

IBM Global
Process Services

Building Better BPOs : Issues and Trends in Business Process Outsourcing

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Discussion Agenda



History

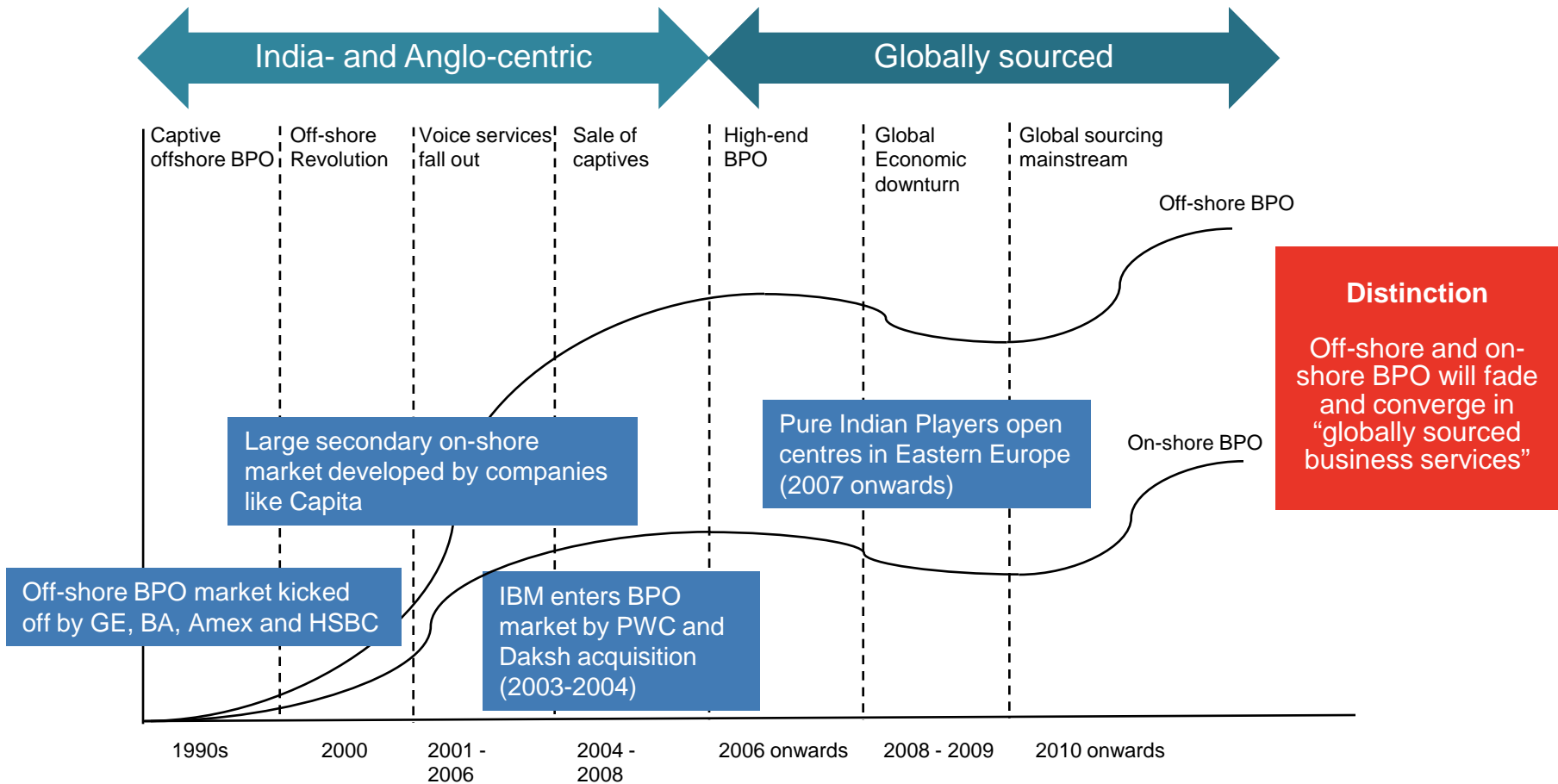
The Transformation Journey

The Top 10 Issues Trends and Thoughts

Key Take Aways



The History of Business Process Outsourcing



Based on Ovum: The Rise of Off-Shore BPO



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History



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Collaboration is the key to transformation

