

# PERSPECTIVE

Augmentative Outsourcing:  
*New Ways to Support Contextual Functions & Strengthen Core Capabilities*



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If a BPO buyer has contracted a service provider for web content management, is there value in engaging the provider for digital marketing support as well? If a buyer has farmed out license management and user on-boarding services, then why not farm out fraud protection for digital, cloud and gaming platforms? If a BPO provider is handling market research for a buyer's sales organization, then is the provider capable of taking on account planning too?

These are some of the questions gaining velocity as a new wind blows across the industry — known as 'augmentative outsourcing'. A simple Google search for the exact phrase displays "no results found" and instead offers a plethora of results for staff augmentation. To be clear about it at the very outset, augmentative outsourcing of business processes is NOT about "staff augmentation". What it is, in fact, is skill and capability augmentation that creates business value for the BPO buyer's business.

Augmentative outsourcing is the next value frontier which perceptive buyers must beat their path to — by sourcing services from BPO providers across their activity chain, including in areas once considered 'core'. And in so doing, they will get access to wider BPO capabilities that can help them innovate and stay on top of their value chain.

## An Opportunity Called Augmentative Outsourcing

The classic BPO buyer typically contracted with a provider to work on only one part of the value chain, say master data management (MDM). Today, augmentative outsourcing presents BPO buyers with the opportunity to outsource adjacent business processes. These could be both upstream and downstream processes related to the existing process being outsourced.

This model of engagement could also mean outsourcing new business process needs within any organization that can be addressed by BPO providers, but have hitherto not been considered for

an outsourcing model. Such needs may have not been considered for outsourcing because of a lack of the requisite skills on the BPO provider-side, or because such engagements haven't been thought of yet.

### Why is augmentative outsourcing relevant today?

Five years back, who would have thought that a BPO provider could aid the design of 'green products' or support manufacturing production management with a great degree of competence? Yet here we are – there are providers who have demonstrated expertise in such areas. And a lot of this newfound expertise can be chalked up to the subliminal effects

of outsourcing business processes in an augmentative manner.

### Who can benefit from augmentative outsourcing?

Augmentative outsourcing holds great promise for mature buyers, with the ability to go beyond incremental improvements, as a provider who's closer to the buyer's core can deliver value to diverse CXOs in the buyer organization.

A tangential case could be made for a new buyer – engage a single provider for a variety of small augmentative engagements, experience the value that can be derived, and then move to a more traditional BPO model.

## WHAT IT IS

## Augmentative Outsourcing

## WHAT IT ISN'T

Skill and capability augmentation – providing the BPO buyer access to business process experts with advisory and operational skill sets as well analytical, judgmental, domain and cross-functional expertise



Staff augmentation – Augmentative outsourcing is not about increasing headcount for an existing process

Defining new work that supports existing client processes



Just another combination of the following: reducing time and cost, improving efficiency and effectiveness, eliminating work

Catering to buyer requirements that do not currently and explicitly exist in the ecosystem



Catering to traditional stated buyer needs

Keeping a laser-sharp focus on the revenue and cost-of-revenue side of the buyer business

Moving the buyer toward real-world outcomes beyond SLA-adherence and the traditional operating metric



Defining value for buyer in terms of cost arbitrage, process efficiencies, flexible financial models, point solutions, as well as process and cycle time SLAs

Sourcing adjacent processes – both upstream and downstream ones – that support existing buyer processes

