



Rialtas na hÉireann
Government of Ireland

Focus on Global Business Services & Business Process Outsourcing

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Global Business Services & Business Process Outsourcing

Description

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).¹ 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).

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

Snapshot

		Market Size	Growth Forecast
Global ⁱ	BPO Services	\$144.9 billion (2017)	\$185.2 billion by 2022
Europe ⁱⁱ	BPO Services	\$ 51.5 billion (2017)	\$65.7 billion by 2022
Ireland ⁱⁱⁱ	50,000 employed in GBS sector		

- i. Global BPO Services, Marketline, April 2018
- ii. BPO Services in Europe, Marketline, April 2018
- iii. IDA Ireland figure

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

Pre-COVID-19 Position

The Global Business Services and Business Process Outsourcing Sectors globally were being revolutionised by advances in technology and automation and transitioning to increasingly value added, knowledge based and personalised services.

- The Global Business Services market had evolved from a traditional cost savings model of shared services centres to encompassing value adding activities.
- The growth of digital, automation and analytics was having a disruptive and transformative effect on GBS and BPO. Robotic process automation technology was on course to deliver 40% of all transaction accounting work by 2020.
- The significant disruption to the sector over the medium-term 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.
- Customer expectations are also driving change in the industry.
- 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 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, the second largest market in Europe.

Ireland has a strong track record for performance

- 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, Kellogg's, Cook Medical, Facebook, PayPal and Hertz.
- Several indigenous BPO firms have emerged over the past decade, providing services in financial transactions, IT, HR, technical support, sales and customer experience.
- 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.
- 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 had 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.
- Enterprise Ireland client company exports in the Business Process Outsourcing sector increased to €622 million in 2018, up 6% on 2017.
- Depending on the outcome of any future EU-UK Free Trade Agreement post Brexit, exports of such services to the UK and vice versa may be significantly impacted.

Impact of COVID-19

GLOBAL

- BPO companies and third-party service providers are grappling to keep up with changing work conditions. With remote working being an alternative that has not been tested or implemented much by BPOs in the past, it remains to be seen how the future of the industry shapes up in the coming years.²
- BPO companies around the globe have leveraged a range of strategies to keep their businesses afloat, while putting employee safety at the centre of their efforts including moving from localized BCP to a distributed workforce model, multifunctional versus siloed functional centres/shared services and accelerated standardization and platform services.
- According to a recent Deloitte report, the COVID-19 pandemic has challenged convention in the sector and required changes, many of which may have led to better performance. The new GBS and shared services normal will likely include operational practices that were previously thought to be impossible in the sector. Deloitte anticipates that most of these new practices and learnings from the pandemic will become the basis of a "new normal" for the sector. These include opportunities to increase virtual work, expand scope in remote delivery models, revamp Business Continuity Plans, automate and enhance security, and build greater business resiliency to help be better prepared for any future crisis. Deloitte expects GBS and shared services organisations to not only survive, but to thrive in the post-COVID-19 pandemic world.³

² <https://www.gep.com/mind/blog/the-impact-of-covid-19-on-the-bpo-industry>

³ <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-covid-19-global-business-and-shared-services.pdf>

NATIONAL

- The impact of the COVID-19 pandemic has been particularly evident in Content, Consumer and Business Services and among IDA clients whose services and activities are in or are closely linked to the travel and hospitality sector, in addition to consumer facing activities such as customer services and business process outsourcing (BPO).⁴
- The make-up of the FDI base in this sector is largely in two defined groups: Technology Development (Travelport, LufthansaRiM, Deem, Sojern, TripAdvisor, ToastLabs) and Regional Ops/Support (Marriott, RCI, Uber, AirBnB, LonelyPlanet, Eventbrite, Viagogo, Adara, Lime, FreeNow, Hertz, British Airways). Both activity areas have seen significant numbers of jobs impacted during the crisis due to the immediate fall-off in demand arising from travel restrictions.
- Some BPO companies have won public sector contracts in recent months although there is a high degree of uncertainty in this sector.

Issues, Opportunities and Challenges for the Sector

- There is a risk of future job losses if companies choose to scale back their consumer businesses and/or reduce discretionary spending, for example on digital advertising.
- Although demand has decreased during the pandemic, new practices adopted during the pandemic may present opportunities for the sector to rebound and thrive over the medium-term.

⁴ IDA Ireland