CONCURRENT SESSIONS   **Tuesday 13:30 – 17:30**
KEMPINSKI HOTEL CORVINUS   **Erzsébet tér 7-8, Budapest V.**

REGINA BALLROOM I.

10.2. INNOVATION AND QUALITY II.

Session Chair: *Kostas N. Dervitsiotis, University of Piraeus, Greece*

15.30 Innovations and Quality for Higher Competitiveness of Companies
Devender Malhotra and Shalabh Srivastava, Wipro BPO, India

Malhotra, Devender (India)

Head of Quality and Customer Advocacy Group, Wipro BPO, India. He has over 15 years of experience in IT (Information Technics), engineering and automotive industry. Devender has a PGD (Post Graduate Diploma) in Marketing and Financial Management with graduation in Mechanical Engineering. He is a certified Master Black Belt and Lead Black Belt driving Six Sigma as well as Lean Initiatives as a certified Lean Facilitator. He is a Qualified Internal Quality Auditor in ISO, CMMI (Capability Maturity Model Integration) Assessment Team member and has the relative experience in implementing. He is also a Certified Malcolm Baldrige Examiner.

Devender has done various consulting assignments in US on Metrics, Six Sigma and Testing Process maturity areas and has presented papers in various forums in India, Europe and US. He recently presented paper in the ANQ (Asian Network for Quality) conference. He is currently responsible for driving quality initiatives in his current role. Earlier he was Senior Consultant for Software Quality Assurance in Wipro Technologies and he was heading also virtualization initiatives.

Innovation & Quality for Higher Competitiveness of Companies

April 2011

Innovation has always been the single most important factor in ensuring a distinctive advantage and higher market positioning of companies. Quality and Process Excellence help in sustenance and ensure maximum benefits from innovations – both incremental and quantum.

This paper is an attempt to demystify some of the common myths around innovation and also looks at the way some of the most innovative companies around the world across the industry verticals have used Innovations to stay ahead. Wipro, as an organization has a high focus on Innovation and Quality. This paper also attempts to put Wipro's Innovation and Quality journey in a larger context for industry as a whole.

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WIPRO BPO |

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Introduction

What separates a great organization from other good companies – Management? People?Policies?Quality?Probably all of these and much more.Innovationsignificantly differentiates a company from the others. Over the years, innovation is one buzz word that has been the driving force for the best companies across the world.

Innovation itself has been innovating from time to time. Technology Innovation, Service Innovation and Value Innovation are some of the terms coined in different times by great individuals and organizations. We shall see in subsequent sections of this paper, as to how these are different and yet share the same essence of doing things differently and making companies more and more competitive with specific focus on IT and ITeS companies.

Understanding Innovation

In simplest terms, innovation is a deviation from the conventional method for betterment of products and/or services resulting in business gains. Innovation is not just a technological breakthrough. Innovation can be related to People, Process, Policy, Technology, Practices and many other factors.

So how doesone define innovation?

Let us take an example – **Facebook**.

Facebook is perhaps the biggest example of innovation in recent times. In less than eight years of existence, it has become one of the most valued companies of the world and is leading the innovation charts. In less than a decade, the worth of Facebook is estimated to be around USD 50 billion and has around 42% of the American population as its members. This by any standard is a phenomenal growth story and has been driven by pure innovation.

So what did Facebook do differently from other online community sites like Orkut which were in existence much before Facebook? The Facebook came up with series of innovative offerings like **Bringing Privacy into the Market**, **Everything under one Roof**, **Social RSS**, **Social Gaming** etc. on the portal and combined all of that with excellent service in terms of uptime, speed and user friendliness etc. They were also in the right market at the right time. These factors have driven Facebook to the epitome of innovation.

There may not be a single line definition which can help define innovation. But there are certain components of innovation which can help companies to innovate and know that their effort of innovation is in right direction.

