



Changing the knowledge centricity game

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Organization, culture, skills, talent, tools, standardization – together all these challenge a company's ability to become a true knowledge competitor. But organizations that seek to make rapid, substantive change are increasingly leveraging knowledge process outsourcing (KPO) providers for higher value, complex, specialized skill and knowledge-based work such as research and analytics. And these forward-thinking companies have not only found that providers are fully equipped to provide industry-specific and complex problem solving skill sets which enable them to become 360° knowledge competitors, but also that they have implemented privacy, security, and IP standards to mitigate any risk in transferring critical data.

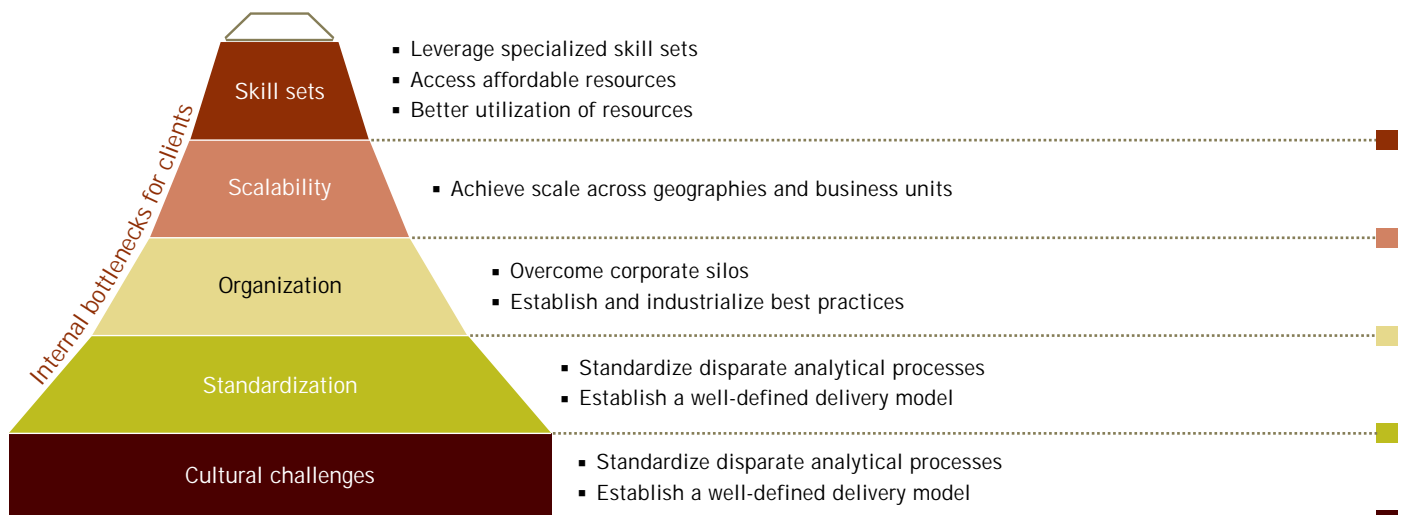
Today, there is a ripe environment for the kind of high-end, strategic, partnership-based outsourcing that is KPO. A 2008 Economic Times article stated, "According to reports, the KPO industry is estimated to be between USD 10-17 billion by 2010." And while IT outsourcing (ITO) and business

process outsourcing (BPO) have grown at compound annual rates of 34 percent over the last 5 years, and are projected to grow at 24 percent a year over the next 5, a research report by sourcing advisory firm TPI stated the KPO market is projected to grow by 50-70 percent annually. This explosive growth is due to KPO's value proposition.

How KPO resolves challenges to becoming a knowledge competitor

Smart companies are never afraid to change the business model when they must move corporate performance onto a new trajectory. In the case of knowledge processes, companies can tap into external resources when those resources can deliver knowledge processes with higher quality, greater efficiency and effectiveness, at a lower cost, in less time. The following exhibit highlights how KPO resolves the challenges faced on the path to knowledge centricity.

