



Intelligent Work Distribution: Driving sustainable improvement

Introduction

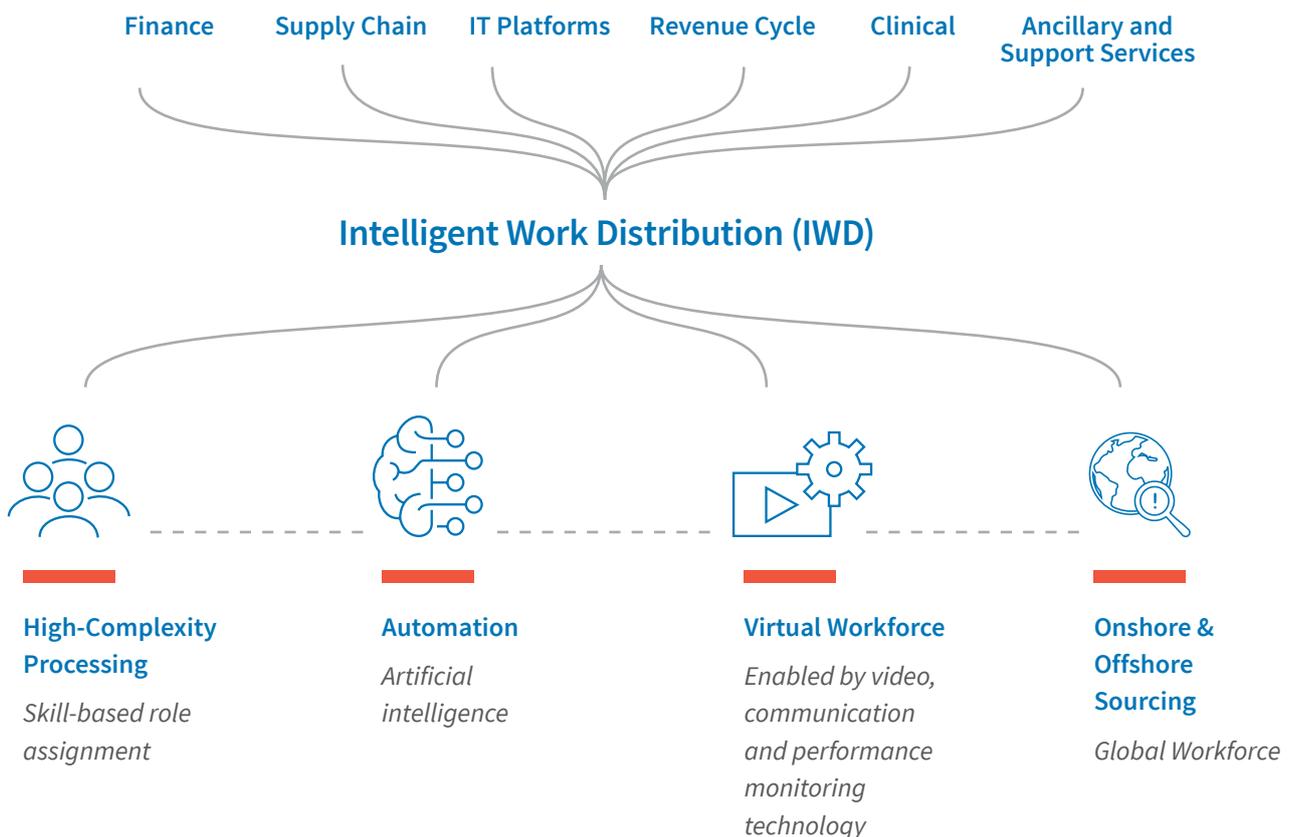
The healthcare industry has been buffeted by rising costs, transitioning to value-based payments, emerging technologies and moving to a more remote workforce. These pressures are forcing healthcare organizations to reimagine their work and workforce.

Intelligent Work Distribution (IWD) is a proven process that leverages globalization and automation to lower costs and improve revenue without sacrificing quality. Work and process are broken down and reassigned at task levels. This reallocation of resources is based on complexity – highly complex (manual) versus repetitive (automated), and location – virtual, onshore, and offshore.

The prevailing reason to embark on an IWD transformation is to benefit from the widespread expectation that the cost of operations will fall significantly for the same

quality of work that historically has been done by in-house or local personnel.

While the benefits can be great, introducing a global delivery model into your business does not guarantee success. Organizations must commit to preparing for and working through major changes in their ways of working, language barriers and cultural differences. If wisely pursued, IWD can be a key strategy for organizations to remain competitive and strengthen their position in the market.



Labor and Offshoring



In recent years, offshore providers entered the world market providing increasingly sophisticated alternatives to the established U.S. and European healthcare providers. IWD utilizes offshore managers to enable organizations to directly employ contractors who work exclusively with their organization from the most cost-effective locations around the world. Being unbound by geography and the need for physical space allows organizations to reassign tasks and consistently perform processes at the highest level of quality and lowest cost. This contractor model allows tremendous flexibility. Instead of a static workforce, organizations can dynamically engage contractors based on labor needs.

Who does it from where is not as important as what, how, and the ability to measure the outcomes.

