PERSPECTIVE

Capitalizing on Change

Part II – Unlocking Transformation Opportunities through Business Process Outsourcing

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In a smarter organization, processes are standardized, not disparate. Operating models are ones that fit the best, not ones that fit the gap. Technology is a multiplier, not just an enabler. The focus is on effectiveness through benchmarking of business metrics and delivering business value, not just continuous improvement of process metrics. Insights are dynamic, not just static knowledge.

In today's competitive and complex environment, making these 5 shifts is essential to unlock transformation opportunities. And with the right approach to business process outsourcing, organizations can not only accelerate transformation, but also realize true business value from it.

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Making the Five Shifts that Matter

Trans•for•ma•tion

To change in character, composition, condition or structure

Busi•ness val•ue

Value delivered beyond economic value

If you've been part of an outsourcing engagement or advised on one, chances are, you've seen the terms "transformation" and "business value" being used quite often as engagement desirables. But value beyond SLAs, SG&A components and bottom-line savings has been hard to realize.

Part of this disappointment can be traced back to a school of thought, for whom business process outsourcing is just low-cost service. The reality is far from it: BPO providers can do much more – from redrafting business models to aiding top-line growth.

To realize transformation from business process outsourcing and create a smarter organization, buyers will need to work closely with their providers and make 5 shifts:

1	Run multiple processes with multiple approaches	Maximize process standardization across functions, geographies and businesses
2	Work with "fit the gap" operating models	Find an optimal mix of operating models
3	Use technology as a process enabler	Use technology to multiply value and fill white spaces
4	Assess process efficiency and drive continuous improvement of operational metrics	Drive business effectiveness and value through benchmarking of business metrics
5	Depend on tenure and local knowledge for expertise	Get dynamic insights with global Centers of Excellence

Organizations are now looking for realization of true "business value" over and above the cost drivers

Key Imperatives for Global Organizations

Traditionally, business priorities of global organizations have focused predominantly on cost control, free cash flow and improved bottom line. But priorities are changing owing to an increasingly complex landscape of new technologies, complex supply chains and a global employee base. Organizations are now looking for realization of true "business value" over and above the cost drivers, leading to the following key imperatives:

- Growth in emerging economies – with the rise of Brazil, Russia, India, China (collectively BRIC) and Mexico
- Benchmarking with best-in-class organizations, functions and processes to drive innovation through new operating models and differentiation
- Asset (including people) utilization and efficiency
- Unlocking business value across functional silos and in the business/IT intersection cusp

Staying ahead of the competition will require organizations to achieve Simplification, Speed, Collaborative Learning and Sustenance in meeting the above goals, and in moving towards their journey of becoming smarter organizations.

Challenges

While this may sound simple, it is easier said than done. Most organizations are faced with multiple challenges due to the nature of their growth (organic and inorganic), competitive market conditions and prioritization of business objectives and investments; some of the prominent ones being:

- Rigidity caused due to sunk costs and investments
- Limited capital availability and quarter-on-quarter pressures
- A need to focus on core activities while ensuring transactional activities are executed well
- Adaptability to evolving new technologies and operating models

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Taking the Right Approach to Making the Shifts

While organizations continue to view BPO for cost reduction and leverage conventional techniques like Lean and Six Sigma, the complexities stated in the previous section necessitate fundamental shifts in their approach:

1 Run multiple processes with multiple approaches → Maximize process standardization across functions, geographies and businesses

The situation

Organizations have grown both organically and inorganically, which has led to proliferation of different processes and systems, as well as varied practices and measures. While some of these are arguably justified due to factors like regulations and local country nuances; most others are not.

The shift

When organizations are in a state of disparity in processes, one of the most obvious levers is driving a level of standardization that brings in better efficiencies by addressing 3 key dimensions of the operating model:

- Centralization vs. Decentralization
- Localization vs. Globalization
- Scale vs. Specialization

For a leading consumer goods major — a global player with a presence in more than 60 countries — Infosys supports a range of Order to Cash (OTC) processes across different categories and regions.

These processes were initially non-standardized, and were being managed across huge volumes: 2.3 – 2.4 million orders / invoices per year through different channels (phone/fax/EDI/e-mail). This led to increased pressure on costs of running operations and long lead times in order fulfillment and Accounts Receivable (AR) activities.