Given below is a cycle that innovation has to go through, irrespective of what kind of innovation it is.
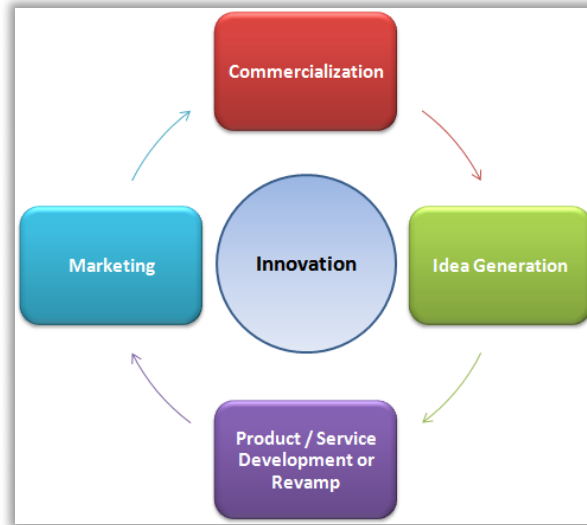
- An idea without development or execution is only a dream and belongs to an individual or group of individuals only with no influence on others
- An idea developed or executed with no market acceptance is just an invention. Business does not gain from Invention only
- A well accepted product or service in market need to be commercialized and scaled up to right proportions to attain maximum business benefits

Any of the missing links from above cycle will render an initiative as "non-innovation". Also, the important term here is "cycle" as this has to be a repetitive process. What is innovation today may become a basic need tomorrow.

Enablers of Innovation

We mentioned earlier that innovation is not only technological enhancement. In fact, there are three important constituents of Innovation – People, Process and Technology. Often innovation initiatives fail to deliver the results that are expected because of focus on just one of the three enablers.

