ADITYA BIRLA
minacs

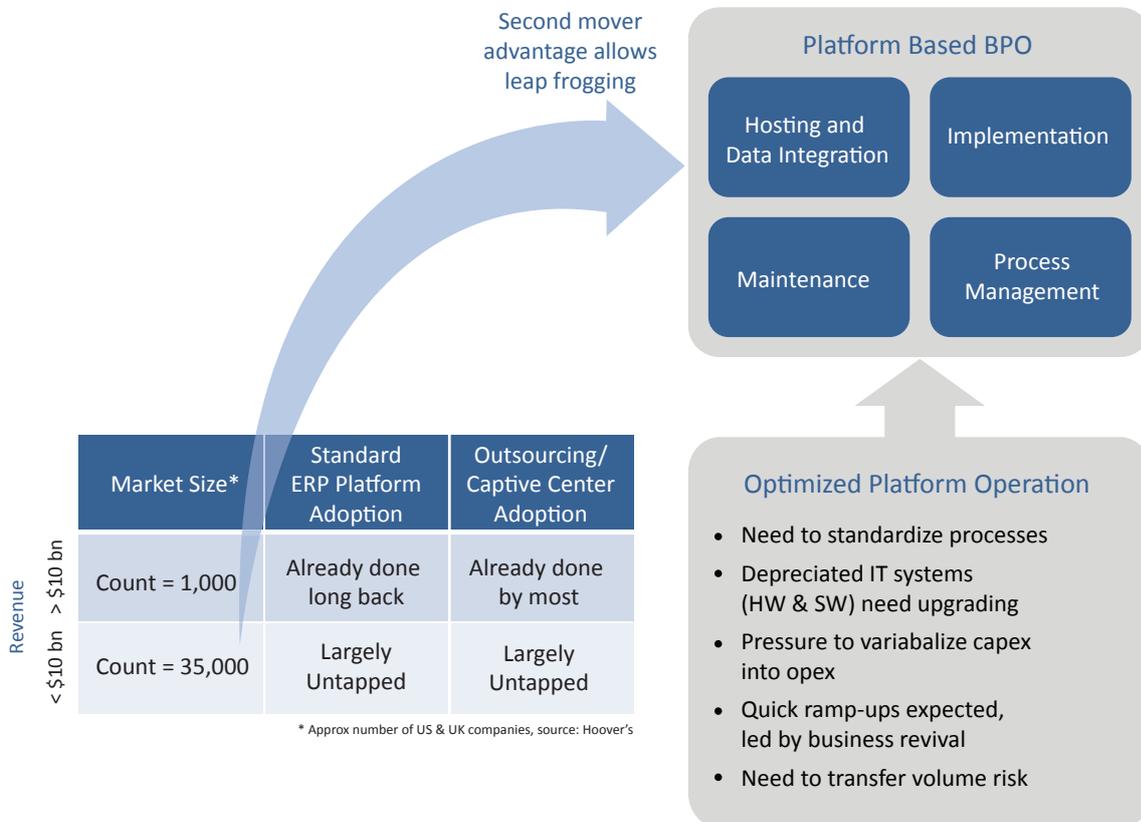# Platform Based BPO and its Evolution

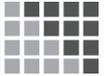Designing a One-stop-shop Solution for Mid-market Players

MINACS INSIGHT

Platform based BPO's have been evolving over the last few years. They are designed to help organizations meet ever increasing customer demands as well as sustain themselves in a highly competitive marketplace. Essentially, platform based BPO's can be viewed as the coming together of evolving ERP (Enterprise Resource Planning) platforms and the Business Process Outsourcing (BPO) market over the last couple of decades.

