
Whitepaper

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Driving Value Through Cost Optimization in Business Process Services

Embracing innovation and efficiency to transform business process services for long-term cost savings and growth.



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Introduction

01

Business processes are an essential part of every organization, driving costs in production (direct costs for core processes) and operations (general and administrative services for any corporate). Cost optimization in Business Process Services (BPS), encompassing front, middle, and back-office operations and IT, is crucial for organizational agility, innovation, and maintaining a focused approach towards core competencies. In a competitive global market, cost optimization transcends mere expense reduction and involves strategic improvements in operational efficiency. This involves analyzing and restructuring business processes to eliminate inefficiencies, enhance service delivery, and maximize profitability. Leveraging generative artificial intelligence (gen AI) and AI for business processes is becoming indispensable in this pursuit, offering intelligent insights and automation opportunities that streamline operations and drive cost savings.



In an era where every dollar saved can be redirected into innovation, understanding and implementing cost optimization strategies within BPS can significantly impact an organization's bottom line and overall efficiency. This whitepaper delves into the complexities of cost optimization in BPS, covering its definition, objectives, and benefits. It also explores critical cost drivers and presents strategic approaches for achieving cost efficiency, including centralization, automation, outsourcing, and the application of lean principles.

Understanding Cost
Optimization in Business
Process Services

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Cost optimization in BPS involves identifying and implementing strategies to reduce expenses and improve efficiency in business process operations. The goal is to achieve an optimal balance between cost savings and business value, ensuring superior service delivery while maintaining or reducing operational costs.

Objectives and Benefits of Cost Optimization in BPS

The primary objective of cost optimization in BPS is to streamline operations and eliminate unnecessary expenditures without compromising service quality. This objective brings several benefits:

Enhanced operational efficiency:

Streamlined processes lead to faster turnaround times, better resource allocation, and smoother operations.

Increased competitiveness:

Lower costs allow for competitive pricing, giving your company a market advantage.

Improved profitability:

Cost savings translate to higher profits, which can be reinvestment in core functions or business growth.

Greater agility:

Optimizing costs and processes makes businesses more adaptable. Responding to market changes becomes faster and less expensive, allowing you to seize new opportunities or navigate challenges more effectively.

Key Drivers of Cost in BPS

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Achieving cost optimization requires a clear understanding of the factors that drive expenses. These cost drivers can be internal to the organization, or external (i.e., influenced by market forces).

Here's an overview of the factors contributing to locked-in costs in business processes and the challenges that drive cost escalation:

Labor Costs

According to the US [Department of Labor](#), wages and salaries account for nearly 70% of employer compensation costs for private sector companies in the US. High-quality services increase the need for skilled workers, leading to higher labor costs. Additionally, employee attrition and the associated training costs contribute to these expenses, making cost optimization essential.

Technology and Infrastructure

Global IT spending will surge by 6.8% in 2024, says a [Gartner forecast](#), reflecting significant business investment in hardware, software, and services. BPS providers must prioritize tech upgrades, affecting operational expenses.

Regulatory Compliance

The [2023 Nasdaq Global Compliance Survey](#) revealed that compliance budgets are expected to rise overall, with nearly one-third of respondents forecasting double-digit growth. Costs can spiral due to constant monitoring of regulatory changes, maintaining documentation, and implementing necessary controls and processes to ensure compliance. Moreover, these efforts require dedicated resources and can divert attention from core business activities.

Process Inefficiencies

Redundant steps, manual tasks, and approval bottlenecks lead to wasted time and resources. This translates to higher labor costs, delayed project completion, and, ultimately, unhappy clients.

Scalability Challenges

As businesses scale, operational costs often escalate due to increased demands on technology, workforce, and logistical systems. These may stem from overcapacity, underutilization of resources, or the need to expand infrastructure and personnel rapidly.

Strategies for Cost Optimization in BPS

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Given the significant cost locked in BPS operations, exploring strategies for cost optimization is imperative. Once the key drivers of cost in business operations are identified, you can implement several strategies to optimize costs:

Centralize and Standardize Processes

Centralizing and standardizing processes simplifies business operations by eliminating redundancy, reducing errors, and ensuring higher efficiency in resource allocation. This leads to reduced administrative overheads, lower training costs, and improved service quality.

This can be achieved by bringing previously scattered operations and workflows to a single point of control. Once processes are centralized, establish best practices for how specific tasks should be completed.

Embrace Automation and Technological Innovations

The surging popularity of automation speaks volumes about its effectiveness in cost optimization for BPS providers. Business process automation (BPA) helps to streamline workflows, minimize human error, and free up valuable staff. This translates directly to lower labor costs and a more efficient operation, allowing companies to deliver high-quality services at a competitive price.

