Everest Group® RESEARCH

Business Process Services (BPS) 4.0: Heralding the Start of a New Era

February 2021

Our research offerings for global services

▶ **Market Vista™** Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available	
▶ Application Services	▶ Finance & Accounting
▶ BPS | Banking & Financial Services	▶ Human Resources
▶ BPS | Healthcare	▶ ITS | Banking & Financial Services
▶ BPS | Insurance	▶ ITS | Healthcare
▶ BPS | Life Sciences	▶ ITS | Insurance
▶ Catalyst™	▶ IT Services Executive Insights™
▶ Cloud & Infrastructure	▶ ITS | Life Sciences
▶ Customer Experience Management Services	▶ Locations Insider™
▶ Contingent Workforce Management	▶ PricePoint™
▶ Data & Analytics	▶ Procurement
▶ Digital Services	▶ Recruitment Process Outsourcing
▶ Engineering Services	▶ Service Optimization Technologies
▶ Enterprise Platform Services	

More about membership

In addition to a suite of published research,
a membership may include

- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model® reports
- PriceBook
- Virtual Roundtables
- Workshops

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Membership information

- This report is included in the following research program(s)
  - BPS | Banking & Financial Services, BPS | Healthcare, BPS | Insurance, BPS | Life Sciences, Catalyst™, Customer Experience Management Services, Contingent Workforce Management, Data & Analytics, Finance & Accounting, Human Resources, Market Vista™, Procurement, Recruitment Process Outsourcing, Service Optimization Technologies
- If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at **info@everestgrp.com**

Contents

For more information on this and other research published by Everest Group, please contact us:

Rajesh Ranjan, Partner

Arkadev Basak, Vice President

Sharath Hari N, Practice Director

01 Introduction and research methodology

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01
Robust definitions and frameworks

Function-specific pyramid, Total Value Equation (TVE), PEAK Matrix®, market maturity model

02
Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys

03
Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04
Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Proprietary contractual database of over 10000+ BPS contracts (updated annually)

Year-round tracking of 75+ service providers

Large repository of existing research in BPS

Over 25 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, service providers, technology providers, and industry associations

Background of the research

With the new millennium, the BPS industry had successfully evolved in terms of service portfolio, value proposition, as well as business models. This evolution ensured significant expansion for BPS services globally, with Global 2000 organizations leveraging this model extensively. The industry has continued on its transformation path and building its new value offerings for global clients to help them with scale and efficiency.

Come 2020 and COVID-19 struck as a bolt from the blue and shook the world. Amid what can be called one of the most global and widespread humanitarian and economic crises in modern history, the BPS industry demonstrated leadership and resilience that was commendable. While the industry's initial response to the unprecedented disruption was marked by concerns around supply-side constraints impacting the fulfilment of services and quality levels, these were soon replaced by incredible examples that brought forth expertise and commitment of BPS organization and its employees. While the industry swiftly adapted to Work From Home (WFH) delivery, ably fulfilled services, and resolutely maintained service quality levels, it was clear that another major disruption lay ahead.

Albert Einstein once said, "In the midst of every crisis, lies great opportunity." Indeed, the COVID-19-induced crisis has paved the path for the industry's evolution to BPS 4.0 – the next evolution for this sector, which will be more dynamic, reliable and significantly more agile in driving and shaping the next gen needs of clients. The change will come through acceleration of some of the current levers as well as some new ones that have emerged as key during this crisis.

This joint study by Everest Group and NASSCOM answers key questions that will shape the BPS industry's future:

- What is BPS 4.0 and its value proposition?
- What are the key levers to realize value?
- What are the implications of these changes?
- What should industry stakeholders do to effectively capture value?

Scope of this report:

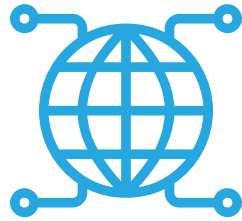|		
Geography Global	**Industry** All industries	**Services** Business Process Services (BPS)

This study leveraged a robust combination of existing IP and comprehensive primary research

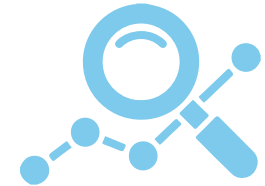| Everest Group and NASSCOM BPS 4.0 survey | Everest Group key issues in global sourcing survey (2019 and 2020) | Everest Group CFO survey | Everest Group 2020 work from home for outsourcing and business services survey | Everest Group's IP collected as part of ongoing research on BPS markets and associated technologies |

550+ Respondents across all the studies from diverse industries, enterprise sizes, and geographies

55% C-level executives / heads of functions from enterprises and GBS organizations

**45%** Senior executives from global service providers and technology vendors

The study also included primary interactions with CXOs of BPS providers and senior leadership of GBS organizations

Note: In the industry, BPS, BPO, BPM are used interchangeably. For the purpose of this report, we will be using the term BPS.

02 Executive summary

Everest Group®
RESEARCH

The BPS industry is poised for the next evolution
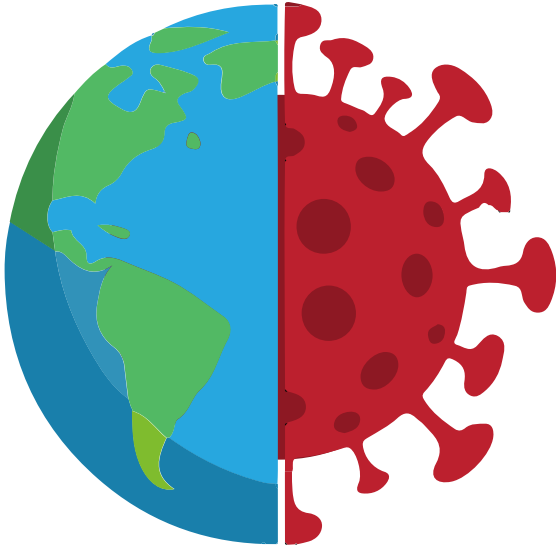
A dynamic world further disrupted by COVID-19

The global business environment was already in a state of flux when COVID-19 brought in further disruption in 2020. As we move into 2021 and beyond, the following five mega forces will shape businesses globally

Evolving customer expectations for real-time, convenient, personalized, and truly omnichannel experience

Technology innovation & disruption at an accelerated pace and its large-scale adoption

Workforce mix changes in terms of demographics, location, and nature of employment (permanent vs. contingent)

Geopolitical environment in terms of protectionism, trade wars, and uncertain recovery from global recession

Increased focus on **risk management**

The BPS industry's next generation of evolution accelerated by COVID-19

- In the past two decades, the BPS industry successfully evolved in terms of value proposition and associated levers to meet changing business requirements, leading to increased global adoption

Generation	Key value proposition / focus	Primary lever(s)
BPS 1.0	Cost	Labor arbitrage
BPS 2.0	• Efficiency • Quality	Lean and six sigma
BPS 3.0	• Next wave of cost, efficiency, and quality improvement • Insights • Experience	Technology and domain

- The BPS industry was amid its third evolution – BPS 3.0 – when COVID-19 arrived
- The industry demonstrated strong resilience in the face of unprecedented global disruption, with largely satisfied customers
- The five mega forces in play in the post-COVID-19 world, coupled with new thinking to create transformative value, **pave the way for the next generation of BPS – BPS 4.0**

BPS 4.0 will create transformative value for stakeholders through a 5D-approach

Key value propositions of BPS 4.0

Resilience and agility with lower risk

Exponential efficiencies across the board

Active contribution to business outcomes

Superior stakeholder experience

Key enabling levers of BPS 4.0

BPS 4.0 will span all front-, mid-, and back-office enterprise functions

Design thinking-led: Applied across all front-, mid- and back-office enterprise functions, with focus on superior and seamless experience for all involved stakeholders, both external and internal

Data & digital-driven: Moving beyond piecemeal application of technology to digital adoption at scale through an integrated Digital Capability Platform (DCP), enabling seamless flow of data and better analytics & artificial intelligence

Domain-centric: Increased depth as well as an amalgamation of process-based, industry-oriented, and technology-based domain expertise

BP-DevOps-oriented: Teams made up of people from different areas such as development, IT operations, and business process operations for better collaboration, speed, and agility

Differentiated & distributed workforce-enabled: Highly-skilled talent in a hybrid location model, and flexible employment arrangement

| Levers introduced in previous BPS generations with a transformed outlook in BPS 4.0 | New levers in BPS 4.0 |

Everest Group® RESEARCH

BPS 4.0 will have far-reaching implications for the industry

Industry poised for an era of accelerated growth	The nature of engagement between enterprises and BPS providers undergoes a fundamental shift	Technology to assume center stage in BPS 4.0, especially through platform-based services	Profound and multi-dimensional talent implications	Impact measured in a refreshingly more holistic fashion
… on the back of relatively low penetration and significant headroom for growth to address transformative needs (for existing and new segments)	… from execution to orchestration, increased preference for a hybrid operating model, and provider portfolio rebalancing with clear preference toward strategic relationships	… that integrate various digital elements into a holistic ecosystem and enable seamless flow of data improving experience and real-time decision-making	…requiring a rethink of the talent model and organization structure	… with greater focus on overall Return on Investment (ROI), encompassing a more holistic set of parameters

All constituents of the BPS ecosystem need to work together and contribute to fulfill the promise of BPS 4.0 in the next five years

Talent-related investments

Talent holds the key to achieving the promise of BPS 4.0, and BPS providers will have to double down on their talent-related investments across the hire-to-retire cycle.

Industry mindset transformation

The BPS industry needs to firmly believe in the promise of BPS 4.0 and, accordingly, bring about a transformation in the mindset, both at an organizational level as well as individual stakeholder level.

Role of government

The government will have an important role in terms of the future of BPS and will need to take some necessary steps around investing in infrastructure and friendly regulations.

Technology-related investments

With technology being a key ingredient for the future success of BPS, providers will need to have a strategy for continuous investments to keep pace with rapid digital evolution.
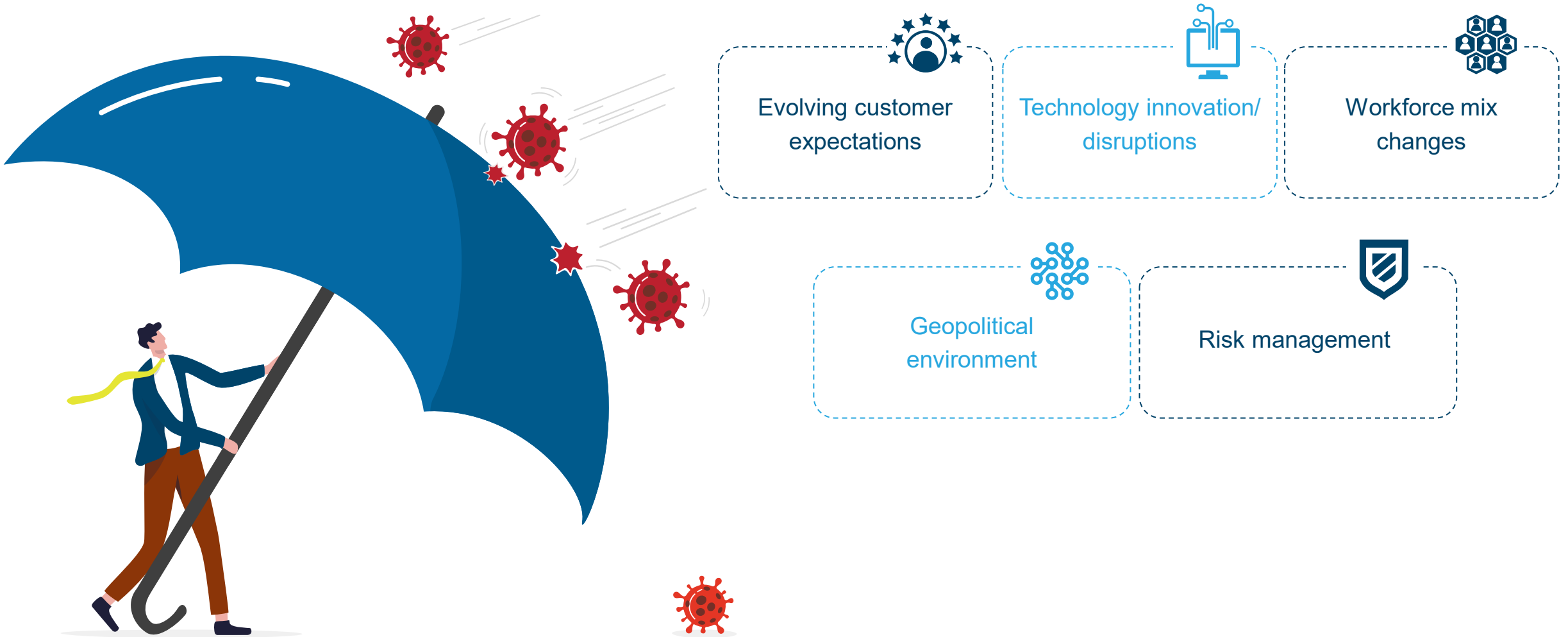
Co-opetition

The BPS industry needs to work together in the spirit of cooperative competition to help achieve what individual organizations alone cannot.