EVOLUTION OF ERP PLATFORMS

Over the last 30 years, the advances in computing technologies allowed development and deployment of large systems, which were both scalable and resilient. They incorporated the industry's best practices, typically focusing on twin objectives of enterprise-wide data and process standardization across multiple locations. Slowly various platforms emerged, each trying to create its own unique niche based on insights of specific industries or market positioning. While the "ivy league" composed of giants like SAP®, Oracle®, Peoplesoft®, Lawson®, etc., there also emerged a second wave of applications such as Microsoft Navision®, Deltek Costpoint®, Yardi®, Sage Line 500® etc., with capabilities that were more suited and attuned for SMB (Small and Medium Business) enterprises or catered to niche segments. Since pricing was a key constraint in unlocking this mid-market potential, ERP vendors started offering the Software as a Service (SaaS) model, essentially designed for pay-per-use pricing.

Second mover advantage allows leap frogging

Platform Based BPO

| Hosting and Data Integration | Implementation |
| Maintenance | Process Management |

Optimized Platform Operation

- Need to standardize processes
- Depreciated IT systems (HW & SW) need upgrading
- Pressure to variabilize capex into opex
- Quick ramp-ups expected, led by business revival
- Need to transfer volume risk

Market Size*	Standard ERP Platform Adoption	Outsourcing/ Captive Center Adoption
Count = 1,000	Already done long back	Already done by most
Count = 35,000	Largely Untapped	Largely Untapped

Revenue: > $10 bn / < $10 bn

* Approx number of US & UK companies, source: Hoover's

Platform Based BPO: Evolution and Optimization

EVOLUTION OF BPO MARKET

Over the last 10 years, the outsourcing of business processes in general and non-core functions like IT, HR, F&A, procurement, etc. evolved rapidly and came to be routinely delivered from delivery centers located across continents. This was in turn made possible due to advances in telecom link technologies that guaranteed 100% connectivity uptime and automatic, real-time re-routing in case of link breakdown. Their costs keep coming down year after year. As a result, most Fotune 500 companies either setup their own captive shared service centers or contracted with third-party BPO suppliers to deliver the business processes. Apart from benefits of reduced costs, outsourcing initiatives also strengthened processes making them more robust by reducing variations and individual judgments. Time differences in geographic locations also allowed for 24/7 processing of transactions, cutting process cycles and improving turn-around times.

EVOLUTION OF PLATFORM-BASED BPO

This is a more recent phenomenon (last few years) and literally seeks to combine the best of both the worlds. As most Fotune 500 companies adopted ERP platforms first, followed by BPO initiatives to gain competitive advantage, both these markets were soon captured by leading vendors. In many cases the second rung SMB players could not afford the high investments these initiatives demanded. The vendors on the other hand grew in confidence, emboldened by the long-term nature of these services and their ability to develop expertise in niche industry segments, processes and industry standard platforms. Therefore several BPO vendors have acquired captive shared service centers, underlining the potential to take processed benchmarks much beyond the existing internal KPIs. Together, these developments paved the way for evolution of platform based BPO services that were priced on the principles of SaaS and per-ticket processing fees bringing down the total cost of ownership (TCO).

## DESIGNING A PLATFORM-BASED BPO SERVICE

Typically platform based BPO has four key components:

Hosting

This involves hardware setup and installation, software installation and distribution, establishing primary and backup connectivity links, business continuity planning (BCP) and disaster recovery (DR) capabilities. All the components in this stage need to be scalable so that they can support a business environment for several years and flexible so that they can support business re-organizations, like mergers and acquisitions (M&A). A BPO provider can easily offer this flexibility due to the size and variety of client environments supported.

Implementation

Covering system design, configuration, user and stress testing, user training and go-live deployment, this is often the most complex, time consuming and thus the most expensive part of the project to be undertaken. Often projects take long to implement so that by the time they near completion, many initial objectives may need revision! When these are part of a bundled, platform outsourcing deal, the BPO service provider will always try to keep the timelines short and the implementation costs under control.

PLATFORM BPO

- Hosting and data integration
- Implementation
- Process management
- Maintenance
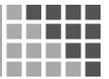
Process Management
This covers typical process standardization, establishing best practices, process documentation, establishing benchmarks and SLA's. Often a lot of best practices are incorporated during the implementation stage itself, thus optimizing the process turnaround effort. Besides, many BPO suppliers have honed the art of applying technology during transaction capturing by leveraging their in-house implementation capabilities, thus reducing overall human effort and improving data accuracy.

