

INNOVATION NATION

Interview with Frank D'Andrea of
Hydro One.

BPO's Next Wave of
Robotic Process Automation

Capgemini's
BPO as a Stack
Delivers Growth in 4 Steps

Why Business Process
Outsourcing is on the Menu for
Restaurant Chains

Blogs from our
BPO Experts

Center Spotlight
Nanhai



A message from the **CEO**

Christopher Stancombe

CEO, Capgemini BPO



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As *Innovation Nation* enters its third year of publication, I think it is becoming an interesting record of our continued progress and development.

Last year I urged our clients, partners and colleagues to take inspiration from our tremendous achievements and to 'Expect More' – from the BPO industry, from the market and from each other. This latest edition is full of examples of why this is more than just talk:

You can read our thoughts on Robotic Process Automation and Artificial Intelligence (AI) – cutting edge technologies that will have an increasing role to play in our industry. It seems like AI has rarely been out of the headlines recently and it is a topic that grips people's imagination. Our business process expertise puts us in a fantastic position to cut through the hyperbole and focus on the real business value in this exciting area.

Continuing the innovation theme in a different direction, Andrzej Hutniczak offers his take on how treating BPO 'as a stack' can transform the way people procure and manage business process services.

As ever, we value the contributions from our clients hugely and I'm delighted that Hydro One have been able to share their experiences here, especially given that they have accompanied us on this journey for so many years.

There's plenty here to make us proud, but also to challenge our thinking. These articles are featured on our website, so any of you can join the debate there and you are all welcome to offer your views.

I look forward to continuing the conversation!

Inside this Issue

10

Innovation Nation Interview with Frank D'Andrea

Innovation Nation sat down with Frank D'Andrea, Director of Outsourcing Services for Hydro One.

18

What can Artificial Intelligence do for your business processes?

How much 'human' work can machines really get done for us? Can we ever make computers that will 'think like us'?

22

For Business Process Outsourcing, the Stack is the New Black

In fashionable outsourcing circles, it is whispered that, "stack is the new black."

30

Contract Lifecycle Management

When people think about analytics, they often think of hard numbers being collected, aggregated and then arranged in insightful ways.

12

BPO's next wave of Robotic Process Automation – a virtual workforce unlocking value...

Across industry, robots have revolutionized the way companies operate. Most famously that happened in a manufacturing context with the robotic vehicle assembly lines. Now, though, the next wave of Robotic Process Automation (RPA) is hitting the back office.



32

Why BPO is on the Menu for Restaurant Chains

The sector is starting to view outsourcing a stack of internal functions as a source of cost savings, efficiencies, and competitive advantages.

34

Who Is the 'New Breed of CFO'?

Great things are expected of today's CFO.

36

Capterio Wins Major Contract with Office Depot Inc.

Contract expansion secured to support Office Depot and OfficeMax merger integration.

38

Capterio positioned in the Winner's Circle by HfS Research

Capterio announced that it has been positioned in the "Winner's Circle" in the HfS Blueprint Report: Finance and Accounting BPO.

6



Centers of Excellence:

A look at some of our centers' innovations and achievements.

8



Center Spotlight: Nanhai, China

A glimpse into one of BPO's key delivery locations.

20

PROFESSIONAL Outsourcing RESOURCES

Automation will revolutionize Outsourcing

Christopher Stancombe, CEO of Capterio BPO, talks automation.

