



Accelerating your automation journey through outsourcing

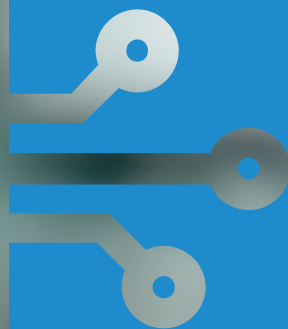
**How to get more from your
Business Process Outsourcing
contracts**

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Contents

Introduction	2
New opportunities from automation	3
Three options for starting your automation journey	5
How to enhance your BPO contract to accelerate automation	6
Relationship checklist	7
About KPMG Global Business Services Advisory	8



Introduction

Robotic process automation (RPA) makes it possible to execute everyday business processes more efficiently and more accurately than ever before. In our experience, it can reduce the cost of processing by 40–75%, significantly more than the 15-30% usually achievable through labour arbitrage.

Major organisations are taking advantage of RPA to achieve significant cost savings, provide better service to customers and realise substantial returns on their investment. They are also taking advantage of automation to enhance control and compliance over data and processes. But not all are ready to take the plunge. Implementing RPA requires significant investment and takes time and focus, so many are holding back.

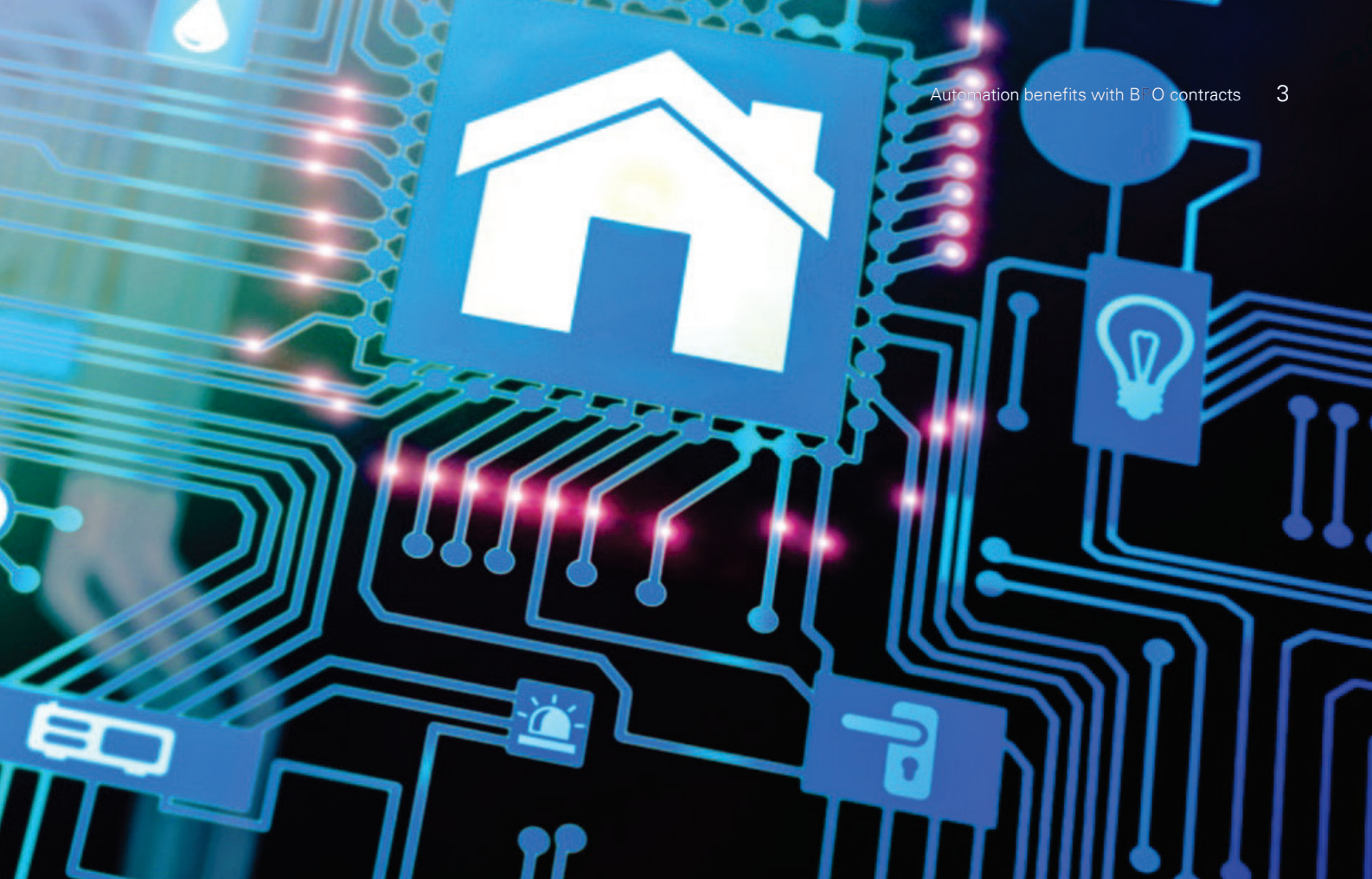
Business process outsourcing (BPO) providers are less hesitant. With a business model centred on improving operations and optimising back-office functions, they are primed to profit from automation technology. As a result, they've already made significant investments in RPA.