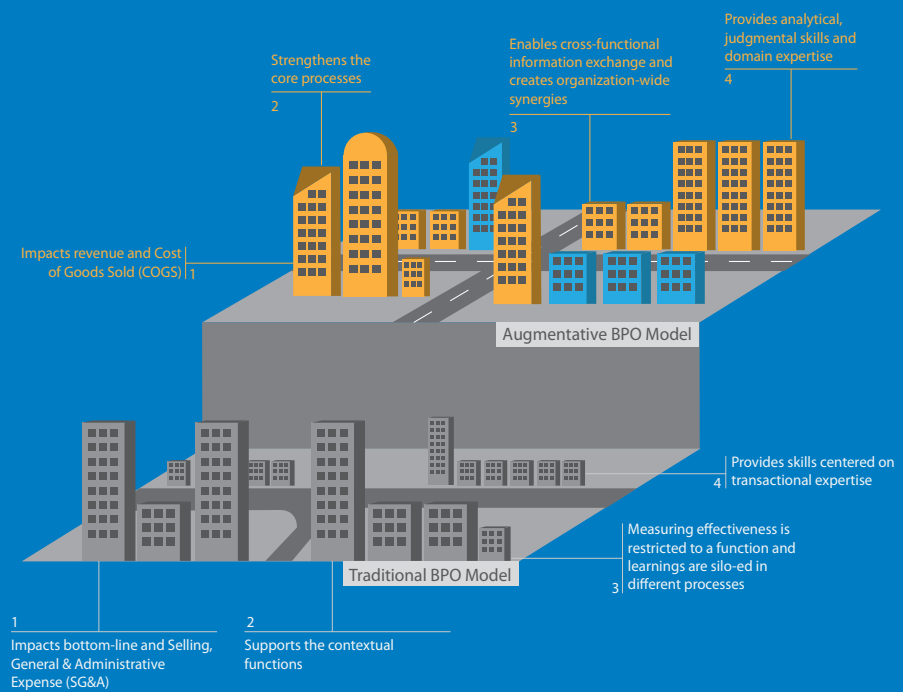


Providing support for niche processes that lend themselves to a 'BPO' model or outsourced model

One-off projects in areas like data management, analytics, reporting

### Why Augmentative Outsourcing Makes for a Compelling Value Proposition

For buyers who may want to consider an augmentative BPO model, there are 4 value levers that can be moved from what are conventional benefits to those that are in a higher realm of optimization and innovation.



# How Augmentative Outsourcing Actually “Augments” the Buyer’s Business

## 1 Impacts the revenue and cost-of-revenue side of the business

The low-hanging fruits in BPO are still offerings on the General & Administrative (G&A) expense side of the Profit & Loss (P&L) accounting – whether it be Finance & Accounting (F&A), Procurement or HR. However, a significant share of the buyer’s total cost structure sits out there on the cost-of-revenue side. With augmentative outsourcing, buyers can appreciably impact their cost-of-revenue.

An impact, no matter how marginal, on the cost-of-revenue side could translate into compelling bottom line results. Some areas where augmentative outsourcing can impact the cost-of-revenue rather than G&A are:

- In F&A — Sourcing decisions around high-end processes like general ledger, financial planning and analysis, SOX compliance and business controllership

- In media and entertainment — Functions like advertising production and circulation-accounting-based standards
- In retail — Enablement in areas like retail analytics around trade promotions management that can help drive new product launch strategies
- In publishing — Themes like royalty accounting and the nuances within

## 2 Enables buyers to co-create innovation with the provider

Augmented BPO delivery enables buyers to tightly couple providers with their core processes – so the provider functions as the logical extension of the buyer organization. Both entities can then explore opportunities for co-creation in

the buyer’s core processes and products. Take for instance, a BPO provider who is supporting a buyer’s account planning process, or development of green products. Armed with cross-functional and multi-domain expertise, as well as best practices from multiple process

transformations, the provider can infuse fresh thinking into the buyer organization. This could result in multiple incremental innovations or a big breakthrough — either operation-wise or outcome-wise. The provider, in essence, can be the buyer’s “external innovation partner”.

## 3 Gives the buyer access to a pool of business process experts

Augmentative outsourcing presents buyers with a pool of business experts (as opposed to BPO experts), so the buyer benefits from domain, technology and advisory

perspectives as well as analytical, judgmental and cross-functional expertise. This is a step up from having access to only either consultants or practitioners. While a traditional BPO

expert may just be a thinker with an eye for the unexplored or a foot soldier, an augmentative BPO expert is “thinker, tailor, soldier, innovator” – all in equal parts.