**Simplifying
complexity
requires
collaboration**



- Create a rewarding and seamless experience for your customers
- Create enriching employee experiences
- Drive investor value through top line growth and bottom line savings
- Leverage your buying power with your suppliers
- Greater business insights for improved decision making



Transformation requires a phased approach

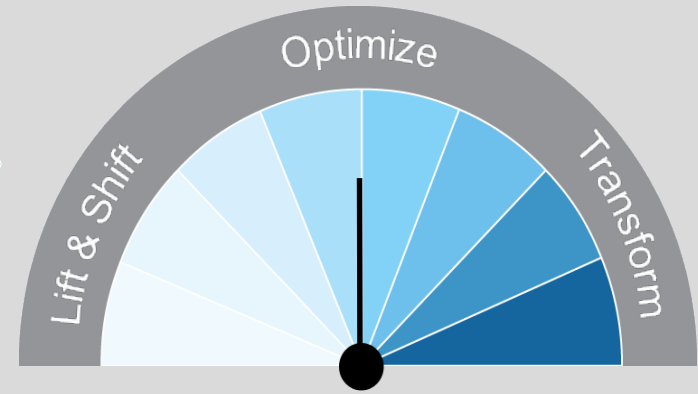
Then

Cost Savings

Transformation



Now





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Business Process Outsourcing Market Overview 2012: The Top 10 Issues, Trends and Thoughts

Take all the
analyst data

Travel the world and
talk to clients

Take all the blogs and
market noise

Add in some
hopes and
dreams

Boil it, distill it, mix it,
and enjoy over ice!

So here is my
perspective of the
state of the BPO
Nation...

-
- 1 Total BPO Spending appears to be still increasing
 - 2 BPO demand is still driven by the desire to improve service levels and reduce transaction cost
 - 3 How you "shore" is no longer a relevant discussion
 - 4 Organisations are still concerned about their maturity or readiness to adopt BPO
 - 5 New types of business processes are being outsourced
 - 6 Intense competition driven by over-supply of providers will continue... for a while?
 - 7 Margins will be harder to generate for BPO providers in a number of spaces
 - 8 Emerging markets will drive substantial growth in a number of spaces and have to grow... but... mode

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1

Total BPO Spending appears to be still increasing

- True, but deal size is much harder to work out as service bundling grows
- Deal size also highly dependant on global resourcing, committed volumes, commercial structure and accounting practices
- The larger deals are those with T (Transformation and Technology) at the core – not just P (Process and People) and will need C (Commercials and Continuity)
- Many deals never make the press
- Many more complex deals in emerging markets



The world is changing fast!

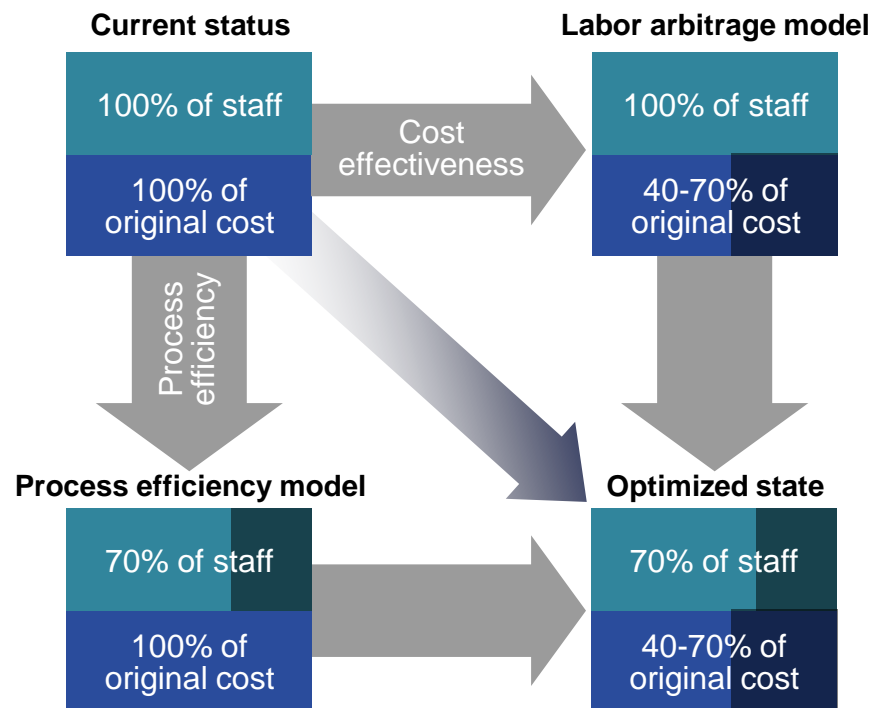
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2

BPO demand is still driven by the desire to improve service levels and reduce transaction cost. However...

