Business Process Services:
Redefining Business Process Outsourcing
Executive Summary

For many years, businesses have approached business process outsourcing (BPO) as a simple cost play. A more structured approach is now emerging that infuses key business activities with technology levers that help organizations more precisely manage rule-based tasks and continuously increase process effectiveness and efficiency. This has led to new thinking on how BPO can add significant value, or direct business impact, beyond the bottom line.

Optimizing how knowledge workers and advanced algorithms can be combined to automate key operational activities is a discipline known as business process services, or BPS. In this white paper we discuss this new paradigm, highlighting how organizations across industry and functional silos can more effectively lash together the collective strengths of global talent, standardized processes and the latest technology to deliver continuous business impact.
Can Your Business Learn New Tricks?

Technology has never been more mainstream. Today, it’s not just self-proclaimed geeks talking technology or actively using it to live their lives; even the daily media covers the latest apps, social networking and how cloud is going to change everything. More importantly, it’s now common to read about how technology is key to both private and public sector organizations achieving their objectives. And that includes everything from revolutionizing healthcare, to reducing manufacturers’ product development times, to retailers engaging in new ways with customers. We now operate in a world where:

- Empowered buyers can get involved in co-creation, business funding and crowdsourcing – as in Kickstarter, Threadless or Amazon Mechanical Turk.
- New technologies have lowered the barriers to entry, enabling exciting new entrants to disrupt long-established industries – as Airbnb has in the hospitality sector.
- New business models from innovative, established competitors have given customers new ways of buying products and services – such as pay-as-you-go car insurance from Aviva.
- Organizational structures are changing, driven by globalization and new business models, and enabled by a host of collaboration and mobility technologies – just look at this paper, for an example. Experts from three continents have contributed to it, using a variety of different technologies, including VoIP and online collaboration spaces.

The combined effects of technology, process and cultural evolution can either present a wealth of new opportunities – or tie your expensive IT assets into a millstone around your business’s neck. So, in a world where everything is changing, how can you chart a long-term course for success? Market researcher Forrester Research uses the term “customer obsession” to describe the single-minded focus businesses need today.

Forrester notes: “Empowered customers are disrupting every industry; competitive barriers like manufacturing strength, distribution power, and information mastery can’t save you. In this age of the customer, the only sustainable competitive advantage is knowledge of and engagement with customers. The successful companies will be customer-obsessed.”

Achieving a customer-centered business model requires a new mindset and a new approach to BPO. That’s what this paper is about.
Standing Still is Not an Option

To be customer-obsessed, you must focus investment, time and energy on activities that are key to customer goals and re-examine anything that does not help deliver value. Be radical, and the changes could surprise and delight both you and your customer.

- If you’re a retailer, do you need to own the invoice processing that is key for supplier management?
- If you’re an airline, is your ticketing operation really a differentiator?
- If you’re a manufacturer, do you have to own warranty management?

If the answer is no, why not outsource the entire process, end to end?

This is not the way most providers, or customers, approach outsourcing. BPO is traditionally associated with simple, discrete, task-based processes and systems — and with short-term cost-reduction efforts. As a result, core BPO often fails to align with the business and its long-term objectives. Once a BPO provider delivers promised process efficiency, it is not capable of delivering long-term improvements or supporting step-changes in how the business as a whole operates. And perhaps of more concern, service providers that only work on short-term, tactical, cost-reduction-focused projects have little ability or opportunity to collaborate with you in sharing risk and reward for the future.

We’re not happy about this, and neither should you be. That’s why we’re working to change BPO.

“Now is the time to think about investing to increase the quality of the processes and services that drive customer loyalty and revenues, as well as cutting costs. That can involve handing over control of non-core processes to outsourcers; not just improving process efficiency and effectiveness, thus cutting costs, but also allowing the enterprise to focus on what it does best.”

