony spent seven years consulting with Accenture and MarchFirst, where he specialized in business process simulation and reengineering, strategic customer relationship management, and post-merger/acquisition integration management.

Tony holds a MA in Communication Management from the University of Southern California’s Annenberg School for Communication and a BA in Organizational Communication (Magna Cum Laude) from Pepperdine University. Tony is also a Certified Professional in Supply Management (CPSM) from the Institute of Supply Management (ISM).

When he’s not pondering the future of governance models, you will find Tony growing organic heirloom tomatoes by the wheelbarrow-load and wearing out his wife and two young sons’ patience with his infatuation for manually focused rangefinder cameras.

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