Clients now expect:

- Standard processes
- Automation and tools
- Innovation (in whatever form)
- Value generation
- Analytics
- New commercial models
- Shorter-term contracts
- Less up-front commitment (tcv)
- Working capital improvement
- Year one benefit (ish)



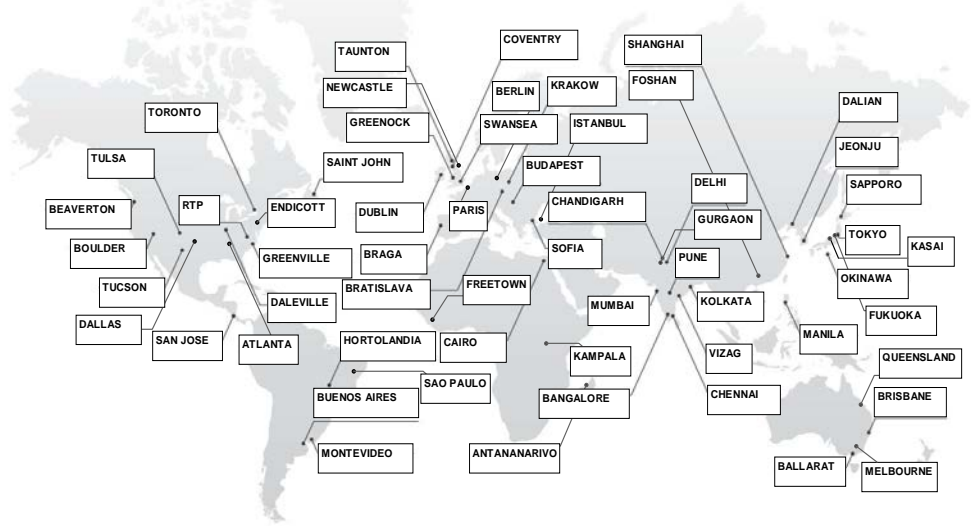
I want it all, and I want it now!



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3 How you “shore” is no longer a relevant discussion

- Clients want to know that you have capability, wherever you are
- Cheap BoS is no longer a differentiator
- Home, farm, on, near, mid, off: any shore works!
- Connectivity, security, reliability
- Skills and experience
- Integrated processes and tools
- Language interconnectivity (Babelling)



It's a globally integrated world...

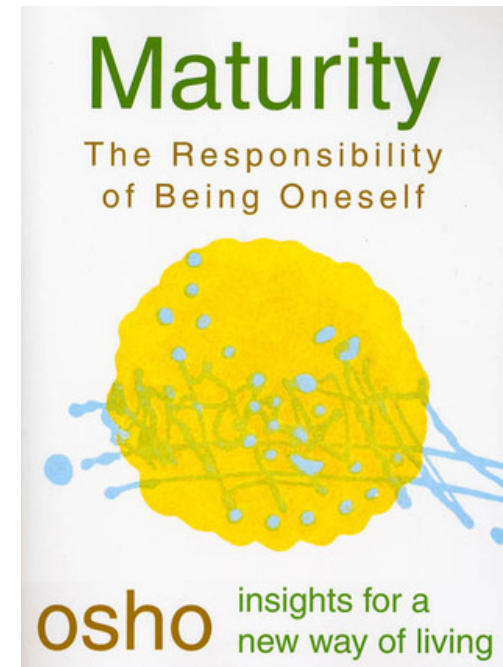


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4

Organisations are still concerned about their maturity or readiness to adopt BPO

- Top down or bottom up?
- Organisational / functional dysfunctionality blockers
- Governance: set it and forget it doesn't work
- Relevant to everyone is compelling to no one
- You commit, I'll commit
- A horizontal process in a vertical business
- The retained organisation
- Public and private sector attitudes
- Market maturity?
- Show me one success and I'll show you X failures



Change always has been, and always will be, hard

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5

New types of business processes are being outsourced

- But not at a great pace
- Debate over core and non-core seems over
- Evolving technologies and capabilities dictate the pace of change
- End-to-end processes
- Verticalization beats industry horizontalization
- Processes in businesses that don't currently exist
- Single view of customer will drive change
- A new dawn of innovation in a digital world?
- Mobile, social, connected BPO?