25

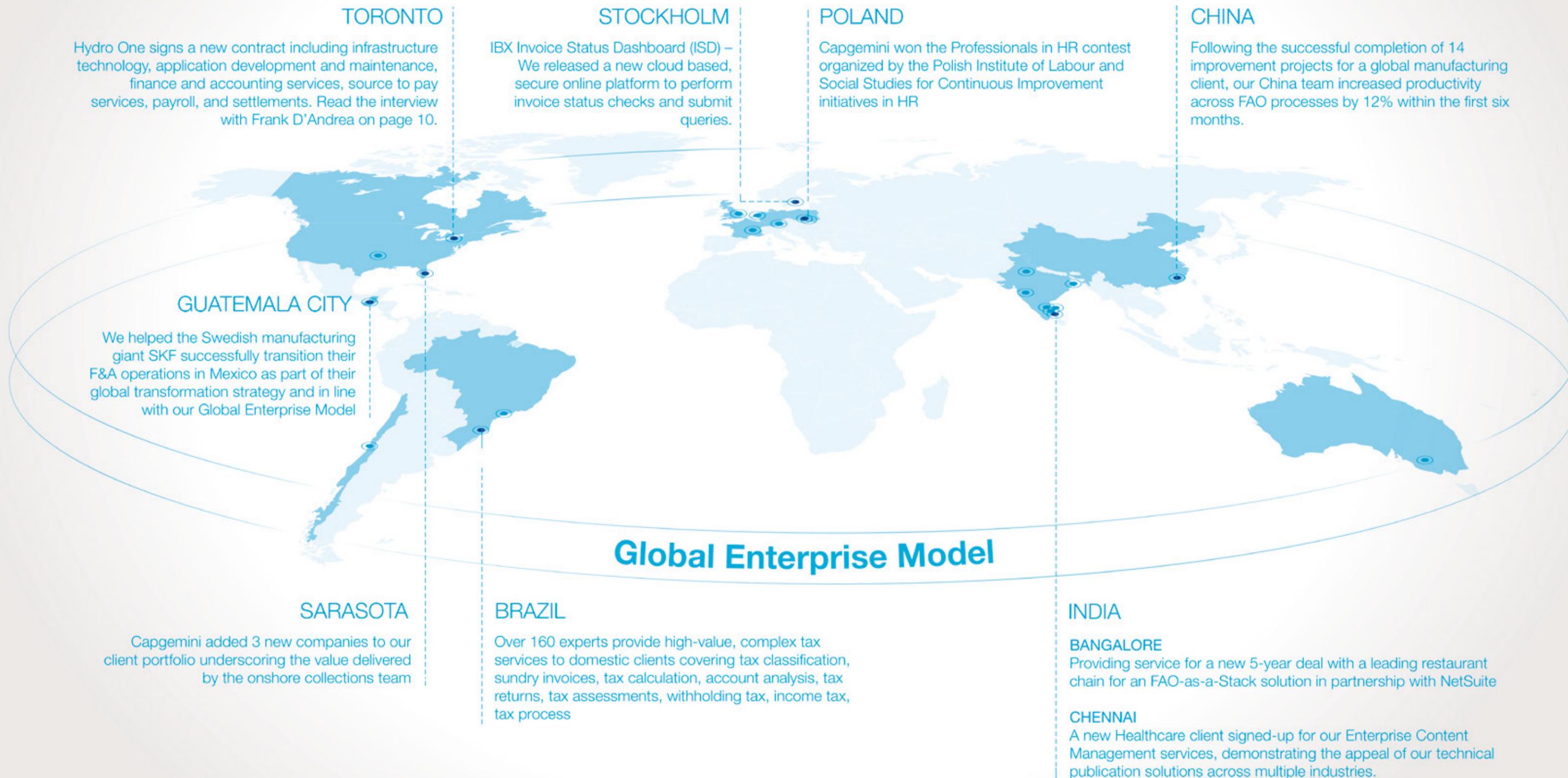


Capterio's Technology-Enabled BPO Delivers Growth in 4 Steps

A step-by-step approach to BPO as a Stack.

Centers of Excellence:

A look at some of our centers' **innovations** and **achievements**



Center Spotlight: Nanhai, China

Fast Facts:

FTEs: 1,100

Languages supported: 10 including Chinese (Mandarin and Cantonese), English, Japanese, Korean, Thai, Indonesian, Vietnamese, Spanish

Clients served: 20 across various industries including Consumer Products, Retail, and Distribution, Manufacturing, Financial Services, Media and Entertainment, and Utilities

Services:

- Finance & Accounting
- Human Resources
- Supply Chain Management
- Procurement
- Customer Operations
- Master Data Management

Why China?

Breadth and depth of delivery capabilities

- Diversified outsourcing solutions from Finance & Accounting to Supply Chain Management and Customer Operations Management
- Country expertise in the Greater China region and North & South Asia

Beneficial Location & Language/Culture similarity ensures smooth delivery to APAC Countries

- Time zone proximity for major Asian countries, conveniently on central operating hours. E.g. Japan (+1), Australia (+3), India (-2.5)
- Availability of English plus main local Asian-Pacific languages
- Strong government support both locally (nominated as “Sampler Corporation” by provincial Hi-Tech Zone governmental office) and nationally (recognized as one of 100 outstanding outsourcing companies countrywide and appointed among “Key Contact Outsourcing companies” by China Department of Commerce)

Superb talent management process

- The universities and colleges in the region produce more than 400,000 graduates each year, from which we draw our talent
- 40% of junior to mid-level staff are offered new opportunities annually, leading to highly motivated delivery teams
- 116 certified FAO GEM experts; 11 certified GEM Academy Facilitators/Trainers.

World class standard Service Delivery Center

- Quality Assurance Certification: ISO 27001, ISO 9001
- Ongoing service management & continuous improvement



Innovation Nation Interview

Innovation Nation sat down with Frank D'Andrea, Director of Outsourcing Services for Hydro One.



Frank D'Andrea
Director, Outsourcing Services, Hydro One

IN: Can you please provide some background information about Hydro One?

FD: Sure. Hydro One is the largest electricity transmission distribution utility in Ontario. It's actually a spinoff of what was once Ontario Hydro which started in 1906 as an integrated utility that comprised both generation as well as the transmission and distribution of electricity. In 1999, the company was split where the generation business went to Ontario Power Generation and the transmission and distribution businesses came over to Hydro One. We're owned and operated by our shareholder, the Province of Ontario, and we own approximately 97% of Ontario's transmission capacity. Our customer base includes local distribution companies as well as rural and urban customers.

Hydro One's consolidated distribution system spans across about 75% of the province and to give you some perspective on the size of Ontario, it's almost as large as the combined states of Texas and California.

As of the end of 2014, we had over \$22.5 billion in assets, over 5600 regular employees, and revenues of about \$6.5 billion.

IN: Why did you decide to partner with an outsourcing provider and why did you choose Capgemini?

FD: Our relationship with Capgemini/Inergi* began on March 1, 2002, which at that time was the largest outsourcing agreement in North America. We wanted to focus on our core business of transmitting and delivering electricity so we decided to leave the back office transactional work to the experts in the field and go with an outsourcing approach. We were trying to get leaner and more efficient.

We began with Business Process Outsourcing (BPO) for Finance and Accounting, Pay and Source to Pay, as well as information technology, and the customer services organization. We decided to give that work scope to Capgemini/Inergi following an extensive competitive procurement process. In terms of criteria, Capgemini was selected based on the strength of their business proposal, the solution they brought to the table, their technical skills, the risk mitigation plans that were in place, and the financial benefits that would accrue to Hydro One. Capgemini was committed to Hydro One in assuming all the operational risks associated with the back office operations as well as the management of the transferred employees. They also assumed the financial risk of obtaining efficiencies required to meet our operating savings committed to Hydro One.

What are some of the outcomes you've achieved and how do those compare with your initial expectations?

In terms of initial expectations, they've largely remained constant throughout the life of the agreement. We were looking for stability of operations and by and large that was a smooth transition as there was a limited need for knowledge transfer because the employees that went over to Capgemini/Inergi were formerly Hydro One employees so the relationship was quite positive. In terms of value and cost, we were very pleased with the guaranteed cost reductions and our regulator, the Ontario Energy Board (OEB), was very satisfied particularly over the agreement when it was extended in 2010.

Having never done outsourcing before we wanted well defined service levels that were really focused on outcomes but in the early days of the contract and up to the initial extension they were primarily process focused. When we did the extension in 2010, we engaged with an advisor who benchmarked the services and service metrics so even though we didn't go through a formal competitive procurement process we did

benchmark against market levels so we would have more outcome-focused service levels.

Another expectation was access to global best practices and there have been substantial improvements in areas like customer care. When we extended the agreement, there was a large transformational program that was a big positive to the agreement.

