

# Business Process Transformation Horizons - Report Excerpt

## BPO Evolution: Rise of Digital Operations

March 2021

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- Providers expand their coverage beyond their traditional focus areas
- BPO service providers invest in off-the-shelf, vertical-specific solutions
- Service providers continue to strengthen global presence

# Horizontal business process segments in the scope of this report



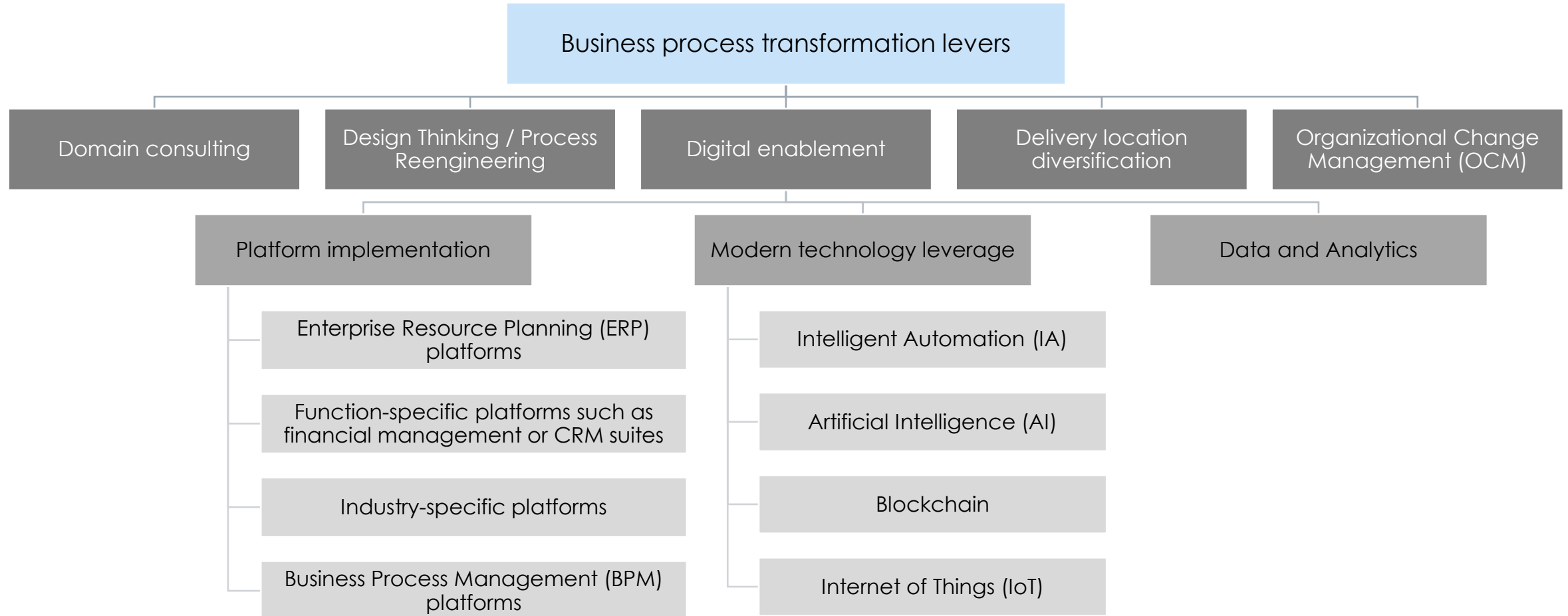
# Vertical-/industry-specific business process segments in the scope of this report



# Defining business process transformation

## Key Definitions

Transformation of business processes includes process optimization and standardization, resource optimization, productivity enhancement, cost and location optimization, and risk management.



# Key trends shaping business process transformation

COVID-19 is driving growth in business process outsourcing and a shift towards digital operations

- The pandemic required enterprises to outsource process management to optimize cost and leverage digital transformation expertise of global service providers. This resulted in substantial growth in outsourcing engagements.
- Companies that outsourced business processes weathered the crisis better than those managing them in-house, with service providers ensuring operational viability and a speedy recovery.