03 Macro forces impacting businesses globally

COVID-19 has introduced a fifth element – increased focus on risk management – in addition to the four macro forces that were impacting businesses globally

Evolving customer expectations

Technology innovation/ disruptions

Workforce mix changes

Geopolitical environment

Risk management

Customer expectations and technology advances are revolutionizing the global business environment

Consumer expectations have witnessed multi-dimensional evolution in the last few years

64% expect companies to respond and interact in real-time

90% expect consistency and continuity from a brand perspective across channels

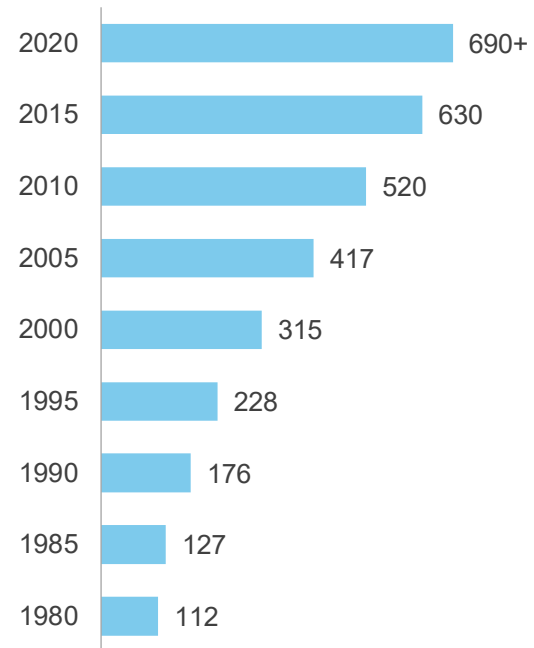**73%** expect customer service channels to be easy and more convenient

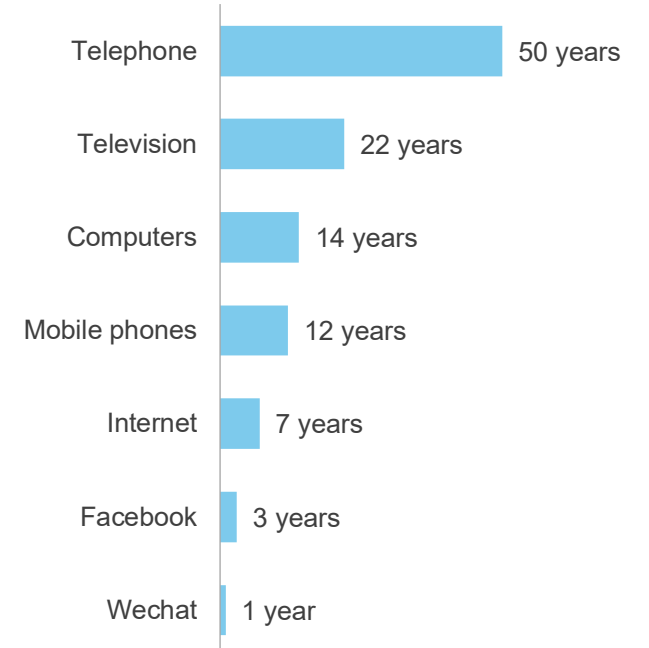**81%** prefer a self-serve option before reaching out to an agent

The pace of technological innovation and disruption is accelerating with rapid large-scale adoption

Number of US patents filed (in thousands)

Year	Value
2020	690+
2015	630
2010	520
2005	417
2000	315
1995	228
1990	176
1985	127
1980	112

Time to scale (reach 50 million users)

|	
Telephone	50 years
Television	22 years
Computers	14 years
Mobile phones	12 years
Internet	7 years
Facebook	3 years
Wechat	1 year

Source: Everest Group, Harvard Business Review, Microsoft, Accenture Strategy, and Salesforce

A shift in labor pool, a dynamic geopolitical environment, and the COVID-19 disruption presents challenges as well as opportunities for businesses globally

The workforce mix globally is changing in terms of worker generations as well as the nature of their engagement with businesses
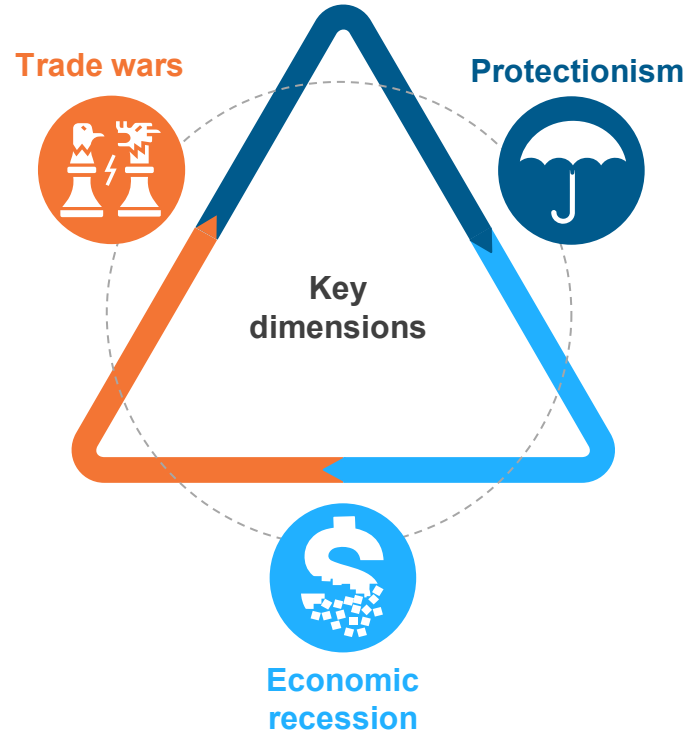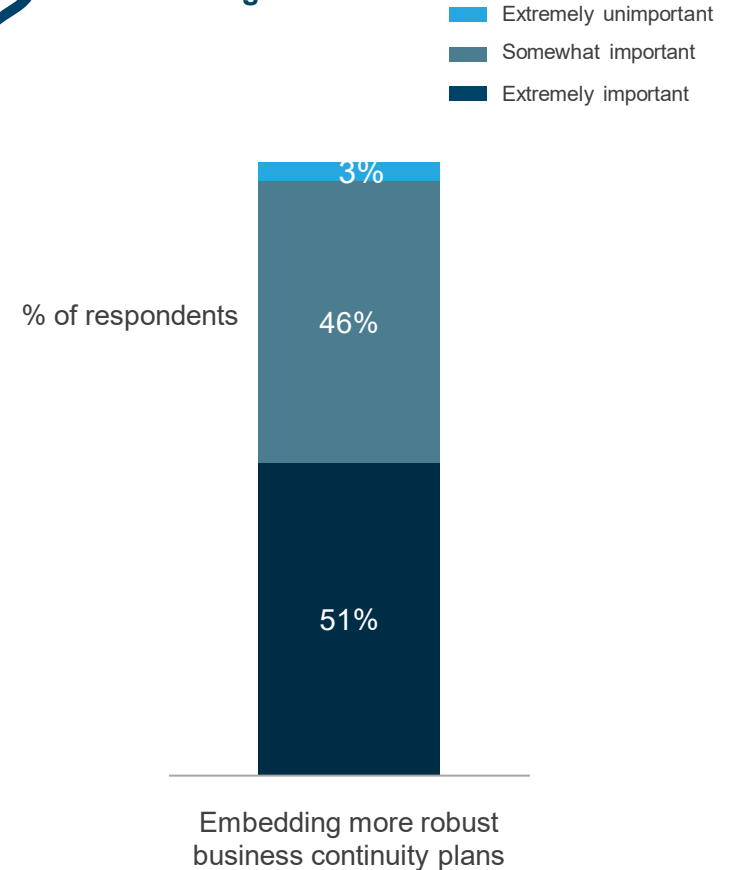
Number of freelancers in the US
In millions

53 — 2014
57.3 — 2017
59 — 2020
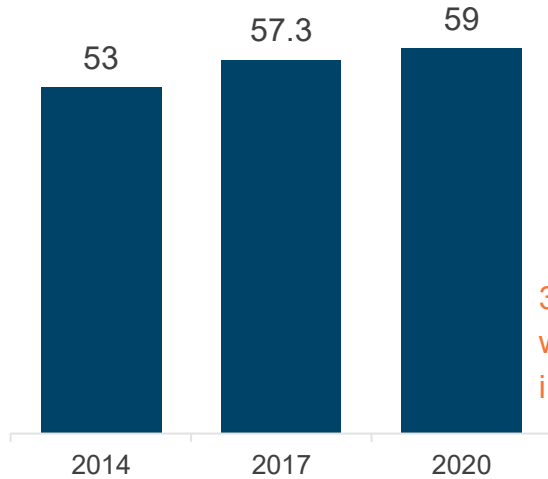
36% of American workers freelance in 2020

The geopolitical environment is in flux, raising new challenges for businesses

Trade wars

Protectionism

Key dimensions

Economic recession

COVID-19 has increased focus on risk management

- Extremely unimportant
- Somewhat important
- Extremely important

% of respondents

3%
46%
51%

Embedding more robust business continuity plans

Source: Upwork Inc. / Edelman Intelligence, Everest Group CFO survey (2020)

04

Where we are and how we arrived here

- The BPS story so far
- Overview of the market
- Arrival of BPS 4.0
- BPS resilience amid COVID-19 disruption

The BPS industry has undergone successful evolution in the last 20 years to satisfy changing business requirements…

BPS 1.0
(Arbitrage-driven)
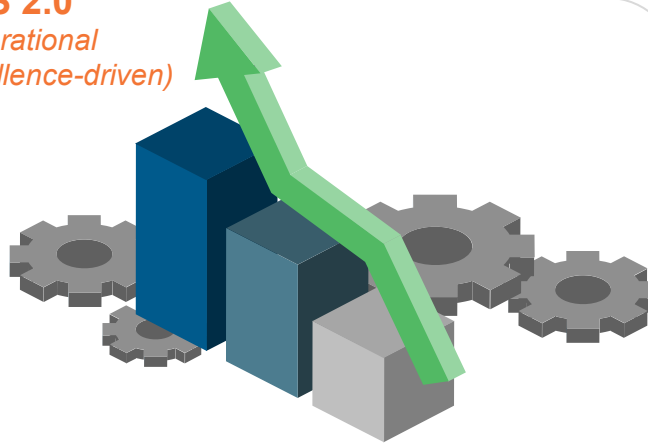
Key value proposition / focus

Cost

Primary lever(s)

Labor arbitrage

Function coverage

Primarily horizontal services (F&A and contact center)

BPS 2.0
(Operational excellence-driven)

Key value proposition / focus

- Efficiency
- Quality

Primary lever(s)

Lean and six sigma

Function coverage

- Expanded horizontal services (including HR and procurement)
- Some industry-specific services

BPS 3.0
(Technology-enabled) – still in play

Key value proposition / focus

- Next wave of cost, efficiency, and quality improvement
- Insights
- Experience

Primary lever(s)

Technology and domain

Function coverage

- Full suite of horizontal and industry-specific services
- New-generation services (analytics, automation-as-a-service, content moderation, marketing services)

… and has demonstrated continuously increased global adoption over the years.

