

# Definitions Reference Guide

Outsourcing Malaysia Excellence Awards 2017



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## 1. Introduction

The OM Excellence Awards are being instituted since 2011 as part of the industry's endeavor at recognizing and rewarding excellence in outsourcing. To this end, the Awards are aimed at buyers / end-users and service providers, who have, individually and collectively pursued global best practices in crafting sustainable value by leveraging outsourcing models. Further, these awards are aimed at furthering the cause of outsourcing as a key strategic driver for value creation, as the Malaysia endeavors to become a world-class location for outsourcing services. The purpose of this document is to provide companies/ organizations interested in pursuing awards under the Outsourcing Malaysia Excellence Awards 2017 program [*hereafter referred to as OMEA*] with a comprehensive understanding of definitions pertinent to the industry, their utilization in the process of instituting and administering these awards.

## 2. Business Models

- 2.1 **Shared Services:** Defined as an entity that offers a host of ITO/ BPO and related business services including facilities management services, with technological solutions, for companies within a single group. The term "Captive" is considered complimentary. It is also termed as a wholly-owned operation of a particular Group.
- 2.2 **Outsourcing:** Defined as the model by way of which an organization offers a host ITO/ BPO and related business services including facilities management services, with technological solutions to the marketplace for a financial consideration, and within the aegis of defined contractual obligations. **The term refers to long-term, results-oriented relationship** with an external service provider for activities that have been traditionally performed within the Company. Outsourcing usually applies to a complete business function, and implies a degree of management control and risk on the part of the service provider. The external service provider could be a distinct third-party, or an internal shared service entity.
- 2.3 **End User:** Is defined as an organization that purchases services from the marketplace for a financial consideration, and within the aegis of defined contractual obligations. The term "buyer" is considered complimentary.
- 2.4 **Vendor:** Is defined as an organization that provisions outsourcing services [within the aegis of the definition of the model of outsourcing as stated in point 2.2 above]. The terms "Service Provider" and "Supplier" are considered complimentary. Vendors may not necessarily be owned by their end-user customer organizations. Though, such ownership may be on account of Joint Ventures created by the end-user and the vendor to attain a set of distinct goals.

## 3. Industry Terminologies

- 3.1 **Sourcing** – Is a structured and comprehensive process buyers of services engage in when purchasing a basket of services, spanning either a discrete set of activities or across a broader continuum or functional portfolio. This term is used to define all types of business models.
- 3.2 **Offshore & Nearshore** – Offshore is the term given to describe supplier markets that are located far away from the locations of buyer markets; Nearshore is the term given to describe supplier markets that are located close to buyer market locations

- 3.3 Commercialization** – Opportunity for buyers of services to generate incremental revenue dollars of equity value, from their internal operations. This is done in many ways, such as selling existing internal assets to the provider, licensing intellectual property, entering into strategic alliances or joint ventures etc.
- 3.4 Intellectual Property (IP)** – This refers to the knowledge and expertise created, including development of any tools, technologies, methodologies and frameworks that help distinguish the company from its competition. IP is directly linked to the nature of value that such property can help accrue on the company.
- 3.5 Core Competencies** – The unique internal skills and knowledge sets that define an organization’s competitive advantage as seen by its customers. Core competencies are usually limited in number and are embodied in an organization’s products and services rather than being the actual products and services themselves. For e.g., Microsoft’s core competencies are in product design, process design and marketing; VeriSign’s core competencies are in web-enablement and web security. These are the capabilities that enable companies to produce and sell their entirely uniquely competitive products/ services for the customers they serve.
- 3.6 Critical vs. Core** – Many operations are critical to a business’s operations but do not represent a differentiating competitive capability. That is: they are not core competencies. A classic example is payroll. Processing of payroll accurately and timely is critical to the success of any organization, but is a core competency of only a few organizations – mainly those that provide such processing competencies to other companies.
- 3.7 Governance** – The oversight and management of all aspects of a sourcing relationship. Areas of focus include: Change Management, Communications Management, Risk Management, Issue Management, Escalation Management, Performance Management, Operational Management, Contract Management, Resource Management, Strategic Management et al. *This is a continuous effort that has a specific spend allocation built for each engagement, and goes significantly beyond just operational project management.*
- 3.8 Service Level Agreements (SLA)** – Outsourcing is a service. SLAs define the intended level of services. For e.g.: how quickly will a service be performed, what availability, quality and cost targets will be met, what level of customer satisfaction will be achieved. In essence, every outsourcing relationship is made up of three basic components: description of services to be performed; SLA defining in objective, measurable terms the standards for delivery of each service, and; a pricing formula for how the provider will be compensated
- 3.9 Business Success Factors** – These are particular tangible measures that an end-user/ buyer of services uses to measure the “Impact of purchasing services by deploying outsourcing” to their core business. In such instances, SLAs that a vendor delivers upon are considered “direct or indirect” inputs to such success factors. Typically such factors are tied to end-user/ buyer’s corporate financial goals, growth goals, market access goals, time to market goals, R&D goals, industry competitiveness goals et al.
- 3.10 Input-Based Pricing** – Is used to define pricing models like fixed fee, Cost-Plus, Man-hour/ man-day rates, T&M rates. In this instance such pricing is not directly tied to engagement’s deliverables or buyer’s expectations of what business impacts such deliverables/ services provisioned (either by a Shared Service center or an Outsourcing service provider) can create/ address.