Digital-led business process transformation emerges as the choice versus people- and process-led

- Organizations prefer process management and industry-specific platforms to realize digital transformation of horizontal and vertical business processes. Modern platforms, unencumbered by legacy issues, are enabling enterprises to be nimble and efficient.
- Digitization, data and analytics, and intelligent automation have become an integral part of business process transformation engagements owing to rising demand for low-touch/no-touch solutions.

Converged IT- BPO and multitower deals dominate sourcing

- As intrinsic linkages between IT and business processes become prominent, enterprises undertake enterprise-wide digital transformation initiatives. This is driving enterprises' inclination for Business Process as a Service (BPaaS), thus leading to converged IT-business process and multi-tower deals.
- Business process outsourcing (BPO) engagements are shifting from client-vendor relationships to strategic partnerships, embracing outcome-based commercial models.

Service providers are fortifying digital offerings to offer end-to-end solutions

- Business process transformation service providers are strengthening their off-the-shelf product portfolios of platforms, automation and AI solutions, and accelerators to create compelling BPaaS offerings.
- Service providers are also investing heavily to develop multitower services and offerings, domain certifications, and training to address the evolving demands of enterprises.



# Sample report pages

# COVID-19 creates disruption in the socio-economic structure

Enterprises were forced to extreme measures to address new business challenges.

## Key business challenges

Obstacles in business operations

With severe disruptions in the economy, business operations experienced a steep decline. The pandemic led to a contraction in the global supply chain and industrial activity.

Declining revenues and profitability

With reduced business operations and contracted demand, revenue and profitability registered sharp declines.

Budget constraints

Cash flow optimization, liquidity, and working capital management were key challenges amongst all enterprises. Firms had to continuously adopt cost-cutting measures to ensure business viability..

Remote working and adoption of technology

Nation-wide lockdowns forced organizations to switch to remote work and enable remote access of systems and applications. Companies who were already remotely working were quick to mitigate the impact.

