



***Service and Product Structure for
Selected Processes in the BPO
Industry***



Study Results

Israel Balderas - Senior Researcher
Eveline Wahlmueller - Researcher

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Executive Summary

Outsourcing providers tend to take over end-to-end processes rather than single ones; most common cost drivers are FTE/Time and transactions

- Shared Services have become a way to support the different back-office functions in large-scale companies on a global basis. Large-scale corporations have often already established dedicated service units in order to support business units and subsidiaries and allow them to focus on their core business
- Also, services charged out to the business based on real cost drivers enable a corporation to optimize processes end-to-end. Eventually, service units allow benchmarking of captive solutions with outsourcing of selected processes
- KPGM is currently supporting a client in setting up an internal service unit. Therefore, the Offshoring Institute has been commissioned to analyze the following aspects:
 - The service and product structures of various global BPO vendors
 - Cost drivers and most common charging mechanism applied to their customers
- Key Results
 - BPO providers rather offer end to end services than single processes especially in the field of Finance and Accounting (F&A)
 - Service providers are quite focused on a specific business area rather than being full service providers. However, captive service units often include IT, F&A, Procurement, Logistics and Facility Management
 - The costs drivers for the requested services and the respective charging mechanism tend to be FTE-driven and per transaction. Also, fix price solutions can be found quite often. Overall, multiple charging methods are being applied as service providers always try to accommodate customer requirements
 - Health services are difficult or not very common for outsourcing. However, there are companies providing the mentioned services but on a country level only






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BPO Providers

Services Offered





Most of the BPO vendors specialize in one or few areas of expertise

 ACS	 BAD	 FedEx	 Hewitt	 Infosys
<p>Is a Fortune 500 BPO and ITO provider based in USA with more than 21 delivery centers worldwide and around 55.000 employees</p>	<p>BAD GmbH is a Germany-based health service provider with 170 service centers and 1.800 employees. Operates only in Germany</p>	<p>FedEx is an American logistics services company, with more than 250.000 employees and worldwide subsidiaries</p>	<p>Is a global HR outsourcing and consulting firm with +23.000 employees, based in the USA</p>	<p>Infosys is a global BPO and ITO provider headquartered in India. Has 44 delivery centers worldwide and more than 100.000 employees.</p>

BPO Providers

Services Offered

Most of the BPO vendors specialize in one or few areas of expertise

 Linc	 Pangea3	 UPS	 WNS
<p>Linc Facility Services is an US-based global provider of integrated facility management services. It has +2.500 employees and offers services for very diverse industries (e.g. Aviation, Manufacturing, Government, Corporate, etc.)</p>	<p>Headquartered in USA and India, is a legal and intellectual services outsourcing provider. Is it recognized as one of the leading legal outsourcing companies in India</p>	<p>The largest package delivery company in the world, headquartered in USA. Serves more than 200 countries and has more than 400.000 employees worldwide. Is one of the leading logistics providers</p>	<p>WNS is an India-based global business process outsourcing company serving from 22 delivery centers and more than 23.000 employees. Most of its operations take place from India</p>

BPO Providers

Services Offered



Overall, service and product structures of nine BPO providers have been analyzed

	ACS	BAD	FedEx	Hewitt	Infosys	Linc	Pangea3	UPS	WNS
First Priority	Logistics/ Transportation	-	-	✓	-	-	-	✓	-
	Logistics/ Warehousing	-	-	✓	-	-	-	✓	-
	Procurement	-	-	-	-	✓	-	-	✓
	Facility Management	-	-	-	-	-	✓	-	-
	Insurance Management	-	-	-	-	-	-	-	-
	Health Services	-	✓	-	-	-	-	-	-
Second Priority	Legal Services	-	-	-	-	✓	✓	-	✓
	HR Services	✓	-	-	✓	✓	-	-	-
	Current Account/ Cash Management	✓	-	-	-	✓	-	-	✓
	Accounts Receivable Accounting	✓	-	-	-	✓	-	-	✓
	Management Accounting	✓	-	-	-	✓	-	-	✓
	External Reporting	-	-	-	-	✓	-	-	✓
	General Ledger Accounting	✓	-	-	-	✓	-	-	✓
	Assets Accounting	✓	-	-	-	✓	-	-	✓
Treasury	✓	-	-	-	✓	-	-	✓	

