

Business Process Outsourcing

1. Validation Concepts for BPO
2. Reasons for Outsourcing

1. Validation Concepts for BPO

Business Process Outsourcing (BPO), also referred to as “Managed Services,” is a form of outsourcing which involves the contracting of the operations and responsibilities of a specific business function to a third-party service provider.

To remain competitive in the global economy, a company needs to concentrate on what made it successful in the first place – the core business. It cannot afford to expend valuable time and energy managing transactions and noncore processes that could be handled by other specialists.

BPO increases the flexibility of organizations: One of the most important advantages of BPO are the areas in which it helps to increase a company’s flexibility.

BPO contributes to a company’s flexibility in that the company is able to focus on its core competencies without being burdened by other demands dictated. Key employees are herewith released from performing non-core or administrative processes and can invest more time and energy in building the firm’s core businesses.

Another way in which BPO increases organizational flexibility is by increasing the effectiveness of business development. Whether that be research and development or sales opportunities, the organization is able to further focus on the revenue producing aspects of it’s business.

Finally, flexibility is seen as a stage in the organizational life cycle. A BPO can help to transform the company into an even more agile organization. A company can hereby help maintaining ambitious growth goals, which do not fit with regular incumbent strategies. BPO therefore allows firms to retain their entrepreneurial speed and agility, which they would otherwise sacrifice in order to become efficient as they expand.

2. Reasons for Outsourcing

Reasons for Outsourcing: The benefits of outsourcing of course are variable, dependent upon the nature and situation of the organization. However, the following is a list of common reasons why outsourcing is undertaken:

- **Focus on core functions:** Companies that outsource certain functions are capable of focusing on their core competency and primary business strategy.
 - Increase commitment and energy in core areas.
 - Transforming the organization into a more dynamic core function driven force.

- Improved internal management disciplines resulting from the exercise itself.
- **Redirect strategic internal resources for core activities:** Outsourcing processes to external third party ensures that an organization's internal resources are freed up for more mission-critical activities.
 - Increased efficiencies and productivity.
 - Acquire innovative ideas.
- **Cost restructuring:** Moving variable costs to fixed costs and making variable costs more predictable.
 - Control of budget.
- **Improve quality.** Achieve a step change in quality through the ability of focused effort.
- **Operational expertise.** Access to enhancements of current operational best practice that would currently divert in house resources best utilized for core business activities.
 - Less dependency upon internal resource.
 - Focus of BPO provider.
- **Staffing issues.** Access to a larger talent pool and a sustainable source of labor.
- **Capacity management.** An improved method of capacity management of services where partnering with a provider enables flexibility.
 - Benefit from process maturity and scalability.
 - Benefit from operational efficiencies without capital investment.
 - Faster setup of the function or service.
 - Lower ongoing investment required in internal infrastructure.
 - Greater ability to control delivery dates.
- **Catalyst for change.** An organization can use an outsourcing agreement as a catalyst for major step change that can not be achieved alone.
 - The outsourcer becomes a change agent in the process.
- **Reduce time to market.** The acceleration of business development through the additional capability brought by the supplier.
- **Risk management.** An approach to risk management for some types of risks is to partner with an outsourcer who is better able to provide the mitigation.
- **Fluctuation response.**
 - In the event of any natural calamities, accidents, market fluctuations the vendor can help companies to rapidly respond to the situation and get operations back on track more quickly.
 - Increasing flexibility to meet changing business conditions, demand for products and services and technologies.
- **Customer satisfaction.** Repeat business and referrals. Improved processes bring about improved customer satisfaction.
- **Competitive advantage.** Competitors in market not able to garner these advantages.
- **Increased share-holder value**

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