BUSINESS

HOW TO BE MORE EFFICIENT AND PRODUCTIVE

PROCESS

OUTSOURCING YOUR PROCESSES

OUTSOURCING

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BPO

EVERYTHING YOU NEED TO KNOW ABOUT BUSINESS PROCESS OUTSOURCING

BPO: such a short expression that plays such an important part in the operations of many companies, of all types and sizes, from all around the globe.

To begin with, what does this acronym stand for?

BPO means Business Process Outsourcing (as you might have guessed). This expression is responsible for making a growing number of companies more productive and efficient.

That's why we decided to compile everything you need to know about BPO in this short ebook: what is it, why and what should you outsource and much more.

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WHAT IS BPO?

BUSINESS PROCESS OUTSOURCING

BPO is a method of subcontracting business-related operations (unrelated to your company's core business) to a third party - either a person or a company.

In layman's terms, it means hiring someone else to take care of the processes and activities that don't need to be dealt with internally (such as HR, help desk, accounting, etc).

Way back in the past when outsourcing first emerged as an alternative, it was mainly applied to manufacturing but nowadays it's a lot more common to see outsourced services.

BPO encompasses back office processes such as internal business functions (HR, finances, accounting, etc.) as well as front office and customer care (customer help desk, contact centre, etc.).

WHAT IS BPO?

What's behind BPO's growing popularity?

Mostly the fact that process outsourcing allows companies to improve efficiency while cutting costs.

It's every administrator's dream come true!

It's also because it allows companies to focus their efforts on the business' core competencies and outsource all secondary activities.

From the moment business owners realized they could increase their profit by outsourcing some of their activities, this practice has greatly expanded with many BPO big players surfacing on the market.

WHY OUTSOURCE?

TOP REASONS WHY COMPANIES OUTSOURCE THEIR PROCESSES

The main reason why companies outsource their processes is pretty simple: BPO enables business owners to reduce the burden of work and concentrate on the core aspects of their operations.

Outsourcing to a third-party company (especially to well-established experienced service providers) is a much more convenient option.

Outsourcing comes with a series of visible benefits for business owners and administrators, such as:

COST REDUCTION:

Outsourcing helps cut costs and save money (which is why so many companies are opting to outsource).

WHY OUTSOURCE?

BPO offers a vast pool of talented employees available at low wages.

Outsourcing normally results in significant cost reduction, improving profit rates.

When it comes to flexible costs, outsourced processes allow companies to have pay-as-you-go subcontractors for specific tasks instead of internal employees, which is especially useful for seasonal processes.

Adopting a variable cost structure helps companies respond quickly when changes in capacity are needed - it also reduces the need of investing in assets.

EXPERIENCED PROFESSIONALS:

Recruiting and training new employees (especially for technical positions) involves a lot of effort and costs a lot of money.

WHY OUTSOURCE?

Outsourcing tasks to companies that offer the necessary resources helps business owners avoid the complexity of hiring and training new employees.

Outsourcing helps businesses grow more a lot faster by removing the constraints that come with having a big team (such as spending a lot on people and equipment).

FOCUS ON CORE BUSINESS:

Outsourcing parallel/secondary activities to specialized service providers allows the top management to focus their attention on core operational areas.

It's not unusual to see key employees 'wasting' their times on administrative processes that could easily be outsourced.

Through outsourcing, these employees are able to invest their time and energy into building the company's core business and making it more competitive.

HOW DOES IT WORK?

HOW DOES PROCESS OUTSOURCING WORK?

How are outsourcing providers able to offer certain services for a much lower cost than they'd have if performed internally?

Well, for starters, most BPO companies often pay considerably less money to their employees and don't have to worry about providing them benefits.

These companies, especially the ones based in non-western countries (such as China, Philippines, Indonesia or India) have much fewer overhead expenses.

Speaking about top countries to outsource to, according to "Tholons Top 100 Outsourcing Destinations 2016", 8 out of the top 10 outsourcing destinations are located in Asia.

HOW DOES IT WORK?

Rank 2016	Movement from 2015	Region	Country	City
1	-	Asia Pacific	India	Bangalore
2	-	Asia Pacific	Philippines	Manila (NCR)
3	-	Asia Pacific	India	Mumbai
4	-	Asia Pacific	India	Delhi (NCR)
5	-	Asia Pacific	India	Chennai
6	-	Asia Pacific	India	Hyderabad
7	+1	Asia Pacific	Philippines	Cebu City
8	-1	Asia Pacific	India	Pune
9	-	Europe	Poland	Kraków
10	+2	Europe	Ireland	Dublin

Image source: http://www.tholons.com/TholonsTop100/pdf/Tholons_Top_100_2016_Executive_Summary_and_Rankings.pdf

Other than the obvious benefit of helping growing companies do a lot more spending less money, process outsourcing allows companies to focus their efforts on what really matters: their core business (activities that demand specific technical expertise and couldn't be outsourced).