IDC
From Business Process Outsourcing to Business Process Services

Often when companies think about business process outsourcing, they are really thinking about a tactical process change. Perhaps it’s an outsourcer moving routine work offshore, taking over system management or leveraging economies of scale in procurement. These “better, faster, cheaper” projects have their place in keeping the business trim – but they are not transformative initiatives that help businesses thrive in times of change. It’s time for a wider definition.

That’s why we talk about business process services, or BPS. BPS marries the process and technology with the people who run them. It covers everything from simple task-based processes (like payment processing or document management), all the way up to the knowledge-intensive, industry-specific processes that traditional BPO doesn’t usually touch. It covers any mix of people, processes and technology – not just the technology systems that carry out the processes.

BPS has three key service models, as illustrated in Figure 1.

The Three Service Models of BPS

<table>
<thead>
<tr>
<th>Service Model</th>
<th>Core Value Proposition</th>
<th>Ideal Processes</th>
<th>Technology</th>
<th>Commercial Models</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Core BPO (vs. traditional BPO)</td>
<td>Arbitrage, global delivery, process efficiencies, economies of scale.</td>
<td>Labor intensive work on core systems.</td>
<td>Thin layer for workflow management and operations control.</td>
<td>Often “input-based.”</td>
<td>Accounts payable work on customer ERP system.</td>
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<tr>
<td>Business Process as a Service</td>
<td>Significant technology-based modernization and automation.</td>
<td>More routine work allowing automation.</td>
<td>Smart platforms significantly increase automation; less process actor work.</td>
<td>Transaction or “by-the-click.”</td>
<td>P2P on Oracle; order management as-a-service; medical claims on a partner platform.</td>
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Figure 1
Theory is all well and good, but we understand that you want to know how our approach to BPS translates into hard business results. With BPS, the initial cost savings are dramatic, but the benefits go beyond the usual techniques of offshore labor and technology automation, to the introduction of better skills and industry knowledge, new technology and re-engineered processes. On the other hand, core BPO may stop at initial cost savings, without any investment in wholesale changes to the way things are done. In an accounting engagement, for example, BPS can focus not just on continuous improvement, but also generating value through working capital management, reducing days sales outstanding (DSO) and identifying possible fraud scenarios, among other high priorities.

Case Study:
A Total View of Order Management For a Global Telecom Provider
When a global telecom provider engaged with us to improve its order management workflow, we took a holistic BPS approach that integrated process consulting skills, a technology ecosystem and business process transformation to help the client better focus on its customers and produce significant business results. We consolidated the client’s vendors and delivery centers, reducing inefficiencies and overlaps in staffing along the way. By changing facilities, personnel, processes and underlying technology, we delivered 30% cost savings – amounting to tens of millions over three years. We also transformed the order management process to automate 200,000 order exceptions per quarter to reduce handling time by 49% and order cancellation rates to less than 3%, thus improving efficiency and order completion rates – which translated directly into increased revenue.
Raising the Bar from Tactical BPO to Strategic BPO

To get the big-picture view of how complex processes can be improved through a holistic view of people, process and technology, you need to engage with a BPS provider at a strategic level. Of course, to understand how your enterprise works as a whole, and how processes operate from start to finish, the services provider has to appreciate not just process theory and your business strategy, but also the industry in which you operate. Our industry-specific focus enables us to draw extensive domain knowledge, consulting expertise and functional expertise to understand the full context of your processes. We bring people from across the organization to ensure the right caliber of staff is involved on any given engagement (see Figure 2).

Our goal is to align BPS with your business goals, anticipate your long-term needs and become a trusted guide and participant that complements your in-house skills. And we’re willing to put our money where value is by engaging with you in ways that suit your business. When we take responsibility for an entire process, not just individual systems or stages, it gives us the ability to offer new, business-outcome-based metrics for those processes. Instead of measuring a billing system’s uptime, the headcount of the order processing team or even the cost of processing an order, for example, we can start to measure order completion rates, on-time delivery and billing accuracy—measures that matter to the customer-obsessed business. We will even share risk and reward with you by building these metrics into our contracts.

