



White paper

Choosing a business process outsourcing partner



Summary

Outsourcing some business processes, particularly processes that are not your core area of expertise, can result in a number of benefits, including reduced costs, improved efficiency, and greater flexibility.

However, in order to realize these benefits, you need to have the right partner. This paper lays out an eight-step process for finding a supplier that meets your unique needs.

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Business process outsourcing is booming

No matter what business you're in, chances are good that you either already do some business process outsourcing (BPO), or you are considering it. [KPMG](#) reports, "60% of clients are either considering or planning to assess their outsourcing strategies in the next 12 months."

Market statistics tell a similar story. According to researchers at law firm [Morgan Lewis](#), the BPO sector is likely to see significant continued growth over the next ten years. They forecast that the market will show an expected growth from the 2022 market of \$245.9 billion to \$544.8 billion in 2032, an 8.5% compound annual growth rate (CAGR).

So why is BPO growing so quickly now? After all, BPO is nothing new. Companies have long looked to save money by hiring contractors to handle some tasks. But today's BPO is significantly different than in the past.

Today's BPO might not involve many workers. Increasingly, companies are outsourcing tasks to cloud services that can automate routine workflows, eliminating the need to hire people for work viewed as drudgery. In fact, [Morgan Lewis](#) says cloud has become the number one operating model, and it will account for 69% of the BPO market by 2032.

In addition, today's BPO is often part of a larger strategic effort, like a digital transformation initiative. Chris Damon, a managing director at KPMG, explains that modern BPO is "big-time transformation driven by functional and industry-specific solutions and not just cheap labor."

Why is the current approach to BPO so different than in decades past? The answer has a lot to do with the reasons companies outsource.

Why outsource?

Outsourcing has always been driven by a desire to cut costs, and that motivation remains strong. Many industry analysts say financial considerations remain the number one reason for BPO engagements.

However, the drive for cost-savings tends to be more nuanced today than in the past. Rather than simply seeking out less expensive workers, companies are often looking for ways to make the entire organization more efficient. In many cases, they are looking for highly skilled, experienced workers who can augment the capabilities of their current staff. Outsourcing in these situations can be faster than training workers, or hiring new full-time employees.

And speed is essential for organizations responding to market conditions. [KPMG](#) says, "More and more businesses have turned to outsourcing as a crucial value lever in responding to increasing levels of market disruption, from remote working to talent retention, hyperinflation and business continuity. Companies are leveraging outsourcing relationships as fuel to accelerate the business response to change, as well as boost efficiency and control costs."

The business environment has been changing rapidly the past few years. The pandemic helped organizations realize that remote work can be a very effective business model. In fact, organizations that want to stay ahead of the competition are embracing remote work as an integral part of their strategy. And in a sense, outsourcing is just another form of remote work.





The events of the past few years have also highlighted the fact that disasters are both inevitable and unpredictable. The companies that have best weathered the shocks of recent years are those that were the most flexible. Outsourcing can be a way to increase both flexibility and resilience.

In some parts of the world, governments have also lowered previous barriers to outsourcing. Some organizations are taking advantage of this more favorable regulatory environment, using BPO as a way to lower their tax burden.

BPO also enables companies to focus more intently on their core competencies. They can hire experts to handle necessary secondary business functions, while they focus on innovation and execution of their strategy.

How to find the right BPO partner

While BPO has many benefits, realizing those benefits is not a given.

[Deloitte](#) says, “Business Process Outsourcing (BPO) is like getting married - two parties decide to start a shared future together.” And much like in marriage, your choice of partner has a big effect on how successful that partnership ultimately is.

Another similarity to marriage is that there is no one best partner for everyone. The best choice for you will depend on your unique circumstances. If your organization is considering BPO, the following steps can help you identify the best partner for you and get the relationship off to a strong start:

1. Clarify your goals

Before you begin the process of selecting a BPO partner, think about why you are considering outsourcing. Are you only looking to reduce cost, or is this effort part of a larger strategic effort like digital transformation? Are you looking for highly skilled workers who can handle complex tasks, or do you need to offload some menial work so that your employees can use their time more profitably? How important is speed and flexibility? Is the geographic location of the BPO provider important for your disaster recovery or business continuity efforts?

What is business process outsourcing?

In the simplest terms, business process outsourcing is hiring another company to do work for you.

More formally, [Gartner](#) says, “Business process outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administrates and manages the selected processes based on defined and measurable performance metrics.”

