



Rialtas na hÉireann  
Government of Ireland

# Focus on Global Business Services & BPO

December 2018

# Global Business Services & BPO (Business Process Outsourcing)

A strong track record for performance and a need to ensure that enterprises keep abreast of leading edge technological developments and innovation



## GLOBAL MARKET SIZE

**\$140bn**

BPO Services in 2016



**\$164bn**

Growth forecast by 2021

Source: Global BPO Services, Marketline, March 2017



## Automation

is on course to deliver 40% of all transaction accounting work by 2020

Source: Global Business Services Vision 2017 and Beyond, IDA Ireland

Ireland has a strong track record in attracting global business services activities from global firms



## GBS Network

is an industry networking and learning initiative supported by IDA Ireland and with a steering committee of site leads from the largest centres in Ireland.



## BPO Cluster Ireland

was awarded funding by Enterprise Ireland to bring together key indigenous BPOs to form a cluster group to actively promote the BPO sector in Ireland.

## EMPLOYMENT

**45,000**



Employed in the broader GBS sector

Source: IDA Ireland, 2018



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Prepared by the Department of Business, Enterprise and Innovation

## The sector in numbers

	Market Size	Growth Forecast
<b>Global<sup>i</sup></b>	BPO services \$140bn (2016)	BPO services \$164bn (2021) 5-year CAGR, 3.22% (2016-2021)
<b>Ireland<sup>ii</sup></b>	45,000 employed in GBS sector, approx. 5,000 <sup>iii</sup> in indigenous enterprise	

i) Global BPO Services, Marketline, March 2017

ii) 2017 Annual Employment Survey

iii) does not include Financial Business Process Services, which employs 6,655 separately.

## Description of the sector globally

These activities are relevant to most – if not all – sectors:

- **Global Business Services (GBS):** Centralised activities within a multi-site global corporation that include financial, accounting, legal, procurement, customer experience support and multi-channel sales – often involving a range of high value added and complex functions/activities that require key decision leaders in situ.
- **Business Process Outsourcing (BPO):** The contracting of a specific business task to a third-party service provider. BPO involves a range of activities including: finance and accounting (FAO), administration; customer management services including technical support; human resources; and knowledge process outsourcing (KPO).<sup>1</sup> BPO is usually categorised in terms of Front Office Services (customer facing) and Back Office (data management and processing). There are four main service models for BPO – people for process; client platform; provider platform; and Business Process as a Service (BPaaS).
- The United States and Europe are the largest BPO markets accounting for 42.3% and 35.8% respectively of the global market. However, in the Asia Pacific region there are some very large and highly developed players dominated by Japanese companies with some very large Chinese players starting to emerge.
- In Europe, the UK is the biggest BPO market in value terms and is 4 times the size of the French market, which is the second largest market in Europe.

## Global developments and implications

- The Global Business Services market has evolved from the traditional cost savings model of shared services centres delivery of services to encompass value adding activities and providing integration of governance, locations and business practices to all shared services and outsourcing activities.

<sup>1</sup> KPO – business process outsourcing based on strong technical or sectoral knowledge, e.g. legal, healthcare, sector specific regulation etc.

- The growth of digital, automation and analytics is having a disruptive and transformative effect on GBS and BPO. New technologies, like artificial intelligence (AI) and machine learning, are revolutionising business services. These technologies offer robotic process automation ('RPA'), the governance and use of technology, to run processes or sections of processes on core business applications, for example Excel, Oracle, and SAP. RPA technology can replicate the same steps as human beings in these processes. Automation is on course to deliver 40% of all transaction accounting work by 2020.
- The significant disruption to the sector over the medium term resulting from increased use of robotics and artificial intelligence (or automation that hinges on intelligence which creates capability to analyse and perform functions like an actual person) has implications for employment and skillsets. Nevertheless, while new technology may be digital and automated, human intervention will likely be still needed for analytical work as well as design, programming and reviewing.
- By 2020, digital services, automation and AI will convert 60% of Business Process Service providers' current "people-centric" business models to "business-services-centric" model, reducing employee requirements by 65% while digital, automated and advanced analytics services will account for 45% of the total CM BPO service provider revenue. This will facilitate a new wave of M&A – driving five of the top 20 BPO service providers to either cease to exist or merge with another provider.<sup>2</sup>
- Customer expectations are driving change in the industry. Users, both external and internal, are demanding more from their service experiences and expect access from everywhere, intuitive features and a personalised experience. Advancements in analytics will enable organisations to adapt to this change, with deeper analytics giving organisations the capability to identify opportunities, to pre-empt customer needs and use automation to proactively personalise services.
- Vertical BPO is the largest segment of the sector accounting for 28% of the market. This is followed by CRM, HR, Finance & Accounting (F&A), KPO and Procurement.

### The sector in Ireland

- Ireland has a strong track record in attracting global business services activities from global firms – in finance, accounting and treasury management, supply chain management, customer technical support, sales and customer experience (CX), and increasingly a wider range of headquarter activities. Global firms operating centralised functions from Ireland include IBM, HP, Kelloggs, Cook Medical, Facebook, PayPal and Hertz.
- A number of indigenous BPO firms have emerged over the past decade, providing services in financial transactions, IT, HR, technical support, sales and customer experience.
- Non- agency supported in-house customer experience centre functions includes firms such as VHI, Aviva, Zurich, and Aer Lingus, range from small scale to larger scale. They offer services direct to consumers in Ireland from reservations and problem solution to cross-selling and up-selling.

