A framework for BPO measurement

There is a need for a disciplined approach to Business Process Outsourcing measurement whether you are a buyer or a vendor, says NARI KANNAN. In this SECOND of TWO parts, he delves into Upstream and Downstream Metrics and process innovation.

In real-life, business processes are hardly stand-alone. Outsourced processes invariably may have upstream processes whose outputs become inputs to the outsourced ones. For example, if you are outsourcing the payroll function to an external organisation, printing of payroll checks depends upon someone feeding the necessary inputs to that organisation, every pay period. In the case of the payroll process, the inputs may be vacation time taken by personnel and attendance information.

The outputs of the outsourced process may again be the inputs to a business process within the company. If the payroll function is outsourced, the payroll numbers handled every pay period need to be fed back to the accounting and finance function that may not be outsourced. Recognition of upstream and downstream relationships between outsourced and non-outsourced processes becomes very crucial in measurement of outsourced business processes. When measuring the efficiency and effectiveness of any business process, outputs and inputs from other business processes, upstream or downstream may need to be considered for proper governance.

**Implementation**

Implementation of monitoring and analysis of metrics in BPO really varies whether one is a vendor or a buyer. Buyers of BPO services concentrated for the most part, on the contractual details, risk reduction strategies and legal issues related to outsourcing. These contracts included some level of Service Level Agreement (SLA) metrics and for the most part, BPO vendors submitted weekly or monthly reports on the performance of the business process.

Many BPO vendors monitored and analysed many more metrics than they shared with their customers. They usually went beyond the contractual SLA metrics but monitored and analysed a lot more Process metrics. These are necessary for them to measure their own people for performance evaluation purposes. BPO vendors monitor some other metrics since they think they are necessary for the continued excellent performance of the process. These metrics may not be reported to the BPO buyer but never the less, monitored and analysed, since the vendors know that if they do not govern these processes well, the contracts may be cancelled, notwithstanding excellent performance on the SLAs that the buyer identified and mentioned in the contract.

A suggested implementation road map for BPO Metrics that could be effective consists of the following steps, whether it is a BPO vendor or a buyer:

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**Figure 2.** Inputs, Processing and Output Metrics for Upstream and Downstream Processes.