And overall, the partnership has allowed Hydro One to be able to focus on its core business of transmitting and delivering electricity which was the initial objective of the outsourcing agreement.

IN: With the new contract recently signed, can you provide some more information about what is included in the scope of services?

FD: Initially and still today the scope of services include infrastructure technology, application development and maintenance, finance and accounting services, source to pay services, payroll, and settlements. Customer care is now directly with Inergi who will perform all of the client services, electricity bill production services, manage the collection of outstanding customer debts, provide services for small business customers such as call handling and retail settlements, and provide business support to all processes and applications.

IN: What are you hoping to achieve in the short term and long term under the new agreement?

FD: We had four objectives that we communicated to all suppliers as part of the procurement process. We were looking first of all for continually improved value for money in addition to a reduced cost of service for base services and for projects as well as a transformation of services across all domains. Our second objective was flexibility to change volumes, technology, and scope. We're a large company and have a large capital spend and have in mind a large acquisition program and we need the ability to readily scale up or down and take services to market. The third objective was to have service delivery reflect global best practices and for that we were looking for investments in technology and automation and we were also looking for end-to-end process enhancements and continuous improvement. And then finally we were looking for robust effective performance management and governance and those would include transforming our service level agreements to focus more on business outcomes aligned with our performance at Hydro One as well as enhanced focus on quality and innovation.

IN: What advice do you have for other executives embarking on a transformation journey?

FD: The transformation journey, including transition, is complex and it's risky and regardless of the provider, inevitably the contract and the services and the performance metrics under a new contract will change and there is where I think the challenge lies. I see four critical components to a successful transformation journey.

First, patience is not a virtue and by that I mean that the contract team is not always the same as the transition team and bringing in the transition team after the contract is signed really impedes the transition process. What you need is early involvement of the transition team members to facilitate the knowledge build up, to promote engagement, and to impart greater ownership of the delivery of results.

The second recommendation I would give is to plan and then plan some more, because clarity is a wonderful thing. A detailed and robust transition and transformation plan needs to be developed early and needs to be clearly understood with roles and responsibilities defined, as well as delineating clear roles and obligations. If you have a well defined transition and transformation plan it will leave little room for ambiguity when it comes to execution.

The third piece of advice is to consistently drive accountability. The transition and transformation program will require ongoing commitment from the senior management team from within the client and supplier organizations. The supplier needs to be held accountable for what the client contracted for otherwise the client will experience value leakage, and that goes back to the basic objective of what we're trying to get out of the outsourcing agreement which is to preserve value. Risks and opportunities should be managed through a sound governance structure and an active quality management process so the management of the relationship is continuous and must be monitored and nurtured throughout the life of the contract.

And then finally you need to match experience to roles. The transformation journey requires key staff from both organizations and it needs to be coupled with strong leadership on the team with previous experience of managing these types of processes for the best chance of success.

IN: How would you summarize the journey so far?

FD: It has been a long journey, it has been rewarding, and I'm looking forward to the new contract.

*Inergi LP is a wholly owned affiliate of Capgemini Canada Inc.

BPO's next wave of Robotic Process Automation – a virtual workforce unlocking value...

by **Lee Beardmore**

Across industry, robots have revolutionized the way companies operate. Most famously that happened in a manufacturing context with the robotic vehicle assembly lines. Now, though, the next wave of Robotic Process Automation (RPA) is hitting the back office.

In the manufacturing world physical “robots” replaced human workers doing repetitive tasks; in the back office environment, software automation replaces many of the repetitive tasks delivered by BPO services. For example tasks that involve people moving data, checking, validating, aggregating and re-keying can be simply automated step by step.

Mature BPO providers have, of course, been automating back office processes for some time. However the ever-increasing sophistication, and consequent application, of RPA in the BPO domain is now swelling a virtual workforce as never before. The new wave of RPA can so dramatically increase the capacity to do work, in such a cost effective manner and with such a heightened level of accuracy, that labor intensive back office functions are being ‘picked up’ by rapidly advancing RPA technologies.

How RPA makes ‘Big IT’ smaller

Used correctly, RPA can dramatically shorten the ‘long tail’ of inefficiency which routinely builds up on the edges of ERP and back office systems. Whatever the industry or service there will always be significant challenges that the ERP system cannot solve demanding a manual workaround or point solution. Each one is small in itself but when aggregated together they can translate into massive costs.

RPA can solve challenges in a cost effective manner, without the risk of interfering with the main ‘Big IT’ systems. In effect, making large ERP investments more useful to the business.

RPA can solve such challenges in a cost effective manner, without the risk of interfering with the main ‘Big IT’ systems. In effect, making large ERP investments more useful to the business. For our BPO clients it unlocks the value in their existing ERPs, which is a key contributor to achieving world class outcomes that drive value into the organizations we work with.

It is important, though, to automate the right thing. For example, if an unnecessary process step can be eliminated, it should be done before automating. The robotic technology is then helping to streamline the business as well as taking out cost. Transformational BPO looks at the whole process, in detail and through a technology lens. It applies best practices to standardize and automate the end-to-end process, whether that is finance, supply chain, procurement or any other function.

Where it is most effective..

A classic candidate for RPA would be one where three key characteristics are fulfilled, normally within an end-to-end process that crosses multiple applications:

1. That the actions are consistent, with the same step being performed repeatedly;
2. That it is template driven, with data being entered into specific fields in a repetitive manner;
3. That it is rules-based, to allow decision flows to alter dynamically.

In such situations the employee sits in the middle, having oversight for the robotic performance without wasting time on the manual tasks involved.

On the ground the need can be anywhere in the organization, and Capgemini has used RPA solutions to unlock value for a host of multinational organizations in a wide range of areas that include:

- Data entry and validation
- File and data manipulation
- Automated formatting
- Multi-format message creation
- UI manipulation
- Web scraping
- Text mining
- Uploading and exporting
- Downloading and importing
- Workflow acceleration
- Currency/Exchange rate processing
- Reconciliations

And why it is a low cost ‘Quick Fix’ for business..

RPA can sit ‘in front of’ the application estate as it currently exists. No need for complex and costly integration, and no danger of unintended technology consequences, such as those that bedevil complex projects to modernize, integrate or fix a client’s application estate.