## 4 Extends the outsourcing relationship beyond the CFO’s / CPO’s office

Most buyers regard pure play operational metrics around turnaround time, accuracy, and so on as table stakes. Buyers with the augmented sourcing mindset are staunch on demand that their providers design outcomes that

more of their senior executives (the C-suite) find easier to relate. Such buyers look for outcomes that can make stronger connections with the heads of operations, sales and marketing – apart from the CFO’s and CPO’s office. For example, where the buyer sources

an order-to-cash process, they would want the provider’s performance metric linked to a clear end-business outcome like, say, a reduction in the days sales outstanding (DSO) or a reduction in the amount of stock keeping units (SKUs).

## 5 Provides opportunities to work closely with the provider, beyond just “offshoring”

Augmentative outsourcing can enhance utilization of locations outside their home base, where the buyer’s business is already invested, and where the provider has a local presence. This is because augmentative BPO opportunities are more often than not tightly

coupled with the buyer’s core processes rather than support functions – which will require greater collaboration and tightly-coupled operations between the buyer and the provider. For example, quite a few U.S. and European firms have operations in emerging markets like India, China and Brazil to drive

their revenues for these markets. BPO providers who can work on providing services like manufacturing support documentation and technical training manuals customized to the local geographies can provide significant value beyond acting as back office support providers.

### Examples & Cases of Augmentative Outsourcing

Let us now consider three examples as well as a case study as a proof point of what to expect from augmentative outsourcing.



#### Example 1 | Sales Support

Part of the sales support value chain that the provider has been contracted for	Augmented benefits across the sales support value chain that the provider has identified
Support for market research, tele-marketing / cold calling	Support for account planning and channel partner assessment



#### Example 1 | Sustainability

Part of the sustainability value chain that the provider has been contracted for	Augmented benefits across the sustainability value chain that the provider has identified
Support for carbon credit consulting and management	Support for tracking measuring and reporting carbon footprint Support for green product design and development



## Example 1 | Procurement

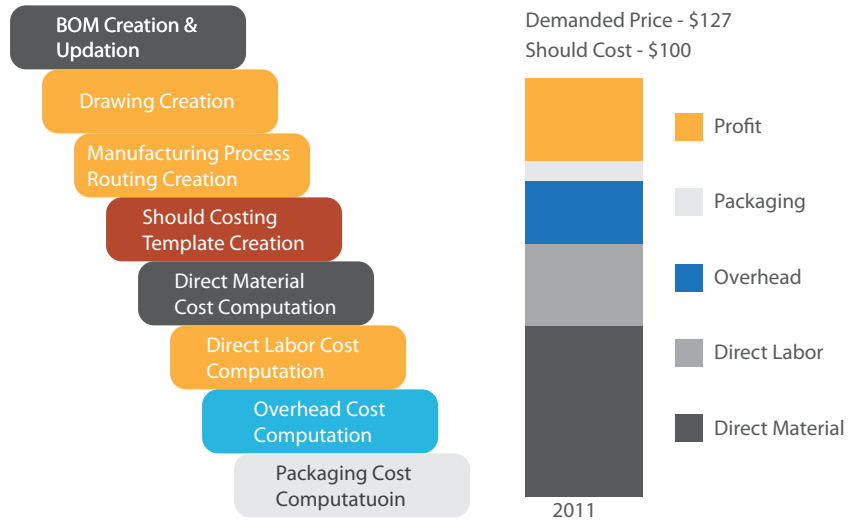
Support for spend analytics	Support for 'should-costing'
<p><b>Benefit</b></p> <ul style="list-style-type: none"> <li>• Know how much money is spent on what type of procurement</li> </ul> <p><b>Skill sets</b></p> <ul style="list-style-type: none"> <li>• Financial analytics</li> <li>• Spend management</li> </ul> <p><b>Support for supplier rationalization</b></p> <p><b>Benefit</b></p> <ul style="list-style-type: none"> <li>• Know how many suppliers to work with</li> </ul> <p><b>Skill sets</b></p> <ul style="list-style-type: none"> <li>• Supplier management, supplier agreement, supplier negotiation</li> </ul>	<p><b>Benefit</b></p> <ul style="list-style-type: none"> <li>• Know what is the right price to pay for a procurement</li> </ul> <p><b>Skill sets</b></p> <ul style="list-style-type: none"> <li>• Analytical           <ul style="list-style-type: none"> <li>Examining engineering drawings</li> </ul> </li> <li>• Judgmental           <ul style="list-style-type: none"> <li>Considering supplier interactions</li> </ul> </li> <li>• Domain           <ul style="list-style-type: none"> <li>Evaluating materials and the impact on manufacturing processes</li> </ul> </li> <li>• Cross-functional           <ul style="list-style-type: none"> <li>Intersecting skills in engineering and procurement</li> </ul> </li> </ul> <p><b>Sub-vertical commonalities</b></p> <ul style="list-style-type: none"> <li>• Leveraging procurement know-how across assembled and value-added components as well as sub-assemblies</li> </ul>