## Key socio-economic challenges

-3.5%

*Estimated GDP decline in 2020*

~14%

*Workforce job losses during the second quarter of 2020*

9.2%

*Decline in volume of merchandise trade during 2020*

27%

*Decline in volume of service trade amidst the pandemic*

# Digital operations emerges as the choice versus people- and process-led business process transformation

**Low- to no-touch solutions**  
Contactless payments, self-service, and telehealth



**Intelligent automation**  
Chatbots, virtual assistants, data digitization, and process automation



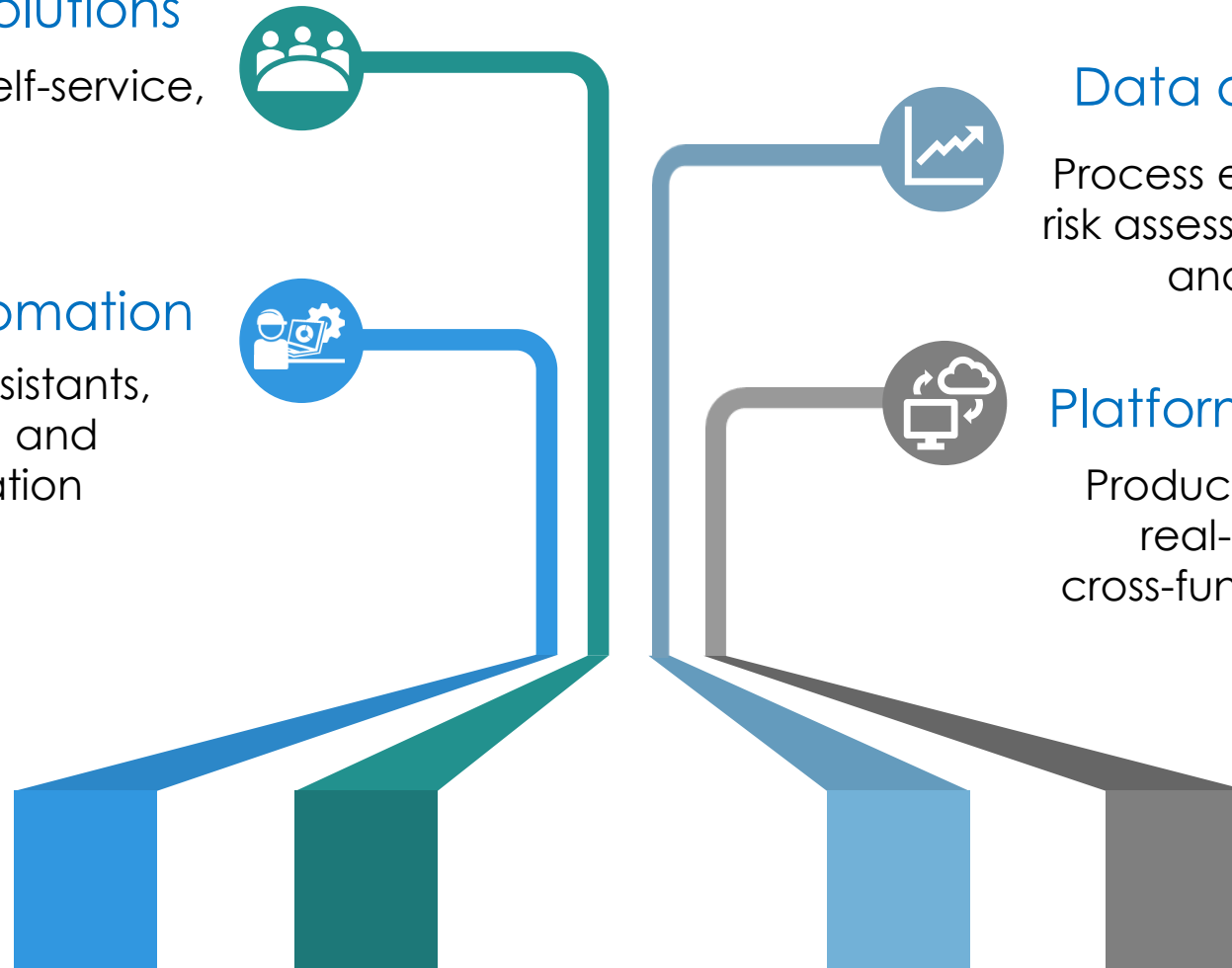
**Data and analytics**

Process efficiency, insights, risk assessment, forecasting, and simulations



**Platforms and BPM tools**

Productivity and efficiency, real-time visibility, and cross-functional collaboration