New business models should drive new sourcing behavior

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6

Intense competition driven by over-supply of providers will continue... for a while?

- There are now a number of global “end-to-end” providers
- And a good number of successful BPO deals
- However, there are limited skills in the market
- Niche can be good
- Increasingly suppliers will need the full stack of capability, T and P and C
- There is plenty of demand, but often it stalls
- CDNP is a killer



Select provider to meet the need and fit!

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7

Margins will be harder to generate for BPO providers in a number of spaces

- Labour arbitrage shrinks and is a social and political challenge
- Margin will be a challenge in a growth market unless you have technology
- The short term needs of clients are in conflict with the long term economics of BPO
- Risk/reward, gain share, transaction pricing, contact pricing, and outcomes-based will slowly take a greater role in the profit equation
- What's your profit threshold and pain point



Understand client and provider business model

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8

Emerging markets will drive substantial growth

- As mobile, social and connectivity take off in emerging economies, so will BPO
- Long jump rather than triple jump (one-stage transformation)
- Complex design, build operate deals
- Success in emerging markets may transform thinking in mature markets



Growth drives the market

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9

**BPaaS, Cloud, and On Demand have to grow...
but at what speed?**

- What happened to the era of platforms and utilities?
- Few new real examples of BPaaS
- Few BPO cloud examples
- Different attitudes B2B vs B2C
- Public (or do I mean private) cloud?
- New digital business vs brick and mortar

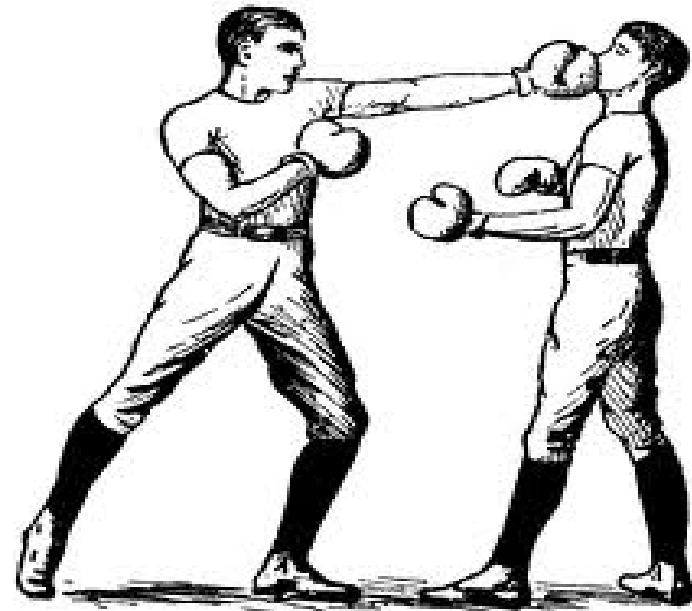


**New delivery models will emerge...
but let's not get carried away by hype**

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10 There is a need for new procurement and contractual models

- Why the obsession with cost/FTE?
- Time for new commercial models: transaction based, contact based, outcome based
- SLAs for customer satisfaction and process outcome rather than transaction or process metric
- You commit, I commit
- Value driven constructs – don't restrict innovation



Transition models need to be revised...



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And from the Top 10, where are the areas where we in IAOP can all really add value in client discussion...