Given below is an example of the innovation framework for an ITeS company:
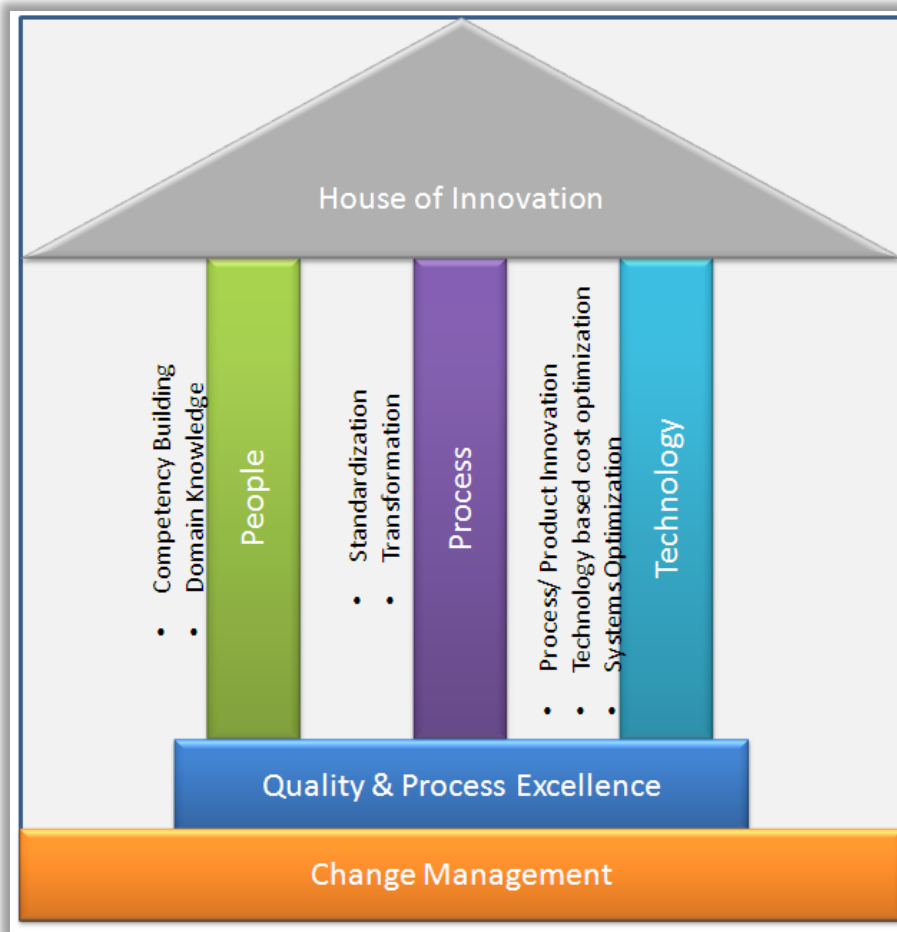
As shown above, there are three important pillars for innovation. Let us look at each one of these along with the foundations, namely, Change Management and Quality & Process Excellence.
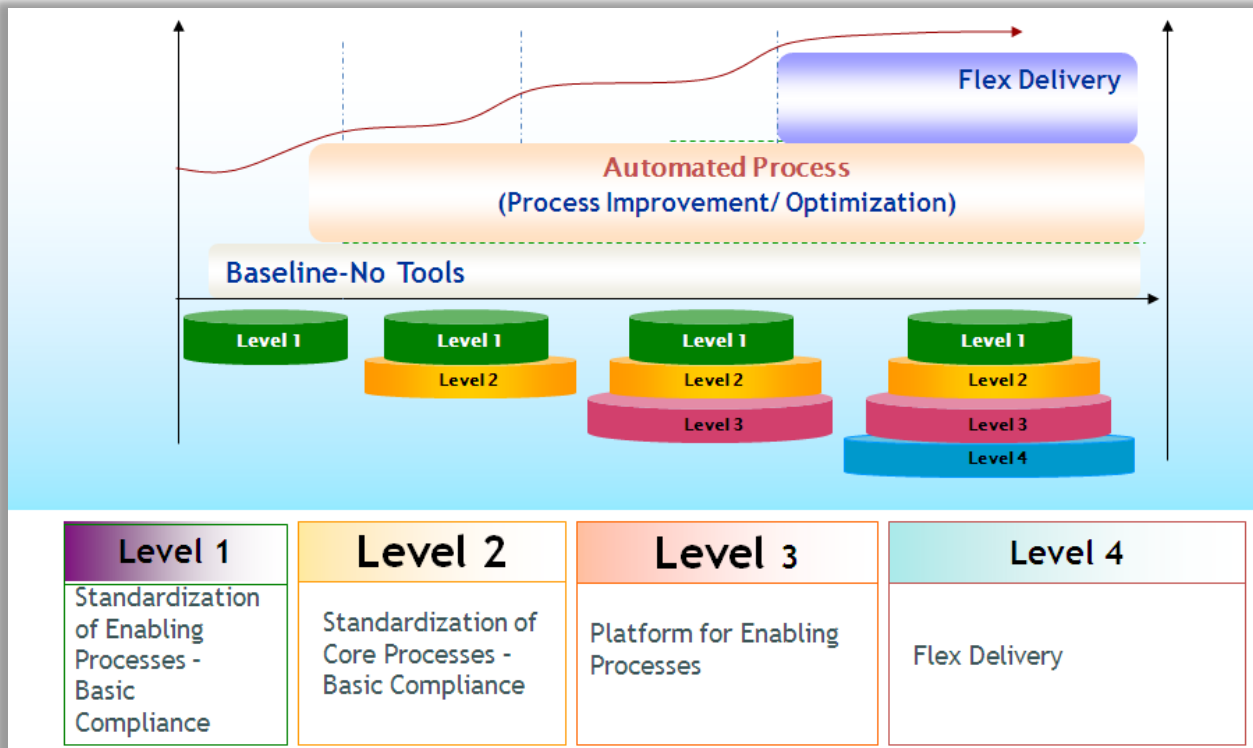

People Innovation

People are the driving force for innovation in an organization, more importantly for a labor intensive industry such as BPO. In today's world, BPO companies are driving the people based innovation really hard to keep their human capital motivated and extract best out of their workforce. Some of the most important initiatives in people innovation are competency building and domain knowledge enhancement of the people. These are important factors in improving the employability of the resources and also maximize the gains for the organization.

