The BPO Advantage:
Using Technology and Services on Demand to Reinvent Your Business
Disruptive and innovative technologies capture today's headlines, but the real value comes from using those technologies—and a service-based approach to essential functions and capabilities—to reinvent your business model. Business process outsourcing (BPO) can advance you more quickly along this revolutionary road, helping you reinvent and reassemble the services and technology innovations you need to drive growth and competitive advantage.
When Dutch engineer and entrepreneur Bas Lansdorp began thinking about his dream of establishing the first permanent human colony on Mars, his primary concern wasn’t really technological. To Lansdorp, the technologies needed to make the trip and establish the base were either already in production or would be soon. The greater challenge was the business model—more specifically, how he could structure and finance an organization that could effectively harness existing technical capabilities toward his business goal.

To a great extent, that statement about technology and the business now applies to enterprises in most industries. Today’s IT trends—cloud, mobility, social media, analytics and others—are supporting new ways to innovate, operate and reach customers—but also much more. These technologies are actually enabling companies to redefine how they put together the components of their business in a way that meets today’s needs in a distinctive way while also being flexible enough to meet tomorrow’s needs as well.

Innovative technology solutions are not just science fiction; they’re here. In addition to fueling particular innovations, technologies such as the cloud are now making available best-in-class services across most business functions and processes.

Technology will now let you do just about anything you want. The questions are: (1) What do you want to do? And (2) How are you going to do it? With business services available on demand—and, in most cases, with greater functionality and at lower cost than running them internally—how will you put all those pieces together in a coherent way? How will you design your business and its component parts, run it, staff it and govern it?

Here is where today’s enterprises can create a “BPO advantage”. Business processes are in effect the operating system for the organization, and BPO is a way to access expertise outside the boundaries of the organization—IT innovation, and experience in business process design as well as in the particulars of specific functions and services—to help architect and manage that operating system better. BPO is a business model for how to source multiple IT-enabled business services and then integrate them into a whole that is greater than the sum of the parts.

Today’s BPO is about much more than just taking out cost and rebadging people. With a new generation of BPO, advanced providers are deploying analytics to extract actionable business insights from the transactional data they amass during long-term client engagements. They’re using those insights to drive toward higher-impact business outcomes—such as accelerated speed to market, enhanced innovation, stronger customer loyalty and top-line growth. Those outcomes can create competitive advantage whether you’re on Earth or on Mars.

Part 1: BPO, technology and the new business model

To harness the power of today’s technologies, businesses need to rethink their digital strategies while simultaneously retooling their business models through BPO so that technology-enabled services can be readily integrated.

The technologies to drive growth are here today; for companies to realize their digital promise, however, they must also rethink their business models.

IT has become a driving force, in many situations the driving force, for effective growth across numerous industries. As the Accenture Technology Vision 2013 compellingly puts it, “Every business is now a digital business.” An important insight embedded in that sentence is the concept that it is no longer possible to separate “the technology” from “the business” because they are too closely intertwined. The challenge for most companies needs to be articulated from both a technology and business angle.

From an IT perspective, businesses need to rethink their digital strategies—considering how IT can help deepen relationships with consumers, turning data into a strategic asset and increasing the speed at which data can be transformed into insights, and helping people and business partners collaborate more effectively. (For more on these and other important IT trends, see the Accenture Technology Vision at www.accenture.com/techvision.)

With technologies moving at such speed, many IT organizations are having a hard time keeping up. Why is this so? Often it is because the business must change, too, if enterprises are to realize the promise that digital technologies represent. New technologies are likely to deliver a lower return on investment if they are simply spliced onto old business models.

Business functions are creating value in new and different ways today

Business and IT executives alike need to reconsider how IT-enabled business solutions are most effectively crafted today. A solution is no longer just about architecting IT to deliver a capability; it’s about re-architecting the capability and the business itself, taking advantage of IT as an enabler of greater business outcomes.

Traditional business models called for organizations to create value by running most business functions themselves, as an internal capability. But the way value is created is not a static thing. For example, a couple decades ago, banks ran their own print shops because printing statements and other materials and sending them to customers was something that happened many millions of times over the course of a year. That was great for the 1970s or 1980s. But how many banks were delayed in pursuing electronic innovations because they were too focused on pursuing excellence in the old paradigm of running a great print shop?