In order to build a scalable model, Infosys executed a process harmonization exercise. This was a two-phase transformation, where the first phase was to create a frontend-backend structure in each region and then move the backend to a central offshore location. As part of this, workshops were conducted in different regions to identify frontend and backend processes. The solution also included redesigning skills needed, rationalization of deviations, cross-training plans, implementing CRM workflow for tracking/monitoring and introducing enabling tools like eFax/Fax OCR, single-click OCR solution, and document management solution.

Today the OTC process is delivered on a single process and technology backbone with embedded best practices and has led to significantly lower cost/order, ageing of holds and DSO, tighter turnaround time from order receipt, validation, processing, order release and shipment, and a greater number of "zero touch" orders.

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2 Work with "fit the gap" operating models → Find an optimal mix of operating models

The situation

Considering the existence of disparate applications, an unequally distributed base of vendors, suppliers and employees, quite often the same solution cannot be applied universally in most global organizations. In such scenarios, it becomes important that organizations have an adaptive approach to setting up the 'right' operating model, which may often be a mix of in-house and outsourced solutions for technology, process and people.

The shift

Organizations can engage providers and find the right mix of operating models, such as shared services, traditional outsourcing, business processes on cloud and business platforms. In each function, it is important to see the 'right fit' based on cost, logical (process) and technical feasibility. For example, a world leader in healthcare, lifestyle and lighting is in the journey of transforming their HR organization. They have chosen an ERP backbone for about 80% of their large countries, created 6 regional Shared Services Centers, and have selected a mix of Software-as-a-Service (SaaS) and outsourced models for the rest of their locations – where a full-fledged ERP based solution did not present a viable business case. It is important to note that the optimal design will vary for organizations as they vary in their maturity levels, leading to different starting points for each organization.

3 Use technology as a process enabler → Use technology to multiply value and fill white spaces

The situation

With the advent of newer technologies and enabling tools, it has now become possible to perform most processes in a streamlined, automated fashion.

The shift

It is now imperative to bring in an optimal set of tools that simplify processes and enable linkage of upstream and downstream activities to core functions. Technologies that can be leveraged are:

- Workflows, tools, automations, macros — to make processes more efficient
- Specific products (platforms, specific software) that impact the process and upstream/downstream processes — to provide incremental efficiencies
- Newer technology adoption will need to be integrated into relevant white spaces — to complement existing technology in the form of sunk investments; e.g. paper-based invoices supported through imaging and workflow, in conjunction with an existing ERP application (a prior investment)

For a leading bank and financial services provider operating in Australia and New Zealand, Infosys has transformed a very complex landscape of eight different entities on different applications and processes to a harmonized standard back-bone for HR, Payroll and Absence Management – the Infosys HRO Platform, TalentEdge™. Infosys provides the client HR process operations support, in addition to infrastructure and application support. Benefits include a 15 – 25% improvement in business service level agreements (SLAs) / outcomes and an expected reduction of 35% in total cost of ownership (TCO), thereby multiplying delivered business value significantly.

For one of Infosys' global manufacturing clients, setting up offshore delivery centers meant enabling seamless processing from 3 locations. Before offshoring, the processes were not standardized, and there was no visibility of key invoice processing metrics. Also missing was a solution to track, respond and resolve vendor queries.

To fill in these white spaces, Infosys implemented a suite of tools, such as a standardized workflow solution from invoice receipt to posting into ERP across regions, an OCR-based solution to automate data capture, and an AP Helpdesk solution to effectively manage vendor query resolution process and capture vendor satisfaction survey results.

These tools had a cumulative impact of streamlining and standardizing the process — resulting in 25% improvement in productivity, 20% reduction in exceptions handling, improved cycle time, centralized reporting mechanism, capability to prioritize urgent invoices, end-to-end effective management of query resolution, improved vendor satisfaction levels, and greater visibility of process performance.

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4 Assess process efficiency and drive continuous improvement of operational metrics → Drive business effectiveness and value through benchmarking of business metrics

The situation

Traditionally, operations are managed in terms of efficiency and effectiveness metrics, such as touch time, turnaround time and accuracy. The underlying business impact and business metrics, however, reveal large gaps and opportunities when weighed against business metrics.