### Case in Point | Augmentative Outsourcing

A Global Industrial Distributor Engages Infosys BPO for 'Should-Costing'

<b>Background</b>	The client procures and sells millions of industrial products through its distribution network and leverages global sourcing to drive value for customers.
<b>Business Opportunity</b>	The client needed a sustainable scientific model to conduct negotiations around some SKUs. In the past, such negotiations were driven by little more than gut-feel and not backed by any scientific model.
<b>Infosys Approach</b>	Infosys developed a robust 'Should Cost' model for the client. In doing so, Infosys leveraged the 8-step 'Should Cost' computation process, apart from its industry expertise and tool suites like reverse auctions and commercial databases.



## Benefits

- Negotiation backed by scientific data reduced spend by 15%
- Identified new vendors who could be leveraged for procuring similar parts
- Created base master data – comprising of drawings, BOM and routings – which could be leveraged during new vendor development
- Realized 10x ROI

## The Way Forward

When considering the two sides of an augmentative outsourcing relationship – buyer and provider – there is plenty of room on the provider side to build capabilities that can help buyers increase their top lines. By engaging their BPO providers in conversations focused on leveraging new opportunities together, buyers can facilitate an augmentative mode of engagement. This could mean outsourcing business process services that require a more evolved skill set, or integrating BPO services with other services across technology implementation, engineering services, and consulting.

Augmentative initiatives will help deepen relationships between BPO buyers and providers for the long term. The appetite for augmentative outsourcing is growing. It is no longer a question of if, it is a question of when and how. And it is a question that will be answered when buyers ask providers to showcase their prowess in higher realms of value.

## About the Authors



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Maddee Hegde leads client services and business development for Infosys BPO in the hi-tech and manufacturing sector across US and Europe. Over a career spanning more than 15 years, he has worked closely with global corporations, helping them build competitive advantage and realize business goals by leveraging the potential of global outsourcing across IT and BPO.

Based out of Chicago, Maddee advises and collaborates with companies from ideation through implementation in the outsourcing area, ensuring sustained performance in outsourcing relationships. He has presented at BPO industry events and coauthored white papers on procurement outsourcing and augmentative outsourcing with leading advisory firms. These provide insights for clients around BPO in contextual functions and how it strengthens core capabilities. Maddee has been with Infosys since 2006, has a background in computer engineering, and holds a master's degree in management.



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Bharath leads the Sales & Fulfillment (S&F) and HR Outsourcing (HRO) practices for Infosys BPO. He has global responsibility for driving the strategic direction for both these practices. Prior to this, he led the High-Tech and Discrete Manufacturing portfolio for Infosys BPO.

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