



BPS Code of Conduct: A Shared Solution for Protecting Confidential Information

Key Findings from In-Depth Interviews

Cecilia Edwards, Associate Partner
Elizabeth Boudrie, Vice President, Market Insights

Copyright © 2014, Everest Global, Inc. All rights reserved.

Executive Summary

The BPS industry finds itself between a rock and a hard place: While there is value to the industry in leveraging the collective knowledge gained by providers from working with multiple clients, it comes at the risk of inadvertently disclosing client confidential information due to the lack of definition as to what each party deems "confidential." Given the potential negative impact of not protecting confidential information – on enterprise buyers and service providers alike – resolving the dilemma is a vital challenge.

The good news comes in two part – there is general consensus that this is an important issue that needs to be settled; and there is a series of solutions that – undertaken together and with the full cooperation of all constituents – could go a long way to resolving this challenge.

Key to solving the problem of inadvertent confidential information disclosure is accepting that resolution is a shared responsibility

Key to solving the problem is accepting that the resolution is a shared responsibility. Buyer-side enterprises can gain better protection of their confidential information, but they have to shoulder some of the responsibility of information protection. They can do so by asking for only the information they need during the buying process, agreeing to disclose less-sensitive information of their own, and effectively identifying and defining what is truly "confidential information."

Service providers share the burden of managing confidential information throughout the entire relationship – during the sales process, contract negotiations, and service delivery. Early on, providers need to define their capabilities by sharing aggregate experience and not relying largely on logos and names of current clients. During contract negotiations and service delivery, they need to seek clarity around their buyers' unique information, and demonstrate a process for ensuring its protection based on a framework of policies, processes, and tools.

One highly effective solution to the challenges outlined above is a BPS Code of Conduct, in which all stakeholders can, and should, participate. The Code of Conduct will address buyer- and provider-side challenges, help to drive a necessary change in mindset among all stakeholders, and identify and solidify a common set of definitions and rules related to information protection. Ultimately, the Code of Conduct is the roadmap to a shared responsibility for strong protection of confidential information.

Confidential Information Disclosure: Everyone Feels Vulnerable

The inadvertent disclosure of confidential information in the BPS industry is an issue that bedevils service providers and enterprise buyers alike – both as offenders and as victims. Disclosure of sensitive information can have a devastating effect on relationships, deals, business, and trust.

Everest Group conducted 21 in-depth interviews with executives at organizations across all constituencies – providers, buyers, and advisors / industry experts – to identify the issues and challenges related to protecting confidential information (see **Exhibit 1**). Our interviews uncovered a host of issues that contribute to inadvertent confidential information disclosure, including:

- Lack of clarity around what constitutes confidential information
- Lack of understanding of the impact of confidential information release among various parties
- Pressure on providers – from buyers and advisors – to overshare information, some of which may be considered confidential
- The absence of consistent standards surrounding the protection of confidential information

EXHIBIT 1

Organizations interviewed

Providers

- Two tier-1 BPS providers
- Two tier-2 BPS providers
- One tier-1 ITO provider
- One tier-3 ITO provider

Enterprise buyers

- One *Fortune 500* property & casualty insurance company
- One medium-sized property & casualty insurance company
- One large health insurance company
- One large life insurance company
- One very large U.S. bank
- One large U.S. bank
- One global wholesale distributor

Advisors / industry experts

- One global services consulting firm
- One global services advisory firm
- One global strategy and operations management consulting firm
- Two global services professional services firms
- One outsourcing consulting firm
- One global general management consulting firm
- One industry journalist

Three major themes emerged from our interviews:

1. There is a fundamental tension between buyers' desires to have access to as much information as possible before signing their contracts, but wanting to protect their own information after signing their contracts
2. At the same time, providers are concerned about the protection of their own confidential information, particularly trade secrets and other intellectual property, often inadvertently disclosed to other providers during competitive situations
3. True improvement in confidential information protection will come only if all constituents change their mindsets about information protection and commit to processes and procedures to guard against disclosure

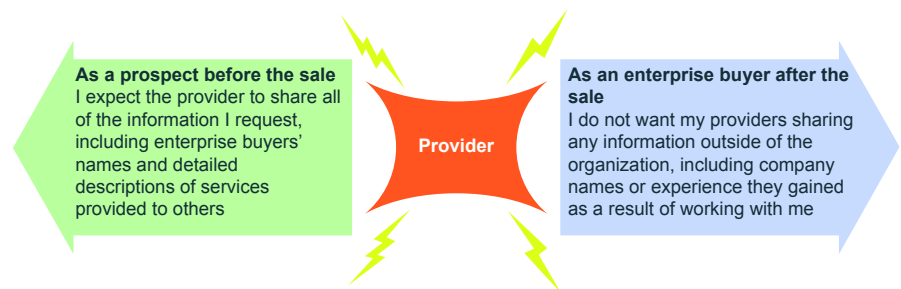
Buyer-side tension

One of the key issues in protecting Confidential Information is the tension between a buyer enterprise's need for information during the buying process, and its contradictory obligation to protect its own information following the sale.