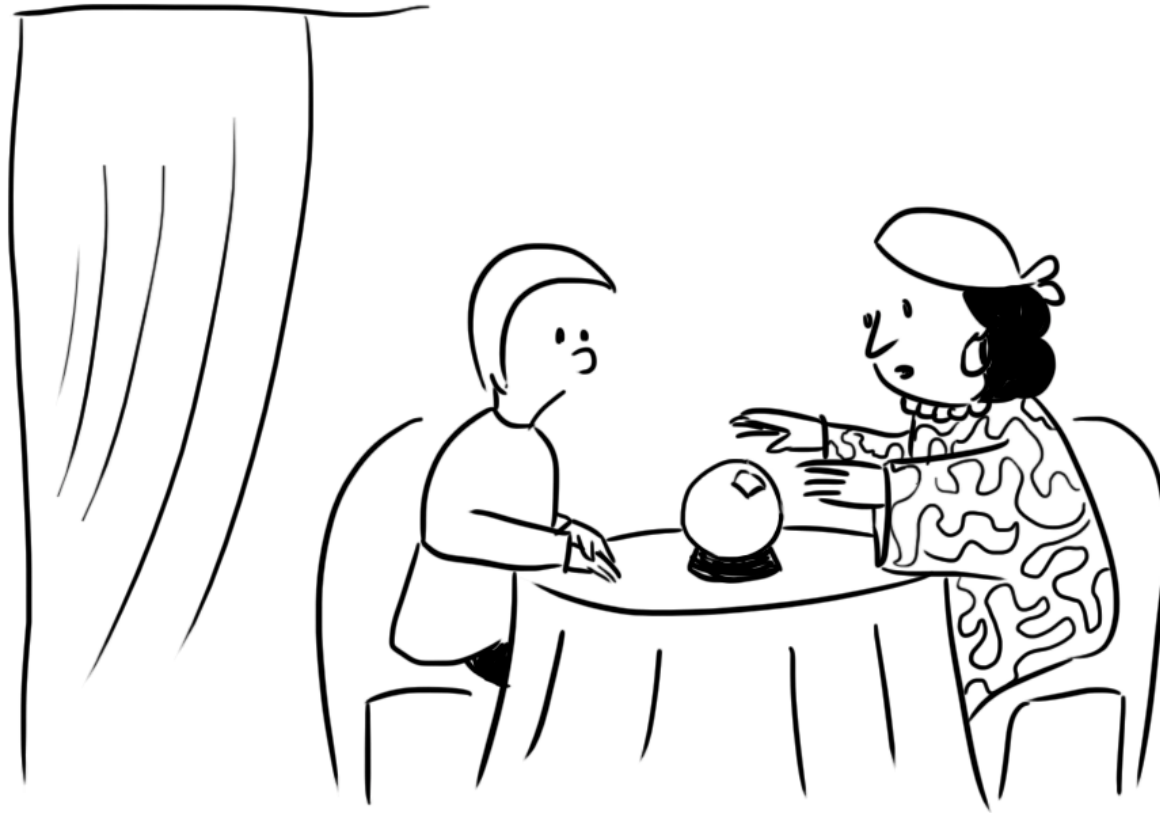
BPO still has critics	BPO is a mature industry, and yet it still has its detractors and doubters. CNDP is still way too common
Over-promised	The industry has over-promised and under-delivered
Need for technology	The days of just labor arbitrage are gone. You have to have automation and technology for long-term success
New processes and verticals	Major transformation plays are back on the agenda, across new processes and verticals
Win-win	Every aspect of deals have to be win-win, with a governance to execute and deliver
Fast-moving markets	Emerging markets are moving fast
Cloud is moving slowly	BPaaS and Cloud are slow to develop (for now)
New mechanisms	We need new age contracting/commercial mechanisms



As members of IAOP, we have a duty to shape the future



And the future is....



“I can’t see your future, but luckily I’m very good with vague generalities and meaningless half-truths.”



Questions



- **Next IAOP UK & Ireland Chapter Meeting**

“Innovation in Outsourcing”

IAOP UK & Ireland Chapter and Intellect Outsourcing & Offshoring Group
Morrison & Foerster, London, 26 June 2012, 4.45pm to 6.45pm

The speakers will include:

- **Dr. Mary Lacity**, Professor of Information Systems, University of Missouri-St. Louis
- **Intellect speaker**
- **Declan Fay**, Global Commodity Manager, Intel
- **Gavin Bowden-Hall**, Strategic Sourcing and Procurement Services Limited
- **Alistair Maughan**, Partner, Morrison & Foerster



**THANK YOU FOR
JOINING US!**



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