A typical scenario in today’s commercial environment is a CIO request for an SAP upgrade that cannot be funded. Rather than simply leave the business hamstrung by the inefficiencies, a BPO provider can offer ‘non-invasive surgery’ at a fraction of the upgrade cost. For example, a sub optimal SAP process with an overly complex user interface can be carried out with RPA technology, giving the organization better

What we are seeing in the marketplace is that, although the appetite exists to streamline the process, the funding doesn’t. So the robots remain, silently delivering value while the transformation debate rages around them.

performance with fewer Full Time Employees (FTEs) - and fewer mistakes.

Clearly this answers a need, without solving the fundamental issue, which is that the illogical process requires re-modeling. Therefore the parallel stream of work, where funding exists, is to remove the broken processes, and so turn those robots off. What we are seeing in the marketplace, though, is that although the appetite exists to streamline the process the funding doesn’t. The robots remain, silently delivering value while the transformation debate rages around them.

But come the revolution....

In the short to mid-term RPA is an increasingly sophisticated execution tool. It enables existing processes to be carried out faster and with fewer mistakes. Even at this level it helps to de-emphasize the importance of labor arbitrage in the office environment, because labor is no longer all that’s on the table.

Mechanistic work can and will be done by RPA which can continue to apply rules, however complex those rules become. RPA is taking more and more of the table space from traditionally manual tasks, such as when an employee needs to create a spreadsheet to get ‘outside’ the ERP system when carrying out a process step. The levels of sophistication will continue to grow, both through discovery of new ways of employing the RPA technology as well as improvements in the tools themselves. Right now we are abstracting the software robots away from physical desktops and adding levels of analytics that allow monitoring of every action they perform.

Employees will develop into “uber administrators” whose role is to manage the decisions, deal with exceptions and provide oversight of far more than is now conceivably handled by a single resource.

The exception becomes the rule

Below we show a very common set of activities which can be replaced with software robots providing point automations for key tasks. These are then strung together (orchestrated) by a controlling entity that replaces the user as the “interaction hub”. It feeds out requests for human intervention when a decision point is reached or when an exception is experienced. Employees develop into “uber administrators” whose role is to manage the decisions, deal with exceptions and provide oversight of far more than they could manage as individuals responsible for delivering the processes. The net result is increased throughput, improved accuracy, and improved control with the human labor delivering more for less and at a higher level of value.

RPA is therefore an increasingly important part of the recipe for straight through processing, managed by exception. The exception-based culture will reach a point where technology is driving end-to-end completion in an entirely automated way – exceptions will simply be fed into an environment that pushes it to the right person. In other words, with the right rules the technology will begin to focus on delivering business outcomes.

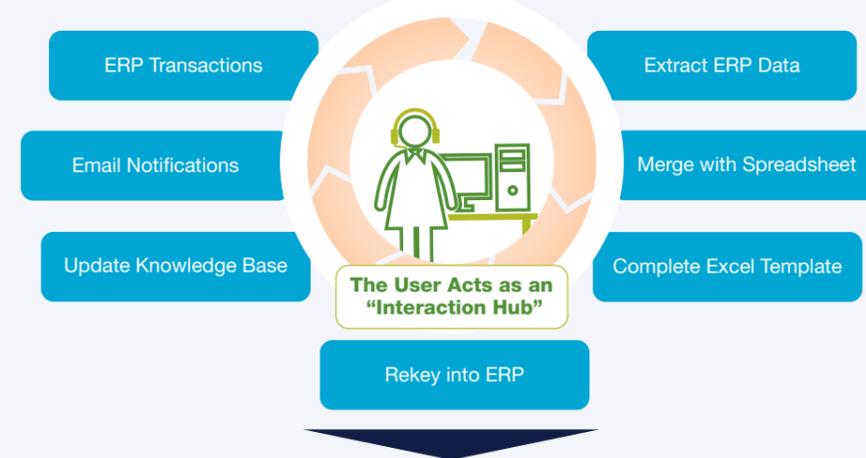
Those sophisticated systems will then see RPA becoming a crucial element of how organizations address, in a cost effective manner, inefficiencies of their corporate applications, delivering automation benefits while the estate is evolving. RPA itself will then grow and evolve into more subjective areas, becoming more autonomous and blending with artificial intelligence and more cognitive technologies.

Capgemini continues to invest and apply advanced tools to augment our BPO activities and harness the fast-improving technology to continue driving better outcomes for our clients.

The exception-based culture will reach a point where technology is driving end to end completion in an entirely automated way – exceptions will simply be fed into an environment that pushes it to the right person. In other words, with the right rules the technology will begin to focus on delivering business outcomes.

