

Business Process as a Service: An Increasingly Relevant Value Generator in a Fast-Changing Ideas Economy

Abstract

Staying relevant today requires greater agility in responding to a dynamic business environment where enterprises across industries place a significant premium on opportunity costs. Enterprises are therefore embracing an asset-light model whereby investments are prioritized in core competencies and focusing on staying ahead of rapidly shrinking product life cycles. Non-core enabling capabilities, typically categorized under general and administrative activities, are increasingly centralized within global shared services centers or in a few cases 'carved out' to strategic partners. Over the last several decades, consulting and IT services organizations have, and continue to, provide talent to help enterprises remain at the forefront of productivity and efficiency through process optimization and technology deployments. These organizations have also provided human capital at near-shore and

offshore locations for executing both back-office business processes and increasingly, knowledge capital for processes requiring higher cognitive skills. IT service organizations have innovated with productization of services with 'as-a-service' delivery models, such as Infrastructure as-a-Service (IaaS), Platform as-a-Service (PaaS), Software as-a-Service (SaaS), among others. This approach offers next generation solutions that combine one or more elements of IT hardware, software, and technical services. One such solution that takes the various 'as-a-service' offerings to the highest level of 'carve-out' and value realization is the Business Process-as-a-Service (BPaaS) delivery model. BPaaS has the potential to play a significantly larger role in a rapidly changing ideas economy. However, the potential of the BPaaS delivery model through wider reach and adoption remains largely untapped because its value proposition and sources of value creation are not well understood. This paper addresses the three key sources of value creation from the BPaaS delivery model—sharper management focus, synergies from 'productization of services', and reduced wastage with lean services.

Key Sources of BPaaS Value Creation

A BPaaS solution allows enterprises to consume end-to-end capability by engaging a strategic partner under a managed services delivery model. BPaaS delivery covers the entire stack of vertically integrated components of hardware infrastructure, database, middleware and business application software, optimized processes, and people, which in unison, deliver functional capability to an enterprise. BPaaS models in several general and administrative areas have now reached a maturity level with demonstrated successful outcomes.

However, in some cases, the change impact of large scale transformation on the enterprise seems overwhelming, while in others, the value proposition of the BPaaS model is viewed with skepticism because of the limited understanding of how this value gets created.

Three key sources of BPaaS value will help enterprises gain superior business outcomes.

A new airline based in Asia needed a tier 1 ERP package to support its critical functions of finance and accounting, procurement, and human capital management. It decided to deploy a pre-built and configured BPaaS cloud platform with integrated analytics. The BPaaS coverage and support of ERP enterprise capabilities helped the airline management maintain its focus on mission critical launch priorities and enabled successful achievement of business objectives. The BPaaS delivery approach also helped minimize initial cash outflows, and the speed to market enabled by the rapid on-boarding of 1,500 users within just 2 months helped the airline meet its ambitious launch dates.

- 1. Sharper management focus:** Customer intimacy, new product and services development, distribution channels, vendor relationships, and employee productivity are some of the critical aspects of enterprise operations that generally require undivided focus. Back-office transaction and information management for functional areas such as procurement, talent and payroll, and finance and accounting are essentially support processes, and therefore viable candidates for BPaaS delivery. Enterprises can consolidate the planning and execution of these functional areas under a single provider and a managed services BPaaS delivery model with appropriate governance.
- 2. Synergies from 'productization of services':** Building robust business capabilities requires people, process, and technology to work in unison. Enterprises have historically done this—for the most part themselves—within their premises by selecting and assembling each building block, often painstakingly and over long periods of time. The BPaaS delivery model provides significantly greater value through synergistic vertical integration of technology infrastructure, proprietary software applications, and people for business process services delivery. The BPaaS synergies come from multi-tenant cloud technology, investments in automation and productivity enhancing applications, globally optimized and scalable shared services, and a flexible pay-as-you-go pricing model. Enterprises can eliminate the need for

One of the largest retailers in the U.S. processing millions of invoices per month relied upon its procure-to-pay provider solution to ensure more than 97% straight through processing. The innovative rules-based automation built into the provider's BPaaS platform helped the client efficiently and effectively process such large invoice volumes.

multiple vendor relationships with varied contractual terms and timelines. This, in turn, reduces the switching costs across the capability building blocks and over the capability delivery life cycle. The BPaaS synergies help realize the classic value drivers of economies of scale and scope.

3. Reduced waste with lean services: Manufacturing enterprises have benefited significantly from the principles of lean manufacturing and avoidance of waste. The same principles can be applied to lean services. For example, the BPaaS offering helps enterprises become lean by addressing five most common types of waste:

- **Unproductive and under-utilized human resources:** Enterprises often build an organization to address peak volumes. With BPaaS delivery capability, the onus is shifted to the strategic partner to manage resources to address changing transaction volumes due to business seasonality or cyclicalities.
- **Errors, inaccuracy, and inefficiency:** Sub-optimal legacy applications fail to leverage the full potential of automation and digital technologies. This can lead to several inefficiencies and inaccuracies. An enterprise can utilize the mid- and back-office related BPaaS offerings of the strategic partner. This will help achieve high quality, error free, accurate, and efficient processes in areas starved of investments.
- **Excess capacity:** Enterprises often deploy excess hardware and infrastructure environments and other resources designed to address peak transactional volumes. IT organizations providing BPaaS models have had a long history of procuring, installing, upgrading, and managing hardware, infrastructure, and applications, which allows enterprises to reduce excess capacity and optimally use IT infrastructure.
- **Delays in service performance:** Sourcing, purchasing, invoice processing, as well as employee recruitment, onboarding, and performance assessments are critical components of highly interlinked processes, which have a multiplier impact on the enterprise performance. With the BPaaS provider taking ownership of—their top line impacting—process performance, under tight SLAs, such delays become rare.

- **Suboptimal capital allocation:** Enterprises no longer have to allocate large amounts of capital to multiple vendors under a license and customize approach for ERP, CRM, SRM, ERM, and other applications. SaaS and BPaaS delivery models now allow companies to onboard and consume instead of buying and building both core and non-core enabling capabilities.

Case Study: A US-based Fortune 500 Industrial Enterprise Adopts BPaaS to Modernize Its Accounts Payable Function, Enabling Savings worth \$40 million

Organic and inorganic business changes had a significant impact on a U.S.-based Fortune 500 industrial enterprise's Accounts Payable (AP) function. It had morphed into an inefficient, unproductive operation with sub-optimal performance.

To consolidate, simplify, and modernize its AP function, the enterprise adopted the BPaaS model on the business partner platform under a single end-to-end provider relationship. Streamlining the AP process with deep automation including invoice scanning and OCR, rules-based three-way matching engine, intelligent workflows, and analytics enabled the transformation of the enterprise's globally fragmented invoice-to-pay process.

The enterprise now processes over 3.5 million invoices every year with the BPaaS provider's network of cost-optimized delivery centers across the globe. The BPaaS solution enabled \$40 million of TCO savings for the enterprise by harnessing synergies from 'productization of services' and eliminating 'waste'.

Conclusion

Large IT service organizations have already made significant strategic investments in next generation infrastructure and applications that fully leverage digital technologies and infrastructure innovations for transaction processing, support, and actionable business insights. Early visionary enterprises that saw the potential in—and adopted—BPaaS solutions for non-core enabling capabilities are now reaping substantive benefits by bringing management focus back to core competencies to innovate and lead in today's ideas driven marketplace.

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