

BPO

2011 witnessed a record number of organisations outsourcing business processes. **Paul Corral** focuses on the rise of BPO in 2011.



Business process outsourcing in 2011

According to the TPI Index, the total contract value (TCV) for fourth-quarter global BPO was up 60% year-on-year and full-year TCV up 32%, to \$29bn.

This is a huge jump in activity, which can be put down in part to organisations of all sizes finding ways to survive in these times of austerity.

The jump in activity can be partly attributed to the variety of BPO contracts. Within BPO, human resource outsourcing (HRO) including employee benefits management, financial and accounting (FAO) processes, analytics outsourcing (AO), information technology (ITO), legal process outsourcing (LPO),

knowledge process outsourcing (KPO), along with call centre and customer service activities, are some of the most common outsourcing activities.

Duncan Aitchison, Partner & President, TPI EMEA, said: "We have certainly seen a surge in the number of BPO contracts this year. In the first half of 2011, the number of BPO deals worth over €20m in total contract value was up by over a third compared with the same period last year. Total contract value more than doubled in this time-frame as well, from €2.5bn to €6.29bn. We expect that this pick-up in momentum in BPO seen in 2011 should carry through into next year."

Emerging technologies and economic activity continue to change the face of BPO. Perhaps the two biggest BPO trends of 2011 were the elevated consumption of bundled packages and the growing use of data analytics and business intelligence.

BPO / ITO packages

The bundling of various IT services is commonplace and the addition of business operations to the list is an ever increasing trend. HfS Research in 2011 shows that 46% of 900 outsourcing professionals have some interest in bundled BPO / ITO opportunities.

With a BPO / ITO agreement, client organisations can choose to source ITO services, including infrastructure services, application development and maintenance, and increasingly, BPO services such as back office operations and helpdesk services from the same provider.

The surge in merger and acquisition activity has also been linked to the need to fill capability gaps in BPO / ITO platforms. Service providers have much to gain from bundled deals that include elements from IT and BPO services. As a strategy, IT companies that have developed BPO capabilities have the opportunity to leverage existing client relationships to cross-sell BPO services. The route that many big players such as Accenture and TCS have taken is to project a consultative approach towards client engagements in order to maximise efficiencies from existing relationships.

“Most customers want some type of bundling,” says David Tapper, Vice President for IDC’s Outsourcing Services research team. “There’s more bundling going on because customers don’t want to have to deal with lots and lots of service providers. They want to consolidate contracts. They want to consolidate suppliers. They bundle more because they get scale out of it, they get cost efficiencies out of it, and they get access to more resources across more capabilities.”

Analytics

The use of BPO analytics and business intelligence has been an ever increasing trend throughout 2011. The use of BPO analytics to process large amounts of data can reveal valuable insights that deliver true benefits when utilised correctly.

The recent worldwide Gartner CIO survey, compiled from 2,335 CIOs, ranks analytics and business intelligence as the number one technology for 2012, as CIOs are combining analytics with other technologies to create new capabilities. Savvy CIOs are combining analytics plus supply chain for process management and improvement, analytics plus memory for field sales and operations, and analytics plus social media for customer engagement and acquisition.

Mike Salvino, chief executive of Business Process Outsourcing, Accenture, said: “The first advantage in building an analytics capability on the back of a BPO relationship is that companies can have a single source for consistent, high-quality data about the performance of a process or function. This becomes a base layer of transactional data and information that organisations can work with faster and more efficiently – using analytics to deliver improvements in everything from finance to customer service to manufacturing.

“A second critical area where analytics can deliver greater value as part of a BPO arrangement is in generating additional insights by tracking data across different parts of the organisation. The integration of data sets from separate functions can optimise results or help balance apparently competing or contradictory objectives.”

Mike Salvino continues: “The third area where BPO analytics can offer distinctive value is in helping companies mine and manage data—from the front office, the back office, or both—to generate innovations within a given industry or client relationship, or to improve time to market as a means for increasing revenue. While an outsourcing arrangement isn’t the only way to make business process analytics effective, the foundation of data and processes upon which an outsourcing provider works, using highly sophisticated tools and talent, is hard to duplicate using internal resources alone.”

In these times of austerity, the use of intelligent analytics across outsourcing, and in particular BPO, can also support a collaborative approach to contract negotiations.