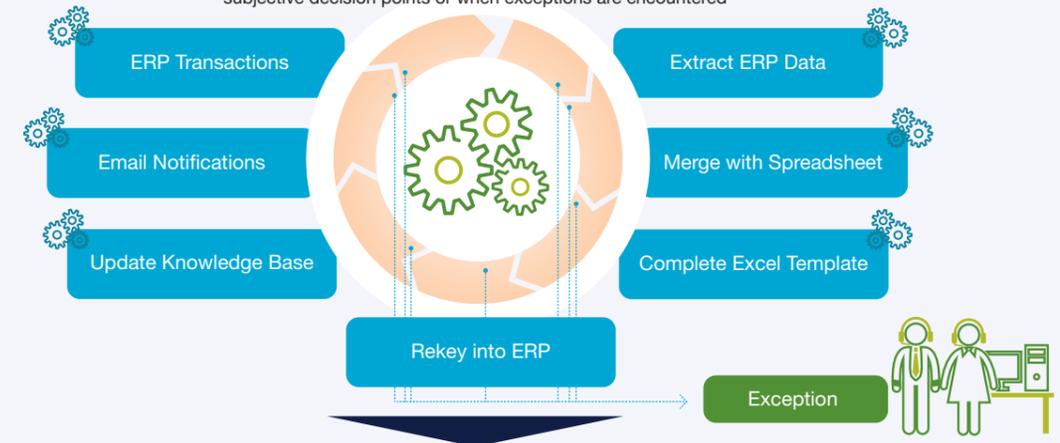
Common Scenario - Limited Automation

Each step is a discrete piece of work where much of the activity is repetitive



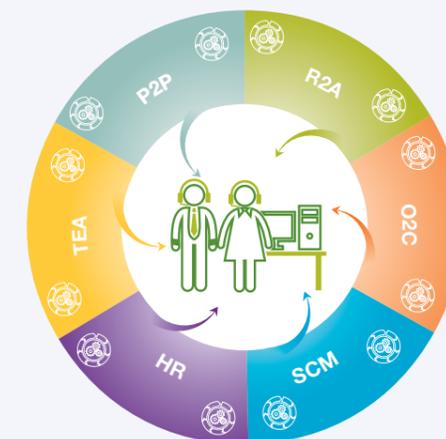
Advanced Scenario - Robotic Automation

Software “Robots” replace Human Interactions only calling out to a user at subjective decision points or when exceptions are encountered



Enterprise Robotic Automation

The robot “team” sends all requests for decision and exceptions to the “uber administrators”



Meet the **Expert**

Lee Beardmore

Title: Vice President & Chief Technology Officer - Capgemini Global Business Process Outsourcing

Location: London, United Kingdom

Area of Expertise: Business & Technology Alignment, IT Strategy, Innovation, Enterprise Architecture, Pragmatic Solutions



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A bit about me:

I'm a technologist at heart with a deep curiosity and fascination with how new technologies are radically changing the world. I have over 22 years of cross-industry experience where I started as a software engineer and progressed through to chief architect roles on many large initiatives.

As the CTO for Capgemini BPO I head a team whose role is to advance the BPO business through technology innovation with a commercial focus. Everything my team and I work on seeks to drive down production costs, support the introduction of new services, or both. This is where I focus on value as well as the pragmatic delivery of solutions. The "BPO as a Stack" model is a great example of how we use technology to drive a comprehensive and commercially attractive offer to our clients.

I am also a member of the Capgemini Group CTO Network where I represent BPO and benefit from the wisdom and experience of the broader Capgemini organization.

I am a father of two, a motor racing fan, a mountain biker and habitual doodler. When there's an opportunity I like to escape to the great outdoors.

What do you see as some of the most significant technology trends affecting the BPO industry?

Automation and the "as a service" economy. Both are having a fundamental impact on the way BPO services are delivered and consumed. There's a lot of talk about robotic automation, however this is only a small part of the automation story. Advances in ERP platforms, Big Data, analytics, artificial intelligence all need to be included as part of a broader IT transformation. It is areas such as these that will introduce evolutionary leaps enabling BPO providers to be far more impactful.

Transformation can be costly so it's important to make sure outcomes will be delivered. This is where enabling clients to benefit from the complete package of infrastructure, applications, processes and people is proving to be a game-changer. At Capgemini we call this the 'as a Stack' approach.

In this model the "Stack" remains at the forefront of technology which, as a BPO service provider, means we take care of the IT transformation and offer the Stack with a simple "as a service" consumption model.

Clients are beginning to appreciate the value of partnering with a BPO provider who can provide a truly scalable, flexible and end to end outsourcing service.

Outlook:

At a macro level, the rate of technology change right now is unprecedented. It is very hard to stay current and indeed relevant. And the pace is accelerating. Regular reinvention needs to become a standard way of working for the industry to ensure clients receive the best outcomes. This demands a degree of fluidity in the way that technology is used to deliver BPO services – embracing change and swapping products much more frequently than is the current norm to ensure the best service outcomes are being delivered.

At a micro level, the automation debates rage. Robotics through to cognitive computing are and will have a deep impact on the extent to which technology delivers the business service. The impact of the former is easy to understand, whereas the latter remains a rapidly evolving landscape as we begin to work out just how far the impact on subjective activities can progress. In both cases the result will be a shift in the focus of BPO workers. It's well understood how technology will release staff from the repetitive to focus on value-added activities particularly with strong domain expertise but I also see another shift. There is an increasing need for technology-savvy individuals to rapidly push new applications into the business to improve outcomes that can be delivered. This is where software coders lay the foundations for the domain experts to deliver value. In the way we have industry acceptance of software-defined storage and software-defined data centers, I see a place for software-defined BPO as the agent of change required to deliver the technical fluidity required to remain market relevant.

What can Artificial Intelligence do for your business processes?

by Lee Beardmore

How much 'human' work can machines really get done for us? Can we ever make computers that will 'think like us'?

I'm lucky enough to be able to grapple with these problems as part of my day job here at Capgemini, exploring how automation and Artificial Intelligence (AI) can be applied to the challenges of Business Process Outsourcing.

We're already used to seeing robotics in many core areas of industry (just think of a modern car production line – they've been using robotics en masse since the 80s) and it's now gained a foothold in non-core back-office processes too (think along the lines of Accounts Payable processing). But just what 'human stuff' will machines be able to do for us in the near future, and how should we approach this fascinating challenge?

Being nearly human

Back in the early years of computing, Alan Turing foresaw some of the fundamental questions around AI that still preoccupy us now. The Imitation Game, the recent film about his work and life, takes its name from a test he devised to explore the problem.

Today's well-publicised 'Turing Tests' still attract plenty of attention, as computers attempt to masquerade as humans and outwit a jury of real people. Although there's plenty of debate about how useful these are as a true test of intelligence, they're a good starting point here.

Even in Turing's time it was clear that computers would struggle to imitate humans in a couple of key areas:

- Being just too perfect in their performance – in Turing's words, "unmasked by their deadly accuracy".
- Being unable to deal with the unexpected – struggling to innovate their way beyond the limitations of their original programming (although, this is perhaps not so different to a low-skilled human resource).

These days, we can create computers that are better and better at mimicking us but they still don't really work or learn like us.

To think practically about AI, we need to think about the way we humans solve problems at work.

Solving business problems the human way

When it's something simple, we can follow basic rules to fix it. Think of inputting and processing details like those in supplier invoices (tax, due dates, matching the right documentation and approvals). This is already a relatively easy area to automate.