BPS industry market evolution
Global market size and growth since 2000; in US$ billion
(Third-party BPS providers and GBS organizations)

XX% CAGR
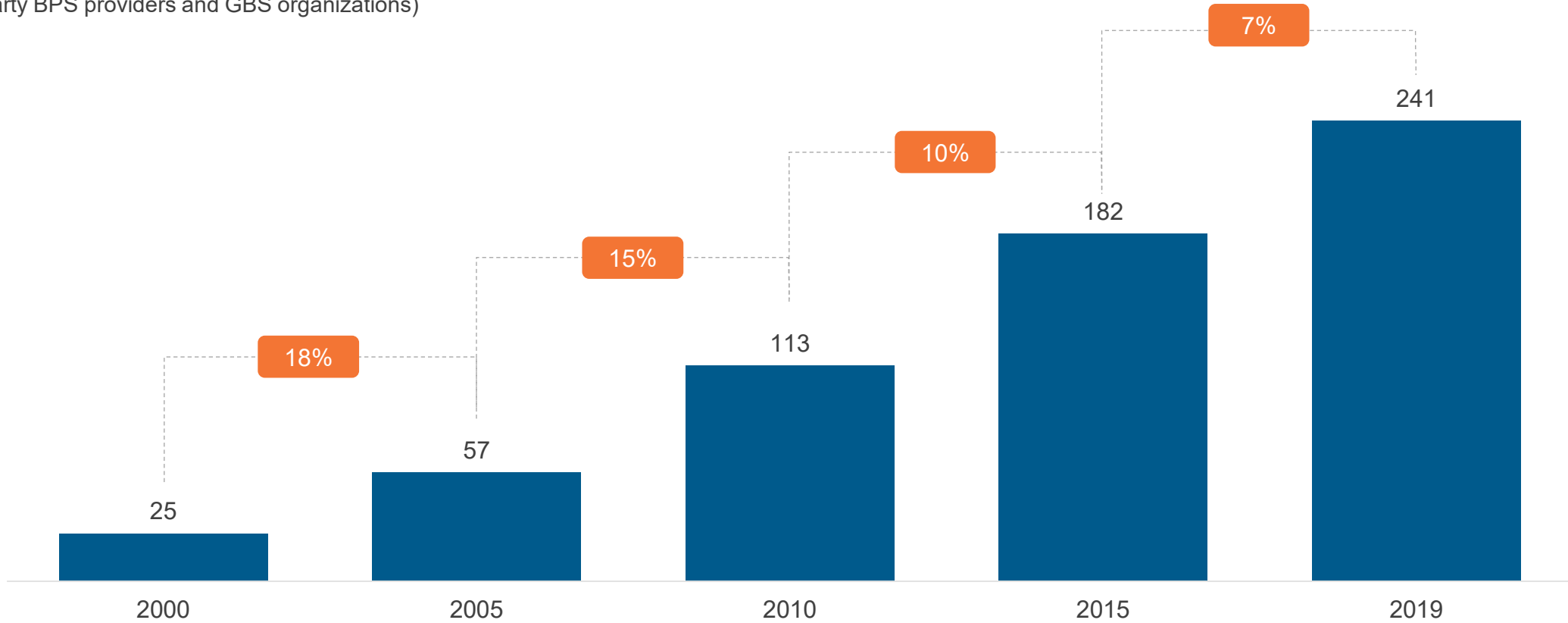
Note: Market size and growth includes third-party BPS providers and GBS organizations

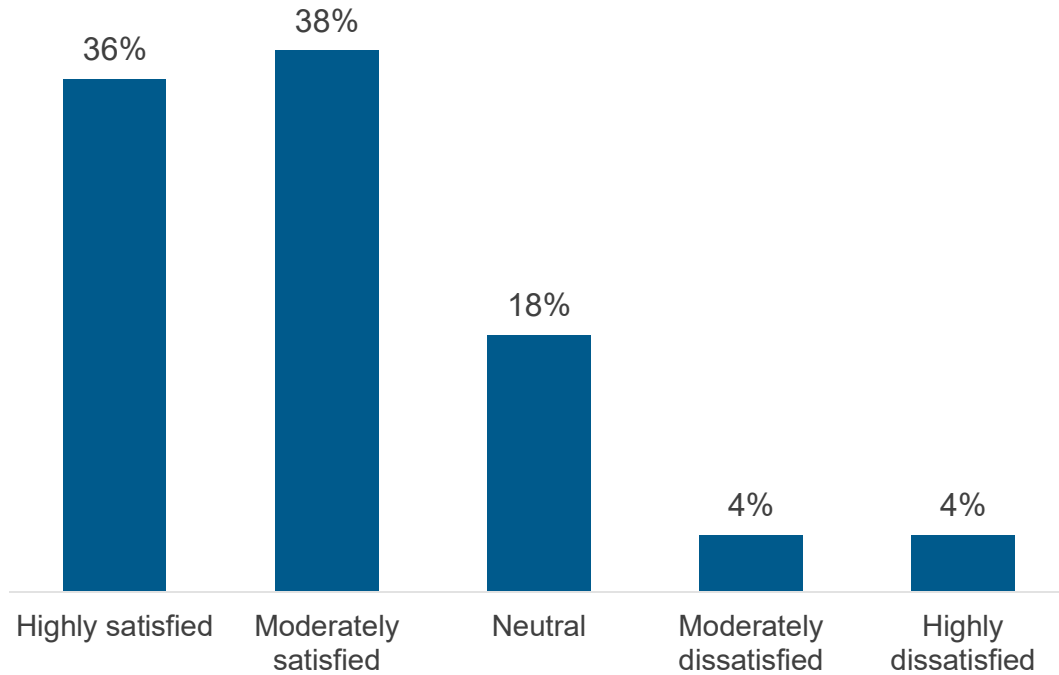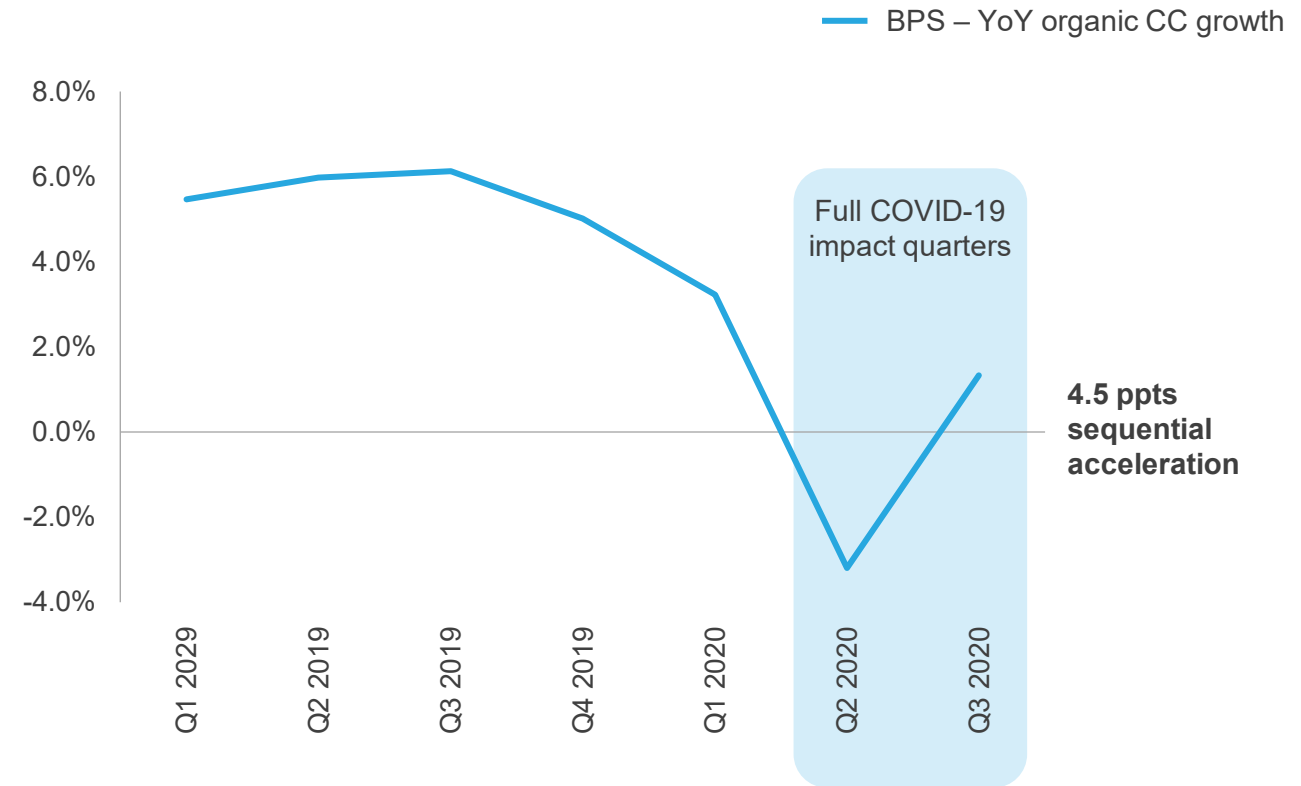# The BPS industry demonstrated strong resilience in the face of COVID-19
Most customers were satisfied with their providers' response to COVID-19, helping the BPS industry demonstrate a V-shaped recovery

Average satisfaction with service providers during the COVID-19 shutdown
Percentage of respondents

- Highly satisfied: 36%
- Moderately satisfied: 38%
- Neutral: 18%
- Moderately dissatisfied: 4%
- Highly dissatisfied: 4%

Industry growth[1]
(YoY organic constant currency revenue growth)

— BPS – YoY organic CC growth

Full COVID-19 impact quarters

4.5 ppts sequential acceleration

Q1 2029, Q2 2019, Q3 2019, Q4 2019, Q1 2020, Q2 2020, Q3 2020

1   Based on 25 major BPS businesses as a proxy for the overall BPS industry
Source: Everest Group and NASSCOM BPS 4.0 survey, Everest Group key issues survey 2020

Everest Group® RESEARCH

The BPS industry's resilience displayed during the pandemic paves way for the next generation of BPS, a.k.a., BPS 4.0

Market sentiments point to a different, but brighter future

To what extent has COVID-19 hastened the arrival of BPS 4.0
Percentage of respondents

Not at all

11%

33%   To a very large extent

22%

To a moderate extent

33%

To a large extent
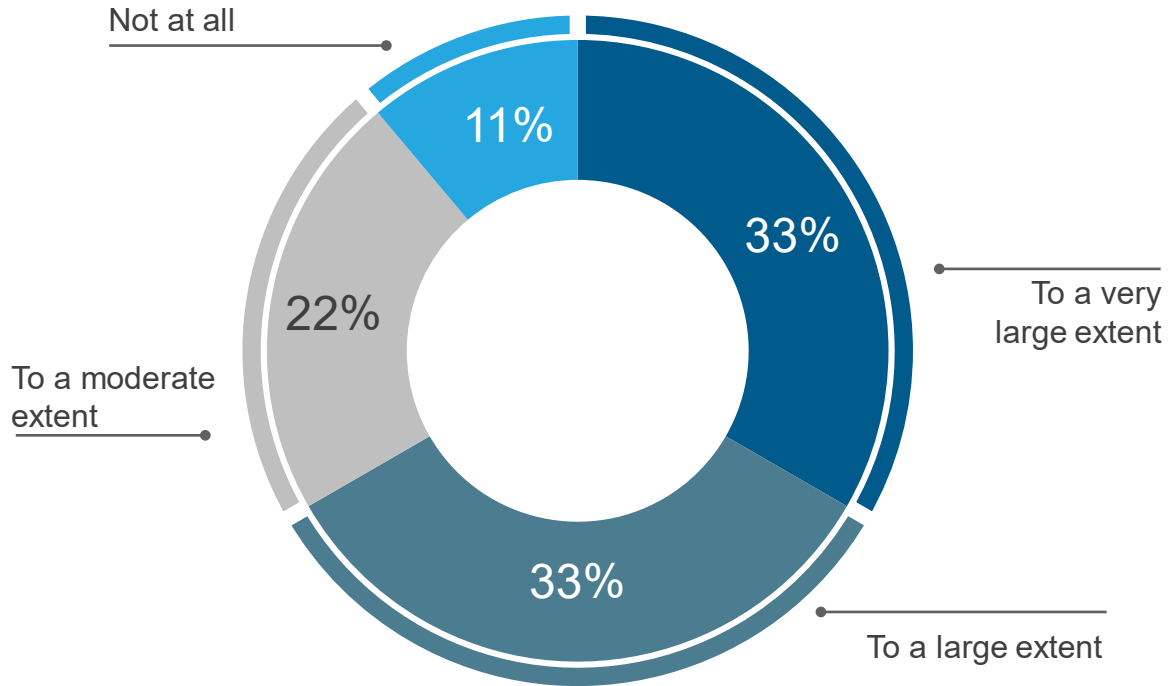
> BPS 4.0 provides the tickets to the dance – to the CEO's office and not to the COO office
> *– Head, GBS of a large multinational bank*