According to a [2023 McKinsey report](#), by using existing technologies, companies can automate work activities that take up 60–70% of employees' time.

Consider Outsourcing and Offshoring

Tap into a wider talent pool and lower labor costs by strategically delegating tasks to qualified external providers. This frees up your in-house team to focus on core competencies while ensuring your BPS operations run smoothly.

At 83%, cost reduction was the top objective achieved from global business services (GBS) organizations in 2023, as per a [Deloitte survey](#), and companies continue to focus on it.

Adopt Lean Principles and Continuous Improvement Methodologies

Clearly define value for clients, map workflows to pinpoint inefficiencies, and foster a culture of constant improvement. Lean principles and methodologies like Lean Six Sigma help in optimizing business processes by reducing labor costs and resource consumption. This results in a more efficient BPS that delivers high-quality services while maintaining cost-effectiveness.

Data Transformation

Data transformation is critical in optimizing business processes. Poor data quality can lead to inefficiencies, such as delays, errors in decision-making, and increased operational costs. Effective data transformation involves cleaning, normalizing, and integrating data from various sources, thereby enhancing the accuracy and reliability of the information used across business functions. It also supports advanced analytics and automation initiatives, further driving operational efficiency and cost savings in BPS.

Areas Where Cost Optimization
Can Be Implemented

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Cost optimization in business process services requires a tailored approach that considers the unique aspects of your operations and focuses on identifying areas for enhancing efficiency and profitability. Some of these areas include:

- **Cost optimization through global business services (GBS):** Scrutinize centralized services like HR, IT, or finance within your BPS operations. Streamline processes and potentially leverage shared resources across different locations for cost savings.
- **Cost optimization through process automation:** Identify repetitive, manual tasks within your BPS workflows. Implement Intelligent Process Automation (IPA) to free up staff time and reduce human error, leading to cost reductions.
- **Cost optimization through gen AI in content and marketing operations:** Optimize content creation and marketing workflows using gen AI. This involves automating content distribution, leveraging marketing automation tools, and analyzing data to target campaigns more effectively, all of which reduce manual efforts and associated costs. Gen AI enhances content marketing agility by effortlessly scaling content creation and transforming strategies into customer-focused initiatives that resonate deeply with your audience. It achieves cost optimization by automating SEO tasks, social media management, and multi-channel campaigns, providing data-driven insights to fine-tune marketing efforts, enhancing content personalization, and mitigating online risks through advanced analytics.
- **Gen AI for cost optimization in customer experience (CX):** Utilize gen AI-powered analytics, bots, and virtual agents to transform customer experience (CX) while optimizing operational costs. Gen AI-powered chatbots and virtual assistants can handle a wide range of customer service inquiries 24x7, providing instant responses and reducing the need for a large customer service team. **Gen AI-powered CX solutions** can help businesses personalize interactions and deliver human-like omnichannel contact center experiences across multiple touchpoints. Meanwhile, advanced analytics can predict customer needs, ensuring swift, zero-queue interactions, while cloud-based solutions offer uninterrupted uptime and integrate CX channels to reduce wait times. By leveraging these technologies, businesses can significantly reduce labor costs, increase efficiency, and improve customer satisfaction.

Hexaware: Your Partner in
Growth and Efficiency

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Recognizing the critical importance of cost optimization in BPS, Hexaware empowers clients with world-class products, services, and solutions designed to streamline operations, reduce overheads, and foster a culture of continuous improvement.

Case Studies

Focus Area	Client	Challenge	Solution	Benefit
Global Business Services: Cost Optimization Through Finance Ops Transformation	A global B2B brand specializing in professional in-house printing solutions	Enterprise-wide transformation journey to optimize finance and sales administration operations across 11 European countries	<ul style="list-style-type: none"> Establishment of a flexible finance shared service center (SSC) Automation leveraging S/4HANA and RPA Multi-language support 	<ul style="list-style-type: none"> 75% reduction in total cost of operations (TCO) for finance Enabling funding for S/4HANA implementation 60% reduction in manual efforts
Intelligent Process Automation: Enabling Intelligent Automation Center of Excellence (CoE)	A European insurance provider with a wide range of life and non-life insurance products	Error-prone manual processes, scalability issues, cumbersome legacy applications, and sub-optimal employee utilization	<ul style="list-style-type: none"> Setting up an intelligent automation center of excellence (CoE) to implement specialized bots across the enterprise 	<ul style="list-style-type: none"> 100% process standardization and automation 96% reduction in processing time
Content and Marketing Ops: Improving Content Marketing for a North American Airline	A North American airline operating more than 1,600 scheduled flights daily	Creating more engaging passenger experiences and encouraging direct bookings on the airline's website	<ul style="list-style-type: none"> Executing programmatic advertising on social media platforms Generating original content through a 'journalist on demand' solution Developing a unified dashboard to manage budgets and monitoring the performance of digital media channels 	<ul style="list-style-type: none"> 20% reduction in cost due to improved time management 55% direct digital conversion rate 31% improvement in traffic across multiple sources
Customer Experience: Contact Center Implementation for a UK Insurer	A UK-based provider of life insurance, income protection, investments, and retirement income solutions	Outdated infrastructure and limited control over their contact center technology	<ul style="list-style-type: none"> Recommended an omnichannel contact center solution to meet the client's existing business needs and future modernization initiatives Took end-to-end ownership of the contact center transformation process 	<ul style="list-style-type: none"> 30% lower contact center expenditure