This conflict is perfectly captured by two enterprise buyer comments from our interviews:

- Before the sale comment: *"You [the provider] need to disclose the client name and the vertical. The case study is not believable without the client name!!"* — Insurance company executive
- After the sale comment: *"... [the provider is] not allowed to use [our] name or marketing logo on any materials at any time."* — Vendor management executive

In particular, a major flashpoint for buyers is the use of logo slides and the sharing of enterprise buyers' names in sales material.



Provider-side dilemma

Providers, meantime, face their own dilemma. Buyers have a detailed list of proof points they expect prospective providers to demonstrate, including:

Provider experience

- In an industry
- With companies of similar size
- Within specific geographies
- With a specified level of complexity

Provider's ability to

- Deliver quality work
- Deliver results
- Establish and maintain relationships
- Drive innovation

Given buyers' demands for this level and depth of material, service providers feel pressured to share information with prospective clients during the sales process about which their clients may be sensitive. This pressure is exacerbated by the fact that their business model is based, in part, on being able to attract like clients, and so sharing information from similar client projects seems most likely to tip the scales in their favor.

At the same time, providers feel exposed to inadvertent disclosure of their own intellectual property and/or trade secrets by enterprise buyers, an issue that is rarely addressed.

An Industry-wide Solution: Sharing the Burden

Just as the problems of confidential information disclosure are shared across all players in the BPS industry, so are the potential solutions. Buyers, providers, and advisors / experts have their individual and collective roles to play in implementing a solution that will, ultimately, benefit the entire industry.

Buyers: Take only what you need and share what you can

As part of the planning process, buyers should carefully and pointedly determine exactly what information they require from a provider to make a purchase decision. In particular, they should consider the information that they themselves would be willing to share if they were on the receiving end of a request from their provider. The reality (as we will discuss in greater detail later) is that logos and client names are often insufficient evidence of experience and capability.

Buyers should be more lenient about one-to-one information sharing, with their expressed permission, between their provider and a single prospective buyer organization that has a signed Non-disclosure Agreement (NDA)

Making a distinction between types of sharing can go a long way to enable beneficial information use. While buyers may not want their logos, names, or other information released publicly in provider marketing materials, they should be more lenient about one-to-one information sharing, with their expressed permission, between their provider and a single prospective buyer organization that has signed a Non-disclosure Agreement (NDA).

When buyers are clear about what specific information is proprietary to them versus what is commonly available in the market, both sides win. All parties recognize that some processes are commodity-like with few differences across enterprises, which suggests that this information is not sensitive and can be shared. This is the information that forms the basis of the collective knowledge providers can access to improve their offerings. However, enterprise buyers and providers benefit from the providers' ability to learn from and drive improvements in the collective experience in commodity processes, so sharing information around those processes benefits the industry as a whole.

Other content includes enterprise buyer-specific processes that should not be leveraged as part of the general body of industry knowledge or shared for the benefit of other buyers.



Providers: Identify relevant experience

Providers must first recognize that the definition of confidentiality lies with the client, and that definition sets the standard. In other words, if the buyer labels the information confidential, it is so, regardless of the provider's view of its confidentiality or of its availability in the public domain.

Furthermore, while the use of logos in marketing materials is a common practice among providers to demonstrate relevant experience, it has its challenges:

1. This practice is a real flashpoint for most buyers who do not want their logos shared, particularly in situations not covered by an NDA
2. Use of logos can be misleading

Providers need to look beyond buyers' names and logos and conduct the in-depth analysis required to articulate their unique capabilities in a compelling way. Although logos and names seem to demonstrate experience and ability, the fact is that they may not capture meaningful or appropriate comparisons, as indicated in the table below.

Logo	Desired influence from using a logo	Fact-based conclusion from using a logo
INSURANCE  COMPANY	The provider has significant vertical experience from which the enterprise buyer can benefit	The provider has done something for at least one enterprise buyer in this industry
	Since they serve an enterprise buyer, the provider is capable of serving a large enterprise buyer's needs	The provider does something for a large enterprise buyer; it may or may not be comparable or relevant to a specific enterprise buyer's needs

Everyone: Change the mindset

Most likely, the greatest impact to strengthening confidential information protection will be a change in mindset among all industry players. For buyers, that means changing their thinking from sharing as little as possible to sharing as much as possible – particularly keeping in mind that some processes are commoditized to the extent that they are not necessarily confidential. This mindset change would result in buyers providing adequate information to prospective enterprise buyers to make informed decisions about provider capabilities and fit.

On the provider side, this means better defining during the negotiation process precisely what information is considered confidential among its buyers, treating that information as a valuable asset, and protecting it. It also requires the provider to make a significant effort to avoid over-reliance on names and logos, and instead develop compelling differentiating value propositions.