> We are at an inflection point. The value proposition has changed, and growth is going to be significant in the next five years
> *– SVP, large CXM services provider*

> Creation of a configurable operating model that balances standardized scale with contextualization and provides the right experience will be key
> *– CEO, large broad-based BPO provider*

05 Future of BPS (BPS 4.0)

- Value proposition
- Enabling levers

Defining elements of BPS 4.0

BPS 4.0 will create transformative value for stakeholders through a **5D-approach**

Key value propositions of BPS 4.0

Resilience and agility with lower risk

Exponential efficiencies across the board

Active contribution to business outcomes

Superior stakeholder experience

Key enabling levers of BPS 4.0

BPS 4.0 will span all front-, mid-, and back-office enterprise functions

Design thinking-led: Applied across all front-, mid- and back-office enterprise functions, with focus on superior and seamless experience for all involved stakeholders, both external and internal

BP-DevOps-oriented: Teams made up of people from different areas such as development, IT operations, and business process operations for better collaboration, speed, and agility

Data & digital-driven: Moving beyond piecemeal application of technology to digital adoption at scale through an integrated Digital Capability Platform (DCP), enabling seamless flow of data and better analytics & artificial intelligence

Differentiated & distributed workforce-enabled: Highly-skilled talent in a hybrid location model, and flexible employment arrangement

Domain-centric: Increased depth as well as an amalgamation of process-based, industry-oriented, and technology-based domain expertise

Levers introduced in previous BPS generations with a transformed outlook in BPS 4.0

New levers in BPS 4.0

Design thinking
Design thinking will be applied across all enterprise functions and stakeholders to create superior experience

Key tenets of a design thinking-led approach in BPS 4.0			
Design thinking applied everywhere	Superior experience for all involved	Hyper personalization	Design thinking-led process reengineering
Design thinking is applied across all functions (including mid- and back-office functions) beyond just the front office	Design thinking is used to improve experience not just for end- customers, but for all stakeholders	Design thinking will be used to find the right balance between standardization and contextualization to provide a hyper personalized experience for users	Design thinking will be a critical part of process reengineering. Elimination of touch points for manual intervention will be identified via design thinking – helping achieve better experience and efficiency

67% of the respondents cited design thinking as a highly important lever for BPS industry in the future

89% of the respondents mentioned process reengineering to eliminate obsolete and redundant processes as highly relevant in the long term (four to five years)

**Design thinking use cases in a BPS 4.0 construct**

Human resources Designing the employee experience by not just looking at HR processes, but all employee standard and non-standard interactions spread across the entire organization – finance, IT, supply chain, etc.

Banking Design thinking can be applied to make KYC process faster and more customer friendly

Source: Everest Group and NASSCOM BPS 4.0 survey

Data & digital (page 1 of 2)
Technology leverage will evolve beyond piecemeal adoption to an integrated Digital Capability Platform (DCP), enabling seamless flow of data
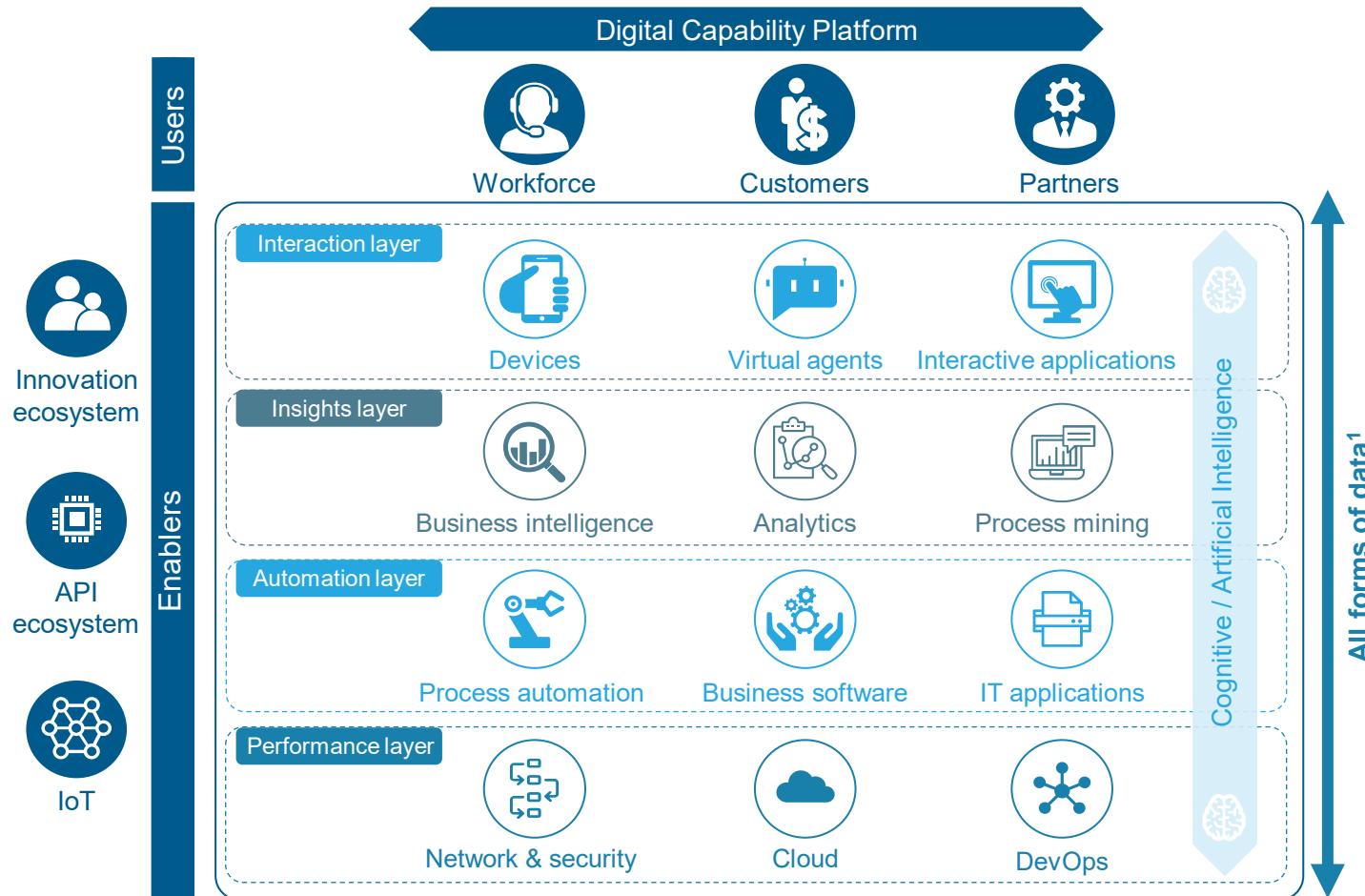
Data is a critical asset and data management is a critical capability

- **Digital Capability Platform:** Beyond individual solutions, creation of an integrated and composable digital ecosystem will be critical to provide outcome at scale with the right experience

- **Data management:**
  - Given that technology fragmentation is unlikely to go away easily, data interoperability is a key requirement
  - Data acts as the base to drive both AI and analytics – which are critical components of the DCP
  - BPS providers are uniquely positioned to provide that leverage, given that they are close to real data and look to drive more end-to-end transformation

1 Structured, unstructured, internal, external, dark data, meta data, etc.

Data & digital (page 2 of 2)
Technology will be deployed at scale in BPS 4.0, moving beyond the experimentation and pilots witnessed earlier

Adoption of bots increasing at a rapid pace – moving beyond pilots and experimentation to scaled up adoption

Best-in-class enterprises have adopted bots at a higher scale

Enterprises' scale of bot deployment
Average number of bots

X% Growth rate

~60%

40 — 2018

65 — 2019

Enterprises' scale of bot deployment
Number of respondents; 2019

	Best-in-class enterprises		Others
Less than 10	0%		20%
10-25	0%		15%
26-50	25%		20%
51-100	13%		24%
More than 100	50%		17%
Do not know	12%		4%
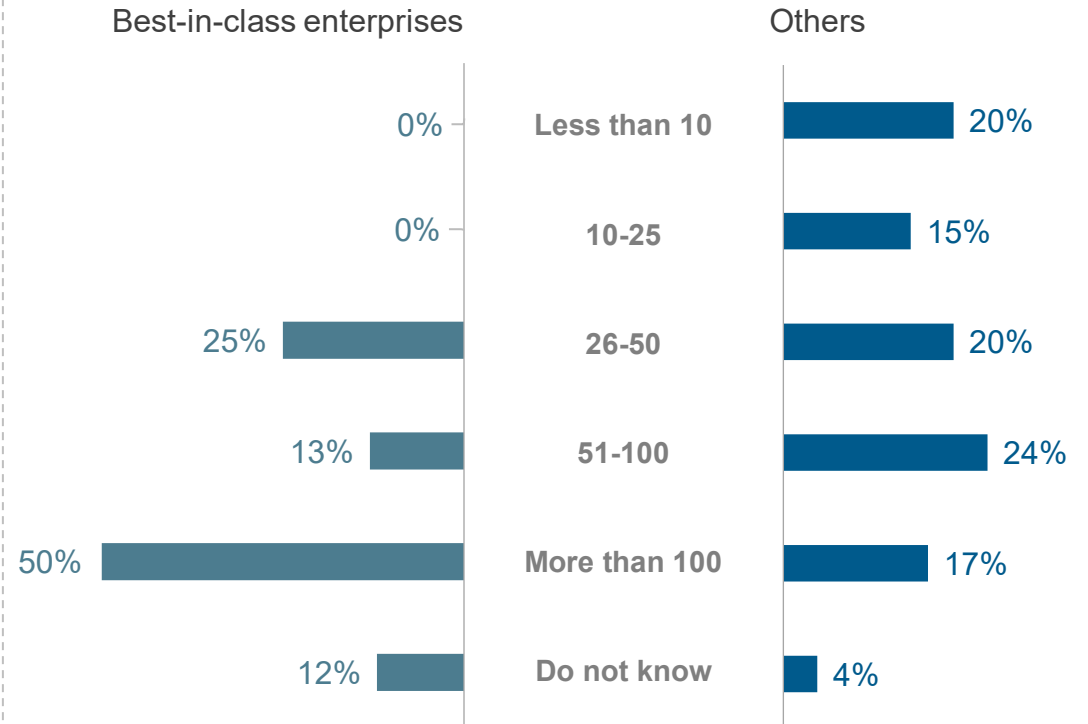
Source: Everest Group RPA and Intelligent Automation Pinnacle Enterprises Study 2018 and 2019

Domain
An amalgamation of process-based, industry-oriented, and technology-based domain orientation and expertise will be key

Level of importance of levers in the next five years
Percentage of respondents citing the lever's importance as moderately or significantly high

77%
Process-oriented domain- centricity

77%
Industry-oriented domain- centricity

66%
Technology-based IP and domain-centricity

- Going forward, domain-centricity will be an interlinkage of process (e.g., finance), industry (e.g., hi-tech), and technology (e.g., BPS platforms, RPA, etc.)
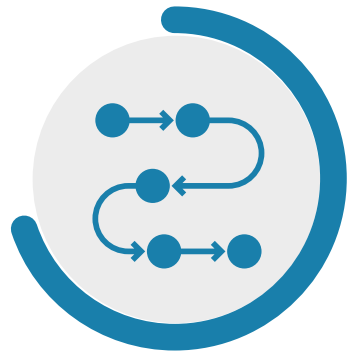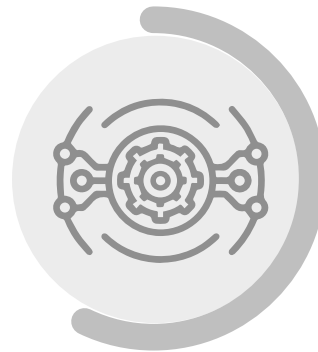
- Deeper domain knowledge to deliver strategic processes such as Financial Planning and Analysis (FP&A), treasury, actuarial, and direct procurement will be critical

- Additionally, deeper knowledge of various processes from an industry perspective will be important. For example, skills such as the ability to handle exception processing in accounts payable for a hi-tech industry client

- Technology solutions will not be plain vanilla. They will be industry- or function-specific. For example, pre-configured/pre-built RPA solutions for healthcare- or finance-specific use cases

- As technology starts to go deeper, become context-aware, and evolve from a domain perspective, service delivery executives will eventually benefit. There will be lower reliance on people knowledge in such scenarios as technology will be able to handle the context and domain- related activities