The migration of value from the “print shops” of businesses—from various back-office functionalities—to new ways of satisfying customers’ needs happens all the time. The point anymore isn’t how well you can run your back-office functions with internal resources. The point is to consider whether running those functions internally is actually part of the core strategy of your business—or whether a more agile and responsive business can be created instead by sourcing business processes from experienced providers who specialize in delivering business outcomes using the latest technologies.

BPO is the right business model for rethinking how to deliver IT-enabled functions and services

Today, best-in-class capabilities exist for nearly every business function—now accessed as a service over the Internet. Yet some cohesive force is needed to help optimize the individual functions and also to help them work properly for the business. BPO can be that force. BPO is the business model that can enable companies to rethink how they actually deliver value—and then access and integrate the suite of services that lets them focus on that value.

Why and how does BPO serve as this critical business model? The answer is because business processes are the operating platform for the business; those processes, even if sourced from different providers, can be integrated and run in a coherent manner through a BPO relationship. BPO
thus enables organizations to bring in expertise in business process design and execution and then integrate, manage and continuously improve them within that coherent operating model.

BPO can enable the provisioning, not only of IT capabilities, but of business processes and functions themselves, linking multiple providers and applications in a reconfigurable, end-to-end manner to help meet the ongoing needs of workers and the entire business. This helps companies be more agile in responding to customers and business opportunities.

For example, the sales function can now receive leading-edge customer relationship management capabilities as a BPO-provided service. A client using this pay-as-you-go capability can assist in creating a much more nimble sales function—financially, operationally and commercially. Companies can move to a variable cost base for the sales function, rapidly implement applications to support the sales force and automatically receive updates and innovation to sales applications as business requirements change. Executives can make sourcing decisions in a rhythm that is more attuned to business cycles.

BPO also can enable companies to reap greater value, faster, from new technologies. As new generations of BPO evolve and as services continue to become more powerful, they increasingly incorporate IT innovations in a way already embedded naturally in the ways a company does business. (See Figure 1, “BPO Generations.”)

Earlier generations of BPO services were focused primarily on cost savings and then on global capabilities and more efficient delivery in the back- and middle-office. As BPO moves on to fourth-, fifth- and sixth-generation services, the focus is now on achieving strategic business outcomes leveraging not only world-class delivery but also innovations such as cloud, analytics, mobile and collaboration.
Companies need to move beyond the limited universe of data they work with today and increase the velocity with which they gather data and transform it into insights. This can mean designing for analytics and leveraging business partners and BPO relationships to drive functional and process improvements as well as innovations in products, services and operations.

Analytics is now a game-changer, but companies must design business processes and applications with analytics capabilities in mind.

Companies are no longer suffering from a lack of data. In fact, enterprises are now being flooded with new data: big-data tools mine countless new unstructured-data sources, online interactions provide unprecedented information about consumers, and sensors and embedded devices expand the ability to gather data into areas where computing power has never been before. The challenge now is to give business leaders the right data to effectively define the strategic direction of the enterprise and then steer it more effectively.

From an IT perspective this means that applications must be designed to specifically produce data that answers more of an enterprise’s questions. Technology is no longer the barrier; what is needed is sufficient strategic business foresight to formulate the right questions.

From the business’s perspective, designing for analytics means in part designing processes and functions with embedded analytics—delivering insights from transactional data but also insights that lead to functional improvements, innovations and better business outcomes.

Long-term BPO relationships can be a way to enhance the business value delivered from analytics.

Significant value can be generated from analytics through a long-term BPO relationship that includes analytics capabilities—what Accenture calls fourth-generation BPO. Outsourcing providers can be in a unique position with sight lines across entire industries as well as across their clients’ operations, including customers, global supply chains, business units and decision-making structures. They amass terabytes of transactional and performance data and thus have the opportunity to apply advanced analytics to derive insights that can continuously drive toward better process performance on the one hand, and identify "white spaces" in the marketplace where innovation can drive new products and services. Equally important are both descriptive and predictive analytics to help C-level executives understand what’s happening now in their businesses as well as what could happen in the future. Consider these examples of how analytics delivered through a BPO relationship has improved the performance of companies:

- A leading global oil and gas producer identified $20 million in working capital improvements by using analytics, delivered as part of a finance & accounting BPO relationship, to dive deeply into spending data. Insights from the analysis were applied to move its global vendors to standard discounting terms.
- A medical device manufacturer turned to a BPO team to analyze warranty and defectiveness data, which helped the company identify key opportunities for product improvements.
- A leading aircraft engine design and manufacturing company worked with a supply chain BPO team to help reduce the business’s working capital requirements by using supply/demand variation analytics. The result was millions of dollars in value from improved material planning and reduced stocked inventories.

