

# Financial KPO then and now – how the landscape has evolved

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## Guest Blogger

Comparing today's financial KPO environment to that of 10 years ago, some of the most noteworthy facets include (in no particular order)

**More focus on strategic outcomes; less on vendor inputs.** Sure, there are still a few customers who think of KPO as primarily a matter of picking resumes from a bunch provided by their supplier(s). But in general, the KPO-headhunter model hasn't proved to be particularly robust. Customers sitting thousands of miles away are simply not able to judge which individuals are or aren't suited to fulfill a particular task. Conversely, vendors are not easily able to judge what success criteria might matter for individual clients. The KPO design process has become much more strategic and consultative than it was 10 years ago, with much more focus on initial planning and white-boarding.

**"Whatever works."** Time has made our industry less dogmatic. Ten years ago, customers and vendors had very rigid views on topics such as captives vs. third-party providers, single vs. multiple vendors, and how far up the value chain KPO could go. Today, most of us have been battered by experience into accepting that different courses suit different horses. Even within a single firm, different departments may be more suited to different KPO solutions, which isn't that surprising when one remembers both the sheer variety of processes undertaken inside a typical modern financial services firm and the surprising degree of cultural variation found within the typical large financial organization.

**The rise, fall, and rise of unwieldy MSAs.** The first KPO contracts were cut and pasted from BPO contracts. They were terrible: over-engineered and full of SLAs designed for standard-process BPO contracts, but wholly unsuited to the more nuanced and nimble suite of KPO services. Over time, these were replaced by slimmer contracts more focused on overall measures of customer satisfaction. MSA page-count has now started to rise again, as the rising tide of government regulation pushes against the shoreline of contractual drafting. Time will tell if these bulkier MSAs prove to be more robust than their ancestors.

**The varied evolution of customer controls in response to KPO.** Good KPO outcomes require good partnerships, which in turn require a good governance framework. A good governance framework should aim to incentivize the partners to innovate in response to evolving customer needs, as opposed to merely trying to game the system by hitting some pre-defined SLA metrics. Customers rightly put a lot of up-front scrutiny on vendors' ability to be good strategic partners. But often it's only later on that customers realize that their own management structures might also have

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to evolve. It isn't always obvious where the internal 'ownership' of the KPO relationship should reside. We've seen quite a few customers wrestle with this, and the 'right' solution seems to vary a lot depending on customer culture, history, and even management personalities.

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