- Third-party providers can leverage these to bring in context-aware enriched technology solutions to clients

Source: Everest Group and NASSCOM BPS 4.0 survey

BP-DevOps

Collaborative teams encompassing development, IT operations, and BP operations for the sustained incremental enhancement to operations will help drive agility and speed of decision-making

Disjointed teams

IT operations

BP operations

Development teams

BP- DevOps

Development teams | IT operations | BP operations

Level of importance of BP-DevOps in next five years
Percentage of respondents

- Slightly high — 11%
- Significantly high — 11%
- Average — 22%
- Moderately high — 55%
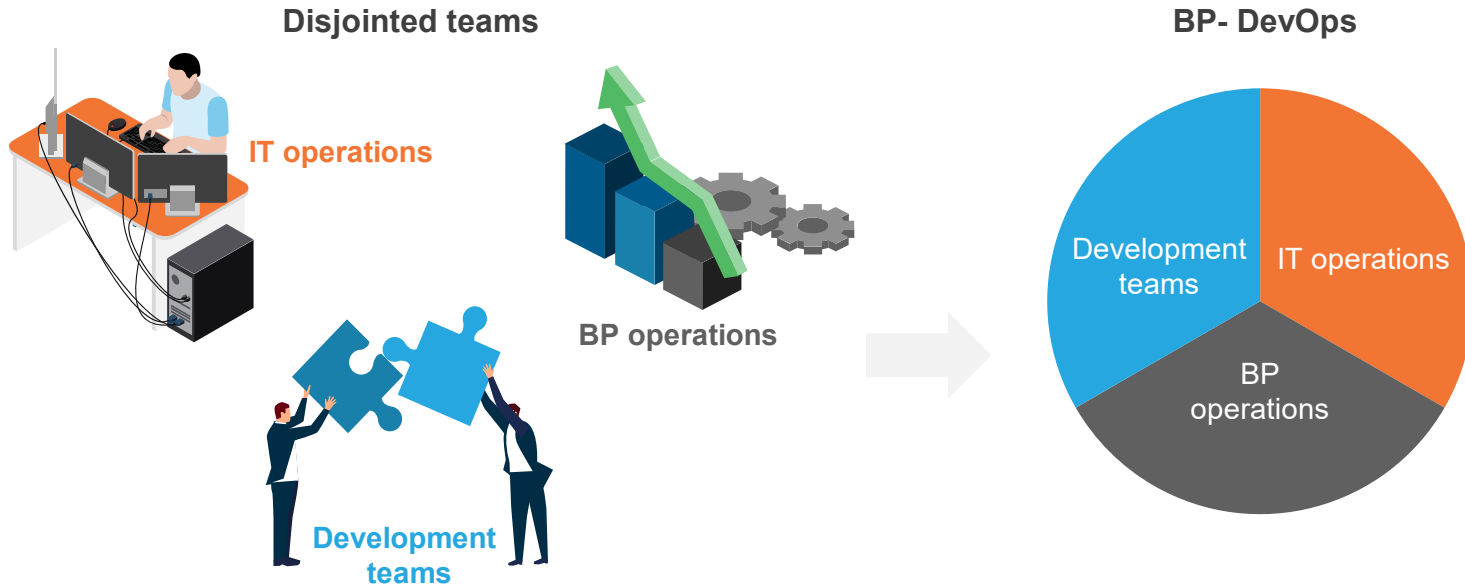
- The development, IT operations, and BP operations teams work independently

- There is minimal interaction between those teams

- The overall effectiveness of this model is significantly low

- Made up of people from multiple teams ensuring greater **collaboration** among the **development, IT operations** *(infrastructure and development),* and **business process operations**

- Fully **autonomous teams** with end-to-end responsibility to build, deploy, and run

- Speed of decision-making and agility to respond to changing market dynamics are the key objectives of this model

Segments which are more dynamic, e.g., sales and marketing area, consumer facing services, etc. and that involve a lot more technology requires close alignment between the three areas *(development, IT operations and business process operations)*

Source: Everest Group and NASSCOM BPS 4.0 survey

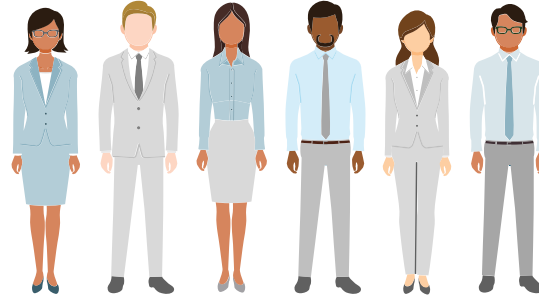# Differentiated & distributed workforce
Highly-skilled talent in a hybrid location model and flexible employment arrangement will be the fuel for the BPS 4.0 engine

Differentiated talent

- Talent in the BPS 4.0 world will be aimed at **performing higher-order tasks and exception handling** as opposed to routine transactions
- Leverage of multi-dimensional talent with skills at the intersection of digital, domain, and customer-empathy/experience will be important

Employment arrangement mix

An optimal **mix of permanent and non-permanent workforce** will be important in BPS 4.0. Non-permanent workforce such as gig workers will be used for certain use cases such as highly repetitive work, highly specialized skills, or to manage volume fluctuations

56% of BPS stakeholders expect 10-25% of the workforce to consist of non-permanent workers

Hybrid location model

- Preference for WFH and hybrid (combination of office-based and WFH setups) service delivery is increasing at the expense of the office-based delivery model
- The existing hub and spoke delivery model will evolve to a **hub-spoke-edge** delivery model, where the edge will be leveraged primarily for WFH service delivery
- CXM is an area where this type of delivery has seen reasonable adoption through work-at-home-agent (WAHA) model

65% of BPS stakeholders expect increase in the adoption of the **hybrid delivery model**

Source: Everest Group 2020 Work From Home for Outsourcing and Business Services Survey, Everest Group and NASSCOM BPS 4.0 survey

06 Key implications for the BPS industry

BPS 4.0 will have far-reaching implications for the industry
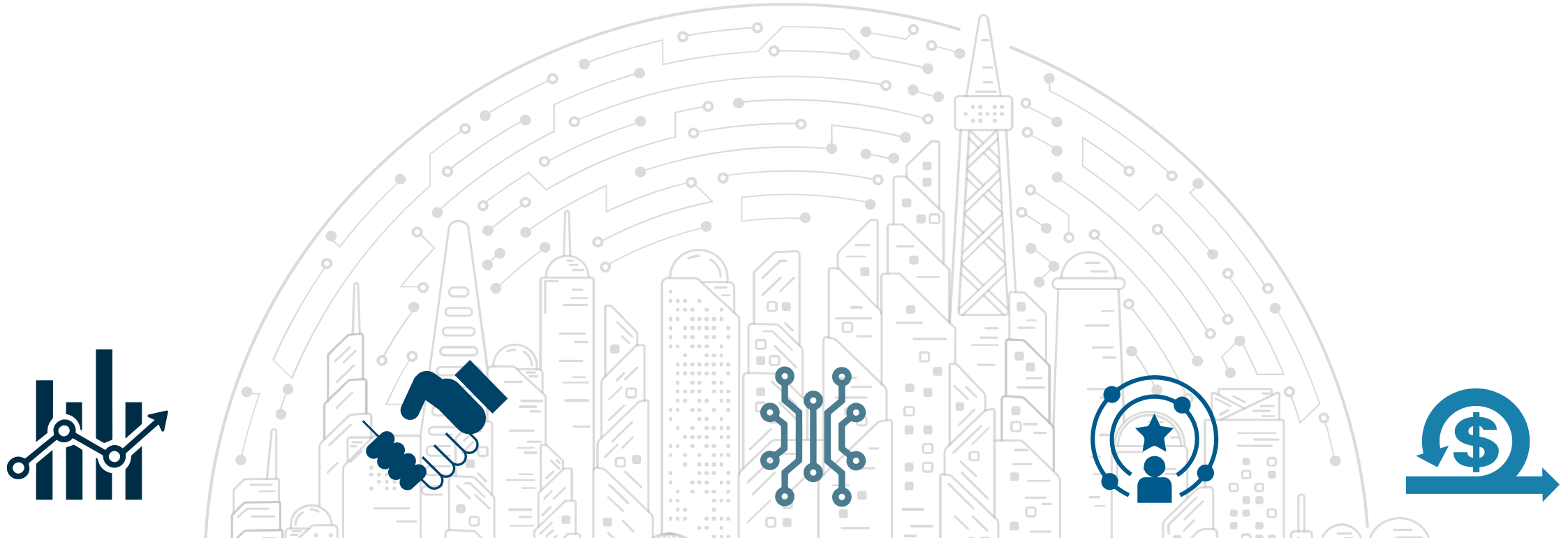
Industry poised for an era of accelerated growth

The nature of engagement between enterprises and BPS providers undergoes a fundamental shift

Technology to assume center stage in BPS 4.0, especially through platform-based services

Profound and multi-dimensional talent implications

Impact measured in a refreshingly more holistic fashion

The BPS industry is poised for an era of accelerated growth (page 1 of 3)
Being relatively underpenetrated, the BPS industry is expected to grow at a healthy pace over the next five years

The BPS industry is still relatively underpenetrated, especially when compared with the more mature IT services industry. Even the most mature and largest BPS segments are meaningfully underpenetrated, with the penetration level below the 30% mark

Global penetration of sample market segments
Percentage penetration

Contact center outsourcing — 30%

Finance & accounting outsourcing — 25%

Banking BPO — 15%

IT services — 40%

"Relatively mature" BPS segments
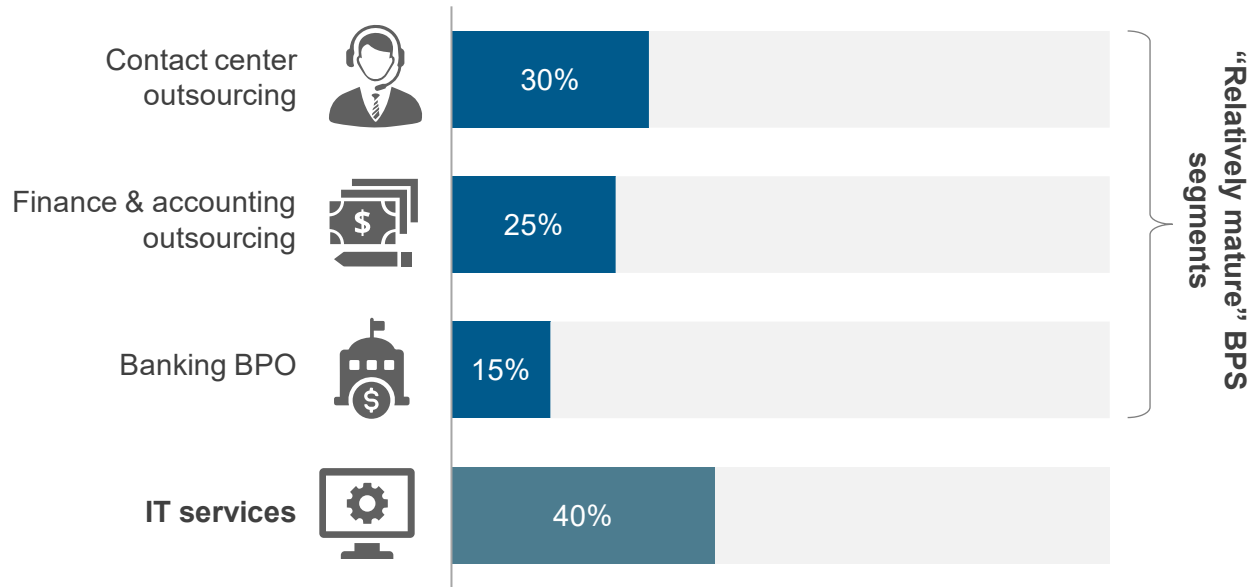
Consequently, the BPS industry is expected to grow at a healthy, and possibly an accelerated, pace over the next five years