How KPO resolves the challenges to becoming a knowledge competitor



Source: WNS



To underscore the benefits of KPO, consider what WNS's team delivered to a leading consumer product goods company seeking to become a knowledge competitor

- 1) incorporated the effects of various below-the-line, in-store elements on volume share, mapping sensitivity to volume share to various changes – effects that linear pricing models are unable to create;
- 2) simplified the planning and execution of promotions by crystallizing the dynamics of individual in-store elements;
- 3) increased the accuracy of forecasting volume share, providing 99.98 percent accuracy at the brand level and 63 percent accuracy at the SKU level;
- 4) optimized the trade mix for maintaining share in various competitive scenarios;
- 5) improved efficiency in retailer relationships by providing easy-to-use strategies that can be communicated to retailers, even those who lack statistical expertise, thereby enabling the client to better manage in-store settings; and
- 6) simulated changes in volume share that could occur when various merchandising plans are modeled.

The Knowledge Center of Excellence

As the leading KPO providers' offerings have evolved, so has the range of industries to which they deliver services. For example, in addition to delivering discrete market research services to professional services firms or corporations, KPO now provides comprehensive, domain-targeted knowledge services such as business and financial research and analytics to clients in a wide range of industries including consumer packaged goods, consumer financial services and retail, often to a level of sophistication that cannot be rapidly or easily replicated in house. As it continues to evolve and grow, the KPO market is moving toward a shared services center of excellence model, the 'Knowledge Center of Excellence', an approach that goes hand-in-hand with developing 360° knowledge capabilities.

The following diagram demonstrates the evolution of KPO services from discrete knowledge process work to integrated, vertically-specialized services – not unlike the shared services model that has been widely adopted for finance processes. Over time, as providers assumed the delivery of end-to-end knowledge processes, the metrics on which they are judged have changed from simple service levels such as turnaround time or accuracy to whether or not the client achieves the business outcome it targeted by way of the knowledge process (e.g., collection analytics).

KPO evolves towards the knowledge center of excellence model

KPO started small but is evolving towards a shared services environment

	1 st Generation	2 nd Generation	3 rd Generation	Knowledge shared services center
Relationship	<ul style="list-style-type: none"> ▪ Engage a provider known for specific expertise 	<ul style="list-style-type: none"> ▪ Contract for a series of repeatable tasks 	<ul style="list-style-type: none"> ▪ Add new capabilities 	
Type of work	<ul style="list-style-type: none"> ▪ Analytical / research project work ▪ Simple MIS ▪ Graphics 	<ul style="list-style-type: none"> ▪ Series of projects in a stream of expertise ▪ Predictive modeling ▪ Business research ▪ Market research 	<ul style="list-style-type: none"> ▪ Multiple parallel projects ▪ Integrated approach to solving business problems using multiple capability sets - e.g. contextual information through primary of secondary research to support analytic findings 	
Client objective	<ul style="list-style-type: none"> ▪ Test to see if simple knowledge work can be offshored 	<ul style="list-style-type: none"> ▪ Seek improved service levels and process management, e.g. faster turnaround times, reduced errors 	<ul style="list-style-type: none"> ▪ Take advantage of knowledge management, scalability, best practices 	

Source: WNS

In its first phase, clients try out the KPO concept, testing providers' capabilities by outsourcing lower-end, discrete knowledge processes. Satisfied with performance, companies often move to the second phase, testing the delivery of higher-end but still discrete processes, now delivered in a series or as a part of a program rather than as one-off projects.

When second phase success is evident, companies become comfortable leveraging a wider range of KPO provider capabilities. They are adopting an integrated approach to knowledge work, asking providers to deliver higher-end services such as customer lifetime value models or fraud management models. This takes them closer to the end-game,



the establishment of a Knowledge Center of Excellence, where knowledge is created by a vertically-specialized provider and consumed throughout the organization.