If you already work with a BPO provider, this creates a tremendous opportunity to begin or accelerate your own automation journey. **Renegotiating your BPO contract to reflect your provider's cost savings from RPA also creates an opportunity to leverage their investment in developing automation solutions.**

For example, your BPO provider will already know which processes can be automated and will have reconfigured them prior to automation to eliminate inefficiencies. They can share these streamlined processes with you. They will also have software ('bots') that can be reconfigured to work in your infrastructure, helping you to automate processes end to end.

There are other upsides too. As well as reducing the investment required, working with an existing BPO partner can help reduce the risks around RPA implementation and reduce the time to implement.

This guide explores the opportunity and proposes a practical, five-step process for renegotiating your BPO contract to accelerate your automation journey.

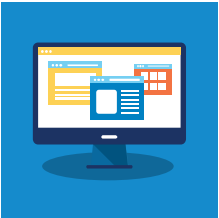


New opportunities from automation

Automation drastically changes how humans and computers interact with and learn from one another.

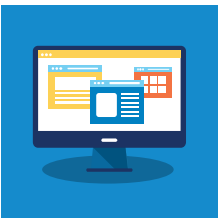
In core business functions, cognitive technologies can expand the knowledge of a single human worker far beyond what it is today. So, for example, a cognitive system can help an auditor discover unidentified risks by analysing a company's books for 100 years, instead of ten. Likewise, similar systems can enable doctors to explore new patient treatments from a constantly evolving body of knowledge.

In back-office and support functions, a virtual assistant can handle many customer enquiries, allowing human team members to focus on 'higher value' activities and work requiring judgment. Automation can also take over many of the low-skill, repetitive tasks associated with common processes such as payroll, accounting and procurement.



The BPO market has changed

For BPO providers, automation represents an important new opportunity to further reduce the cost of performing business processes. Over the years, first labour arbitrage and then continuous improvements in productivity have been the key drivers for progressive cost reductions. Now the arrival of automation launches a third phase in the industry's development. By digitising processes and using 'bots' to execute them, BPO providers have significantly reduced the offshore labour they need to fulfil contracts.



Contracts should change too

A few BPO contracts incorporate 'gain-share' agreements as a mechanism for sharing the value of productivity gains made by BPO providers. But the most common contractual model distributes productivity savings simply by reducing the cost of steady-state services year on year. Almost no contracts yet recognise the significant efficiencies BPO providers are realising from automation.

Automation is a game changer and your BPO contract should reflect that. In addition to renegotiating terms to reflect your provider's savings from automation, now is the time to review the processes you outsource. In light of automation, it can make sense to bring some back in house.

Other processes – but not necessarily the same ones as before – are still better outsourced. That's because BPO providers are now capitalising on automation to refocus resources on higher-value tasks and more complex processes. As a result, automation demands a fundamental rethink of the way you allocate and execute business processes.

Easing the pressure

Automation promises important cost savings, but it's not all about the money. Automating processes can also help release capacity during peak periods. In the finance function, for example, month, quarter and year ends are always stressful times for the general ledger team. Many of our clients deploy automation to ease the pressure and help improve work-life balance for their staff. In one of our recent engagements, we helped release over 50% of the general ledger team's capacity on days one and two during month end, using process optimisation and automation tools to achieve this impressive result.

Three options for starting your automation journey

Automating business processes will soon become essential to staying competitive. To delay starting means to risk falling behind. We see three options for organisations that want to begin their journey.

01 Go it alone



Build an internal competency and deploy existing resources to develop and implement an automation solution, including establishing a Centre of Excellence, a governance framework and defining the new operation.

Advantages

- Build capability in-house for wider deployment.
- Retain independence and control of any developed IP.

Drawbacks

- The need to compete for budget with other corporate priorities.
- Requires a significant commitment of resource and time.
- Other initiatives are likely to have shorter pay-back period
- You may not have the right expertise in-house.