- 3.11 Output-Based Pricing** – Is used to define pricing models where the Shared Service Center/ Outsourcing service provider takes the responsibility for specific outputs, measured in accordance with the end-user's business expectations, and gets paid only on doing so. Models like On-Demand Pricing, Pay-As-You-Use are examples. Some other pricing models like bonuses on achieving certain specific performance parameters or incentive-based models are considered inclusive.
- 3.12 Performance-Based Pricing** – Is used to define pricing models where risks are clearly shared between delivery and end-user entities. While considered similar to output-based pricing models, these are considered strategic extensions to output-based pricing models. Examples like Risk-Reward Pricing, Gain-share etc are considered inclusive.
- 3.13 Engagement** – Is defined to be one if it fulfills requirements and legal obligations of a “contract”. All engagements must be reflective of a “relationship” between business entities i.e. B-2-B relationships. Any business-to-customer (B-2-C) engagement is considered out of scope<sup>1</sup>. Further the engagements have to reflect deployment of “technology enabled knowledge workers”. In addition, all engagements should be governed, at the minimum, with tangible and agreed “service level agreements”.
- 3.14 Domain** – Is a term used to refer to a particular industry or competence. For e.g. banking skills, or insurance domain, oil & gas competencies etc. The term “Vertical” is considered complimentary.
- 3.15 Horizontal** – Is a term used to refer to services that lend themselves to all industries, for e.g. Human Resource Management, Finance & Accounting, Contact Centers, application maintenance & support et al. In the absence of domain-centric competencies a horizontal cannot be considered as a Vertical.
- 3.16 Business Continuity** – Is a term used to refer to deployment of relevant strategies/ business models where “continuity” is the emphasis. Plans for such continuity are considered to form an integral component of sourcing planning (regardless of business models) where disasters are not considered inclusive. BC plans are considered for continuous invocation and typically form an integral component of engagement governance.
- 3.17 Disaster Recovery** – Is a term used to refer to availability of concrete plans where strategic, tactical and operational disasters have been documented, tested and refined over time. These are considered as additional strategic plans that are not embedded into Business Continuity plans. These are considered to be invoked more discretely.
- 3.18 Transition Capabilities** – Is a term used to refer to a particular set of people skills that are not to be confused with project management skills. These competencies are considered crucial for effective initiation of sourcing engagements (regardless of business models) where smooth transfer/ transformation of IT/BP processes/ functions are affected. Transition management plans are considered to be robust, and significantly different to standard operational project management.

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<sup>1</sup> Please also refer to the section 7 titled “Exclusions” in the document titled “OM Excellence Awards – Introduction Document” where references to the services / models that are considered exclusive and out of scope for these awards.