Effective use of analytics in BPO environments requires deep industry expertise paired with the use of sophisticated tools and techniques for statistical surveying, root-cause analysis and process optimization. For example, as part of a long-term finance and accounting BPO relationship with a high-tech company, Accenture provides
analytics capabilities to help improve the company’s finance operations and uncover additional value. The Accenture Transaction Compliance & Analytics Tool helps prevent duplicate or improper payments before they happen. The tool handles large volumes of information (including invoice line-item data) and identify where exceptions are likely to occur; that is, it does not just tell you what happened, but predicts what might happen—a far greater value. The tool also enhances audit knowledge with advanced report-generation capabilities, and minimizes the effort associated with post-payment audits. Accenture was able to use the tool even to identify and recover duplicate payments made prior to the outsourcing arrangement.

Another Accenture analytics asset called the Accenture BPO Navigator is a one-stop portal that provides clients and Accenture teams with joint visibility to both operational performance and critical business process data. The power of the Accenture BPO Navigator comes in using analytics not only to track metrics—the details of service level agreements (SLAs)—but also to assess underlying causes for performance issues and can help to predict issues that may arise. SLAs are important contractually, of course, but usually only cover in-scope services and may provide fairly limited data about the end-to-end business process. That means that, by the time an SLA or performance metric is missed, it’s already too late and problems may have compounded in unforeseen ways across related functions and processes.

The Accenture BPO Navigator can extend management visibility beyond just the SLAs to assess the overall health of a business. Analytics tools are tied to key value levers, providing information about “vital signs” that are necessary to improve operational decision-making and to react at pace. Additional business insights can optimize operational performance and allow for corrective action to be taken as soon as possible, ideally before an issue becomes a problem. Then, ongoing innovations and continuous improvement initiatives can be targeted to potentially drive continuously expanding business impacts.
Part 3: Coming generations of BPO – Cloud, mobility and learning communities

As time goes on, BPO continues to extend the value it provides by moving an increasing number of services to the cloud, and by embedding mobility and collaboration technologies into the business processes supported.

Cloud capabilities and software-as-a-service (SaaS) are catalyzing further evolution of BPO

With cloud technologies, we see BPO moving into its fifth generation—characterized by on-demand services applied across multiple clients. The "process cloud" uses a common, one-to-many platform to automate highly standardized processes. It differs from application clouds in that it provides end-to-end process support, covering not just software but also people processes such as contact centers.

This combined SaaS-BPO model is emerging process by process—for example, it is currently more common in human resources than in many other functions. The evolution is likely to continue as these technologies mature and as more clients embrace standardized processes and a more widely accepted cloud platform as a source of greater value creation. Industry-specific processes are likely to be the first to move to this model as they may not be as closely linked to large existing enterprise systems.

Business-function cloud providers are those with experience and extensive tools in a particular function, such as sales, HR or customer support. The value proposition here will be to make sure a company gets a business function that is more appropriately configured to its needs. As a means to this end, the provider may design applications and services, at scale, that are readily and securely configurable to a client’s specific environment, needs and business goals.

These providers will help companies become "cloud enterprises", or organizations that are more dexterous and agile because they can adapt their business design on the fly. Such an outsourcer will be a trusted broker with deep operational experience across all major business processes and technology solutions. They will work with clients to harmonize the pieces while taking a holistic view of business services and of IT across the enterprise.

Mobile and collaboration technologies will help BPO to create learning communities to further increase the ongoing value to companies

Mobile and collaboration technologies will help BPO to evolve into yet another generation in the future. Today, business people are increasingly using such technologies to build communities where members share experiences and best practices, discuss how they’re surmounting their toughest business challenges and learn from one another. Collaboration can be seen as an extension to fifth-generation BPO platforms which will build these social learning communities centered on BPO-provided processes. The platforms created in the fifth generation would be supplemented by integrated online communities linking client users and BPO provider staff.