By leveraging cutting-edge technologies, innovative strategies, and a deep understanding of industry dynamics, Hexaware positions itself as the ideal partner for businesses worldwide in their pursuit of growth and efficiency.

Implementation Framework for Cost Optimization in BPS

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Implementing cost optimization initiatives within business process services requires a structured approach to ensure successful execution and sustainable results. Here is what businesses can do:

Step 1: Conduct a Comprehensive Audit

Thoroughly assess your current processes, technologies, and expenditures to identify areas where efficiency gains and cost reductions are possible. This audit should cover all aspects of operations, from labor and technology to procurement and facility management.

Step 2: Set Clear Objectives and KPIs

Define specific, measurable objectives for your cost optimization efforts. Establish key performance indicators (KPIs) that align with these objectives, enabling you to track progress and measure success accurately. The next section of this whitepaper covers these KPIs and methodologies in detail.

Step 3: Develop a Strategic Plan

Based on the audit findings, outline the initiatives to be implemented, resources required, timelines, and responsible parties. This plan should also consider potential risks and mitigation strategies.

Step 4: Optimize Labor and Workforce Management

Reevaluate staffing models and workforce allocation. Consider outsourcing non-core activities, adopting flexible staffing solutions, and training employees to enhance productivity and reduce labor costs.

Step 5: Implement Process Improvements

Apply lean management principles and continuous improvement methodologies to streamline operations, eliminate waste, and improve service delivery efficiency.

Step 6: Monitor, Measure, and Adjust

Continuously monitor the implementation of initiatives against set KPIs. Use data and feedback to measure effectiveness and adjust strategies and processes.

Measuring and Monitoring
Cost Optimization Efforts

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The following KPIs are essential for evaluating cost optimization in BPS:

- **Cost savings:** Measure reductions in operational costs, either as a percentage or in absolute dollars, compared to previous periods.

$$\text{Cost savings} = ((\text{Cost before optimization} - \text{Cost after optimization}) / \text{Cost before optimization}) \times 100$$

- **Process efficiency:** Track improvements in processing times and throughput before and after optimization efforts.

$$\text{The overall efficiency of the process} = \text{Production time} / \text{Total process time}$$

Where:

- Production time is the actual time spent producing the output.
- Total process time includes all time spent in the process, such as setup, waiting, and production.

- **Labor productivity:** Gauge changes in output per employee or per hour worked to assess the effectiveness of workforce optimization and automation.

$$\text{Labor productivity} = \text{Value of goods and services} / \text{Total number of hours worked}$$

- **Quality metrics:** Assess reductions in error rates or improvements in customer satisfaction scores to ensure optimization efforts enhance service delivery.

$$\text{Quality improvement} = ((\text{Error rate before} - \text{Error rate after}) / \text{Error rate before}) \times 100 \text{ (for error reduction) OR Customer satisfaction score (current) - Customer satisfaction score (previous)}$$

- **ROI on technology investments:** Evaluate the return on investment for technology implemented as part of cost optimization strategies.

$$\text{ROI} = ((\text{Benefits} - \text{Costs}) / \text{Costs}) \times 100$$

- **Compliance and risk metrics:** Monitor compliance rates and risk incidents to mitigate potential negative impacts on regulatory compliance and operational risks.

$$\text{Compliance rate} = (\text{Number of compliant processes} / \text{Total processes}) \times 100$$

Tools and Methodologies for Tracking and Monitoring Cost-saving Initiatives

- **Cost tracking software:** Automate data collection and generate reports on expenses associated with BPS processes.
- **Earned value management (EVM):** Tracks the value of work completed compared to planned costs, identifying potential cost overruns.
- **Key performance indicators (KPIs):** Define specific metrics like turnaround time, error rates, and costs to measure the impact of cost-saving initiatives.
- **Variance analysis:** Compares actual costs with budgeted costs to identify areas exceeding budget and needing attention.