Some of the most familiar forms of BPO are companies offshore their IT help desk or customer support. But these are not the only types of BPO. For example, hiring a third-party to provide accounting, HR, payroll, legal, or marketing services are also business process outsourcing.

In addition, an increasingly common form of BPO doesn't actually involve hiring workers. Many companies outsource some business functions to cloud services in a process sometimes called Business Process as a Service (BPaaS). Gartner defines BPaaS as “the delivery of business process outsourcing (BPO) services that are sourced from the cloud and constructed for multitenancy. Services are often automated, and where human process actors are required, there is no overtly dedicated labor pool per client.”

Analysts say that within the next decade, two-thirds of all BPO engagements will be cloud-based BPaaS arrangements.

[Business.com](#) advises, “It’s important for you to understand that outsourcing isn’t a plug-and-play proposition, but a way to accomplish a specific goal.”

It might seem like the goals of your effort are obvious, however, everyone on the team will see it differently. You will save time in the long run if you make sure that your entire team is aligned on the reasons for outsourcing before you start crafting the scope of work (SOW) or request for proposal (RFP).

2. Determine your needs

Once you’ve outlined and agreed on your objectives, you need to flesh those out with a list of detailed requirements.

For this effort, you’ll probably need input from different stakeholders. For example, you are looking to outsource some mailroom tasks as part of your digital transformation efforts with a goal of improving efficiency. Your current mailroom staff will be able to provide input on the volume and type of mail you receive, which will be a critical part of your requirements.

Because this effort will likely involve a cloud-based service, you’ll also need to talk with your IT team about what technologies will integrate with your other systems. And you’ll need to survey your line of business professionals to find out how often they need to access the information that comes in the mail, and how they would like to be able to analyze it.

Be aware that your list of requirements may grow and change considerably throughout the process of selecting a BPO partner. Starting to gather requirements early will give you an initial baseline that you can refine as you gather more information about your options.

3. Consider security and governance

As you outline your requirements, don’t forget to think about security and governance. Bringing in a third party to handle a business process does not absolve you of

your responsibility to protect customer and employee privacy, and to comply with relevant regulation. On the contrary, it can make compliance more complicated.

Failing to protect your data can have serious consequences. Fines for failing to comply with data privacy regulations can be enormous. For example, the European Union’s General Data Protection Regulation (GDPR) imposes [fines](#) of up to 10 million euros or 2% of a firm’s annual revenue, whichever is greater.

And the cost to a company’s reputation can be even higher, not to mention lost revenues, staff time, and other costs. Recovering from a data breach costs an average of [\\$4.45 million worldwide](#), and in the US, firms spend \$9.48 million per incident.

Security isn’t an issue only for digital BPO – security is also a concern in the physical world. Workers can mishandle or even steal physical documents, putting your company at risk.

A single security breach can easily wipe out the potential cost savings of your BPO efforts. To protect your investment, involve your security professionals early in the process of choosing a partner. You’ll also want to include security requirements in your contract and consider any potential partners’ reputation for security before hiring them.

4. Establish a budget

Figuring out how much you should spend on your BPO can be tricky. In most cases, you’ll want to make sure that outsourcing a particular function ultimately costs less than doing it in-house. That means you’ll need to calculate the total cost of a particular task as it is performed currently.

You’ll also need to calculate the total cost of working with an outsourcing partner. You’ll need to include the cost of the time to train the new staff, and the time for your employees to manage the relationship.

You'll also need to make sure that your budget is fair to your supplier. Consider market rates and figure in any efficiencies that you'll gain through outsourcing.

As with your list of requirements, you will likely need to refine your budget throughout the process, particularly as you start researching what different partners can offer. Remember that the lowest price may not necessarily represent the best value for your organization.

5. Research your options

Once you have goals, requirements, and a budget, it's time to start looking for vendors. In addition to making sure they have the capabilities to meet your needs, consider the following factors:

- > **Track record/reputation** – Find out how long your potential partner has been in business and check their case studies. You can also ask to speak with their existing customers. Business.com explains that this step can provide invaluable insight because “No business can also afford to work with a partner who always misses deadlines, or is not polite to work with.”
- > **Expertise** – It isn't enough for your vendor to be inexpensive if they don't also have the necessary skills to do the work. Business.com advises, “Remember, technical expertise, even though is often overlooked, is crucial for the success of any outsourcing deal. Therefore, you should never choose an outsourcing partner who has expertise in limited technologies, even if they're best in those few technologies.”
- > **Customer Experience** – As you review vendors, consider how different choices will affect your customers. If a particular choice will make things more difficult for them, you probably need to make a different choice. Gartner warns, “Customer service and support leaders find it challenging to select suitable activities for outsourcing that achieve both cost savings and customer experience (CX) benefits.” In some cases, it might be best to keep some functions – like technical support or customer service – in-house and look to outsource other non-customer-facing functions, like human resources or document processing.
- > **Location** – You may need to consider geography. Different countries have different regulatory, tax, language, and cultural implications. Also, you might want a vendor that is in the same time zone as your employees or your customers.

