

BPO Bonus: Extending Outsourcing Benefits to the Middle Market

By Marc Tanowitz

The market for complex business process outsourcing (BPO) has been rapidly maturing. While labor arbitrage is historically the primary business justification for BPO, there is now an increasing focus on providing business value. To deliver value, BPO providers have expanded their geographic presence and are now able to leverage their capabilities to attract middle-market clients that were not previously able to achieve the benefits of outsourcing. In turn, these middle-market clients provide “test beds” within which process improvements can be trialed, implemented and leveraged to create value for the provider’s broader client portfolio.

Expansion Enables New Services Delivery

Traditionally, the benefits of BPO services have been enjoyed primarily by North American and large global clients. With this client base, BPO providers delivered (from both near shore and off-shore locations) large volume-transaction processing, primarily in English, allowing them to establish large delivery centers in low cost locations and gain critical systems knowledge by executing transactions in clients’ ERP systems. As this market has become more saturated, and client needs have evolved beyond simple transaction processing, providers have begun to extend their search for talent and language capabilities by expanding into Eastern Europe, Latin America and Asia. This expansion enables broader coverage for non-English speaking regions and allows access to higher-end business process skill sets such as customer facing activities (e.g., order management, technical support). These capabilities allow clients to look beyond transaction-based outsourcing (e.g., U.S. accounts payable) to support processes that are executed in English and begin to leverage an outsourced provider for global transaction support (e.g., European accounts payable) or more broadly, for end-to-end cross functional processes (e.g., global order-to-cash process execution).

Reaching the Middle-Market through

The rapid growth of the BPO market combined with the providers’ extension into various geographies creates new opportunities for middle-market companies. Previously, these companies did not have the necessary scale to fully leverage outsourcing for savings and value creation. The combination of the rapid growth and geographic expansion of BPO providers has resulted in both a desire and ability for providers to target the middle market. Rapid growth has resulted in BPO providers acquiring many facilities that now have small pockets of capacity (too small for larger deals). In

addition, diverse language capabilities allow providers to present global solutions to clients, which is key to the middle-market client’s value proposition. In today’s market, a middle-market client can effectively engage a top-tier provider for transaction-based processes that may involve as few as 10 full time resources, provided they also execute multi-language processes and enable global market penetration (e.g., a client can leverage an outsourcer’s language and process capabilities to conduct processes in local languages that were not previously available).

Middle Market Growth Offers New Services

The middle-market client growth provides an incremental opportunity to expand the scope of BPO service offerings in two ways: (1) providers can begin to “bundle” business processes (e.g., accounts payable, accounts receivable, general ledger, fixed assets) and, (2) they can provide combined process and technology solutions by offering transaction services supported by technology through a SaaS (Software as a Service) model. In this regard, many providers are able to offer clients best-in-class process execution by leveraging technologies such as business process management/workflow enablement tools or duplicate payment audit tools, which allow them to execute processes more efficiently. In turn, BPO providers are able to leverage these technology innovations with their smaller clients as a proving ground for process improvements that can be brought to their larger clients where gain sharing models (the provider is allowed to enjoy some of the financial benefits of process improvements) can be quite lucrative.

The global economic environment has many companies looking for ways to reduce costs and increase their competitive position, and business process outsourcers are positioned well to help middle-market clients navigate this challenge. The providers that effectively meet the needs of the middle market, and leverage the experience for the benefit of larger clients will likely look back at this economy as a turning point in their ability to deliver long-term, strategic value. Similarly, middle-market companies that understand how to effectively work with and manage outsourced partners will be able to remain flexible and nimble to meet customer needs while also benefiting from global execution capabilities that are typically only available to the largest players.

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