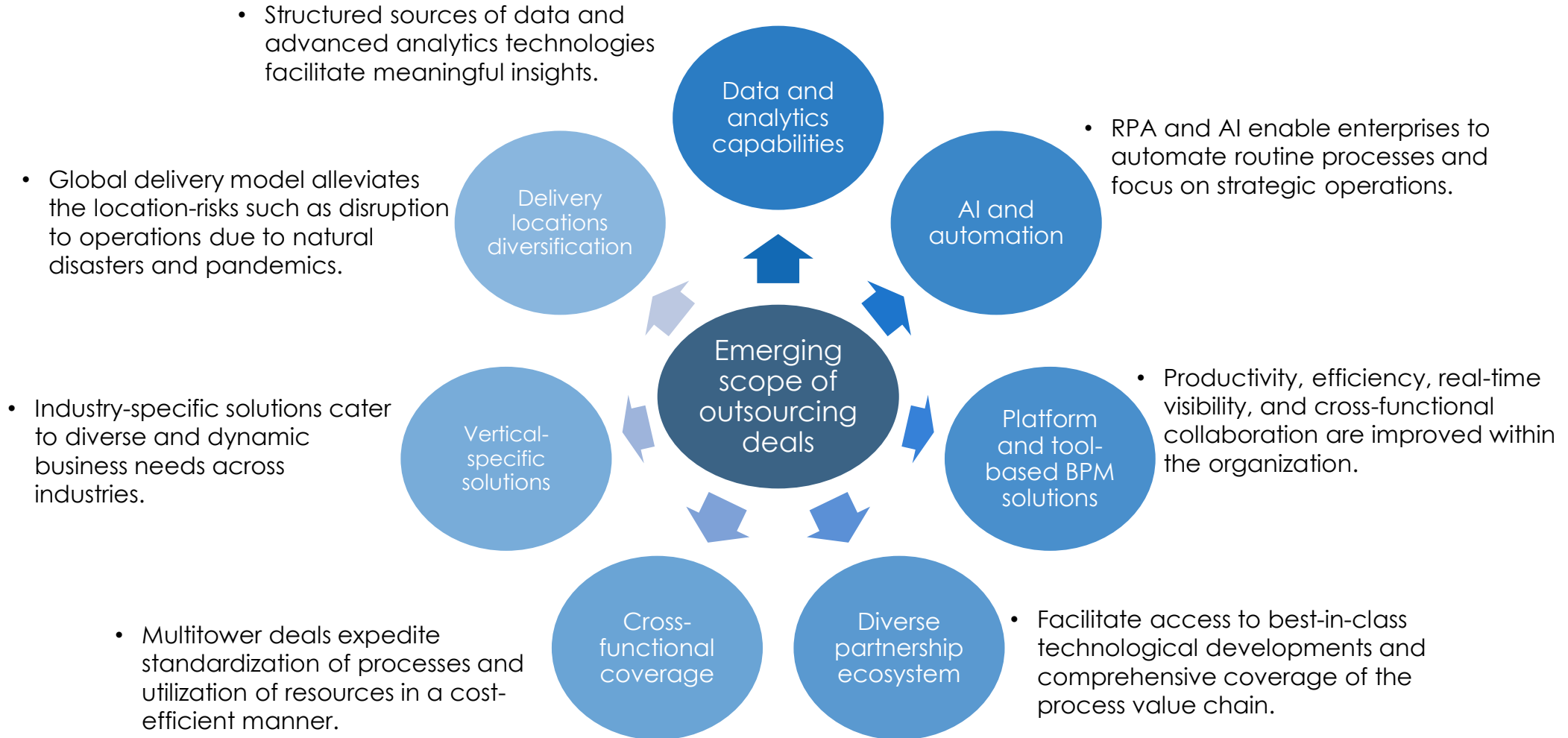


# The nature of outsourcing engagements was evolving, and COVID-19 has accelerated that evolution

Traditionally, the outsourcing engagements had enterprise-vendor constructs and were vetted by the procurement business unit. Of late, there is a shift towards strategic partnerships with service providers owning several business KPIs.

	Input-based engagements	Output-based engagements	Outcome-based strategic partnerships
Scope of engagements	<ul style="list-style-type: none"> <li>• Noncore and transactional processes only</li> <li>• FTE-based constructs</li> <li>• Limited process optimization</li> <li>• Global sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive coverage of process value chain</li> <li>• Process reengineering and automation</li> <li>• Data management and analytics</li> </ul>	<ul style="list-style-type: none"> <li>• Business process as a service—Integrated IT business process management</li> <li>• Cross-functional engagements</li> <li>• Responsibility and accountability for business outcomes</li> </ul>
Key value proposition and levers	<ul style="list-style-type: none"> <li>• Labor arbitrage</li> <li>• Contingent resource pool availability</li> </ul>	<ul style="list-style-type: none"> <li>• Technology-led productivity enhancement</li> <li>• Process optimization driven by domain expertise</li> <li>• Labor arbitrage</li> </ul>	<ul style="list-style-type: none"> <li>• Access to all value levers available</li> <li>• Business partnership—profit-/loss-sharing (as per linked KPIs)</li> <li>• Joint investments and solutions development; often leading to CoE setups</li> </ul>
Business goals realized	<ul style="list-style-type: none"> <li>• Reduced operating cost</li> <li>• Improved scalability</li> <li>• Contingency management</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced operating cost</li> <li>• Productivity and efficiency gains</li> <li>• Scalability and contingency management</li> <li>• Technology readiness for the future</li> </ul>	<ul style="list-style-type: none"> <li>• Best-in-class process optimization</li> <li>• Access to best-suited technology solutions</li> <li>• Expedited realization of business objectives</li> <li>• Enhanced contingency management</li> </ul>

# Service providers strengthening their offerings in response to emerging scope of outsourcing engagements



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