We also recognize that innovation and advantage can often come from looking outside your industry, while your less observant competitors bury their heads in the sand. So if you’re a retail bank, we’ll help you investigate what you can learn from, say, how supermarkets keep customers loyal. If you run sports facilities, we’ll help you incorporate techniques that airlines use for optimizing capacity planning. If you’re in manufacturing, your warranty claims systems probably have a lot in common with insurance claims processing.

Process Services Tailored to Your Industry

A one-size-fits-all BPO solution won’t necessarily do the job. Our BPS services fit your needs because they draw on experience in delivering highly specialized services for industries.

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<tr>
<th>Industry</th>
<th>Services</th>
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<tr>
<td>Retail</td>
<td>Gift Card and Lease Property Accounting</td>
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<tr>
<td>Banking and Financial</td>
<td>Capital Markets</td>
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<td>Financial Services</td>
<td>Order Management</td>
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<tr>
<td>Manufacturing</td>
<td>Royalty Management</td>
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<tr>
<td>Media and Entertainment</td>
<td>Clinical Operations and Drug Safety</td>
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Figure 2
Cognizant Transforms Jewson's Accounts Payable Process At a Strategic Level

If you’re looking for an example of how we engage with customers, look no further than Jewson, part of Saint-Gobain and one of the world’s most recognized construction industry companies. Over three years, we transformed Jewson’s accounts payable processes, using a range of our approaches in concert: labor arbitrage, implementation of new technology systems (such as call management tools, OCR systems and data entry tools) and complete process realignment.

“We were impressed with Cognizant’s consulting-led approach, global engagement model and a strong commitment to innovation and collaborative working. We are most satisfied by Cognizant’s ability to view the business through our eyes. In Cognizant, we have found a partner with the right capabilities to liaise with business stakeholders across 18 representative brands and 900 branches to harmonize our business processes.” (Finance Director, Saint-Gobain Jewson)

The benefits in terms of business outcomes were impressive:

- 68% reduction in per-invoice cost.
- Doubling of invoice processing capacity.
- Improved resolution rate for supplier queries from 65% to 85%.
- Eliminated backlog of 90,000 invoices.
- Invoice processing cycle time reduced from five days to just one.

This was only possible through:

- A holistic understanding of the relationship between people, processes and technology systems in delivering a process like accounts payable, and the ability to transform them all in concert. IT has to be considered in a wider context.

- A strategic relationship with Jewson that viewed its accounts payable process as a whole and understood the business measures that mattered – not just simple IT or operational measures such as system uptime or software licensing costs.

- A long-term commitment to ongoing improvement. We cut Jewson’s per-invoice cost by 40% in year one and halved its invoice backlog in year two.
Get the Innovation You Need

We’ve discussed how a business must engage with BPS at a strategic level to get the necessary perspective on how it operates in its industry, as well as to obtain the end-to-end process control it needs to offer truly business-centric metrics. We believe that such strategic engagements can only be built on collaborative partnerships: one where the BPS provider’s whole culture is focused on helping you achieve. To use Forrester’s terminology, a good BPS provider is customer-obsessed too.

And it’s only fair that providers contribute wherever they can. As a large provider, we have the specialist skills and scale of resources that few enterprise IT departments can afford to employ internally — as well as a valuable outside-in perspective. You have every right to expect us to put new ideas, new technologies and leading practices into the mix, including radical ideas such as crowdsourcing for co-creation and emerging IT trends like cloud, analytics and collaboration. For example, we’re using cloud to enable access to the right expertise at the right time, and to build scalability and automation into the infrastructures we deliver — as we’re doing for Eli Lilly.

To make sure we exceed your expectations for giving back to the relationship, we run an innovation fund that reinvests in people, process and technology — to align with changing business needs, and support retained and transferred staff loyalty through skills development.