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Overview of Outsourcable Services to External and Internal Providers



In order to optimize and allow companies to focus on core business, captive service organizations often take over most of the back office processes that can be outsourced (1/3)

Logistics

- Refers to the process of designing, planning and executing the most effective and efficient flow, storage and inventory of materials/goods from the very diverse points of origin/ production to final consumers

Procurement

- Manages the acquisition of good/ services and the subsequent planning in regards: time, amounts, geographic location and specific requirement

Facility Management

- Refers to the operation, maintenance and security of a communal building of diverse usage: offices, production plant, warehousing etc.

Overview of Outsourcable Services to External and Internal Providers



In order to optimize and allow companies to focus on core business, captive service organizations often take over most of the back office processes that can be outsourced (2/3)

Insurance Management

- Describes the process of identifying insurance partners, supporting the negotiation process and in particular of managing, updating, renewing contracts. Also refers to the process of matching relevant insurance cases with the respective policies

Health Services

- Refers to provision of medical assistance, i. e. doctors, nurses and paramedics services on the various company sites. Also includes provision of medical equipment and medical facilities

Legal Services

- Refers to provision of services involving law related matters, e.g. legal counseling, filing, pledging, preparing and conducting law suits or defending the corporation in claim cases, etc.)

Overview of Outsourcable Services to External and Internal Providers



In order to optimize and allow companies to focus on core business, captive service organizations often take over most of the back office processes that can be outsourced (3/3)

HR

- HR outsourcing includes transactional services such as Payroll and Employee Data Managements but as well more sophisticated topics such as Recruiting and Workforce Management. Often the systems part (HRIS) is part of external services as well

Finance & Accounting

- Refers to mainly the transactional accounting services such as Accounts Receivable and Accounts Payable. Often described as end-to-end processes, e.g. Procure-to-Pay. In recent time knowledge-based processes such as General Ledger or even Management Accounting are offered through external partners

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Service/ Product Structure

Logistics



Logistic services are mainly provided by large-scale courier companies

Processes	Services / Products	Charging Method* / Cost Driver
Design & planning	<ul style="list-style-type: none"> ▪ Site analysis and selection ▪ Supply chain modeling ▪ Network optimization ▪ Parts planning ▪ Implement leading-edge information systems ▪ Implement benchmarking processes to measure productivity 	<ul style="list-style-type: none"> ▪ Time and material ▪ Per FTE/time
Distribution	<ul style="list-style-type: none"> ▪ Order fulfillment: pick, pack, and kitting ▪ Repair and refurbishment ▪ Reverse logistics ▪ Service parts logistics ▪ Inbound receiving ▪ Storage services ▪ Replenishment ▪ Integrated shipping system ▪ Basic returns ▪ Inventory management ▪ Tracking and tracing ▪ Standardized management reports ▪ Value added services 	<ul style="list-style-type: none"> ▪ Time and material ▪ Per FTE/time ▪ Space

* The charging method applied to the entire process, selected sub processes may have different methods

Service/ Product Structure

Logistics



Logistic services are mainly provided by large-scale courier companies

Processes	Services / Products	Charging Method / Cost Driver
Supplier management	<ul style="list-style-type: none"> ▪ Vendor compliance and order management ▪ Global information management ▪ Global distribution management ▪ Regulatory compliance management 	<ul style="list-style-type: none"> ▪ Per FTE/time
Transportation management	<ul style="list-style-type: none"> ▪ Vendor compliance and order management ▪ Review and analysis of the supply chain ▪ Order administration ▪ Shipment planning and management ▪ Freight bill audit and payment ▪ Invoice and report generation 	<ul style="list-style-type: none"> ▪ Time and material ▪ Space ▪ FTE