<sup>2</sup> Predicts 2017: The Future State of Business Process Services and Outsourcing, Gartner, November 2016

- Increased competition from low cost economies and greater labour arbitrage opportunities make it harder for Ireland to differentiate from a pure cost perspective. Service providers based in Ireland demonstrate competences in niche functions which gives competitive advantage over non-specialist providers. They demonstrate an ability to own and design processes to meet customer needs, develop strong customer relationships, to meet high standards of excellence and innovation and operate at the leading edge in new services such as Advanced F&A, Commercial Services, Data Management and Analytics.
- With FCR (First Call Resolution) cited as the top indicator of operational performance, Ireland is best placed to secure work relocating from low FCR countries with the high-quality service offering here.
- Ireland's success has created greater demands of skills in some areas such as process automation and analytics, Ireland will require an increased flow of graduates and access to skills through net immigration from the EU to meet demands.
- Changes in US regulations may result in US companies reassessing their overseas location strategies, which could have a direct impact on Ireland. The recent European Court of Justice ruling that insurance companies must pay value-added-tax (VAT) on the value of work that has been outsourced (including activities such as handling claims and other back-office functions) may also have an impact on companies working in this sector in Ireland.

## Ecosystem

- Innovation in Services and Business Processes is a Government research priority area and relevant investments in research and technology centres include:
  - IVI (Innovation Value Institute) developed the IT Capability Maturity Framework (IT-CMF) for managing IT value and IT enabled innovation, ADAPT (User experience/multimodal media, Artificial Intelligence) works with a range of companies including PayPal, Symantec and FPD.
  - CeADAR (Centre for Applied Data Analytics Research) integrates with the Insight Centres for Data Analytics (located in UCD, DCU, UCC and NUIG) and others and collaborates with industry partners including Realworldretail, State Street, Inflight Dublin, and Accenture – demonstrating the breadth of sectors for which their research delivers value.
- IDA Ireland offers a range of supports to organisations, including:
  - Practical: GBS Vision, Development Path and Support Materials; Introductions to reference sites and other practitioners; Support for Corporate Targeting
  - Financial: Consulting and Advisory Funding to Support Transformation; Funding to Support Training Plans to Facilitate Transformation; R&D Feasibility Funding for Technically Complex Automation Projects
  - the GBS Network – an industry networking and learning initiative (supported by IDA and with a steering committee of site leads from the largest centres in Ireland).

- BPO Cluster Ireland was awarded funding by Enterprise Ireland to bring together key indigenous Business Processor Outsourcers (BPOs) to form a cluster group to actively promote the BPO sector in Ireland. This is a cluster development initiative focused on scaling the sector and growing turnover and employment.
- Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA) and Skillnet Ireland provide courses which are directly relevant to the GBS sector.

## Relevant Reports

*Click on hyperlinks below*

- [Global Business Services, A National Strategy, Vision 2017 and Beyond, IDA, 2017](#)
- [Digital Transformation: Assessing the Impact of Digitalisation on Ireland's Workforce, Expert Group on Future Skills Needs, December 2018](#)
- [Ireland's customer contact sector: Engaging talent in a changing environment, Deloitte, 2016](#)

## Key actors

**Government:** Department of Business Enterprise and Innovation

**Agencies:** IDA Ireland, Enterprise Ireland

**Industry:** Global Business Services Network Ireland, Customer Contact Management Association (CCMA), Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA)

## Recent Developments

### Company Developments

- US law firm Tully Rinckey has been approved to commence the practice of law by the Law Society of Ireland and has opened its European headquarters in Dublin (July 2018)
- Ireland's largest provider of corporate health and wellness programmes, Spectrum Wellness, has announced it is creating more than 100 new jobs in Dublin (July 2018)
- Irish Business Process Outsourcing Multinational Abtran to create 350 new jobs in Sligo (June 2018)
- International law firm Pinsent Masons has marked the formal launch of its Dublin office entry into 1 Windmill Lane, SOBO (March 2018)
- Leading law firm Lewis Silkin LLP announced the establishment of a new office in Dublin and the expansion of its role within Ius Laboris, the world's leading employment law practice (March 2018)
- Global B2B sales and marketing firm N3 will grow its Ireland team to 200 fulltime jobs by the end of 2018 (January 2018)

- Equifax Inc., a global information solutions company headquartered in Atlanta, Ga., announced the creation of 150 new jobs in Dublin over the next 12 months, bringing its total Irish workforce to more than 350 (January 2018)
- CarGurus, a global online automotive marketplace, announced expansion of its European headquarters, a move which will help to create new jobs across most areas of its European operation (November 2017)
- Fragomen announced the opening of its new office in Dublin to service its portfolio of multinational clients in market, recruiting a specialist team of immigration professionals at all levels. The team will expand to include 20 specialists within the next six months (October 2017)
- ThinkSmart, provider of powerful Business Process and Workflow Automation software and solutions, announced the opening of its Ireland office. The company plans to hire 20 people in Sales, Customer and Support roles (February 2017)
- Indeed, the world's largest job site, today announced expansion plans for its Dublin-based headquarters for Europe, the Middle East and Africa (EMEA), adding 500 new employees over the next two years (February 2017)
- InsideSales, sales lead management company plans to create 120 new jobs over the next three years as part of its expansion into Ireland (January 2017)
- EY, professional services firm, has announced the opening of its new expanded office space in Limerick and plans to create 100 new jobs in the next 3 years (December 2016)
- Voxpro, business process outsource firm, has announced the creation of 400 new jobs at a new office in the Point Village (December 2016)

#### Sector Developments

- Through the Regional Enterprise Development Fund, Enterprise Ireland awarded funding to BPO Cluster Ireland to bring together key indigenous Business Processor Outsourcers (BPOs) to form a cluster group to actively promote the BPO sector in Ireland. This is a cluster development initiative focused on scaling the sector and growing turnover and employment. This cluster has the opportunity to seize emerging opportunities by collaborating together in a formal and structured way (December 2017).