Knowledge Management is another important aspect of People Innovation. BPO industry has seen phenomenal growth rate over the last few years and the trend shall continue for subsequent years in the near future at least. But this growth has also provided more opportunities for employees and hence attrition has been one of the biggest challenges faced by Indian organizations. Apart from visible loss in terms of hiring and training costs etc., there is a huge challenge of loss of tacit knowledge from the organization. Many leading BPO organizations have therefore laid emphasis on "Knowledge Management", which aims at capturing, hosting and sharing tacit knowledge in and across the organization.

Process Innovation

Customers come for "Cost" benefits but stay for "Quality & Innovation". Clients today look for a lot more than pure "cost arbitrage" from their outsourcing initiatives. BPO companies today are expected to provide value addition as a part of their offerings.Business Process Transformation is the key differentiator for large and complex business deals. Most of the multi-location organizations have developed process silos and that is one of the key problem statements in large BPO deals today. It is important for the BPO organizations to be able to develop a standardization model that can be leveraged to deliver standardization and transformation of such complex business processes.

Level 1	Level 2	Level 3	Level 4
Standardization of Enabling Processes - Basic Compliance	Standardization of Core Processes - Basic Compliance	Platform for Enabling Processes	Flex Delivery

The above model categorizes standardization into four steps, all of which can be executed in parallel. The model is centered on the standardization of Enabler Processes and Core Delivery process, with the ultimate aim towards a complete unified platform for the entire business process.

Traditionally, the process improvements have been carried out in core delivery processes using methodologies like Lean and Six Sigma. The model above shows maturing of process excellence initiatives of an organization and using the learning derived from core delivery improvement projects in enabler functions such as Infra, Transport, HR and Training etc. as well as core delivery processes. This not only ensures faster stabilization of new processes but also keeps ensures lower cost of operations, better quality of delivery and enables focus on value addition for the clients over and above CPM (Critical Process Metrics) and Service Level Adherence.

> *Business Process Transformation is a key differentiator for large and complex business deals.*

Technology Innovation

Technology is an enabler for most of the innovation in any industry. IT and ITeS industry too has adopted technology based innovation as part of their offerings. Cloud computing, social media analytics, platform based offering etc. are some of the biggest initiatives in the industry to gain leadership positions. Most of the high impact innovations are driven by technological breakthrough and BPO's are no different. Quantum benefits for organization are often driven by technology innovations. In recent times, Indian BPO's have realized that cost arbitrage is not the lasting advantage and to keep the market leadership position of Indian BPO industry intact, Indian BPO's have to leverage innovation as a differentiator for itself.

As mentioned above, process excellence initiatives focus on optimization and improvements in core delivery and/ or enabler functions. Typically, the benefits from such initiatives is incremental in nature and focuses on metrics like Productivity, People Skill Enhancements, Handling Time Reduction, Quality and First Contact Resolution etc. Client today are looking for much more than these incremental improvements. BPO companies today are leveraging technology for bringing in quantum improvements in client's business through several innovative solutionslike – Self Service, Voice Recognition, OCR, Platform BPO etc. Use of such technologies drive the non linearity in the organizations and delinks the revenue growth from headcount growth. The intent in such initiatives is to assess the real need to having a physical agent to assist the customers. Most of the common or repetitive tasks are being automated and more and more self-service options being provided to the end users to remove people dependencies.

Another important area where technology has been leveraged extensively in today's BPO industry is Business Analytics. Technologies like Speech Analytics, Text Analytics and are already in use in leading BPO organizations and in many ways it has transformed the way customer service is delivered by these organizations. The information which was lying unused in unstructured

> *Use of such technologies drives the non linearity in the organizations and de-links the revenue growth from headcount growth.*

data like voice and text format or getting diluted through traditional, manual process of auditing and scrubbing, is now available and it can influence critical business decisions. Next step in business analytics is Multi Channel Analytics which is aimed at creating completely new levels in customer service. Such technologies will enable organization track its customers through their life cycle and provide real time assistance to agents while they are servicing these customer to maximize the benefits from every customer interactions.