Service/ Product Structure

Procurement



Procurement aims at optimizing the total cost of ownership

Processes	Services / Products	Charging Method / Cost Driver
Supplier Research and Analysis	<ul style="list-style-type: none"> ▪ New supplier identification and capability profiling ▪ Supplier risk and financials analysis ▪ Supplier scorecard compilation ▪ Supplier normalization and negotiation strategies 	<ul style="list-style-type: none"> ▪ Per FTE/time ▪ Contingency basis
Sourcing Support and Administration	<ul style="list-style-type: none"> ▪ RFI, RFQ, RFP design and development support ▪ RFI and RFQ administration ▪ Contract management ▪ Contract database management ▪ Catalogue management 	<ul style="list-style-type: none"> ▪ Per FTE/time ▪ Contingency basis
Market Intelligence	<ul style="list-style-type: none"> ▪ Industrial reports and updates ▪ Commodity market intelligence ▪ Index pricing ▪ Projections and forecasts 	<ul style="list-style-type: none"> ▪ Per FTE/time

Service/ Product Structure

Procurement



Procurement aims at optimizing the total cost of ownership

Processes	Services / Products	Charging Method / Cost Driver
Competitive Intelligence	<ul style="list-style-type: none">▪ Periodic newsletters on the industry▪ Periodic market trends update	<ul style="list-style-type: none">▪ Per FTE/time
Procurement Analytics	<ul style="list-style-type: none">▪ Spend data analysis and management, cleansing, maintaining, format conversion▪ Statistical analysis and report generation	<ul style="list-style-type: none">▪ Per FTE/time▪ Spend volume
Performance Reporting	<ul style="list-style-type: none">▪ Procurement group MIS reporting▪ Supplier scorecard▪ Material scorecard compilation▪ Savings reports	<ul style="list-style-type: none">▪ Per transaction (KPI/report)▪ Per FTE/time

Service/ Product Structure

Facility Management



Efficient Facility Management reduces operation cost and increases equipment efficiency

Processes /Services	Services / Products	Charging Method / Cost Drivers
General building maintenance and operations		<ul style="list-style-type: none"> ▪ Time and material ▪ FTE/time
Technical operations and maintenance	<ul style="list-style-type: none"> ▪ Automation systems ▪ Direct Digital Control (DDC) systems ▪ Electrical systems and equipment ▪ Fire alarm and life safety systems ▪ Uninterruptible power supplies ▪ Water treatment ▪ Material handling systems and equipment 	<ul style="list-style-type: none"> ▪ Time and material ▪ Fixed price ▪ FTE/time
Subcontractor management		<ul style="list-style-type: none"> ▪ Per transaction ▪ FTE/time

Service/ Product Structure

Facility Management



Efficient Facility Management reduces operation cost and increases equipment efficiency

Processes / Services	Charging Method / Cost Driver
Energy management and consultation	<ul style="list-style-type: none">▪ FTE/time
Computerized maintenance management systems (CMMS)	<ul style="list-style-type: none">▪ Per transaction▪ Per FTE/time▪ Fixed price
Security services	<ul style="list-style-type: none">▪ Per FTE/time
Facility help desk/dispatch function	<ul style="list-style-type: none">▪ Per transaction▪ Per FTE/time

Service/ Product Structure

Health Services



There are none global providers of health services; however, there are country-specific providers such as BAD in Germany

Processes / Services	Charging Method / Cost Driver
Provision of doctors	<ul style="list-style-type: none"> ▪ Fixed price ▪ FTE/time ▪ Provision basis
Provision of paramedic/nurse	<ul style="list-style-type: none"> ▪ Fixed price ▪ FTE/time ▪ Provision basis
Medical check-ups	<ul style="list-style-type: none"> ▪ Fixed price ▪ Per transaction
Advisory of health and safety protection	<ul style="list-style-type: none"> ▪ Per project ▪ Fixed price ▪ FTE/time
Site inspection	<ul style="list-style-type: none"> ▪ Fixed price ▪ FTE/time
Industry related services, i.e. protection from contaminated materials	<ul style="list-style-type: none"> ▪ Per project ▪ Fixed price ▪ FTE/time