- 3.19 Tangible** – The term is used to clearly indicate the need for “quantifying” an impact – positive or adverse. Statements like “improved” don’t qualify. Statements like “improved performance by 15% over previous quarter”, or “reduced costs by 26% of annual spend” are considered acceptable.
- 3.20 Service** – Is a term used to indicate a non-IP based provisioning of work-effort.
- 3.21 Solution** – Is a term used to indicate an IP-based provisioning of work-effort, typically bundled into services. IP in this case can be technology, process reengineering, domain-based internal competencies et al.
- 3.22 Hot & Warm Sites** – Terms used to define business continuity sites/ alternative delivery locations/ buildings where services are delivered on a continuous basis. Hot sites clearly indicate that daily operations are continuously provisioned from multiple locations. Warm sites indicate that while a majority of services are provisioned from one site/ location, another location [termed the Warm Site] is utilized to provision either filler services, or lower volume of daily services including but not limited to, different shifts.
- 3.23 Cold Sites** – are referred to locations/ buildings that have been fitted and made ready for utilization in the event a disaster strikes the main site/s and the Disaster Recovery plan is triggered.
- 3.24 Improvements** – are work-effort deemed to have been undertaken at an operational and/ or tactical level that have a bearing on the nature of provisioning services or solutions, but do not directly impact a client/ end-user’s topline corporate goals or business success factors. This is not limited to just technology.
- 3.25 Innovations** – are work-effort deemed to have been undertaken at an operational and/ or tactical level but escalated to the strategic layer since such endeavors have a direct, tangible and measurable bearing on client/ end-user’s topline corporate goals or business success factors. This is not limited to just technology.
- 3.26 Issues vs. Risks** – Issues are defined as road-blocks/ pain-points that arise during the course of daily operations that need to be resolved. Typically issues arise from process, technology or people, can be resolved quickly and don’t have any adverse impact on organization’s business. However some issues are categorized as Risks. Such issues, which are henceforth terms risks have a direct bearing on the organization’s ability to perform effectively. Such risks are measured clearly with respect to “impact”, “likelihood” and “exposure”, while issues are not. Hence it is important to note that Issue Management is not Risk Management. The latter however has Issue Management as its initial process.
- 3.27 Socio-Economic Value** – Is considered a “tangible” value (please refer to 3.19), where emphasis is on the social strata of a nation. This is typically measured in terms of “% increase to gross national income”, “return on tax-payer dollars”, “% increase in tax revenues”, “% increase/ impact to GDP”, “% increase in no. of jobs”, “% reduction in net national unemployment”, and “economic impact”.
- 3.28 Corporate Value** – Defined as a “tangible” value (please refer to 3.19) where emphasis is on corporate bottom-lines and top-lines. This is typically measured in terms of “% reduction in costs”,

“%reduction in time to market”, “Increase in IRR”, “Reduction in payback period”, “% increase in productivity”, “% increase in resource utilization” and a host of other capitalist measures.