Change Management

Innovation and business excellence mean change and hence, change management is important to ensure that these changes are governed and accepted by the larger organization. Change management is a process in itself which typically includes formation of a change control board whose responsibility is not only to look at the potential impact of a change on existing processes, cost of change, etc. but also at the people readiness to accept those changes. Change Management has to be an internal as well as external facing process because changes can impact internal stakeholders as well as the customers. The process needs to ensure that all relevant stakeholders are adequately educated and trained to handle and accept the changes that such initiatives bring in.

Change management in context of Innovation is to be able to include everyone as a part of the initiative. It is a meticulously designed process to create a culture of Innovation in the organization. Some of the ways of achieving this could be Rewards & Recognitions, Effective Communications and Sharing Success Stories etc.

Quality & Process Excellence

The other base for the innovation model is Quality and Process Excellence. Quality has the most important role to play in any innovative initiative. Typically, innovations are driven by the quality function across the organizations along with the technology team.Some of the innovative programs run at the corporate levels by BPO organizations include:

Kaizen Lounge: A central online war room for people to contribute their innovative ideas which are taken up and driven across the organization on basis of their business relevance.

Centres of Excellence for various service lines.

IP Portfolio Building: Focusing on building IP portfolio of the company including patents, trademarks and copyrights wherever applicable.

Academic Connects: Connecting with top academic institutions around the world for carrying out research on niche topics.

Innovation Lab: The innovation labs are generally set up by companies for incubation of innovative technologies, platforms and analytical services etc.

Business Excellence: To ensure innovation as a day to day practice, quality functions at BPO companies today have taken a leap from Process Compliance to Business Excellence. The journey has been marked with several milestones like maturing from product quality to process compliance, from process compliance to process excellence and from process excellence to business excellence.
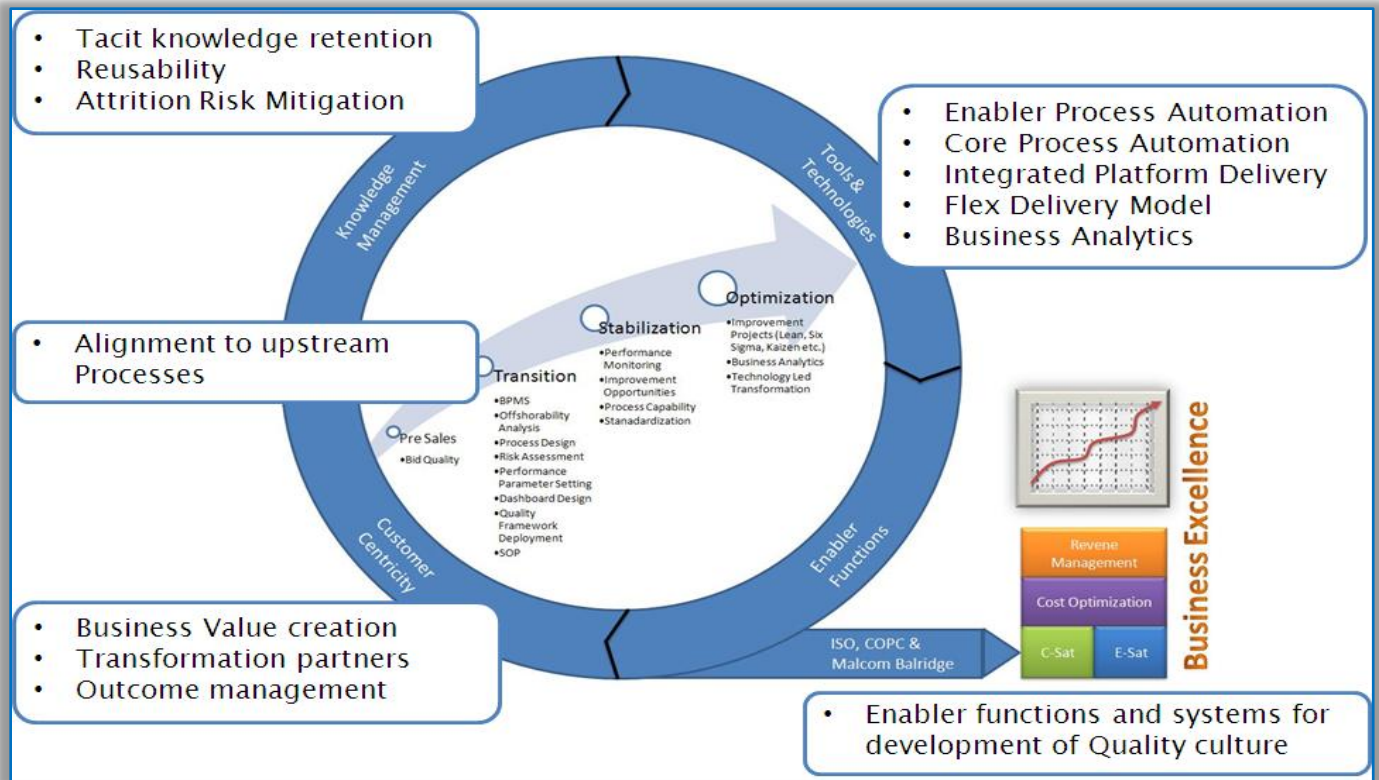
The above model is an elaboration of the quality function's role in driving business excellence. Quality today is not only looking at traditional metrics of the processes but getting engaged in the entire life cycle of a process. The engagement of the quality function starts right from the bid stage and continues throughout the life of the process. All of the above mentioned initiatives such asknowledge management, deployment of tools and technology, automation of enabler processes and driving customer centricity programs across the organizations are the building blocks for driving business excellence which when coupled with transformational initiatives in the area of people, process and technology, delivers innovation for maintaining the competitive advantage of the organization.