“IDC’s recent European Enterprise Services Survey shows that IT innovation is gaining importance as a key criterion when users select a service provider; in fact, innovation moved ahead of cost in the Top 5 criteria list in 2011.”

IDC
Eli Lilly and Cognizant Show How BPS Can Be Truly Innovative

We are working with Eli Lilly on a project that illustrates perfectly how BPS should bring together people, process and the very latest technology to produce continuous innovation in pursuit of customer obsession.

Under the multi-year contract, we deliver a tightly bundled range of solutions spanning commercial analytics, sales force planning, sales incentive compensation, customer relationship management, business reporting, data warehousing and state compliance reporting using a consumption-based service delivery model called Business Process as a Service (BPaaS).

As part of the BPaaS model, we combine cloud-based IT infrastructure, our proprietary software applications and other intellectual property for commercial operations in life sciences, as well as business process outsourcing expertise to enable Lilly to move from a high-fixed-cost, capital-intensive model to a variable, consumption-based cost structure, resulting in greater flexibility and predictability to meet evolving sales and marketing needs. Our solution enables a key component of Lilly’s transformation strategy of increased collaboration in a globally networked model that aligns people, process and technology to drive sales and marketing innovation.

“This expansion of our relationship with Cognizant is another step in our mission to become the most customer-focused pharmaceutical company in the U.S. market,” said David Ricks, President, Lilly USA upon the announcement of the deal. “By collaborating with the industry leader in commercial operations service delivery, we will sharpen our own focus on understanding and exceeding our customers’ needs – the path forward to delivering business results in our increasingly challenging environment.”

“More mature BPO customers don’t just expect to generate substantial initial savings and then increase those savings marginally over time. They want the BPO service provider to go the “extra mile” by bringing continuous improvements based on domain or industry expertise with cutting-edge IT systems and on continually streamlined business processes ... BPO service providers have to analyse each macro process, component sub-process, and linkage, and every non-value-added activity; and ensure the client’s value chain is optimised to deliver the maximum end-to-end value ... BPO shouldn’t, therefore, be a one-time gain; it should be a never-ending story of continual improvement.”

IDC
Take the Next Step

When business practices, technology and customer needs are changing so rapidly, your success — even survival — depends on making sure that your business is keeping pace. But since business resources are limited, those companies that resolutely focus on what their customers are demanding, and that continually innovate, are the ones that get ahead.

Anything that doesn’t contribute to your customer obsession is a candidate to be outsourced. To be certain of quality delivery, you need to carefully select your partner. We know that an effective BPS provider:

Engages with you at a strategic level and collaborates with you over the long term, to take on processes that can be better delivered externally.

Takes ownership of your processes, end-to-end, and understands how each process contributes to the business in the context of your particular industry.

Invests in continual improvement of service delivery and management, through innovative mixes of people, process and technology to deliver the service at hand.

Shows you tangible results — both with cost savings and real enhanced revenue streams — and is happy to bet on those results with gainsharing terms in their contracts.

This approach has produced impressive results for hundreds of our clients, some of which we have referenced in this paper. We know it will work for you, too.

To realize the future, contact us and we’d be glad to show you how.

http://www.cognizant.com/business-process-outsourcing
Footnotes


About the Author

Melvyn Chungath is Cognizant’s Associate Director for Business Process Services. In this role, he is responsible for developing business service solutions and leads associated go-to-market programs and business development within Europe. Melvyn has led and managed various roles, in operations, program management and business solutions strategy. He has collaborated with clients in multiple industries in the areas of outsourcing strategy and process reengineering for optimal value for finance shared services and industry-specific processes. He holds an MBA from University of Strathclyde and is also certified Project Management Professional (PMP) from PMI. He can be reached at Melvyn.Chungath@cognizant.com.

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 137,700 employees as of December 31, 2011, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.