Within these centers, resources are aligned with business challenges such as pricing and forecasting, and analytic/technical techniques such as data sets used and statistical techniques. This specialization institutionalizes the approach to similar kinds of problems. Further, analytic or research tasks for business challenges are broken down to match the resource specialization available – so a forecasting effort is broken into research tasks and quantitative/modeling tasks.

Senior analysts then pull together the work output from the team and synthesize it, extracting insights along the way. Appropriate individuals within the client organization interact with the centralized resource through web-based knowledge portals regardless of where they are geographically based. These web portals also serve as a repository for responses to similar business challenges, helping analysts in different parts of the organization learn from the efforts of their peers thousands of miles away. The Knowledge Center of Excellence model ensures that knowledge creation is standardized to avoid disparate methodologies, leveraged across geographies to account for unique market differences, and institutionalized so that best practices are readily disseminated across the organization.

Even as the provider generates actionable insights for the client, the client is responsible for its consumption. And there are plenty of opportunities for dysfunction when the client acts on the insight. To avoid this situation, the provider team must align with the client's organization. As a result of a tight alignment, the knowledge center is increasingly considered within the client's organization as the 'glue' that brings the disparate functions to interact as never before, leading to superior decision making.

Why the knowledge Center of Excellence model works

The knowledge center of excellence model of knowledge creation and consumption works for a variety of reasons

- It enables a true 360° approach to solving the knowledge requirements of an organization in a cost effective manner. Naturally, organizations wish address all their analytic challenges in a holistic way. However, it is often prohibitively expensive to house a broad range of deeply skilled in-house professionals to oversee analytic solutions that range from the strategic to the purely tactical. The Knowledge Center of Excellence model is a shared

services environment where such high-end resources can be made available 'on tap' – enabling companies to get that 360° view of the business.

- It transcends geographies and corporate silos. The model standardizes and integrates knowledge services to facilitate knowledge consumption across all of the client's operations in all geographies.
- It institutionalizes knowledge. Knowledge is embedded in the organization through the sharing of best practices across geographic boundaries and corporate silos, thereby enabling better decision making and fostering innovation across the business.
- It reduces turnaround times by quickly bringing to fore resources and analytic output from similar engagements.
- The Knowledge Center acts as a corporate repository, storing and cataloging documents such as process and training manuals that can be easily leveraged across the organization.
- Strong knowledge sharing practices reduce errors in knowledge creation, thereby improving the quality of decision making.
- It supplements sub-optimal skill sets in knowledge workers. The center is comprised of a sizable team of resources that includes individuals with deep domain knowledge as well as those with deep analytics, business intelligence and research skills. It makes for an exceptionally diverse, well-rounded team. Further, these resources can be deployed to meet an organization's ever-shifting analytical needs.
- It is scalable. Data, processes, resources and institutional knowledge within the Knowledge Center of Excellence are organized to be scaled. Data is extracted from corporate data marts, scrubbed and made ready to be used again and again in a variety of ways by disparate knowledge processes. Instituting standard operating procedures for knowledge processes ensures that solutions are executed in a consistent way with no need to go back to the drawing board each time a challenge surfaces. Skills are disaggregated so that no one skill becomes a bottleneck delivering a particular solution. The shared services environment ensures that slack resources can be redeployed at a moment's notice for needs emerging around the globe.

While evolving a knowledge-centric organization is possible internally, the challenges are myriad. And although KPO can break through some of the challenges organizations face on the road to knowledge competition, the opportunity to truly compete with knowledge only comes with a complete 360° view of the business – made possible through a vertically-integrated, domain-specific Knowledge Center of Excellence.

Author's note: This article contains excerpts and out-takes from the WNS thought leadership whitepaper entitled, "Armed With Knowledge: Gaining competitive advantage through knowledge process outsourcing"
To access the full KPO whitepaper, visit <http://wns.com/kpoforcompetitiveadvantage>

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