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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
Discussion Agenda

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Key Take Aways
Collaboration is the key to transformation

- 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
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Key Take Aways

Take all the analyst data
Take all the blogs and market noise
Travel the world and talk to clients
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

- 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!
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!
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…

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
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
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!
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

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
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

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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Key Take Aways
And from the Top 10, where are the areas where we in IAOP can all really add value in client discussion…

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

For more information on IAOP’s Programs and Services, email info@iaop.org.