Global BPS market size
US$ billion
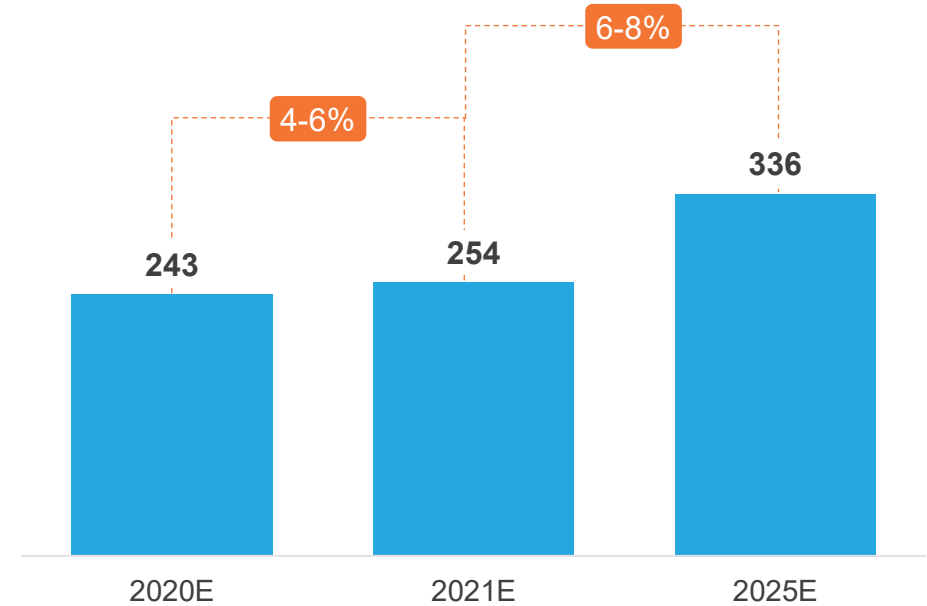
6-8%

4-6%

336

243 — 2020E

254 — 2021E

2025E

Note: Market size and growth includes third-party BPS providers and GBS organizations

The BPS industry is poised for an era of accelerated growth (page 2 of 3)
Future BPS growth acceleration will be driven both by deeper service penetration within existing segments as well as increased adoption of relatively newer segments

Emergence of new subsegments within existing BPS segments

BPS segments	Emerging subsegments (not exhaustive)
FAO	FP&A, Tax, Treasury
PO/SCM	Direct procurement
HRO	Wellness, Rewards and Recognition, employee communications, outplacement
CXM	Digital CXM, Work at Home Agent (WAHA) service delivery, inside sales
BFS BPO	Financial Crime & Compliance (FCC) including KYC-AML support and wealth management
Insurance BPO	Group life, retirements and annuities, cyber insurance, actuarial, and regulatory compliance
Healthcare BPO	Care management, Risk Adjustment, HEDIS/STAR, Member Engagement
Life sciences BPO	Commercial Analytics, Patient Hub, Clinical Trial Recruitment, Biostatistics, Signal Management, Medical Affairs
Data and Analytics	AI labeling and annotation, augmented analytics, data sharing and monetization, and data literacy

Segments expected to witness the highest volume of new work in the next five years
Percentage of BPS respondents citing a particular area among their top two choices

45% **Enterprise back-office BPS** (Finance & Accounting, Human Resources, Procurement outsourcing, etc.)

67% **Industry-vertical-oriented BPS** (Financial services, Insurance, Healthcare, Life sciences, etc.)

35% **Enterprise front office** (marketing, sales, etc.)

11% **New-age BPS** (trust & safety, etc.)

45% **Contact center**

Emergence of relatively new BPS segments
New BPS segments that have a more direct impact on revenues and risk-management will emerge. These are also likely to lead to greater interest and involvement in BPS from CEOs

Marketing & sales

Trust & safety (content moderation)

The BPS industry is poised for an era of accelerated growth (page 3 of 3)
The rapid growth in new segments will further alter an already evolving BPS market composition. Newer sectors are also likely to play a key part in BPS evolution

Global BPS composition
Percentage of market

US$243 billion

US$336 billion

CAGR (2020-25)

Revenue-focused
(Sales operations, outbound sales calls, marketing operations, etc.)

11%

25-30%

26-28%

Cost-focused (F&A outsourcing, HR outsourcing etc.)

89%

70-75%

2-4%

2020E

2025E
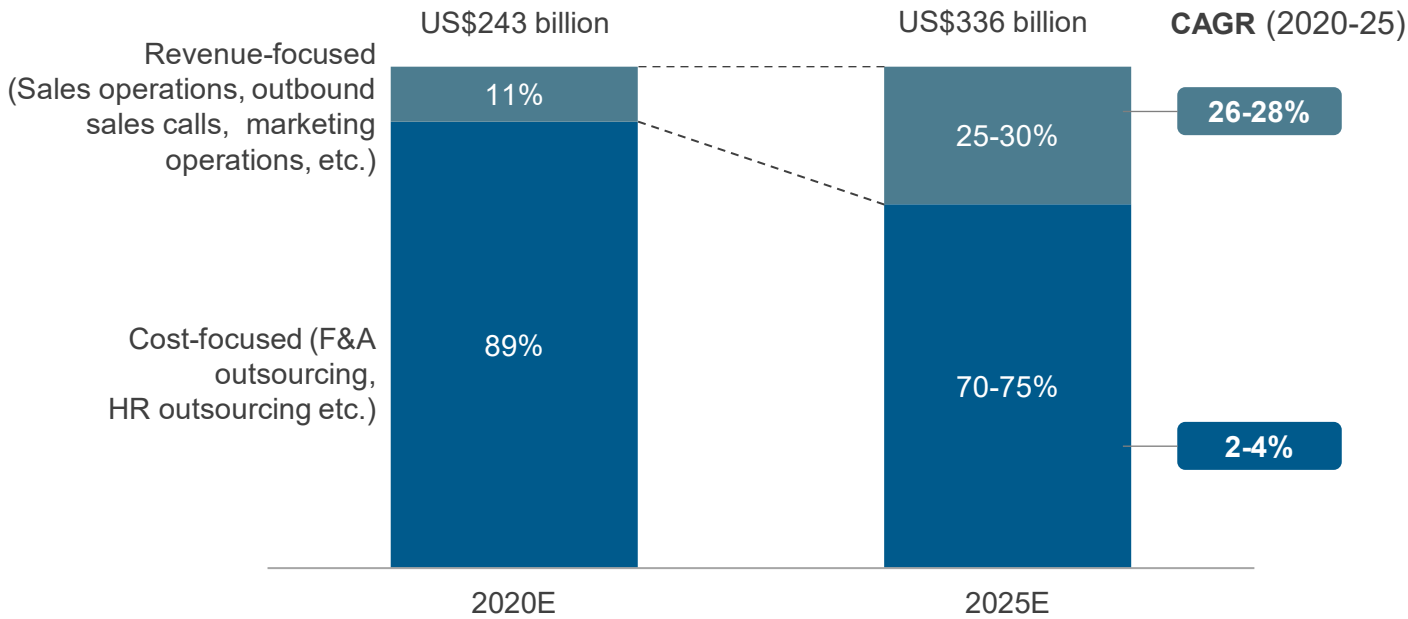
With the composition of the BPS market changing, the front, mid, and back-office functions will come together as an integrated business function with the goal of actively contributing to a common set of business outcomes

A few new industry sectors are likely to emerge as key BPS adopters

- Traditionally, barring primarily the UK and Australia, governments in very few countries have outsourced BPS
- However, COVID-19 saw multiple governments across the globe leverage BPS for contact tracing and other related activities
- This has the potential to open up this sector for future BPS adoption

Fast-growth technology companies are also expected to fuel BPS adoption around both traditional as well as new segments

Note: Market size and growth includes third-party BPS providers and GBS organizations

The nature of engagement between enterprises and BPS providers will undergo a fundamental shift (page 1 of 4)

Enterprise – provider engagement evolution dimensions

Provider portfolio rebalancing

Execution to orchestration

Preference for the hybrid operating model

The nature of engagement between enterprises and BPS providers will undergo a fundamental shift (page 2 of 4)

The core of BPS engagements will transform from an execution focus to orchestration focus

BPS providers need to have a holistic strategy around the 5D levers as they look to fulfill the value proposition of BPS 4.0 around active contribution to enterprise business outcomes, superior stakeholder experience, and resilience & agility at lower risk

The nature of engagement will transform from a piecemeal or siloed execution of certain processes to a strategic and coordinated orchestration of multiple different elements with the ability to make fundamental differences to outcomes

BPS provider stakeholders across both outsourcing providers as well as shared services / GBSs see a bigger role for themselves in enterprises' BPS plans, going ahead, and the opportunity to play the role of an orchestrator to impact business outcomes

82%
of BPS stakeholders expect a further move from execution to orchestration in BPS engagements, going forward
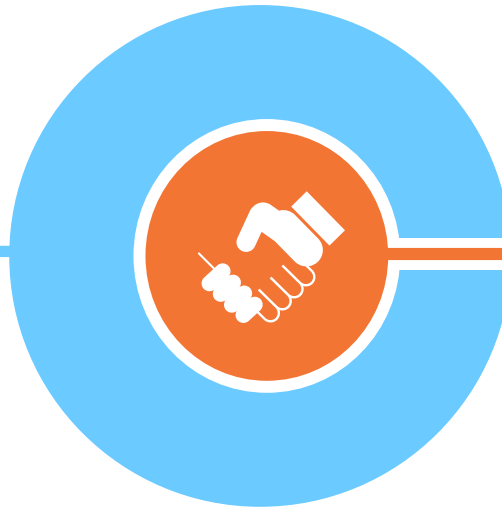
56%
of BPS stakeholders expect a more dynamic arrangement with enterprises (such as combination of annuity execution and point-in-time solution) to be able to deliver business outcomes

Everest Group®
RESEARCH

The nature of engagement between enterprises and BPS providers will undergo a fundamental shift (page 3 of 4)

A larger number of enterprises look to move to a hybrid operating model

F&A EXAMPLE

Operating model evolution for F&A services
Percentage of respondents

18%	Leveraging only third-party outsourcing providers[1]
24%	Leveraging shared services / captives / GBS[1]
25%	Leveraging hybrid model (both third-party outsourcing providers and shared services / GBS)
33%	Only in-house

Share of respondents

70% of these enterprises are open to leveraging shared services / captives / GBS

76% of these enterprises are open to leveraging third-party outsourcing providers

An **additional 31%** of enterprises are open to leveraging a hybrid operating model in the future

56%

of enterprises are already leveraging or willing to leverage a hybrid operating model

The increasing movement toward a hybrid operating model is driven by a desire to orchestrate a holistic adoption of the 5-D BPS 4.0 levers, within the pushes and pulls of an ever-evolving business environment (see pages 14-16), with particular focus on risk management and a dynamic geo-political environment