- 3.29 Master Agreement** – Is defined as the contractual document that binds two organizations together toward legally-binding clauses, where failures can lead to breach of contractual obligations.
- 3.30 Service Agreements/ Schedules** – Are defined as non-contractual obligations that bind two organizations to specific performance measures. Information like scope, SLAs, expectations, governance et al is considered inclusive content. Breach of such agreements does not necessarily constitute a contractual breach unless expressly proven beyond reasonable doubt that a contractual obligation has been adversely impacted.
- 3.31 Buffer** – Is considered to indicate the creation / availability of additional human resources with relevant skills to address business changes (for e.g. increase/ decrease in volumes, peak/ trough business cycle times etc).
- 3.32 Modular** – is a term to indicate business flexibility. It is applied in various instances, like designing a delivery site (including a data center), human resource recruitment policies, succession planning, knowledge transfer/ management, process enhancements et al. Principal goal with modularity is to impact much-needed flexibility in a dexterous manner that addresses business considerations and changing needs both proactively, and – with minimal production impacts – reactively.
- 3.33 Centers of Excellence** – is a term used to define the fact that the center provisions a “portfolio of services” across either a vertical or a horizontal end-to-end. Hence provisioning COEs takes on a strategic intent that goes beyond bottom-line measures like cost savings, but focuses on top-line measures like “time to market”, “increase in market-share”, “% increase in competitiveness” etc.
- 3.34 SMAC** – is a term used to refer to a combination of “Social Media, Mobility, Analytics, and Cloud” or collectively known as the “disruptive” technologies that have enabled traditional sourcing models to transform through unbundling (from direct resource allocations) through leverage of new channels and delivery models.
- 3.35 Non-Linearity** – is a term used to refer to the fact that “revenues” for services sourcing that were earlier a function of “human resource allocations – treated as inputs” i.e. billing for people allocated, is today increasingly being complimented by new revenue sources treated as income for provisioning cloud-based delivery models, analyses / trends/ forecasting demand, customer interfaces through new access channels (including but not limited to social media channels), portability and access across multiple platforms (including but not limited to mobility-centric platforms). This in turn has transformed outsourcing revenues for vendors in the form of multiple sources to generate revenues, while also enabling clients move away from capex-heavy models toward more opex-based models.
- 3.36 Cloud** – is a term used to refer to the provisioning of various technical components using the world wide web (configured as both privately owned or publicly owned and used clouds).
- 3.37 As-a-Service** – is a broad term used to refer to the provisioning of any technical or non-technical aspects relating to services and solutions via the cloud. Infrastructure (IaaS), Software (SaaS) and Business Processes (BPaaS) are broad terms the refer to the various AAS models prevalent.



- 3.38 Asset-Heavy** – is a term used to refer to the fact that a vendor takes over a client's technical (and physical in some cases) assets by shifting them to the vendor's balance sheet, and recovers the cost of such assets through an amortized pricing model across the life of an outsourced contract.
- 3.39 SIAM – Service Integration & Management:** Is an approach to managing multiple suppliers of services (business services as well as information technology services) and integrating them to provide a single business-facing IT organization. It aims at seamlessly integrating interdependent services from various internal and external service providers into end-to-end services in order to meet business requirements. Business models (like third party or shared services) become subsidiary to the principal goal of having an integrated view to value provisioning.
- 3.40 DevOps – Development Operations:** It is a culture, movement or practice that emphasizes the collaboration and communication of both software developers and other information technology (IT) professionals while automating the process of software delivery and infrastructure changes. It aims at establishing a culture and environment where building, testing, and releasing software, can happen rapidly, frequently, and more reliably.
- 3.41 Analytics** – Is a broad term used to represent any and all types of analytical activities, including but not limited to data management, information extraction, trends and pattern recognition, and related reporting representations. Analytics may or may not be similar to Big Data. All Analytics is not Big Data, while all Big Data is analyzed.
- 3.41 Big Data** – Is a term broadly used to refer to two key components, namely (a) Management of unstructured data, typically from text and other formats not driven by structured databases, and (b) deployment of modern technologies like Hadoop, MapReduce etc. Generally such data is identified thus owing to (a) High Volume, (b) High Velocity, i.e. fast-paced creation of such data, and (c) Veracity, i.e. different broad-based nature and types of such data.

#### **4. Other Terminologies**

- 4.1 GDP – Gross Domestic Product, which is defined as the total value of goods and services produced in the country.
- 4.2 GNP – Gross National Product, which is defined as the GDP + Value of all exports originating in the country.
- 4.3 GNI – Gross National Income
- 4.4 FTA – Free Trade Agreements
- 4.5 FTTB – Fiber to the Building
- 4.6 FTH – Fiber to Home
- 4.7 WiMAX – Worldwide Interoperability for Microwave Access: WiMAX is one of the hottest broadband wireless technologies around today. WiMAX systems are expected to deliver broadband access services to residential and enterprise customers in an economical way. Loosely, WiMax is a standardized wireless version of Ethernet intended primarily as an



alternative to wire technologies ( such as Cable Modems, DSL and T1/E1 links ) to provide broadband access to customer premises. More strictly, WiMAX is an industry trade organization formed by leading communications component and equipment companies to promote and certify compatibility and interoperability of broadband wireless access equipment that conforms to the IEEE 802.16 and ETSI HIPERMAN standards. WiMAX would operate similar to WiFi but at higher speeds, over greater distances and for a greater number of users. WiMAX has the ability to provide service even in areas that are difficult for wired infrastructure to reach and the ability to overcome the physical limitations of traditional wired infrastructure. WiMAX was formed in April 2001, in anticipation of the publication of the original 10-66 GHz IEEE 802.16 specifications. WiMAX is to 802.16 as the Wi-Fi Alliance is to 802.11

