



Business Process Utility - The Emerging Plug-and-play Model In Finance And Accounting Outsourcing

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Overview

As companies look for ways to derive more value from their outsourcing initiatives, BPU (Business Process Utility) is emerging as an option. By aligning people, process and technology, the BPU delivery model is most suitable for transactional processes that are built around standard inputs with well defined outputs. Under the BPU model, the service provider offers a turnkey solution comprised of best-in-class people, processes and technology. The BPU model lends itself to a unit transaction pricing (aka 'pay-by-the-drink') model and thereby allowing companies to move away from their current 'fixed cost' base to one that provides greater flexibility and predictability in the current economic environment.

Driven by increasing pressure to provide cost savings and process improvements in a competitive marketplace, outsourcing providers are constantly looking for ways to deliver more value to their clients. In the current economic environment, more companies are jumping onto the outsourcing bandwagon in order to realize sustainable cost savings. The FAO (Finance and Accounting Outsourcing) segment, in particular, is witnessing a significant uptick in demand. With the continuing maturation of the market, resulting in tangible benefits, CFOs of multi-national corporations are now aggressively outsourcing their finance and accounting back offices on a global basis. Because of FAO's track record, companies are becoming increasingly comfortable in outsourcing more complex functions such as financial planning and analysis, reporting and treasury, in addition to processes that are unique to their industry and core to their business.

The offshore FAO market has evolved considerably over the last few years. The benefits of labor arbitrage are a given; companies now expect their service providers to be accountable for business outcomes. Traditional fixed-cost or headcount driven models alone, built primarily around labor arbitrage, no longer drive outsourcing decisions. Companies are now finding that a consumption and gain-share based model better addresses their needs. As organizations become more sophisticated about their approach to outsourcing, service providers are developing innovative and efficient delivery approaches. The BPU model is emerging as an attractive option to reduce costs and reduce risks, but deliver faster and better results.

How Does The BPU Model Work?

The BPU delivery model, a managed service solution, is structured as a turnkey offering which helps companies transform their businesses by tapping into standardized processes and unified technology platforms at a much faster pace. However, BPU operates at the process level and is not a solution for the entire finance organization. For a process to be appropriate for BPU delivery, it must be a volume driven activity, with standard inputs, rules-based processing and a standard output. Because the process is standardized, the service provider creates a rules-based technology platform that automates the process significantly. Manual intervention is only required to address exceptions not handled by the rules-based technology. Best practices and technology provide scalability to the process and allows it to be managed as a 'utility'.



BPU can be delivered on a modular basis, so customers can add additional components to the service, but, the end product is not customized for each individual client. Within the finance and accounting world, processes such as vendor invoice processing, expense claim processing, reconciliations and 1,099 processing are good candidates for BPU delivery.

BPU: The WNS Delivery Model

BPU is predicated upon the 'pay-by-the-drink' approach, where business processes are viewed as 'utilities' and the customer pays based on actual units consumed. The service provider makes an initial capital investment in the technology platform and is responsible for hosting and maintaining it on an ongoing basis. This 'process-on-demand' approach is increasingly becoming popular among companies that are keen to outsource, but do not wish to commit capital for long-term transformation projects. Realizing the market potential and the value it brings to customers, especially during an economic downturn, service providers are aggressively developing BPU offerings

People

- Headcount is not directly related to transaction volumes; Manual effort is only used to handle exceptions thereby delivering economies of scale

Process

- A self contained process is triggered by a standard input and resulting in a standard output
- Rules-based algorithms enable a high first-pass percentage and minimize exceptions

Technology

- A best-in-class technology platform provides scalability
- Software is transaction-priced with a minimal setup fee

WNS BPU Value Proposition

- Provides an integrated and end-to-end solution (people, process and technology)
- Replaces 'people dependent' model with a 'process dependent' model
- Shifts the burden and cost associated with technology upgrades from the client to WNS
- Replaces 'fixed-cost' model by a 'pay-by-the-drink' model thereby providing flexibility in the cost base
- Provides predictable and repeatable quality
- Lowers transformation risk through implementation of standardized technology solutions
- Can be accessed through a menu based approach.

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