Outsourcing secondary activities frees up these specialized professionals' time so they can focus on more important issues instead of worrying about menial tasks.

HOW DOES IT WORK?

If we compare the hourly fee of an internal specialized employee with an outsourcing company's fee, the economic benefit becomes obvious (this varies on the outsourcing location, as we'll explain later).

That doesn't mean, however, that the services provided by BPO companies are less than optimal, though.

These companies are specialized in the services they offer and, even though the price of their services may seem too good to be true, they usually have high standards when it comes to their employees' work.

BPO is a cost-effective way for companies looking to expand their operations. It's also a great way for these growing companies to expand to other countries without having to be physically present.

WHERE TO OUTSOURCE TO?

THE DIFFERENCE BETWEEN ONSHORE, NEARSHORE AND OFFSHORE

BPO encompasses both foreign and domestic subcontracting.

Many people still confuse outsourcing and offshoring, that's why we took our time explaining the differences.

We already defined outsourcing quite thoroughly (back in pages 3 and 4) so we'll focus on explaining these three concepts encompassed within outsourcing:

ONSHORE:

Onshore outsourcing means hiring a third party company that's located in the same country as your company is.

Considering the US as an example, the largest advantage of onshoring would be working with a highly skilled team based in your own country that speaks the same native language as you do.

WHERE TO OUTSOURCE TO?

This advantage, however, comes at a high price (literally speaking). Onshore teams have a hard time competing with the rates offered by offshore and nearshore companies.

Another setback is that onshore companies don't always have the professionals with the skills you require at the time you need them, mostly due to the high costs of keeping unoccupied workers.

If you're considering onshoring you should keep in mind that it can take them some time to hire and train the professionals you need.

NEARSHORE:

As the name states, nearshore means subcontracting internationally to countries near the one where your company is located.

WHERE TO OUTSOURCE TO?

Nearshoring (almost) always implies outsourcing to countries with similar time-zones. This makes it easier to communicate and eventual onsite visits.

Compared to the rates practiced by onshore companies, nearshore outsourcing will likely offer significant cost savings.

Nearshore companies' hourly rates, however, are usually still a higher than the ones offered by offshore companies.

Companies should keep in mind that the geographical proximity (and similar time zones) may help decrease stress and additional costs related long trips for onsite visits.

OFFSHORE:

Offshoring refers to outsourcing processes/ activities to companies located in countries far from where your company is located.

WHERE TO OUTSOURCE TO?

The costs of working with offshore companies are significantly lower than both onshore or nearshore options.

If lower hourly rates are your priority, offshoring is probably your best bet.

There are a few setbacks you should keep in mind before deciding to offshore, though.

For starters, coordinating your team's activities with another team located on the other side of the planet (in a completely different time-zone) can be really hard.

Effective communication is key for high-quality results and, let's face it, being 12 hours apart sort of complicates it.

Working with a team located on a distant country may also incur in longer waiting times as well as miscommunication due to language barriers and cultural differences.

WHAT TO OUTSOURCE?

MOST COMMONLY OUTSOURCED ACTIVITIES

Nowadays there are outsourcing companies that offer almost any service you can think of (as long as you're not too creative).

There are, however, a few service categories that are most commonly outsourced, such as:

- *Customer Service (technical support, helpdesk, etc);*
- *Telemarketing (outbound calls);*
- *Online Marketing (content, SEO, etc.);*
- *Software Development;*
- *Accounting/HR management;*
- *Back Office support.*

According to this article by edata4you, the most commonly outsourced tasks in 2016 were:

- *Call Center Services;*
- *Accounting and Finance Services;*
- *Healthcare Services;*
- *Writing Services;*
- *Manufacturing Services;*
- *Graphic Design Services.*

WHAT TO OUTSOURCE?

Before deciding what it can outsource, however, a company needs to determine what its core business is.

The core business is what your company does best. It's what separates you from the other alternatives on the market and, most importantly, what creates your customer's perception of value (aka why they're willing to give you their money).

After you've determined what your core business is, you should analyze which business processes support these core activities.

As a general rule, those essential processes and activities that are part of your core competencies should be kept in-house (mostly due to their levels of complexity and specificity).

WHAT TO OUTSOURCE?