02 Get expert support



Access automation expertise, experience and proven methodologies by contracting with a consultancy to secure ongoing support for automation.

Advantages

- Less risk and a smoother journey than option one.
- Faster time to benefits than option one.
- Build capability in-house for wider deployment.
- Retain independence and control of any developed IP.

Drawbacks

- Higher upfront costs than option one.

03 Work with your BPO provider



Use expert support to leverage existing contracts with your BPO provider and capitalise on their significant technology investments to accelerate automation.

Advantages

- Less investment required than for options one and two.
- No need to establish new working relationship with third-party provider.
- Faster time to benefits than options one and two.
- Less implementation risk than with option one.

Drawbacks

- If not managed properly, deployment may be limited to back-office functions within BPO provider scope.
- No or limited internal capability developed.
- Reliance on BPO provider for updates and maintenance of bots.

How to enhance your BPO contract to accelerate automation

KPMG's five-stage approach to assessing and renegotiating your outsourcing contract is designed to help both you and your BPO provider maximise the value of technology investments and identify further opportunities for automation across business processes.



Current state assessment

Review and assess the health of your BPO relationship, covering the points outlined in our 'relationship checklist'.



Solution improvement review, finalisation and recommendation

Challenge your provider to propose a new digital solution for your service, focused on opportunities for automation and service improvement. Review industry benchmarks and best practice to understand what is possible and what works in your industry.



Contract renegotiation

Present the renegotiation in the context of a strategic plan. This is a more effective way to engage and motivate your provider than with a pure focus on cost reduction.



Digital impact assessment

Work out how increasing automation will affect your existing activities. Will you need to reconfigure processes? Will you need to redeploy and retrain your people? What new technology do you need?



Solution implementation

Even if your BPO provider is taking the lead on developing a new solution, you still need to plan and execute a coherent programme to achieve a successful transition.

This is the approach we use to support clients with contract negotiation and solution implementation. We help negotiate robust, digitally enabled solutions for our clients, and in some cases have secured cost savings of over 60% on their behalf.

Relationship checklist



Six questions to understand whether you have the right building blocks to maximise value from your BPO contract:

- ✓ Is your retained organisation sufficient?**

The size of your retained organisation should be based on clear principles for determining the scope of processes to be outsourced. Retaining the right talent and know-how in-house maximises your chances of developing practical outsourcing solutions and enables you to work more effectively with BPO providers.
- ✓ Have you developed a meaningful partnership?**

Investing time and resource in developing the customer/provider relationship helps ensure each party's expectations are aligned. It helps you find the right balance between micro-managing your provider and holding them at arm's length, which could limit their effectiveness.
- ✓ How good is your communication?**

Communicating openly and honestly with your provider will only yield benefits. Focusing monthly reviews and the reporting cadence on the numbers alone could mean you both end up on different pages.
- ✓ Have you got the right processes for managing provider performance?**

Accurate documentation of to-be process maps, the RACI matrix for assigning responsibilities, and customer/provider hand-offs (with clear division between retained and outsourced activities) are key to effective service management and good provider performance.
- ✓ Have you got RPA risks under control?**

Automating processes creates new risks that must be managed effectively. You'll need to build in the right controls from the start. Use an RPA risk and control framework that's aligned with Control Objectives for Information and Related Technology (COBIT), the globally recognised control framework.
- ✓ How will you manage the transition?**

Good transition planning will help you avoid escalation in cost, delays in implementation and dissatisfaction among customers. Don't try to transition too many activities at once. A thoughtful approach – with particular attention to decoupling processes correctly – will see you realise benefits sooner.
- ✓ Is your governance framework in shape?**

A shared and clearly understood governance framework, covering the services provided and key measures of success, helps maintain effective service management as you make the transition. It should incorporate a mutually agreed routine for reporting and customer/provider meetings as well as mechanisms for escalating issues.

About KPMG Global Business Services Advisory

Our GBS Advisory Team works with you to achieve:

- sustainable, continuous improvements in business processes
- better service delivery models
- lower support costs
- specific business outcomes from GBS investments.

We draw on a wide range of resources and experience to deliver exceptional results:



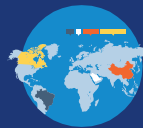
Market-leading thought leadership and innovation

Our significant investment in research-based methodology and collaboration with HFS Research brings you insights and ideas from the cutting edge of GBS practice.



Powered Enterprise cloud solutions to support digital GBS

Our Powered Enterprise solutions incorporate leading GBS practices, embedded in cloud ERP, to smooth and accelerate your automation journey.



