



WHITE PAPER REPORT

## How a BPO partner in China adds efficiency and cuts costs

### *Fast, high-quality services support many types of companies*

- **Competitive challenges:** Distance, time zones, culture and language no longer limit where companies of any size have customers, suppliers or service providers in this age of seamless commerce between continents. One key to success – and survival – is finding a reliable, experienced business partner who performs essential back-office services at reduced cost *but not* reduced accuracy, speed or security.

Global economic changes and technology advances make it **vital** for companies in a diverse array of industries to examine the benefits of transferring specific businesses processes to a responsive, knowledgeable service provider who re-engineers and executes the functions according to the client’s standards at a guaranteed cost.

As Business Process Outsourcing (BPO) partnerships become increasingly common, companies **lose a competitive edge** unless they trim expenses by letting specialists administer routine support functions.

- **Motivations for action:** BPO solutions let organizations focus on core business operations, improve quality, increase customer response time and reduce capital investment. Instead of using staff, IT resources and office equipment for administrative work, assets can be redirected to the main mission.

While all categories of companies gain competitive advantages, BPO is **particularly valuable for mid-size and small businesses**. Specialized skills, technology and economies of scale let a partner perform services more efficiently and cost-effectively than insiders can.

- **Variety of services:** Outsourced support includes processing applications, orders, invoices and payments, as well as these functions:

Credit transactions; collection; claims verification and adjudication; customer inquiry responses; payroll and employee benefits management; policy renewals; document preparation and management; explanation of benefits; market research; electronic record storage; mailroom services; database creation and database management.

Some companies also convert documents via digitizing, scanning or microfilming. Critical records can be stored in secure Internet repository “vaults” for authorized access, and electronic records can be reformatted.

- **Industries that benefit:** Insurance, financial services, health care, legal, pharmaceuticals, utilities, manufacturing, catalogue sales, direct-mail marketing, transportation/logistics, publishing, government services and others.
- **China's role grows:** China-based specialists provide a **growing share** of BPO for English-speaking clients in North America, Europe and Australia as a result of government support, technical skills, a well-trained workforce, Internet and telecommunications networks that meet international standards, cost advantages and entry into the World Trade Organization.

“Clearly, China is one of the lowest-cost producers in the world,” says a June 2005 report from Temasys International in Singapore, titled “China: Global IT and BPO Outsource Leader.”

- **India clients add China:** A growing number of companies with support operations in India also rely on BPO backup from China to assure uninterrupted services. India's rising costs and uncertain labor supply lead many executives to want a risk-leveraging safeguard.

“In comparison with India, China's costs are shown to be 11 percent lower,” Temasys managing director Bill Lewis writes in his mid-2005 study, citing research by A.T. Kearney, a global management consulting firm based in Chicago.

A January 2005 report from AMR Research of Boston cites other reasons to diversify:

“Companies with offshore experience should mitigate offshore outsourcing risk by moving beyond India in 2005,” writes Lance Travis, vice-president of research. High worker attrition rates, the danger of natural disasters, a hostile relationship with Pakistan and religious strains as reasons why “many companies . . . are looking to non-India locations in order to minimize the risk of geo-political destabilization,” he adds.

Even Indian-owned companies, such as Infosys and Wipro, now develop software in China.

- **Evaluation criteria:** Successful BPO partnerships require a solution provider with industry experience and critical knowledge that exceeds client needs. This lets both parties exchange information smoothly, anticipate each other's requirements and coordinate work flow efficiently. Providers must be intimately familiar with industry standards, regulatory compliance and terms of reference. Ideally, an insightful provider will add value by suggesting innovative approaches to meet needs without increasing turnaround time, cost or in-house actions.

In other words, fluent English skills are just the start – partners also must “speak the same language” in terms of business processes, industry dynamics, quality certifications and competitive pressures. The provider should demonstrate a deep understanding of the client business at a macro *and* micro level. That defines a full BPO **partner**, rather than simply a vendor of off-the-shelf services.

“It is critical that the potential client receives confidence that the supplier brings not only ‘outsourcing credentials,’ but *relevant credentials* to the table,” Temasys managing director Bill Lewis writes in his 2005 report on China as a “Global BPO Outsource Leader.” He adds: “No potential client wants to spend valuable time educating a supplier about details and nuances of the industry.”

In addition to **vertical industry experience**, top-quality BPO suppliers have an experienced full-time staff working around the clock, built-in accuracy safeguards (such as double-key data entry), strict quality assurance procedures with manual reviews, and tested precautions to assure electronic and physical security.

Those are basic guidelines for evaluating BPO proposals. A prospective partner's business background, familiarity with Western commerce and record of progressively sophisticated projects also provide evidence of reliability, initiative, innovation and compatibility.

© 2005, CompuPacific International, Inc.

**CPI** DATA SERVICES  
1.866.485.9660