Role of Quality Function in Driving Innovation

As a part of the quality initiatives of many BPO's, process excellence starts with incremental innovations through methods such as:

- **Kaizen:** A quality initiative involving implementation of ideas to help improve work performance and become more efficient
- **Continuous Improvement:** An ongoing process, focusing on improving customer satisfaction through continuous and incremental improvements to the processes
- **Lean and Six-Sigma:** Quality methodologies to improve processes through eliminating waste and reducing variation

These incremental innovations move on to quantum innovations through Business Analytics and Business Process Transformation. In general, business excellence models have been developed by national bodies as a basis for award programs. For most of these bodies, the awards themselves are secondary in importance to the widespread adoption of the concepts of business excellence, which

ultimately leads to improved national economic performance. By far the majority of organizations that use these models do so for self-assessment, through which they may identify improvement opportunities, areas of strength and ideas for future organizational development.

> *These incremental innovations move on to quantum innovations through Business Analytics and Business Process Transformation.*

Process of Innovation

Innovation needs freedom and hence, randomness is often associated with innovative groups and companies. It is very important to allow certain degree of randomness for innovation, but equally important is to prevent it from becoming an unmanageable chaos. There needs to be a process to encompass innovation.

Innovative people seldom like to be governed by a set of rules or process as it limits the opportunity for thought generation. Best practice for driving innovation in an organization is therefore to have a dedicated set of people working on innovation and larger part of the organization driven by the process. This ensures enough freedom for generation of new ideas and a defined process to ensure right measurability and governance of the processes for business benefits.Quality as a function has the most important role to play in ensuring that the innovation initiatives are measured, tracked and reported in form of metrics and there is an effective governance process around the initiative to minimize the randomness. There has to be measureable outcome from any initiative and quality as a function has to ensure that process definitions are in place and a robust measurement system is defined to ensure responsibility and accountability for each initiative.

Innovation vs. Natural Evolution

The market is changing every day and it is only natural that the way companies do business will also change as a part of this changing market scenario. It is extremely important for companies to realize that adaptation to changing market trends cannot be termed as innovation. On the contrary, innovation has to change the market trend in some sense.

