



Efficiency and enhanced resilience with off-site operating centres

In consultancy firm Kearney's recent analysis of the most competitive locations for offshoring business services, two scrappy new economies entered the top 10 for the first time – the United States and the United Kingdom. The reason for their surprising emergence as key outsourcing destinations was their strong scores for 'digital resonance',¹ which describes a combination of tech skills, cybersecurity protections and innovation. This represents a growing shift in approach for the business process outsourcing (BPO) sector. It is no longer about finding low-cost workers but getting skilled workers and combining them with sophisticated technology platforms. Not only does this improve efficiency, it also helps to increase resiliency, both of which will only grow in importance in a post-crisis world.

Automation and efficiency

Between 1999 and 2017, real wages in emerging G20 economies tripled, compared with a 9% rise in advanced G20 states.² As labour has become more expensive, technology has become cheaper and more powerful. In the last two decades the cost of storing a gigabyte of data has fallen from 10 dollars to one cent, while artificial intelligence (AI) has progressed from the Roomba vacuum cleaner to digital robots that can accurately replicate human actions. As a result, many of the low-level positions that would typically have been offshored no longer exist. They have been replaced by automation and other tech advancements.

For BPO services, the future workforce will be a combination of skilled humans and smart machines working together. Transactional processes will be almost completely digitalised, while highly trained employees will handle exceptions or focus on adding value for the end customer. For instance, a large financial services company can receive millions of complex customer requests a year, from account and deposit openings to service queries. An off-site mail centre can improve efficiency by using a one-touch processing (OTP) system to automatically open and scan incoming mail. An AI solution can then be deployed to 'read' the documents and extract key information before passing it onto a service agent. All documents are electronically tracked, with an auditable 'chain-of-custody' from the moment the envelope is opened, which improves security. Taking the unnecessary manual steps out of the process increases accuracy and response times, at a lower overall expense, while the real estate footprint can also be rationalised.

So far, and yet so near

One result of growing automation is that companies now have much more latitude when it comes to locating their business units, knowing that the productivity gains from technology can offset any extra labour costs. This is changing the geography of BPO. There is reduced interest in pure offshoring models, which is impacting many outsourcing providers. Instead, businesses are increasingly establishing shared service centres in their home countries or nearby regions, or deliberately positioning them close to strategic markets, often partnering with outsourcing firms that can provide these specific onshore and offshore capabilities. This allows them to improve service quality, respond more quickly to customer demands and also find highly trained workers.

Much of the pressure now is about finding quality labour. Vietnam, for example, is growing in popularity as an offshore location. Its workforce ranks second in the Asia-Pacific region for technology skills,³ while the government is spearheading a drive to improve English proficiency. It is also close to major markets like Japan and China. In the US, call centre operators are being trained as 'super agents'.⁴ Supported by advanced customer relationship management (CRM) systems, they are able to answer multiple different questions across a wide product range and also work for different businesses simultaneously.



Enhanced resilience

As a result of the current crisis, there is much talk about the need for companies to improve their resilience. However, when it comes to offshoring, the idea of having stable and resilient operations with back-up locations and built-in redundancies is already well established. As David Ziltener, Head of Global Go-to-Market at Swiss Post Solutions explains: “Resilience is expected, it’s kind of table stakes. What we are concentrating on now is resilient high performance, by configuring the right combination of skilled workforce and technology at the right places whether on-, near- or offshore.”

One example of enhanced resiliency would be employing more agile and elastic workforce models, with work-from-home fully supported. Another would be ensuring that workflows can be shifted quickly and easily between global locations, with all documentation, data protection and service-level agreements (SLAs) already in place. In this sense, it is a case of building on and reinforcing existing capacities.

Peter Ryan, a strategic consultant in offshoring, describes the situation: “The days of operations housed in one single location are history for companies and their outsourcing partners. No longer will best practices or compliance permit the centralisation of service delivery – business continuity is at the forefront like never before, and site diversification cannot be underestimated.”

In the coming years, shared service providers will have to cope with constant change. Creating operating models that are flexible, responsive and efficient, will be the key to delivering high-quality performance in any circumstance.

1 Kearney, 2019. ‘Digital resonance: the new factor influencing location attractiveness.’ Accessed August 2019.
2 International Labour Organization. ‘Global Wage Report 2018/19.’ Accessed August 2020.
3 VNExpress. ‘Vietnam’s technology skills set ranks second in Asia Pacific.’ Accessed August 2020.
4 Kearney, 2019. ‘Digital resonance: the new factor influencing location attractiveness.’ Accessed August 2019.