Challenges and Solutions in Cost Optimization for BPS

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Navigating cost optimization in business process services requires balancing expense reduction with maintaining service quality. Resistance from employees and management to new processes and technologies can hinder progress.

Identifying optimization areas without disrupting critical functions is complex, especially in intricate BPS environments. Furthermore, staying competitive demands continual investment in new technologies, posing implementation challenges.

Here is what organizations can do:

- **Implement comprehensive change management strategies,** including clear communication and training programs, and involve employees in the planning and implementation phases. Demonstrate the benefits of change and provide support throughout the transition to mitigate resistance.
- **Utilize data analytics and benchmark** against industry standards to identify inefficiencies and areas with the most significant cost-saving potential.
- **Establish a dedicated team to monitor technological trends** and assess its applicability and potential ROI. Adopt a phased approach to technology implementation, starting with pilot projects to evaluate effectiveness before full-scale deployment.
- **Design scalable processes and systems** leveraging cloud solutions and flexible service models that can easily adjust to changing demand levels.

Future Trends and
Opportunities

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Accelerated planning timelines, intensified cost-reduction goals, and hybrid work arrangements are redefining how organizations approach their business operations. As the business landscape continues to evolve, several key trends and opportunities are emerging to shape the future of business process services and cost optimization:

- **AI and gen AI for business processes:** As organizations aim to manage long-term costs through automation, BPS providers will continue to adopt sophisticated AI and ML technologies to automate processes, improve decision-making, and deliver personalized experiences to drive savings. According to [McKinsey's 2024 The State of AI](#) survey, 67% of respondents expected their organizations to increase investments in AI over the next three years. In terms of cost reduction, gen AI had the maximum impact on human resources while analytical AI provided cost benefits in service operations, the survey added.
- **Cloud adoption:** By 2025, 51% of enterprise IT spending (across application software, infrastructure software, business process services, and system infrastructure) is expected to move to the cloud, says [Gartner](#). This could be seen as a part of IT cost optimization efforts worldwide. The move to the cloud will continue offering scalability, flexibility, and efficiency while reducing infrastructure costs.
- **Focus on sustainability:** Integrating environmental, social, and governance (ESG) considerations into cost optimization practices reduces expenses and aligns with corporate sustainability goals, enhancing brand reputation and customer loyalty.
- **Blockchain integration:** While still in its early stages of adoption for BPS, blockchain offers the potential for streamlining processes, improving data security, and reducing administrative costs associated with verification and approvals.
- **Data analytics:** Advanced analytics enables enterprises to gain deeper insights, identify inefficiencies, and make data-driven decisions, supporting agile and informed cost management strategies. Apart from this, data analytics and gen AI could help identify potential product/service gaps and opportunities for cross-selling/upselling, thereby unlocking new revenue streams.

Conclusion

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Navigating the evolving landscape of **business process services** requires a strategic approach to cost optimization. The imperative to reduce expenses while maintaining or enhancing service quality has never been more critical. Implementing advanced solutions such as AI, gen AI, machine learning, and cloud computing can substantially improve operational efficiency and save costs. Adapting to emerging trends and technologies will be essential for organizations aiming to enhance efficiency and remain agile in a rapidly changing market.

Hexaware's approach to cost optimization focuses on leveraging technology and data analytics to identify inefficiencies and implement effective strategies. By integrating sustainability, customer-centric methodologies, and continuous improvement practices, Hexaware helps clients achieve their cost optimization goals. This strategic focus on both cost reduction and quality enhancement positions organizations to thrive in a competitive BPS sector, ensuring long-term growth and sustainability.

To learn more about Hexaware can help your business optimize costs through outsourcing solutions, contact us [here](#) or mail us at marketing@hexaware.com.

About Hexaware

Hexaware is a global technology and business process services company. Our 31,000+ Hexawarians wake up every day with a singular purpose; to create smiles through great people and technology. With this purpose gaining momentum, we are well on our way to realizing our vision of being the most loved digital transformation partner in the world. We also seek to protect the planet and build a better tomorrow for our customers, employees, partners, investors, and the communities in which we operate.

With 54 offices in 28 countries, we empower enterprises worldwide to realize digital transformation at scale and speed by partnering with them to build, transform, run, and optimize their technology and business processes.

Learn more about Hexaware at www.hexaware.com

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