USA has been the largest consumer market for several decades now. Not surprisingly, till last decade over 80% of most innovative companies were from US and North America followed by Japan. But most of those companies have now been replaced with companies from emerging markets of Asia and other European companies. The reason is simple – those companies continued changing with times but failed to influence a change in the dynamic market scenario. Approx. 60% of world's most innovative companies now are non US based companies and more and more companies from developing markets like India, China, Korea, Taiwan and Brazil are finding their way in innovation.

The writing on the wall is clear… Innovation is not a constant. Companies that are most innovative today may become obsolete in the list if they stop innovating. It is important to keep innovation going and coming up with new innovations continuously. Indian BPO market has been able to keep its leadership position intact in spite of new geographies coming up as more cost effective options because of its continued innovation journey.

Conclusion

To summarize, Innovation is the most important thing in driving the success and competitiveness of an organization. It has to be driven top down and in a structured way while striking a delicate balance between process and entropy. It will be fitting to cite the words of Mr.AzimPremji, Chairman, Wipro Ltd, on innovation as concluding remarks:

"Innovation is about action versus just ideas. It is about implementation as much as it about design. Innovation need not be restricted to products or technology alone. Innovation applies to innovations in business model as well as quality, productivity, service, financial discipline, employee attitudes and renewal. Innovation is not just about incremental improvements in the course of daily operations or a one-off new brilliant idea. Innovation is a culture that needs to be created consciously and pursued assiduously by the organization."

- Azim H Premji, Chairman, Wipro Ltd.

To keep ahead in the market place, it is important for Indian BPO's to keep their innovation journey running. With new market places coming up everyday and offering cost arbitrage to the outsourcing firms, innovation is going to be the key differentiator for BPO's as customers and will continue the raise the expectation levels from their outsourcing projects beyond labour arbitrage.

Appendix

About the Author

Devender Malhotra has over 15 years of experience in the IT, engineering and automobile industry. He has a post graduate diploma (PGD) in Marketing and Financial Management with graduation in Mechanical Engineering. Devender is a certified Master Black Belt in DMAIC and a Lead Black Belt in DSSS+ and TQSS Methodologies driving Six Sigma as well as Lean Initiatives as a certified Lean facilitator. He is also a qualified Internal Quality Auditor in ISO, a CMMi assessment team member and has experience in implementing CMM Level 5 in GE-India Design Center and CMMi level 5/ BS 7799 in Wipro and is also a certified Malcolm Baldrige Examiner. Devender has executed various consulting assignments in US on Metrics, Six Sigma and Testing Process maturity areas and has presented papers in various forums in India, Europe and US.

Shalabh Srivastava is a senior manager with the Process Lab in Mission Quality and has over nine years of experience in Process Excellence, Six Sigma and Lean. His experience spans across various leading global organizations and industries such as automobile and ITeS with focus on process improvement methodologies and use of technology solutions for effective process management.

About Wipro Technologies

Wipro is the first PCMM Level 5 and SEI CMMi Level 5 certified IT Services Company globally. Wipro provides comprehensive IT solutions and services (including Systems Integration, IS Outsourcing, Package Implementation, Software Application Development and Maintenance) and Research & Development Services (hardware and software design, development and implementation) to corporations globally.

Wipro's unique value proposition is further delivered through our pioneering offshore Outsourcing Model and stringent quality processes of SEI and Six Sigma.

Wipro in Business Process Outsourcing

Wipro BPO is uniquely positioned to service customer requirements by leveraging its tenets of quality and innovation, the best people talent, self sustaining process framework and domain knowledge. We offer customized service offerings; translating into the most flexible and cost effective services of the highest quality for our customers. Wipro BPO services customers in various industries including Banking & Capital Markets, Insurance, Travel & Hospitality, Hi-Tech Manufacturing, Telecom & Healthcare sectors. Wipro BPO also has deep expertise in delivering process specific solutions in areas like Finance & Accounting, Procurement, HR Services, Loyalty Services and Knowledge Services.

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