1: Global Business Services
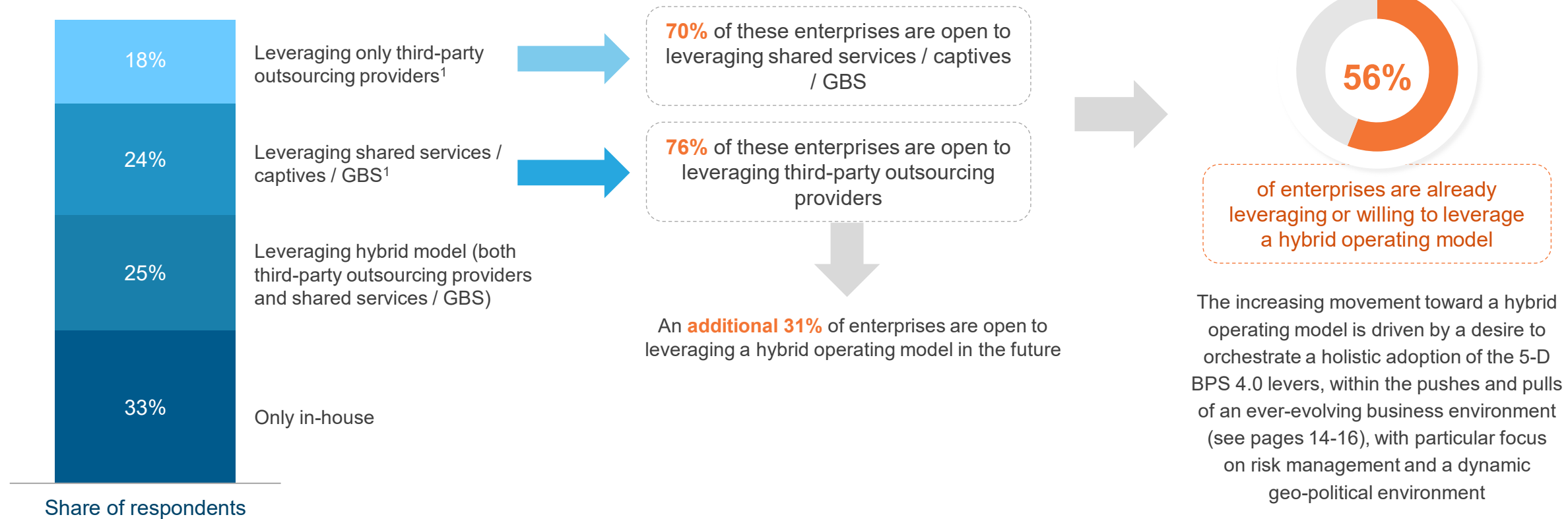Source: Everest Group 2020 Global CFO Survey
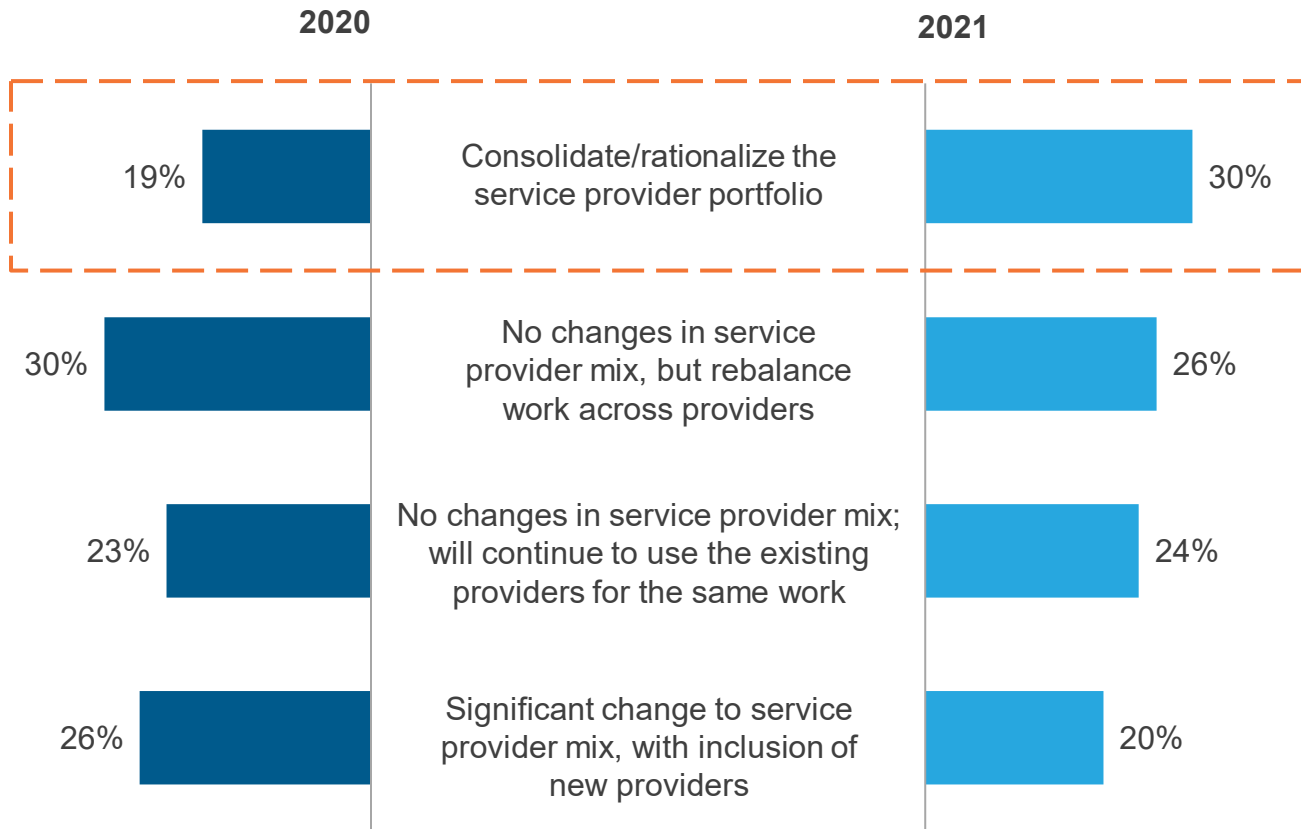
Everest Group®
RESEARCH

The nature of engagement between enterprises and providers will undergo a fundamental shift (page 4 of 4)
Enterprises are looking to rejig their provider portfolio with a particular focus on provider rationalization

Provider portfolio strategy
Percentage of enterprises

2020 **2021**

	2020	2021
Consolidate/rationalize the service provider portfolio	19%	30%
No changes in service provider mix, but rebalance work across providers	30%	26%
No changes in service provider mix; will continue to use the existing providers for the same work	23%	24%
Significant change to service provider mix, with inclusion of new providers	26%	20%

- Enterprises' desire to rejig their service provider portfolio is driven by multiple factors such as:
  - Better visibility across global operations
  - Better risk management
  - Ability to better "orchestrate" 5D BPS elements and achieve transformation
  - Gaining cost advantages
- As a result, a clear distinction will emerge among providers pivoting toward and investing in next-generation capabilities vis-à-vis providers who are slow to transform themselves in a new and dynamic business environment

Around **75%** of enterprises are looking to **rejig** their outsourcing provider portfolio in 2021

Almost **one-third** of enterprises are looking to consolidate/rationalize their outsourcing provider portfolio in 2021
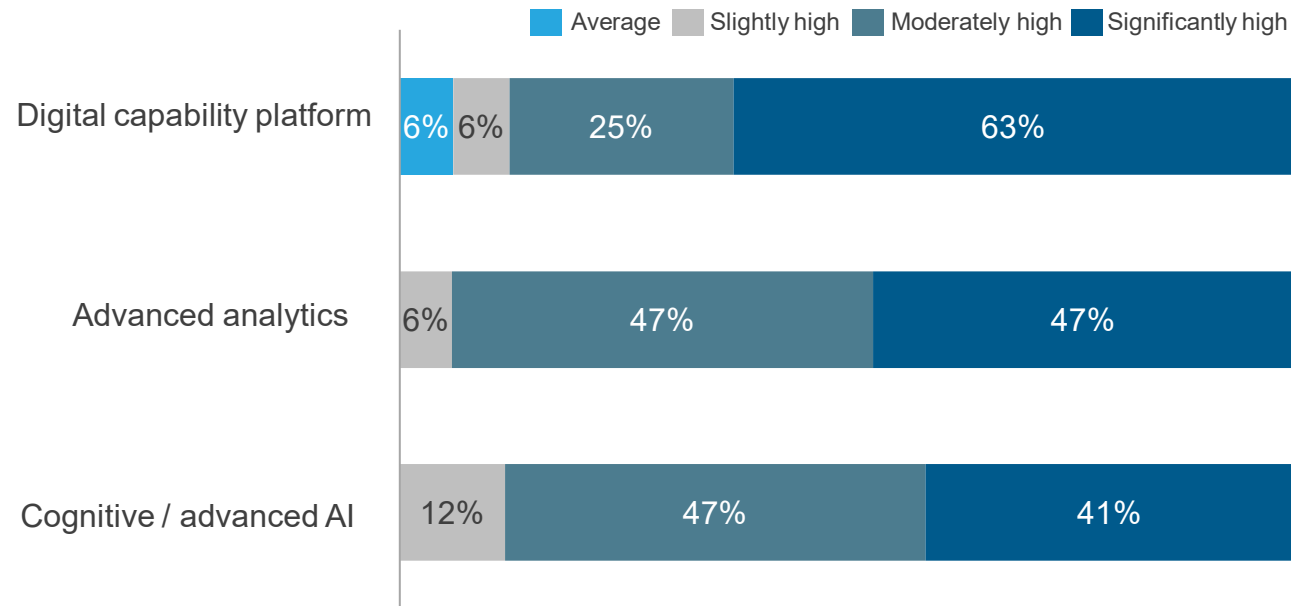
Source: Everest Group Key Issues Survey, 2019 and 2020

Technology will assume center stage in BPS 4.0, especially through platform-based services

Platform-based services and analytics will be necessary ingredients to deliver the BPS 4.0 promise

Level of importance of levers in the BPS industry in the next five years
Percentage of BPS respondents

Legend: ■ Average ■ Slightly high ■ Moderately high ■ Significantly high

Digital capability platform
6% | 6% | 25% | 63%

Advanced analytics
6% | 47% | 47%

Cognitive / advanced AI
12% | 47% | 41%

88% of BPS stakeholders believe that a **Digital Capability Platform (DCP)** will be important in the next five years
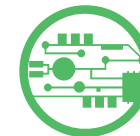
More than two-thirds of BPS stakeholders believe that **technology-based IP** will be important in the next five years

- While multiple technology and digital levers will play an enhanced role in BPS 4.0, the two most critical digital elements will be:
  - Platform-based services: The ability to deliver services on a digital capability platform (see page 25) that integrates various digital elements into a holistic ecosystem and enables seamless flow of data across discrete elements
  - Data management and analytics: The ability to manage fragmented data from multiple sources to enable deep insights and better artificial intelligence
- BPS providers are almost unanimous in their view of the above elements being critical building blocks, going forward

BPS 4.0 evolution will have profound and multi-dimensional talent implications
(page 1 of 4)

Talent supply

Talent demand

Organizational structure

Everest Group® RESEARCH

BPS 4.0 evolution will have profound and multi-dimensional talent implications
(page 2 of 4)
While the nature and quantum of talent demand and supply will change…

| Talent demand	Talent supply

Talent demand

- The nature of talent required to fulfill the promise of BPS 4.0 will be significantly different from previous generations
- With technology and automation expected to execute routine and business-as-usual tasks, talent will be required for exception handling and the following higher-order skills:
  - Talent skilled in various emerging digital technologies, analytics, automation, etc., and the ability to build digital capability platforms
  - Talent skilled in more strategic processes *(see table on page 33)*
  - Talent with knowledge of relevant industry/sector nuances
  - Talent skilled in emerging skill areas such as experience design
- In addition to the above discrete skill sets, there will be significant demand for talent with **multi-dimensional skill sets** to empower and enable key BPS 4.0 levers such as design thinking

Talent supply

A distributed workforce working from home and at non-centralized/non-office locations has the potential to significantly enhance the available talent pool, both in terms of size and diversity

Size of talent pool: The hub-spoke-and-edge model will enable the BPS industry to access previously untapped talent pool in smaller towns and cities beyond the current delivery hubs
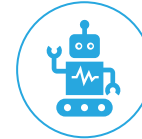
Niche skills: Leveraging temporary and gig workforce will enable the BPS industry to access talent for difficult-to-find skills, especially high-end digital skills and other niche professional roles

Diversity: The new work arrangement with flexible location and timing options will empower a larger number of women to be an integral part of the BPS industry and bringing in the much-needed diversity

Examples of multi-dimensional skills

Problem solving

Technology expertise

Emotional intelligence / empathy

Experience design

Process expertise

Industry expertise

BPS 4.0 evolution will have profound and multi-dimensional talent implications
(page 3 of 4)
… there will be a talent shortage, especially for higher-order skills where demand will outstrip supply
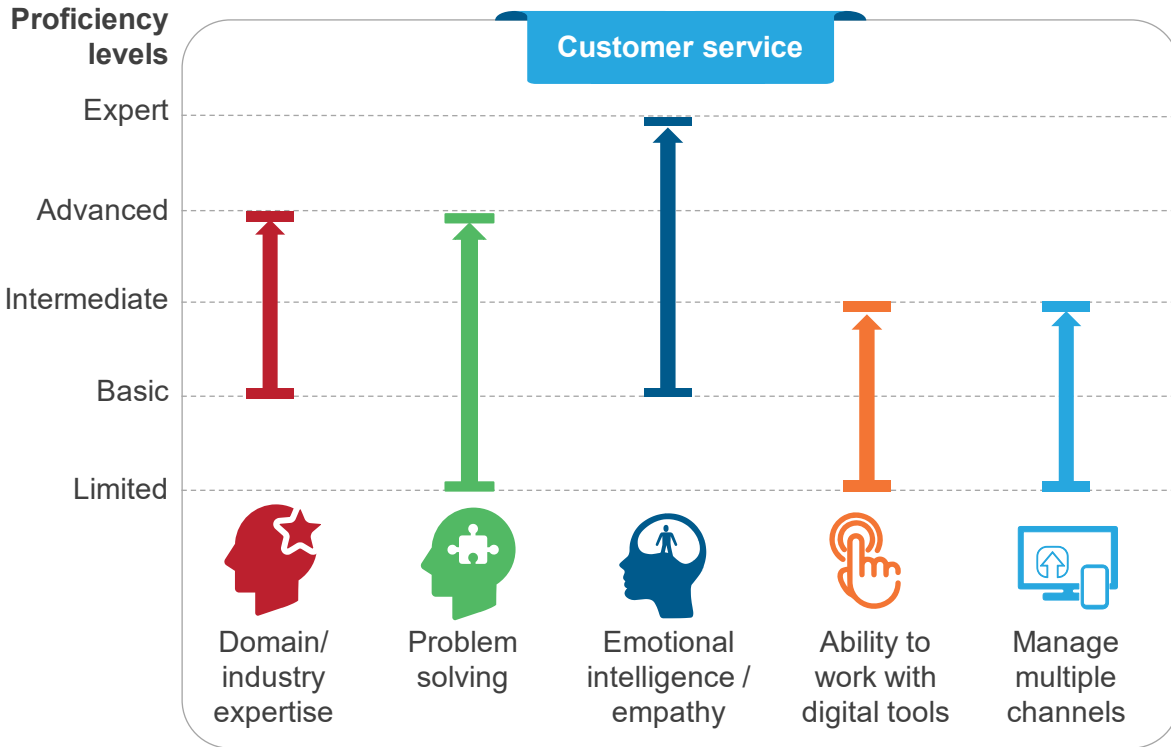
Current and future proficiency levels required
For a customer service agent