4.8 ISV – Independent Software Vendor

4.9 ISP – Internet Service Provider

4.10 MNO – Mobile Network Operator

4.11 MVNO – Mobile Virtual Network Operator

4.12 MVNE - Mobile Virtual Network Enabler

4.13 ARPU – Average Revenue per User

4.14 APPU – Average Cost per User

4.15 KPI – Key Performance Indicators

## 5. Telecom Terminologies

AAA	Authentication, Authorization, and Accounting
AAS	Advanced Antenna Systems
ADSL	Asymmetric Digital Subscriber Loop
AES	Advanced Encryption Standard
ARQ	Automatic Repeat Request
ASN	Access Services Network
ASP	Application Service Provider
BPSK	Binary Phase Shift Keying
BWA	Broadband Wireless Access
CCK	Complementary Coded Keying
CLEC	Competitive Local Exchange Carrier
CIR	Committed Information Rate
CSMA/CA	Carrier Sense Multiple Access with Collision Avoidance
CSMA/CD	Carrier Sense Multiple Access with Collision Detection (Ethernet)
DCF	Distributed Control Function

DES	Digital Encryption Standard
DSL	Digital Subscriber Line
DSSS	Direct Sequence Spread Spectrum
EDCA	Enhanced Distributed Control Access
ETSI	European Telecommunications Standards Institute
ED-VO	Enhanced Version-Data Only (Data Optimized)
FCC	Federal Communications Commission
FDD	Frequency Division Duplex
FDX	Full Duplex
FEC	Forward Error Correction
FHSS	Frequency Hopping Spread Spectrum
Hz	Hertz (Prefix Kilo = Thousands, Mega = Millions, Giga = Billions)
HARQ	Hybrid-ARQ
HIPERMAN	High-Performance Metropolitan Area Network
HUMAN	High-speed Unlicensed Metropolitan Area Network
IEEE	Institute of Electrical and Electronic Engineers
IETF	Internet Engineering Task Force
ILEC	Incumbent Local Exchange Carrier
ISDN	Integrated Services Digital Network
ISM	Industrial, Scientific, and Medical
ITU	International Telecommunications Union
LAN	Local Area Network
LR	Location Register
LS	Least Squares
MAC	Media Access Control
MBS	Multicast Broadcast Service
MIMO	Multiple Input-Multiple Output
MMDS	Multi-channel Multipoint Distribution Service
MMS	Multimedia Messaging Service
MPDU	MAC Protocol Data Unit
MS	Mobile Station
MS	Mobile Station
NLOS	Non-Line-of-Sight
NWG	Network Working Group
OFDM	Orthogonal Frequency Division Multiplexing

PCF	Point Control Function
PoP	Point of presence
x-QAM	x-level Quadrature Amplitude Modulation
QoS	Quality of Service
QPSK	Quadrature Phase Shift Keying
RC4	Ron.s Code-4
SIM	Subscriber Identity Module
SONET	Synchronous Optical Network Interface
TDD	Time Division Duplex
TKIP	Temporal Key Integrity Protocol
U-NII	Unlicensed National Information Infrastructure
VoIP	Voice over IP
VPN	Virtual Private Network
WEP	Wired Equivalent Privacy
Wi-Fi	Wireless Fidelity
WiMax	Worldwide Interoperability for Microwave Access
WISP	Wireless Internet Service Provider
WLAN	Wireless LAN
WMAN	Wireless Metropolitan Area Network
WME	Wi-Fi Multimedia Extensions
WPA	Wi-Fi Protected Access
WRAN	Wireless Regional Area Network
WSM	Wi-Fi Scheduled Multimedia
WPA	Wi-Fi Protected Access
ZF	Zero Forcing

## 6. Contact for Information

For greater details or further clarifications, please contact the following:

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