The shift

Organizations need to continuously benchmark themselves with the global best – across industries. This will enable rapid and continuous evolution by adapting to global best practices. The focus should shift towards business value, while having a surgical focus on processes.

Infosys has developed the Business Value Realization (BVR) framework to deliver business value — the framework leverages multiple levers connecting process metrics to business metrics, and therefore helps realize business value.

For a large consumer care company, as part of a consulting exercise, Infosys assessed the current performance of the Accounts Payable (AP) process across 3 global centers and mapped the entire value chain. Based on the BVR framework, Infosys identified multiple change enablers that would impact key business metrics. These enablers ranged from mailroom transformation to automating GRIR reports to creating debit balance policy. The business value realized is to the tune of $12 M impact on a YoY basis, both on the cost and the cash side.

5 Depend on tenure and local static knowledge for expertise → Get dynamic insights with global Centers of Excellence

The situation

Traditionally, knowledge has been a function of tenure or time spent on a particular process while decisions are driven by intuition and experience. A more dynamic world calls for knowledge to be more dynamic, where learning is imbibed at a rapid pace through knowledge sharing and multiplication and decisions are driven by insights drawn from the power of data.

The shift

Organizations need to work with their providers to create Centers of Excellence that foster an accelerated understanding of functional areas and access to global best practices. These Centers should ideally:

- Leverage best practices across functions, locations, processes and industries
- Build a knowledge repository of process knowledge and benchmarks
- Use analytics to support fact-based decisions around increasing revenue, human capital management, cutting costs, improving return on investment (ROI); e.g. visibility of data through analytical tools like CPO dashboard and People dashboard; market segmentation by analyzing customer behavior on social media
- Foster a culture of innovation that rests on deep understanding of process

The power of business insights was demonstrated for one of Infosys' clients in the footwear retail segment, who had just finished a year-long data warehouse implementation initiative. The question from the CMO's office was: "Is there a way to quickly recoup investment made on the warehouse before further investments on a Business Intelligence platform?" Such an approach, over and above providing actionable insights faster, would also pay for future investments by itself. The charter was delivered through a short but intensive analytics effort, to provide specific insights on their best customer profiles and targeting strategies based on these insights for an expanded basket size and revenue.

The client was able to realize value within the first 6 months of implementing insights. Not only was the investment on data paid back, the client also benefited from a surplus for funding further investments in their analytics roadmap. Today Infosys has created a full array of data elements (eCommerce data, web analytics data, CSAT scores and custom developed shopper segments) to leverage and deliver on current strategic priorities. The learning from this and other similar exercises have now been incorporated into our Center of Excellence, thereby providing a rich base of knowledge to leverage for future projects.