Service/ Product Structure

Legal Services / Insurance Contract Management



Insurance contract management is usually part of the general and legal services

Processes	Services / Products	Charging Method / Cost Drivers
Patent drafting and patent litigation service	<ul style="list-style-type: none">▪ Patent drafting service▪ Intellectual property asset management▪ Patent analytics▪ Patent mining and monetization▪ Patent litigation support, technical research and file-wrapper analysis	<ul style="list-style-type: none">▪ FTE▪ Project based▪ Fixed price
Contract drafting services & contract management	<ul style="list-style-type: none">▪ Development▪ Licensing▪ Procurement▪ Distribution or transfer▪ Financing▪ Review and comment against client form or standard positions▪ Review and comment against client parameters (e.g., product specifications, service levels, insurance coverage)	<ul style="list-style-type: none">▪ FTE▪ Project based▪ Fixed price

Service/ Product Structure

Legal Services / Insurance Contract Management



Insurance contract management is usually part of the general and legal services

Processes	Services / Products	Charging Method / Cost Drivers
Insurance contract management	<ul style="list-style-type: none">▪ Sourcing of insurance contracts▪ Negotiation support▪ Contract management▪ Updating and renewing	<ul style="list-style-type: none">▪ FTE/time▪ Contract value
Document review and electronic data discovery	<ul style="list-style-type: none">▪ Analytic litigation support services▪ Analysis of electronic documents for relevance, materiality, confidentiality and privilege▪ Validate software-generated objective and subjective coding results	<ul style="list-style-type: none">▪ FTE▪ Per transaction
Legal research and support services	<ul style="list-style-type: none">▪ Subject-matter analyses▪ Patent infringement reports▪ Jurisdictional surveys▪ Patent translations▪ Due diligence for mergers, acquisitions,...	<ul style="list-style-type: none">▪ Per FTE/time▪ Fixed price

Service/ Product Structure

Human Resources



Human Resources is a well established outsourcing process

Processes	Services / Products	Charging Method / Cost Driver
Workforce management	<ul style="list-style-type: none"> ▪ New Hire / on-boarding ▪ Employee data maintenance ▪ Time and attendance management ▪ Terminations/ transfers ▪ Leave management ▪ Promotions / demotions ▪ Organization structure maintenance ▪ Workforce analytics ▪ Expatriate assistance ▪ Other in-scope administrative programs 	<ul style="list-style-type: none"> ▪ Fixed fee per company's FTE ▪ Per transaction ▪ Per FTE/time
Payroll	<ul style="list-style-type: none"> ▪ Time file receipt ▪ On-cycle / off-cycle pay processing ▪ Bonus payment processing ▪ Taxes and accounting ▪ Balancing and auditing ▪ Year-end processing ▪ Compliance monitoring ▪ General ledger interface / mapping ▪ Third party integration 	<ul style="list-style-type: none"> ▪ Per transaction ▪ Per FTE/time ▪ Time and material ▪ Fixed fee per company's FTE
Benefits administration	<ul style="list-style-type: none"> ▪ Completed administration for: <ul style="list-style-type: none"> ▪ Health and welfare ▪ Defined contribution ▪ Defined benefits ▪ Participant services ▪ Plan sponsor services ▪ Communication and education ▪ Compliance ▪ Investments 	<ul style="list-style-type: none"> ▪ Fixed price ▪ Per FTE/time ▪ Per transaction ▪ Fixed fee per company's FTE

Service/ Product Structure

Human Resources



Human Resources is a well established outsourcing process

Processes	Services / Products	Charging Method / Cost Driver
Recruiting	<ul style="list-style-type: none"> ▪ Develop and execute sourcing plan ▪ Application screening/filtering ▪ Interviews ▪ Assessment centers ▪ Selection ▪ Offer/rejection management 	<ul style="list-style-type: none"> ▪ FTE/time ▪ Per new hire
Training and Development	<ul style="list-style-type: none"> ▪ Training administration ▪ Training material creation and maintenance ▪ Training strategy ▪ Identity management 	<ul style="list-style-type: none"> ▪ Per project ▪ FTE/time ▪ Fixed fee per trained employee
HRIS	<ul style="list-style-type: none"> ▪ HRIS system customizing and maintenance ▪ Online Platform maintenance ▪ Website administration ▪ Terminal administration ▪ Employee data management 	<ul style="list-style-type: none"> ▪ FTE/time ▪ Per User
Employee Service	<ul style="list-style-type: none"> ▪ Service centre for inquiry and transaction processing for employees, managers and HR ▪ Employee satisfaction surveys 	<ul style="list-style-type: none"> ▪ Per transaction ▪ Fixed price