Maintenance
This includes ongoing system maintenance, periodic patches, hot fixes and service packs, routine backup and restore procedures and conducting periodic BCP/ DR tests. This is another area where a BPO provider can bring economies of scale as it supports multiple client environments with a unified team and the client organizations only pay on per-use basis.

BENEFITS FOR MID-MARKET COMPANIES

■ **Leap frog by leveraging supplier scale**
Most Fortune 500 players have been running stable ERP platforms for the last 10-20 years, whereas the Fortune 2000 (barring the top 500) are in various stages of evaluation, implementation or stabilization of such ERP platforms. These late entrants have the advantage of applying learnings from others to optimize expensive consulting costs.

■ **Strategic competitive advantage**
It is often seen that while competing with its larger-sized peers, a mid-sized organization is constrained by its investment and risk-taking capabilities, thus diluting its overall competitive edge. By embracing a platform based approach and partnering with an appropriate BPO provider, this constraint can be effectively neutralized, since this by definition helps imbibe more robust and efficient business practices.

■ **Eliminate upfront investments in IT infrastructure**
This is a huge benefit for SMB's and brings an immediate, accretive cash flow impact. Often such benefits can be extended to customers by charging a lower price and thus enhancing market share.

The deployment of platform based BPO is more effective in the following scenarios:

■ **Standardizing business processes**
In organizations with multiple locations or where they are going through integration resulting from M&A, there is a need to standardize business processes across various offices. Platform based BPO is a great tool in such situations as change management becomes easier.

■ **To upgrade IT systems**
Most hardware and software have high rates of obsolescence and require periodic investments (more so in rapidly evolving markets like Banking, Telecom, Electronics, etc.). Thus, organizations that are contemplating fresh investments in IT infrastructure find it worthwhile to evaluate platform based BPO services as they help minimize costs like server hardware, application licenses, user training, maintenance and support.
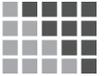
■ **Variabalize capex into opex**

In organizations with very tight capital investment budgets and limited options, the platform based model can come in very handy as the service provider is happy to put in upfront investments and recover it over a period of time. This is particularly true in new-age businesses like telecom, media, IT/ ITES services, professional services, etc. where CFOs want to minimize capital outlays.

■ **Quick ramp-up expected, led by business revival**

As economies worldwide begin to show improvement in overall business sentiment, most industries are looking forward to hit the ground running as consumer demand grows. This should lead to a need for quickly ramping up support functions. BPO providers offer such flexibilities and the agility to quickly adjust to changing market demands.

CONCLUSION

A bundled service offering that leverages capabilities of an identified platform and combines multiple services under a one-stop-shop supplier is the latest offering from most BPO providers. Many have already been offering these services for a while. A welcome feature of platform based BPO service is that it appeals to SMB's with tremendous market potential waiting to be tapped and thus provides an opportunity to progress from transaction processing to truly transformational service.

*Write to **info@minacs.adityabirla.com** for more information or to meet with a Minacs representative.*

ABOUT ADITYA BIRLA MINACS

Aditya Birla Minacs is a pioneering business solutions company that partners with global corporations in the BFSI (banking, financial services and insurance), TIME (telecom, technology infrastructure, media, and entertainment) and manufacturing industries. We leverage years of process, domain and technology expertise to deliver superior business value to clients with our seamless Customer Lifecycle Services, Marketing Solutions, Finance and Accounting and IT Services. 13,000 Minacs experts across 3 continents and 27 centers spanning Canada, Germany, Hungary, India, Philippines, the UK and USA power our solutions through a global delivery model that helps our clients enhance revenues, profitability and customer service.

Please visit **www.minacs.adityabirla.com** for more information.

AUTHOR

Hitesh Dixit
Vice President
Aditya Birla Minacs F&A

Production of Aditya Birla Minacs Marketing and Communications