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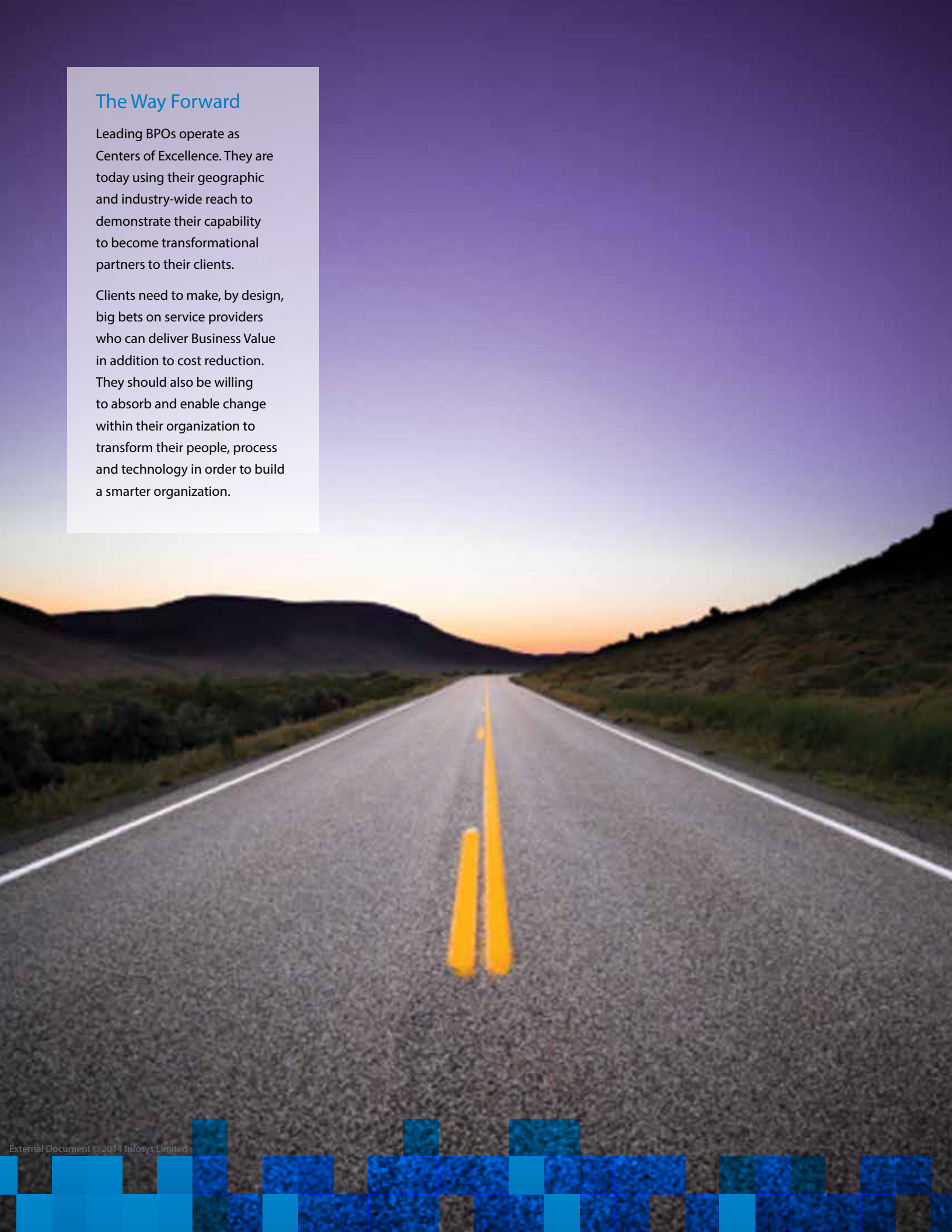
The Way Forward

Leading BPOs operate as Centers of Excellence. They are today using their geographic and industry-wide reach to demonstrate their capability to become transformational partners to their clients.

Clients need to make, by design, big bets on service providers who can deliver Business Value in addition to cost reduction. They should also be willing to absorb and enable change within their organization to transform their people, process and technology in order to build a smarter organization.



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Radha is the global head of Enterprise Services offerings and solutions at Infosys BPO. He is also a Member of the Board at Portland Group as well as Infosys Czech and Infosys Poland (wholly-owned subsidiaries of Infosys BPO). He also leads the Business Transformation, Technology Services, Quality and Transition functions at Infosys BPO, which help clients with differentiated solutions and offerings in their transformation journey to deliver enhanced business value.

Prior to this role, Radha provided leadership to global centers at Infosys BPO, helping them scale and sustain growth and profitability. Before that, he incubated the Business Platforms group, which is a vital part of the group vision and strategy at Infosys for client value and business growth.

Radha has spent many years at the Infosys group across consulting, IT services and Business Process Management (BPM), and prior to Infosys, at a transnational corporation. He brings with him rich leadership and intensive domain capability across multiple industries.

Radha is a postgraduate from Indian Institute of Management, Lucknow (IIML) and an honors graduate in mechanical engineering from National Institute of Technology, Tiruchirappalli (NIT, Trichy).

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Madhukar's focus is driving growth and managing delivery of Business Transformation Services – an advisory practice focused on helping clients realize business value by leveraging multiple levers, including establishing their operating models. Madhukar has more than 18 years of experience in transformation and re-engineering including stints at HP BPO, McKinsey and Ford. He has been involved in designing various frameworks to assess organizational efficiencies and effectiveness that drive material impact to businesses.

He is a post graduate in Industrial Engineering from Cleveland State University and is a graduate in Mechanical Engineering from Bangalore University. He is also a certified Master Black Belt.

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Infosys BPO, the business process management subsidiary of Infosys, provides a broad range of enterprise and industry-specific services. We deliver transformational benefits to clients through our proprietary Process Progression Model™ (PPM). These benefits include cost reduction, ongoing productivity improvements and process reengineering.

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