Through participation in the community, clients could exchange and benefit from each other’s insights about how BPO can help them achieve new business outcomes as well as shape the ongoing evolution of the on-demand platform and standardized processes as their own needs and requirements change over time.

To realize their true value, new technologies must be embedded in business processes

Another way to look at the power of mobility and social media is to consider them in the context of the business redesign concept introduced earlier. Collaboration technologies can enable the redesign of the business by rearchitecting the extended workplace itself, and the ways dispersed employees work together and communicate. But companies need to move beyond the mere presence of mobile and social tools—making them available and hoping for the best. To move forward, enterprises need to see collaboration in an enterprise context, and integrate social media into processes themselves so using them becomes a natural way of doing business, and also helps improve the business.
For example, collaboration platform Jive® allows companies to layer social media interactions on top of specific tasks such as software development. Salesforce.com® has integrated its Chatter® collaboration tool into its Platform-as-a-Service and Software-as-a-Service applications. That means that information captured from Chatter is integrated immediately into the supply chain and billing processes. By tying the integrated collaboration experience to business processes, disparate channels can evolve from separate applications into a single user experience, one not only easier to use but also better at leveraging information and using it to improve performance.

BPO is a way to gain the benefits of integrated social media and mobility, faster

Some BPO providers are integrating mobile and social media capabilities into the way work is accomplished for their clients. For example, emerging approaches to BPO are focused on creating learning communities that bring together employees from both client and provider or even from multiple clients and vendors. Collaboration technologies will help BPO evolve to have even greater impact. Today, business people are increasingly using such technologies to build communities where members share ideas and experiences, discuss how they’re surmounting their toughest business challenges and learn from one another.

BPO also offers clients an opportunity to take advantage of advanced mobile solutions that are integrated into business processes. For example, in industries such as telecommunications, the field force is an especially important workforce. Yet companies may need to ask hard questions about whether they can achieve quantifiable benefits by developing their own mobile applications—with expensive start-up and maintenance costs—or whether to take advantage of a BPO provider for whom these mobile capabilities are already mature and ready to be applied to the client’s needs. In many cases, BPO providers can solve those challenges quickly because they come to the table with pre-integrated solutions.

2 Reality Accenture Technology Vision 2013, p. 46.
New mindsets focused on governance rather than only operations are needed to realize the full potential of BPO

Putting it all together—leveraging the right technologies, processes and providers to rearchitect the business—can require a significant change in mindset, one that can be summarized as moving from operations to governance. That means that the ecosystem of technologies and players is now too complex for a business-as-usual approach to operations. Architects are now needed to design, integrate, run, govern and continuously optimize the mosaic of business services. Effective managers are needed to broker and optimize the connections and ongoing relationships, especially in situations where multiple vendors are delivering outsourcing services.

Accenture believes that making this governance mindset a reality can require a set of capabilities focused on areas that are generally not part of traditional IT governance or of a general program management office, but which are now a part of advanced BPO services:

- **Value**: An office that is tracking business goals related to the services being created or sourced.

- **Architecture**: A capability charged with maintaining a consistent and effective business and IT architecture.

- **Delivery**: A group overseeing the delivery of the ultimate services functionality.

For example, one of the key skills needed in a “value creation office” will be relationship building, which can facilitate the wider dialogue and establishes understanding, trust and cooperation among users, the business, and IT and service providers.

A business architecture capability will also be required—one that pools resources and provides expertise across key business functions and delivery needs. The principal challenge with a business architecture capability is to translate insights into technology, suppliers and business processes that help the business and the IT function design more agile solutions that can accommodate change.

Finally, in the area of service delivery, business managers and IT managers alike need an unprecedented degree of business sophistication. This business knowledge, combined with systems integration capabilities, can result in a new function—service integration—which provides end-to-end management and integration of the business service or set of services in a multi-vendor, cloud environment. Service integration combines into a new capability several traditional functions including service transition, service operations and continuous service improvement.

Conclusion
Reaching the next levels of BPO value
BPO has already revolutionized how businesses are designed and run. It is helping them focus on how they actually deliver value to customers and the broader society, and then helping them access best-in-class services for their major business functions.

As it has matured, BPO has offered new and increasingly important forms of value for client organizations. It will continue to do so by giving companies ready and continuous access to technology and process innovations.
About Accenture

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