CXM EXAMPLE

Future proficiency level (2024)
Current proficiency level (2020)

Proficiency levels

Customer service

- Expert
- Advanced
- Intermediate
- Basic
- Limited

Domain/ industry expertise | Problem solving | Emotional intelligence / empathy | Ability to work with digital tools | Manage multiple channels

Extent of skill gap ■ High ■ Moderate ■ Low

INSURANCE EXAMPLE

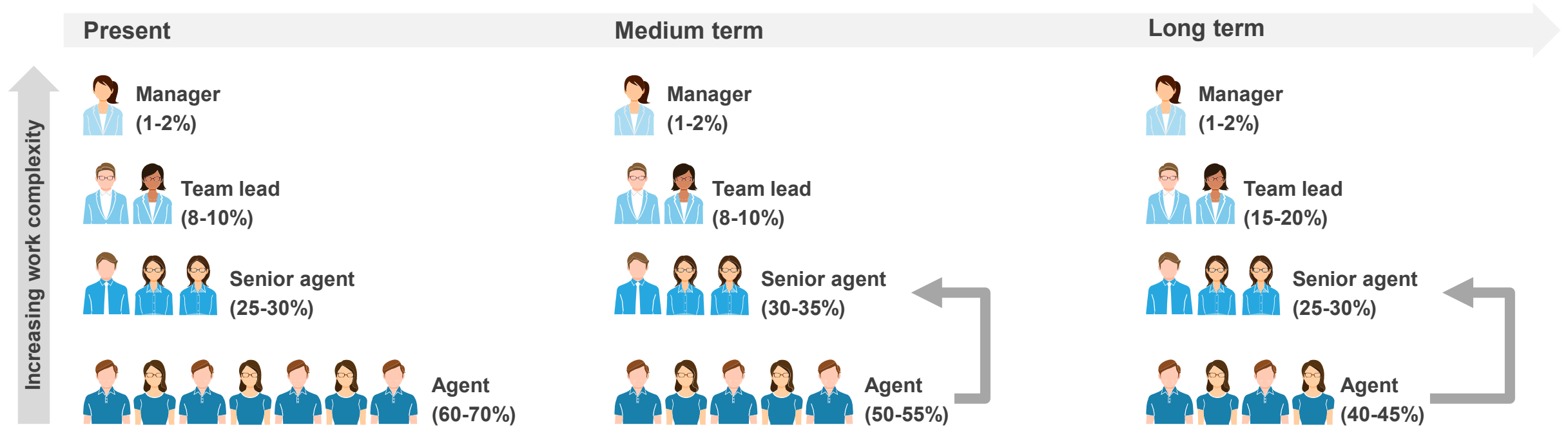| Process category	Ability to work with digital tools	Analytics	Customer interaction	Decision-making capabilities	Domain/ industry expertise
Actuarial	High	High	Low	High	High
Agent, broker, and member management	Moderate	Low	Low	Low	Low
Initial policy creation and eligibility requirement	Low	Low	Moderate	Low	Low
Judgment-intensive claims management	Moderate	Moderate	Moderate	High	High
Policy issuance and records management	High	Low	Low	Low	Low
Policy servicing	Low	Low	High	Low	High
Premium collection and accounting	Low	Low	Low	Moderate	Moderate
Regulatory and other compliance	Moderate	Moderate	Low	High	Moderate
Rule-based claims management	Low	Low	High	Low	Low
Underwriting	High	High	Low	High	High

Everest Group® RESEARCH

BPS 4.0 evolution will have profound and multi-dimensional talent implications
(page 4 of 4)
The delivery pyramid will get reshaped to a diamond structure

CXM EXAMPLE

Present | **Medium term** | **Long term**

Increasing work complexity

Present

Manager
(1-2%)

Team lead
(8-10%)

Senior agent
(25-30%)

Agent
(60-70%)

Medium term

Manager
(1-2%)

Team lead
(8-10%)

Senior agent
(30-35%)

Agent
(50-55%)

Long term

Manager
(1-2%)

Team lead
(15-20%)

Senior agent
(25-30%)

Agent
(40-45%)

- As most repetitive and business-as-usual tasks get automated, with increasing focus on digital and automation, human agents will be primarily required for exception handling and higher-order/domain-focused work
- Consequently, the delivery pyramid is expected to reshape from the traditional pyramid model to a more middle-heavy structure

BPS impact will be measured in a refreshingly more holistic fashion
Enterprises will assess BPS based on more holistic metrices than predominantly cost-focused ones

Current prevalent evaluation parameter for BPS impact

Future evaluation parameters for BPS impact

Cost to serve

Stakeholder experience

Direct cost to serve

Direct dollar benefits

Indirect cost / opportunity cost

Business outcomes achieved

Consequently, among outsourcing providers, **100%** expect instances of **outcome-based pricing to increase** in the next five years, with one-third among them expecting them to increase significantly

07 Fulfilling the promise of BPS 4.0

Everest Group®
RESEARCH

All constituents of the BPS ecosystem need to work together and contribute to fulfill the promise of BPS 4.0 in the next five years

Industry mindset transformation	Role of government	Talent-related investments	Technology-related investments	Co-opetition
The BPS industry needs to firmly believe in the promise of BPS 4.0 and, accordingly, bring about a transformation in the mindset, both at an organizational level as well as individual stakeholder level. This transformation needs to be multi-dimensional in terms of: • Readiness to embrace the new and rapidly evolving paradigms and models • Repositioning the industry in the minds of clients and employees • Having a higher risk appetite and following a fail-fast strategy (embrace fast, fail faster, and learn fastest in terms of what is working and what is not) to keep pace with a dynamic business environment	The government will have an important role in terms of the future of BPS. Some of the necessary steps that the government will have to undertake include: • Provide right infrastructure for the hybrid operating model • Easier and streamlined regulations around SEZs, taxation, work-from-home, etc., • Continue to invest in skilling and talent building-Design thinking as integral part of curriculum, domain specific courses • Develop a blockchain-enabled national worker database to capture the talent overview of the market	Talent holds the key to achieving the promise of BPS 4.0, and BPS providers will have to double down on their talent-related investments across the hire-to-retire cycle. This will include: • Making BPS an attractive industry to join for prospective employees through better branding and an improved employee value proposition • Focus on continuous, multi-dimensional upskilling and reskilling • Better ways to engage talent in a distributed work environment	With technology being a key ingredient for the future success of BPS, providers will need to have a strategy for continuous investments to keep pace with rapid digital evolution. This will require a flexible approach and multi-pronged strategy including: • Organic investments through leverage of the right talent ingredients • Developing a partnership ecosystem • Being on the lookout for value-adding and complementary inorganic investments	The BPS industry needs to work together in the spirit of cooperative competition to help achieve what individual organizations alone cannot, especially in terms of working with the government and repositioning the industry in the minds of clients and employees

08

Appendix

- Glossary
- Research calendar

Glossary of key terms used in this report

ACV	Annualized Contract Value is calculated by dividing the Total Contract Value (TCV) by the term of the contract
Artificial Intelligence (AI)	Ability of machines to use cognitive computing to mimic human intelligence, such as visual perception, speech recognition, decision-making, and language translation
BPO	Business Process Outsourcing refers to the purchase of one or more processes or functions from a company in the business of providing such services at large or as a third-party provider
Buyer	The company/entity that purchases outsourcing services from a service provider of such services
Contract term	The duration of the outsourcing contract. It drives the schedule over which the buyer or service provider amortizes capitalized costs or the period over which Net Present Value (NPV) / Internal Rate of Return (IRR) is calculated
FAO	Finance and Accounting Outsourcing is the transfer of ownership of some, or all finance and accounting processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
FTEs	Full-Time Employees on the rolls of the company
GBS	Global Business Services are service delivery operations in low-cost geographies, which are owned and operated by the same company receiving the services (i.e., not third-party outsourcing)
HRO	Human Resources Outsourcing is the transfer of ownership of some, or all human resource processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
ITO	Information Technology Outsourcing is the transfer of ownership of some, or all information technology processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
RPA	RPA refers to a type of rules-based automation technology that helps automate repetitive tasks by mimicking a user's activities. It is non-invasive and typically interacts with a computer-centric task/process through the User Interface (UI) of the underlying software applications
TCV	Total Contract Value is the potential revenue associated with the contract and estimated at the commencement of the contract (e.g., sum total of revenue accrued to the service provider from the contract over the entire contract term, usually measured in millions of dollars)

Research calendar
Business Process Services

Legend: Published | Planned | Current release

Flagship Business Process Services reports	Release date
Mortgage Operations – Service Provider Compendium 2021	November 2020
Customer Experience Management (CXM) State of the Market Report on Europe, Middle East, and Africa (EMEA) 2021	December 2020
Revenue Cycle Management (RCM) Operations – Service Provider Compendium 2021	December 2020
Exploring Data & Analytics, Resilience, and the Next Normal in Finance: Finance and Accounting Outsourcing (FAO) State of the Market Report 2021	December 2020
Elevating Procurement's Role in the Next Normal Through Digital Enablement – Procurement Outsourcing (PO) State of the Market Report 2021	December 2020
Planning a Resilient Future Strategy: Multi-country Payroll (MCP) Solutions State of the Market Report 2021	December 2020
Multi-Process Human Resource Outsourcing (MPHRO) Services PEAK Matrix® Assessment 2021	January 2021
Work at Home Agent (WAHA) Customer Experience Management (CXM) – Service Provider Landscape with Services PEAK Matrix® Assessment 2021	January 2021

Thematic Business Process Services reports	Release date
The Evolution of Vendor Management Systems (VMSs) for Contingent Workforce Management: What Will Differentiate the VMSs in the Future?	December 2020
Future-proofing Supply Chain Management: Building Resilience and Agility through Digital Transformation	December 2020
Building Future-ready Finance in the New Normal: A Glimpse into the CFO Mindset	December 2020
Is Work From Home (WFH) the Future of Work? A Perspective on WFH, Locations, and Delivery Strategy Beyond COVID-19	December 2020
A Tectonic Shift in the Healthcare Market - UnitedHealth Group's Optum Acquires Change Healthcare	January 2021
Mortgage of the Future	January 2021
Business Process Services (BPS) 4.0: Heralding the Start of a New Era	**February 2021**

Note: For a list of all of our published Business Process Services reports, please refer to our website page

Everest Group®

With you on the journey

Everest Group is a consulting and research firm focused on strategic IT, business services, engineering services, and sourcing. Our clients include leading global enterprises, service providers, and investors. Through our research-informed insights and deep experience, we guide clients in their journeys to achieve heightened operational and financial performance, accelerated value delivery, and high-impact business outcomes. Details and in-depth content are available at **everestgrp.com**.

Stay connected

Website
everestgrp.com

Social Media

🐦 @EverestGroup

in @Everest Group

f @Everest Group

▶ @Everest Group

Blog
everestgrp.com/blog

Podcast
DigitalReal**IT**y

| Listen on Apple Podcasts | Google Play | STITCHER | TUNE IN |

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91-80-61463500

Delhi
india@everestgrp.com
+91-124-496-1000

London
unitedkingdom@everestgrp.com
+44-207-129-1318

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-647-557-3475