What about handling the exceptions, when there's not an obvious next step?

When something unexpected happens, as humans, we tend to ask our boss or a colleague with more experience for help. Most of the time they'll use that experience to solve the problem. In some cases they may also be flummoxed and then ask someone else. If the answer still eludes them, they will then get round the table with others and try to 'work out' a novel solution for this novel challenge.

This collaboration applies a complex mix of human imagination and experience, and applies it to a new context. I suppose this is what we call 'thinking outside the box'.

As humans, we're good at this. Our brains are pattern hunters – but we also enjoy looking for and making unexpected connections and building new concepts in this way. It's what makes us human.

But crucially, we're not always right. Experimenting and getting things a bit wrong (while judging how much risk to take) is all part of the process. This is a world of grey areas; the solutions we arrive at in these cases are essentially subjective – we could argue for and against them, but we eventually agree to get on with it and give it a try.

Solving business problems with Artificial Intelligence

AI systems get just as flummoxed as people, and they also need to be taught how to deal with new circumstances. Perhaps by allowing them a little more 'Artificial Stupidity' and letting them act a little more randomly, we can give them the opportunity to learn from success and (controlled) failures as we do. Compare that to today's Robotic Process Automation that simply repeats the same tasks to set rules, which leaves little opportunity to learn and evolve.

I don't think we're close to a time when computers can replicate the human intelligence needed for more nuanced business analysis and recommendations. This is probably a bit of a red herring anyway – even if it does raise fascinating technical and philosophical questions.

However, we are already seeing computers encroaching further on the 'subjective layer' of business process decision making. Almost all high-value work performed by humans today is augmented by increasingly complex tools. The technology is making more and more intelligent 'suggestions' which we then take a measured final decision on, based on all of our human experience and intuition.

In that case, perhaps we should think of AI in terms of a dual-pronged evolution – with humans a key component in the system. This will soon be far more common for medical diagnoses – and has already been done in chess, led by Garry Kasparov.

Putting it into practice

These are exciting times to work with AI. It's rarely far from the news or the big screen these days, while predictions for the long-term future range from the utopian to the apocalyptic. The reality may turn out to be a little less dramatic (hopefully!) but the critical point for business is that any approach must be intrinsically linked to value creation – whether that's reflected in speed or quantity or other metrics.

I believe there is the potential for a really natural fit with modern BPO. Just how we and our customers go about getting the best from it must wait for another blog!

Automation will revolutionize outsourcing: But not how you might think.....



Christopher Stancombe

CEO Business Process Outsourcing at Capgemini

When it comes to artificial intelligence, it might be tempting for companies to echo the words of Elon Musk. The Tesla founder recently described AI as the world's 'biggest existential threat'. There's no denying that advances in automation and artificial intelligence technology will change the way companies handle business processes. With an army of virtual process agents at their disposal, the original, cost-based rationale for outsourcing disappears. But look beyond the initial gloom and AI could be the trigger that seesoutsourcers shake off their cost-cutting reputation to become value-focused experts.

Software bots can perform rules-based tasks faster than people, with fewer mistakes, and their ability to learn from and mimic humans when they come up against something they can't do is evolving. For scaremongers, the logical extension is that the machine will keep producing a better version of itself until almost every task can be automated. What chance would an industry selling human capability stand against such unfettered machine brilliance?

Technology that replaces jobs has always been feared. But innovation doesn't necessarily mean destroying what already exists. Industry insiders have cited the phenomenal

rise of e-commerce as the death knell for high street shops, whereas successful retailers have embraced the chance to trade across digital channels as their new business model to connect with more customers. Postal services in the UK and US facing the terminal decline of their traditional services have likewise been transformed by the explosion of demand for deliveries generated by online shopping.

The point is that, although change is often disruptive, it almost always creates new opportunities. Once the technologies mature, greater automation and virtual agents won't be a tough buy for most organisations. They represent the next wave of process cost reduction. But businesses should be asking for more. They should be asking how their outsourcing partner can now improve processes not simply make them cheaper. As Amazon shows regularly, there can be competitive advantage in process.

Automation should provide outsourcing with the catalyst it needs to become much more than just cheaper operational support, still the purpose behind two-thirds of current BPO engagement. Many of the buyers questioned in a report from HfS Research this year, 'BPO on the Brink of a New

Generation'^[1] said they receive little more from their provider than simple cost-reduction on non-core activity — so-called 'lift and shift'.

Too many also described their provider as 'quite effective' at delivering standard operational service, but generally mediocre at providing analytical insight, creating new ideas or initiatives that add value, or providing technology solutions to meet business needs.

At Capgemini, automation is freeing up our employees to think about how they can improve a process and add value to our clients and not just run it more efficiently. Our operation support functions are transforming into consultative roles that drive real competitive advantage for customers.

Simple 'lift and shift' of operations is already losing its cost benefit. Retrained and empowered workers in these countries could plug the digital skills gaps described earlier this year as 'unprecedented' worldwide. Gartner estimates that 4.4 million jobs are likely to be created globally around big data by 2015, but only a third will be filled. Similarly, 800 middle to upper management executives from more than 50 industries

said that nearly one in five millennials in the modern workplace don't have adequate analytical skills. All of which spells opportunity for people that do.

While the bots process the data, ingenious workers freed from repetitive invoice checking can get on with strategic budget analysis or data science and creative input that can improve the business. Automation plus employees in organisations such as Capgemini BPO who have evolved their skills to embrace and be advanced by technology will become the real value.

Automation means business process outsourcers charge less for menial work, but the same outsourced labour "Generation BPO" can now add analytical and digital skills to its portfolio, boosting the bottom line and also providing greater client value.