IWD by nature means that a certain part of your delivery is placed with an external offshore manager who can apply any of the following approaches:

- Automation Enabled Workforce: A blended delivery model where automation is employed in tandem with human labor.
- Local: Services performed in the same locale where the service is received or in an area where labor rates are generally consistent with the locality where the service is received.
- Country-based: Services performed mostly in the same country or near where the service is received (usually within or close to the same time zone) and where labor rates are generally lower than those where the service is received.
- Offshore: Services performed in another country where labor rates are lower than those where the service is received, yet there may be a significant difference in time zones.





Common Pitfalls

Based on our strong relationships with offshore managers and extensive experience guiding clients through offshoring arrangements, there are several common pitfalls anyone considering an IWD transformation should consider:

Lack of a business case:

When a clearly defined business case with detailed financial outcomes and incentives is not established between all parties, measuring success or failure will be left to subjective interpretation.

Mismatched expectations:

Do not offshore “bodies” or “personnel” or even “roles.” Instead, view the transition as offshoring services, processes and activities.

Managing cultural gaps:

While most offshore managers have workforces culturally aligned to work with local customer teams, organizations must also establish local liaisons who have cultural awareness of the offshore team.

Underestimating transition:

The most sensitive period in any new engagement is the initial transition. This phase must be well-structured and detailed, with full commitment from senior management. Sufficient resources and time must be allocated.

Sometimes organizations consider the transition as an activity the supplier needs to perform, with a limited role to be played by themselves.

Managing communications:

Transition announcements are critical. The timing and level of communication should be planned to the last detail — what to tell whom and when. Too early can raise the level of apprehension; too late runs the risk of misinformation from the grapevine or the media.

Fear of the unknown:

Companies may be wary of losing control and think their systems are more complex than any other offshore systems. A company may also continue to maintain on-site resource presence rather than maximizing offshore resources.

Adaptation and awareness:

Most process managers have little international experience, which makes it difficult to educate them on potentially better processes that deviate from their current state.

Ensuring Success

There are specific preparations organizations can undertake to ensure they avoid the common pitfalls and set themselves up for optimal outcomes.

Establish KPIs:

The transition phase must be well planned and agreed upon with clearly defined outcomes and financial targets before launching any initiatives. Be clear on your top priorities and goals. Ensure that these priorities are continually validated over the course of the engagement.

The organization should, in addition to measuring cost, measure the offshore managers on KPIs — both soft and hard KPIs— in order to better monitor service delivery benefits gained, identify the increase in business value and quantify the decrease in costs.

Additionally, to get the best of an offshoring agreement, the offshore manager must be measured against areas such as customer satisfaction, improved operational efficiency, etc.

Focus on the contract:

Following the transition phase, the service moves into operational mode after reaching a steady state of delivery. Things that have been hidden for a long time or before the deal is signed, often rise to the surface in this stage of the relationship. Change request, incident management and problem management should be clarified early.

When you formalize an offshore relationship, management costs, roles and responsibilities become concrete and very visible. Organizations are sometimes confused about who is in charge, so make that explicit.

Get to know the offshore managers:

It is crucial for companies considering offshoring to get to know the offshore managers. Offshore managers are often willing to arrange visits to their premises and offer various activities. Visit the delivery centers to develop understanding and take a close look at the

offshore manager's capabilities, culture and delivery model. As such, you can see it in action or audit the offshore manager on various parameters such as working standards, IT security, HR processes across the entire company, compensation, visa process and adherence to local laws.

Meeting the offshore manager provides an opportunity to establish rapport and build relationships, as well as gain a feeling for the culture. Equally important, offshore managers should become familiar with your company. Be sure to expose rich data and allow sufficient time for the offshore manager's due diligence process. As part of their planning for the transition phase, they will be interested in multiple aspects of your business, such as processes, tools, services, people, applications and asset inventories.

Manage the transition:

For organizations using a global delivery model for the first time, start small by building capabilities while simultaneously building trust in the offshore manager before increasing the scope.

A transition can be defined as the smooth transfer of services from a legacy organization to an offshore manager organization in accordance with contractual requirements. Typically, a transition starts on the service commencement date and continues until the offshore manager has reached the "steady state" of maturity defined by the contract.

Organizations should have a robust transition management process for their engagements. We advise setting up a strong Program Management Office with representation from both parties as a means to plan and fulfill requirements, identify and resolve risks and issues, and include effective reporting mechanisms.



Install strong governance:

Executive sponsorship on both sides is necessary. Posting contractual governance to ensure that rights and obligations from both sides are met and kept is critical. In this regard, several offshore managers said that third-party advisor involvement in strategic large engagements is beneficial to both offshore managers and organizations undergoing transformation.

This is also the time when you should maximize face-to-face engagement between the delivery and the client teams. People do business with people — hence, very early in the transition, it is imperative to invest time and effort in cultural alignment and ways of working. Clients are also urged to trust in their offshore managers and their processes.

Manage risk and quality:

Place focus on the transition from people-dependent delivery to process-dependent delivery. Deploy a risk management process for early identification of issues.

Sensitive, mission-critical service transitions leverage mature transition frameworks that have inbuilt stage/tollgate mechanisms, which also provide for rollback options. The process and quality curve must be closely monitored to ensure that quality standards have been met. This requires the agility to quickly adjust levels of automation, locations, of work, etc.

CONCLUSION

Organizations can outsource work without giving up margin to vendors, in turn lowering costs and improving revenue without sacrificing quality. The benefits of IWD are immense, but it is a critical decision and transition for organizations. Considering these key elements while evaluating the application of IWD in your organization is the first step in a successful transformation.

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