If you're still not sure about which processes you could outsource (even after determining your core business), we recommend using Datamark's Outsourcing Decision Matrix:
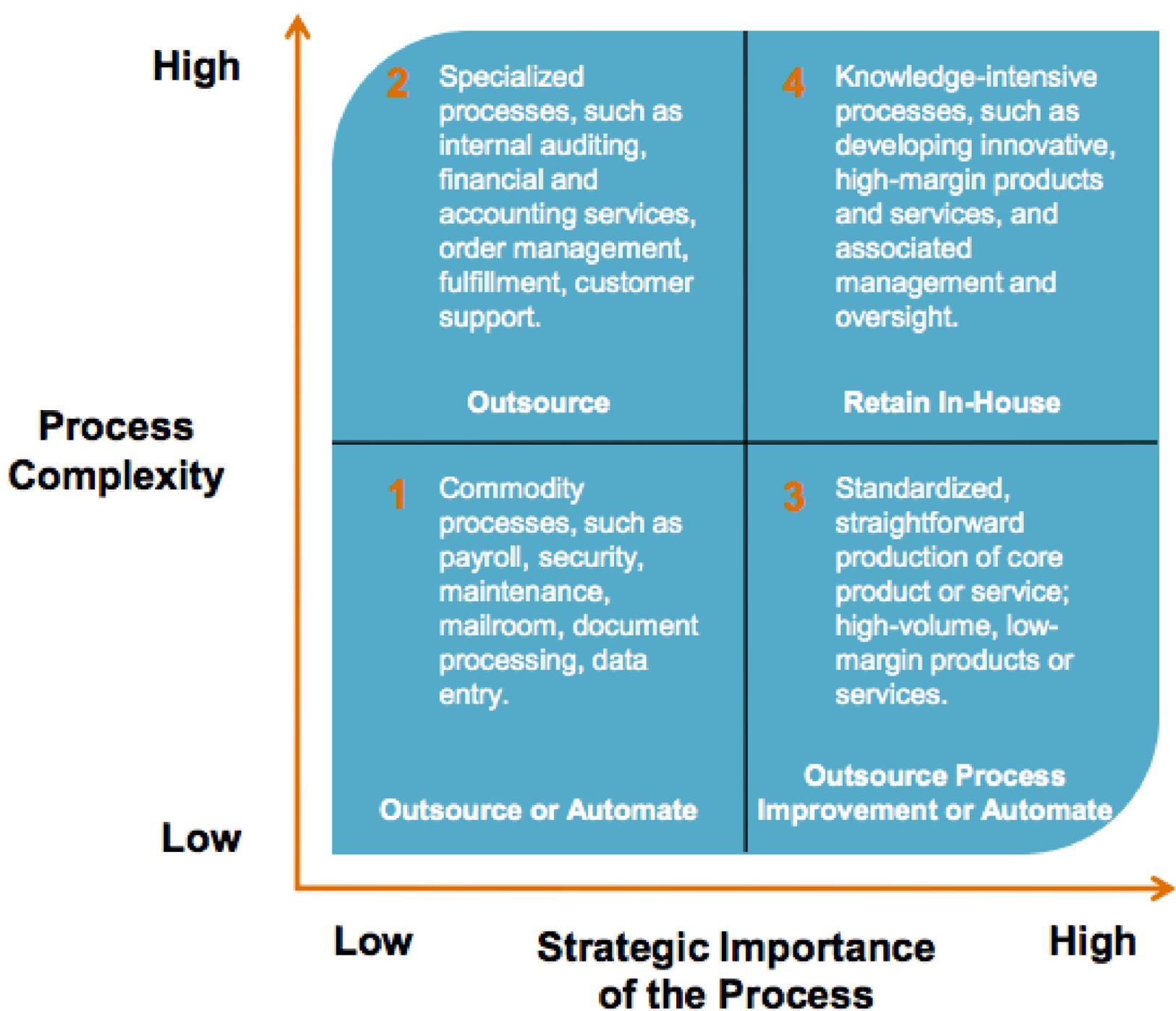

Image source: http://www.datamark.net/uploads/files/what_to_outsource_2014.pdf

This matrix is incredibly helpful for identifying which processes you should consider outsourcing and which should be kept in-house.

BPO

We hope this ebook was useful and helped you understand a little (or hopefully a lot) more about what Business Process Outsourcing is, how it works and how your company can benefit from it.

If you're considering outsourcing some of your company's operations, go back to pages 16 and 17 and take your time defining your core business and determine which tasks could be delegated to an outsourcing company.

Don't forget to analyze all available options (onshore, nearshore and offshore) before deciding which one's best for your needs.

PIPEFY

THE MOST EFFICIENT AND INTUITIVE PROCESS MANAGEMENT TOOL

Pipefy is a complete, intuitive and flexible process management tool.

Its customizable structure makes it ideal for managing all types of processes: from simple team task management to complex software development activities.

Everything can be customized to match your exact needs, keeping things as simple as possible or adding complexity where it's needed.

Pipefy offers advanced features for integrating processes, keeping track of SLAs, sending automated emails and much more.

Start your free trial today and let Pipefy change the way you manage your processes.

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