[1] BPO on the Brink of a New Generation: Technology Transformation

For Business Process Outsourcing, the **Stack is the New Black**

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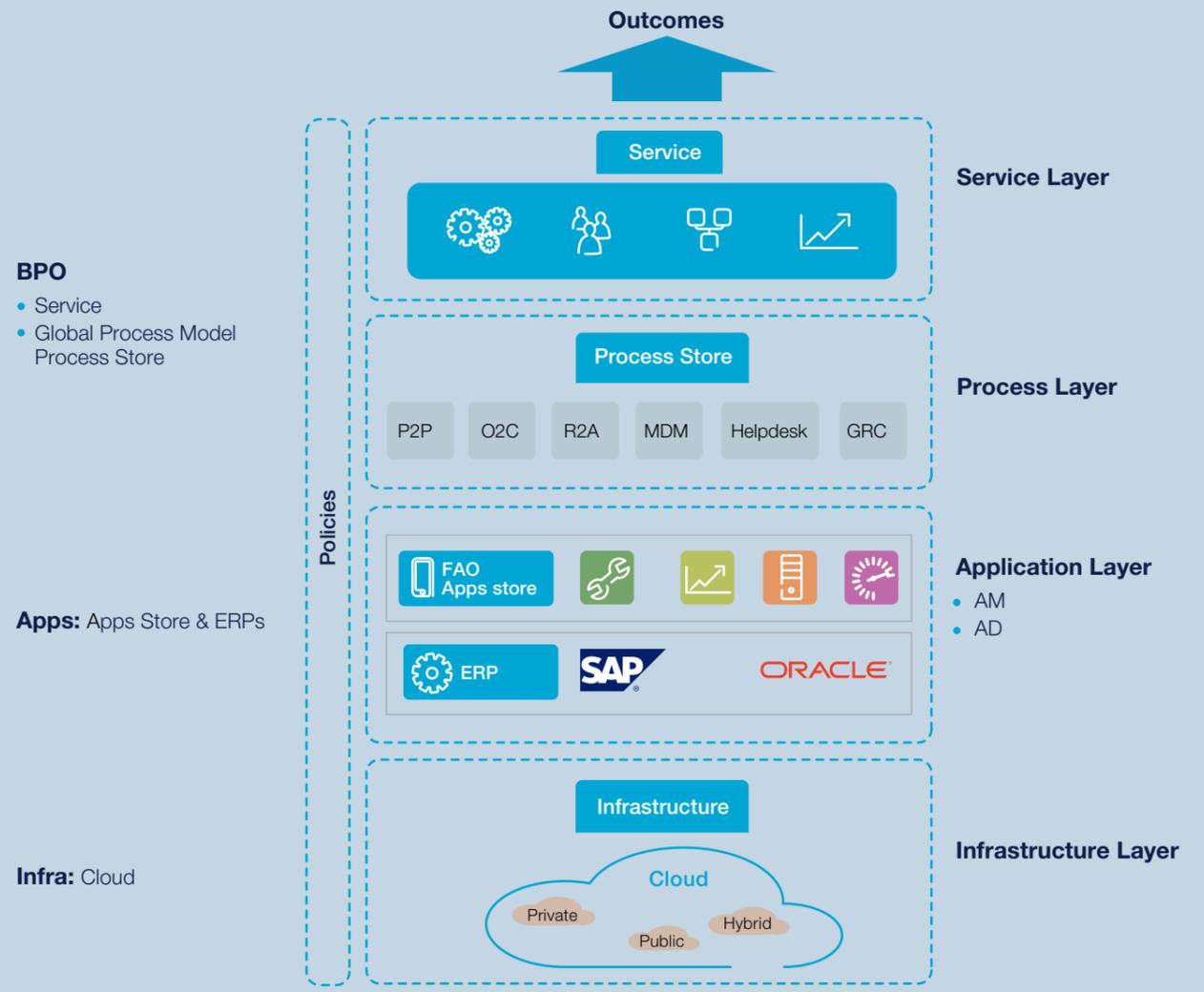
pl.linkedin.com/in/andrzejhutniczak

In fashionable outsourcing circles, it is whispered that, “stack is the new black.” The stack, they say, is this year’s must-have BPO accessory.

OK, maybe I’m overdoing it a bit, but I do think an “as a stack” approach really is the hot new thing in BPO (and it’s happening now – we’re currently delivering this out in the field). This is mainly because it represents a more efficient but also much easier way for an organisation’s leadership to run and control its processes.

Traditionally, companies looking to outsource business processes have had their thinking constrained by traditional boundaries between the service, process, application and infrastructure layers. They tackle all these elements of a business process separately. This has led to a situation where they are often outsourcing and managing them all separately, resulting in multiple contractual arrangements and high demands on senior managers’ time.

An example of the Finance stack...



With a stack approach to outsourcing you can address all of the components that make up a business process together, and buy from a single provider that has delivery capabilities and governance across them all. This brings the benefits of improved standardisation and synergies, as well as convenience. You can almost think of adding or updating these services as being like downloading and updating apps on your smartphone.

You also get a much clearer view of the costs and savings of each business service, not just a simple headcount 'FTE' measurement.

Another key change of mindset is the focus on business outcomes rather than the mechanics of the processes themselves. The provider of the 'stack' offering should be judged on the relevant business results derived from the process, more than simply the delivery of certain components. The ownership of business outcomes triggers much healthier behaviours in both client and provider organisations.