Depending on your circumstances, you might want an on-shore, near-shore, or off-shore vendor, or you may need a partner with global reach.

- > **Flexibility** – Remember that your needs will change over time. Look for potential partners with a broad scope of capabilities that can adapt to changing circumstances.

If your initial search doesn't answer enough of your questions, you can send potential partners a request for information (RFI) to help you narrow down your options.

6. Craft a request for proposal (RFP)

At this point, you have all the information you need to create an RFP that includes the following:

- > An overview of your project, including your goals
- > A scope of work that includes your requirements
- > Your budget range
- > A schedule that includes all the necessary deadlines
- > The criteria you will use to evaluate proposals
- > The metrics you will use to evaluate the success of the project.

Send the RFP to potential vendors you identified in your research. You can expect to get some clarifying questions from vendors that are interested in responding.

7. Choose a partner carefully

After you receive the RFP responses, take time to carefully review each potential candidate. Meet with your entire team to discuss the pros and cons of each vendor.

You may need to schedule additional meetings with the top contenders so that you can ask additional questions, and clarify any information that remains unclear. Often this is the beginning of the negotiating process where you can hammer out the details of your agreement.

Additional meetings can also help you evaluate how responsive the company is, and how willing they are to work with you.

8. Plan for continuous improvement

The work doesn't end when you have selected a BPO partner. Hopefully, it's just the beginning of a long and mutually beneficial relationship.

You can help the relationship succeed by establishing a process for regularly reviewing your relationship. Over time, you and your BPO partner will get to know each other's businesses much better, and that may help you discover new ways to work together to achieve new efficiencies. In addition, your vendor may develop new capabilities that you'll want to take advantage of.

You'll also want to provide feedback so that your supplier can continue to improve in the services they provide.

Business process outsourcing can play an important role in your business strategy, helping you become more efficient and competitive. For more information, including information on how automation can augment your BPO efforts, see ironmountain.com/in/services/workflow-automation.

Iron Mountain Information Management and Content Services Solutions

A growing number of organizations are choosing to outsource some of their information management tasks. Engaging a vendor with expertise in workflow automation and document processing can help you achieve efficiencies that scale throughout your entire organization. And it fits in well with digital transformation efforts.

Iron Mountain offers a range of information management and content services solutions, including the following:

> **Iron Mountain InSight** – This global information management and content services platform is designed to help manage and add structure to your organization's unstructured content, such as documents, audio, videos, and photos. The platform leverages intelligent document processing technology to aggregate and connect physical and digital information, extracting key metadata out of documents and automating document-centric workflows to help you get to relevant information faster.

> **Digital Mailroom** – Eliminate paper at your front door. Whether you plan on going back to the office, remaining virtual, or a combination, freeing yourself from receiving and distributing physical mail is critical to moving forward. This solution enables you to enhance operational efficiency by digitizing physical mail to provide secure access and retrieval for your employees, automating document-centric processes, and connecting your data across platforms.

> **Scan and Store** – Through a combination of document scanning expertise, and a secure, searchable cloud storage repository, Iron Mountain can help you find what you need when you need it most. We can help you prioritize and achieve your goals through a series of backfile conversion and day forward scanning programs. You can even have your inbound physical mail redirected to our secure facilities, and our team of experts will receive, open, and scan your mail.

To learn more, see ironmountain.com/in/services/workflow-automation.



About Iron Mountain

Iron Mountain Incorporated (NYSE: IRM), founded in 1951, is the global leader for storage and information management services. Trusted by more than 225,000 organizations around the world, and with a real estate network of more than 85 million square feet across more than 1,400 facilities in over 50 countries, Iron Mountain stores and protects billions of valued assets, including critical business information, highly sensitive data, and cultural and historical artifacts. Providing solutions that include information management, digital transformation, secure storage, secure destruction, as well as data centers, cloud services and art storage and logistics, Iron Mountain helps customers lower cost and risk, comply with regulations, recover from disaster, and enable a more digital way of working.



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