

## A Taste of BPM

**T**he origin of Business Process Outsourcing has its roots in terms of cost arbitrage by replacing high cost resource with low cost resource. This is a natural extension of the classical/traditional concept “buy versus make” model to service areas, facilitated by IT advancement.

The “Shared Services” concept has evolved over the last three decades as more and more companies are investing in captive shared services. These units are being treated as major business partners.

### 1) Contribution of BPM

In today’s extreme competitive environment, each company has to continuously strive to create a competitive advantage. Such competitive edge is not limited to products and services but extends to internal processes to achieve process enhancements on a continuous basis. Cost advantage is often perceived as the main driver. However the cost advantage should be considered as one of incidental benefit. The BPM is designed to create a long term competitive advantage. The following are the key value propositions -

**Process efficiency-** The underlying processes could be designed in a most optimum manner:

- Reengineering
- Integration with the IT (ERP)

framework

- Standardization across all units/locations.
- Facilitates design for structured MIS

### Facilitates Analytics

The business process management lays sound foundation for use of Analytics. The Analytics is increasingly used as a tool to improve business performance. It includes decision making, control reports, spend analysis, fraud analytics, credit risk analysis, etc. Since analytics often requires extensive computation, the data integrity is a must.

### Solution Management

BPM also drives development of solutions.

- Such solutions could be driven by the business requirement, for example development of transaction alerts, travel management system (initiation of travel till settlement of reports)
- Significant advances IT systems both software and infrastructure, continues to offer improved IT driven solutions e.g. analytics, cloud computing, ERP. Here the BPM creates a sound basis for such IT enabled solutions.

### 2) How has the BPM strategy supported achieving business benefits?

- **Facilitated Shared Service implementation** - Shared Services has become one of the most important sources of competitive advantage. Any shared service implementation without a robust business process management does not give the desired results in terms of the value drivers as explained in (1) above. Shared services established purely on the consideration of cost arbitrage will not give business benefits in terms of analytics, decision making, and transactional efficiency
- **Competitive business strengths** - A well thought BPM strategy has and will continue to add business benefits in the long term. These advantages are achieved through analytics leading to efficiency of the decision making process and transactional efficiency through improved IT enabled solutions.
- **Robust internal control framework** - The business processes have become more complex. Further, there has been advent of decentralization of key business processes. The use of IT and shared service models have significantly reduced possibility of an effective oversight of transactions. These situations have potential risks of control failure leading to inaccuracy or fraudulent manipulations. A thorough BPM strategy ensures design of a robust internal control framework and reduces the exposures.

### 3) How and which ERP/Technology have been leveraged to improve the business processes?

Most of the ERP Solutions are designed to achieve BPM strategy. The ERP Solutions ensure the integrity of the data which is one of the most important requirements. On the basis of our experience, SAP is one of the commonly used ERP platforms.

SAP support the business needs through integrated models of Supplier Relation Management (SRM) and Customer Relation Management (CRM). SAP also supports data warehousing and analytics. In my view, all IT solutions integrated with ERP are an ideal foundation for BPM strategy.

### 4) Our Journey so far in Shared Services.

Our journey for Shared Services started in 2004 with the implementation of SAP 4.6C in the place of earlier version of SAP 3.0. The implementation was driven along with development of Shared Service design. The following are the key points.

- i) 'Single Company code' facilitated an integrated processing and reporting of all transactions across all locations.
- ii) Only Standard SAP functionalities were mandated. Any customization or 'carve out' from SAP functionality was subject to an approval by the Executive Director. This ensured standardization of all key business processes
- iii) All the financial transaction processing across all locations was mandated to be transitioned to central Shared Service function at Pune.
- iv) The Shared Service design was mandated to discourage centralization. Every process was transferred to Shared Services only after a thorough process reengineering targeted to achieve the following:
  - a) Standardization of underlying processes across all locations
  - b) Proposed processes must be driven by SAP
  - c) Benchmarking

Our journey of Shared Service so far, thus, is full of achievements in terms of

what a captive Shared Service unit could achieve. Apart from significant process improvements, we have been in a position to contain the resources by 30% despite approximately 100% increase in business volumes/ complexity. We have been successful in developing 'benchmark' practices in many areas. Through analytics we have achieved cost reductions and caused changes in business processes.

## 5) Leadership capabilities and skills

In today's competitive environment, every company has to continuously add to its competitive strengths. A matured and well developed Shared Service function contributes in adding value to the competitive edge of the company in terms of BPM, Analytics and MIS to initiate decision. Considering the expanse the Shared Service concept, its leader should be business manager and must possess the following specific skills/attributes, apart from normal leadership capabilities.

- **Strong Business acumen** - This will include thorough understanding of the business and industry and dynamics of the value drivers
- **Knowledge**- Thorough functional knowledge of BPM
- **Understanding** of sources of competitive advantage of the industry and evolution thereof
- **IT Savvy** – Information technology has been a major driver and facilitator of Shared Services. The person must have an in-depth knowledge enabling IT technology and development.

## 6) Business advantages achieved

The journey of "Shared Services" and the fact that it has emerged as a formidable industry demonstrates its core strength in

terms of value addition.

- BPM with IT enablement has **shaken the geographical barriers** and enabled the companies to take services from many countries including attracting of talent.
- **Created jobs** across continent.
- While cost per se has not remained a competitive advantage unique to an industry or company, the **cost advantage has been passed to the end customer.**
- Cost optimization has enabled the companies to spend more resources on R&D and offer innovative products to the customer.

## 7) Evolution of industry

- a) In terms of evolution of BPM, I would broadly categorize into two groups
  - i) well informed companies, and
  - ii) traditional Companies.

The well informed companies have made a significant headway through BPM by forming captive Shared Services or through outsourcing. These companies have understood the dynamics of creating competitive strengths through matured BPM model. They have made a significant headway by leveraging the process management. The traditional companies however have either undertaken limited BPM efforts or none. Most of the MNCs have undertaken a significant stride

- b) The BPM processes have enabled us to achieve elimination and complete redesign of many underlying business processes. Forty years ago no one would have believed that a graduate sitting in India would approve a warranty claim

on phone for customer calling from US.

- c) Except for core manufacturing, all processes have crossed the geographical barriers.
- d) BPM has driven the development of IT software/hardware to cater to its challenging needs.

## 8) Future of BPM

Since BPM is a core source of competitive strength, it will continue to evolve with continued surge in IT development. In short BPM is a field of endless opportunities.

- Cloud technology and communication technology (smart phone/video phone) will be the greatest contributing factor.

- R&D services will be carried from countries with large talent pools. The IT platforms will be used to monitor/review and testing.



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