An extensive repository of accelerators and tools

Our contractors' database incorporates 200,000 data points to help you understand the newest trends in BPO as they emerge.



Exemplary track record

We're recognised by the market as a leading BPO advisor. Numerous industry awards bear testament to the quality of our work for clients.



Independent and collaborative approach

Our advice is unbiased and impartial, so you can be confident we are focused on what is right for you. We work collaboratively to deliver your large-scale transformations, from strategy through to implementation.



Truly global network and communities of experts

As part of KPMG's global network of more than 1,100 GBS professionals, we can provide expertise to support the biggest and most international of transformations.

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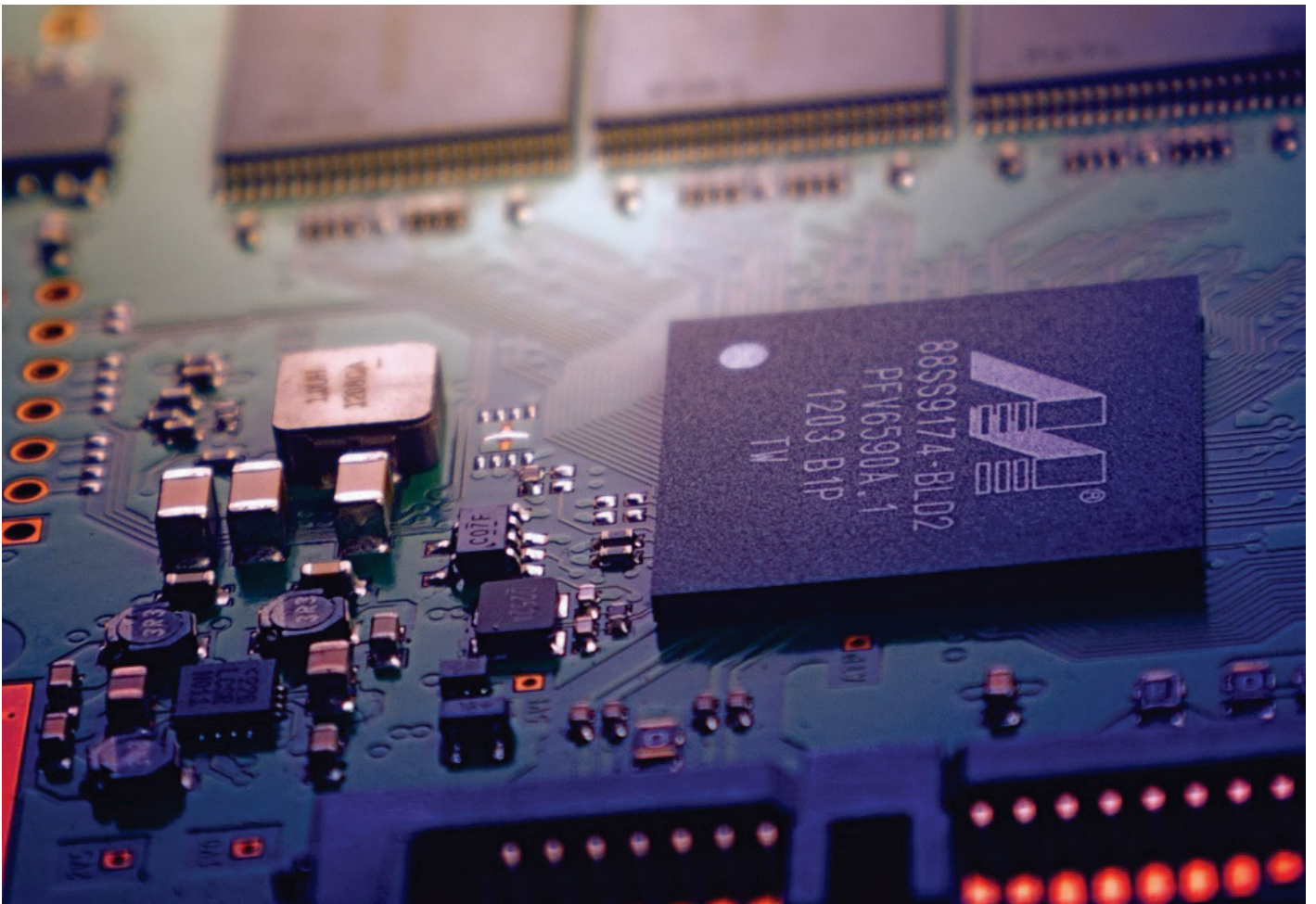
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