Service/ Product Structure

Finance and Accounting



Most F&A BPO vendors offer end-to-end solutions to their customers instead of single processes

Processes	Services / Products	Charging Method / Cost Driver
Procure-to-pay	<ul style="list-style-type: none"> ▪ Accounts payable ▪ Expense reports ▪ Payment processing 	<ul style="list-style-type: none"> ▪ Per transaction ▪ Per FTE/time
Order-to-cash	<ul style="list-style-type: none"> ▪ Accounts receivable ▪ Billing and cash application ▪ Order management ▪ Credit control ▪ Collections 	<ul style="list-style-type: none"> ▪ Fixed price ▪ FTE/Time
Record-to-report	<ul style="list-style-type: none"> ▪ General accounting ▪ Fixed assets ▪ Tax filing and reporting ▪ Cost accounting ▪ Inter-company accounting ▪ Statutory reporting ▪ Month-end reporting and consolidation 	<ul style="list-style-type: none"> ▪ Fixed price ▪ Time and material ▪ FTE/time
Decision Support	<ul style="list-style-type: none"> ▪ Financial planning and analysis ▪ Management accounting ▪ Business performance reporting 	<ul style="list-style-type: none"> ▪ FTE/time ▪ Fixed price ▪ Per report / type of report

Service/ Product Structure

Finance and Accounting



Most F&A BPO vendors offer end-to-end solutions to their customers instead of single processes

Processes	Services / Products	Charging Method / Cost Driver
Corporate functions	<ul style="list-style-type: none"> ▪ Treasury ▪ Cash management ▪ Tax and compliance ▪ Risk management ▪ Cash forecasting 	<ul style="list-style-type: none"> ▪ FTE/time ▪ Fixed price
Supply chain finance	<ul style="list-style-type: none"> ▪ Product costing ▪ Inventory accounting ▪ Manufacturing accounting 	<ul style="list-style-type: none"> ▪ FTE/time ▪ Fixed price ▪ Per transaction ▪ Volume-based (inventories)
Industry specific accounting	<ul style="list-style-type: none"> ▪ Revenue audit and recovery ▪ Claims management ▪ Loan account maintenance ▪ Royalty accounting ▪ Fiduciary accounting 	<ul style="list-style-type: none"> ▪ Per transaction ▪ Per FTE/time ▪ Time and material ▪ Fixed fee per company's FTE

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Status Quo and Trends

Types of charging mechanisms



Seven general types of charging mechanisms are most common among the services providers (both captive centers and BPO industry)

Charging mechanism	Short description
Fixed price	Pricing is agreed before start of operations, based on processes, activities, SLAs, or specific requirements contained in the agreement
Time and material	Price is accorded to the duration of the service provided and the amount of material to be spend during the serving of the activities/services supplied to the customer
Per transaction	The price is always given in proportion to the number of transaction taking place during the service provision. For this, each transaction should have a unique and particular price
Business benefit-based	The price change in proportion to the benefit reached by the customer due to the leverage of its services to the provider
Incentive-based (KPI based)	Prices is conditioned to the reaching of goals established before the start of the deal. Penalties generally appear when goals are not obtained
Business benefit-based	The price change in proportion to the benefit reached by the customer due to the leverage of its services to the provider
FTE based	The price is established in direct function of the number of employees dedicated exclusively to the engagement
Revenue based	A percentage of the customer's revenues is fixed at the beginning of the engagement as a price for the services provided
Production capacity based	The price is based on the installed production capacity of the operating units/ companies served and only changes if the capacity varies (extending or downsizing the factory capacity)

Contact



Israel Balderas Garcia

Senior Researcher



The Offshoring Institute

Hoenower Str. 35

10318 Berlin • Germany

Telephone: +49 30 5015-8683

Mobile: +49 0 176 2435 1053

✉ israel.balderas@offshoring-institute.org

www.offshoring-institute.org