For all stakeholder organizations, a key aspect of changing the mindset around the management of confidential information is operationalizing a set of practices around its management.

Recommended practices for providers for managing confidential information

Recommended practices for managing confidential information include clear direction, documented supporting processes, and tools:

- **Instill a culture of protecting confidential information** supported by executive leadership and sponsorship
- **Provide ongoing training and communications** that clarify and remind employees of their responsibilities in protecting confidential information that
 - Is conducted at least quarterly
 - Is required for all impacted employees
 - Leverages real world examples
 - Includes testing
 - Delivered digitally
- **Implement a knowledge management system** containing a body of materials approved for external distribution
- **Institute a central review** of all outgoing documents to approve for external distribution

We believe the most effective way to drive this mindset change and implement these recommended practices is through a BPS Code of Conduct.

BPS Code of Conduct

A BPS Code of Conduct, which would apply to all industry constituents, enterprise buyers, service providers, and advisors, would address issues of asset value, confidential information definition, mutual agreements on asset handling, and communication around the release of confidential information, as outlined below.

Code of Conduct

- Treat confidential information as a valuable asset
- Honor and respect confidential information obligations
- Gain mutual agreement on each party's proprietary information
- Ask only for the information necessary to make decisions
- Identify and protect items deemed confidential
- Do not disclose confidential information without the expressed permission
- Communicate to the affected party regarding incidents where confidential information may have been inappropriately disclosed

Code of conduct implementation

Effective implementation of a BPS Code of Conduct requires the active participation of providers and enterprise buyers throughout the duration of the relationship – and beyond.

EXHIBIT 2

Implementation of the Code of Conduct requires participation of providers and enterprise buyers throughout the duration of the relationship

	During sales process	During contract negotiations	During service delivery
Providers will...	<ul style="list-style-type: none"> • Define their capabilities by sharing their aggregated experience with specific processes in specific industries • Share detailed case studies that do not identify the specific enterprise buyer but provide sufficient information for a prospect to understand the relevance of a specific enterprise buyer's experience • Not share any enterprise buyer identifying information with another enterprise buyer prospect until an NDA is in place and approval to do so has been received 	<ul style="list-style-type: none"> • Share with enterprise buyers how they will protect their confidential information • Seek clarity to understand specific pieces of information the enterprise buyer believes to be unique to them • Gain a general understanding of what information can be shared in the appropriate circumstances 	<ul style="list-style-type: none"> • Not disclose any confidential information without the expressed permission of the enterprise buyer • Flag to the enterprise buyer any known incidents where confidential information may have been inadvertently released without expressed permission • Update or reinforce processes when confidential information is inadvertently released
Enterprise buyers will...	<ul style="list-style-type: none"> • Ask only for the information necessary to make their decisions • Not pressure the provider to disclose confidential information • Sign and abide by NDA agreements to protect the Confidential Information that, with authorization, the provider chooses to share 	<ul style="list-style-type: none"> • Identify to the provider items that it deems unique/sensitive/etc. • Not unnecessarily withhold the right of the provider to incorporate learnings that are not unique to the enterprise buyer 	<ul style="list-style-type: none"> • Agree to reasonable provider requests to support the decision making process of other enterprise buyers • Flag to the provider any instances where it believes the provider may have inadvertently disclosed confidential information without expressed permission • Protect the confidential information of providers in external communications

Operationalizing the Code of Conduct

Providers should consider three broad areas as they seek to operationalize the BPS Code of Conduct: Policies, processes, and tools.

- **Policies** establish the overall direction the organization will take to protect confidential information
- **Processes** focus on identifying confidential information, and preventing its unauthorized use in marketing collateral and sales material (e.g., RFP responses and requests for information)
- **Tools** are the supporting materials that facilitate prompt, effective, and efficient execution of the plan; e.g., repository, checklists, templates, guidelines, and procedures



Conclusion

The management of confidential information is a challenge for all BPS industry stakeholders – buyers, providers, and advisors. As inadvertent disclosure of this information has negative implications for everyone involved, from competitive disadvantage to loss of trust, it stands to reason that the entire industry would benefit from a collective solution to the problem.

As this study has demonstrated, there are opportunities available for all parties to participate in the solution. Changing processes and mindsets, implementing plans and procedures, and committing to an industry-wide Code of Conduct could go a long way to eliminating the problem. It is our hope that this study offers a roadmap to achieving that goal.

About Everest Group

Everest Group is an advisor to business leaders on the next generation of global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

For more information about Everest Group, please contact:

+1-214-451-3110

info@everestgrp.com

For more information about this topic please contact the author(s):

Rajesh Ranjan, Partner

rajesh.ranjan@everestgrp.com

Cecilia Edwards, Associate Partner

cecilia.edwards@everestgrp.com

Elizabeth Boudrie, Vice President

elizabeth.boudrie@everestgrp.com