The stack in the real world: three lessons from a restaurant chain

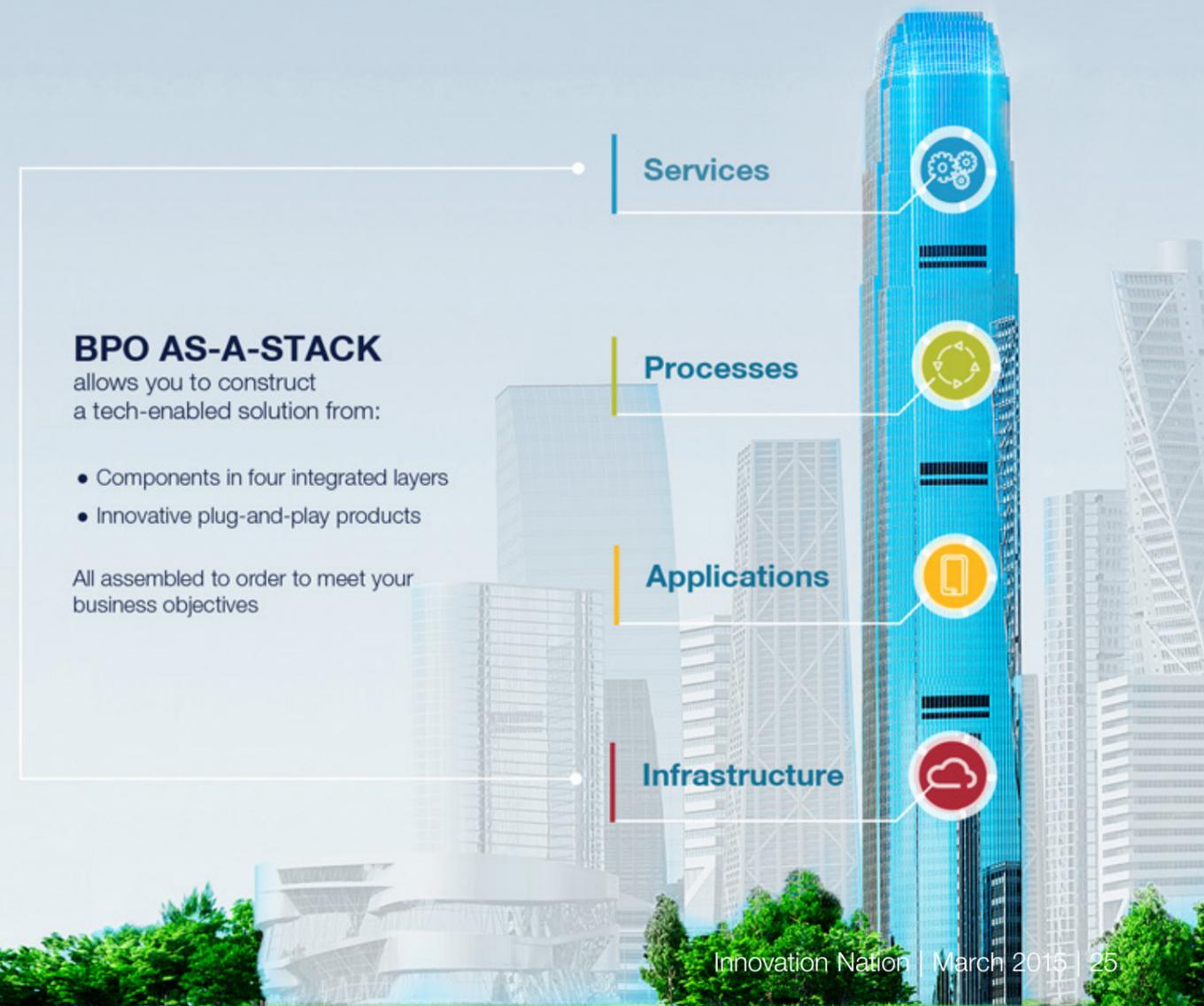
One of our recent outsourcing deals with a global restaurant group draws on this stack approach and clearly shows its value. There are a number of reasons why it's particularly relevant to the restaurant sector.

1. First is the scalability. Restaurant chains often need to respond quickly to changing demand or exploit new opportunities. They also need to consider the specific needs of franchisees or innovative and experimental subdivisions. Here the stack model's agility and ease of use is a big plus.
If you want to simplify the back office support for an asset-light franchise model, then that's what you build around; if you want to scale up a pilot operation in a new market, then you can 'turn the tap on' and get the necessary support in place. You don't need to go through the nightmare of managing the increase in work and shifting scope across multiple suppliers or internal delivery teams. This kind of agility is incredibly valuable to all sorts of other industries.

2. The stack also makes good sense from a risk perspective. As you scale up you can be sure that the 'stack' provider's repeatable governance, risk and compliance measures will scale with you – with the same strong quality controls in place. You don't have to worry about establishing a team with the complex combination of process and technology skills and experience to manage this.
3. Finally the stack approach also improves things from a reporting point of view. You can see across the layers of your processes more clearly and take advantage of consistent reporting methodologies and dashboards. This makes it much easier to understand the total performance of a process and better understand the costs and benefits of doing things differently. A really good BPO provider should also be able to help you act on this insight, bringing all kinds of best practice to the table, amassed from hundreds of outsourcing engagements.

When you put it all together, it's a compelling case. Managing multiple layers separately is so last year: in 2015, the stack is the new black.

Capgemini's Technology-Enabled BPO Delivers Growth in 4 Steps



Step 1:

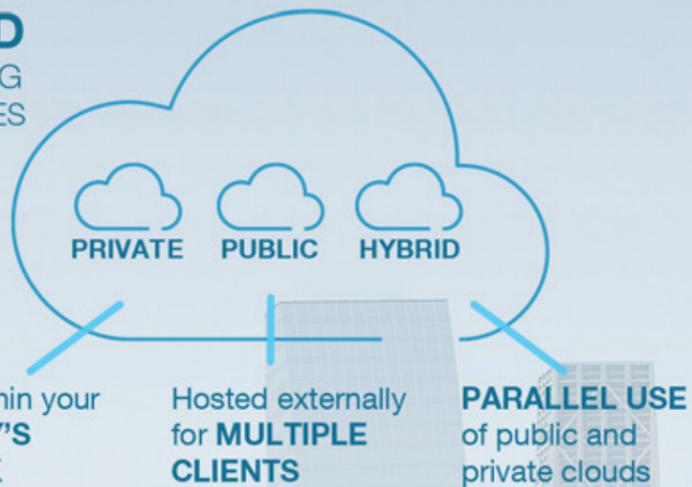
Choose Future-Proof Infrastructure

YOUR OPTIMAL SOLUTION

starts with infrastructure options

- Removes the burden of legacy
- Future-proofed
- Scalable by design

CLOUD SOURCING STRATEGIES



Step 2:

Select Powerful Applications

Add **PLUG-AND-PLAY** software

- Growing catalog of world-class apps
- Optimum combinations
- Rapid deployment at lowest cost

BPOpen® App Hub



- Capgemini Business Apps based on HANA
- SAP Financial Business Apps
- SAP Invoice Management



ERP (Big data & Insights)



- SAP Simple Finance
- SAP Financial Shared Service Centers (FSSC)
- SAP Hana Suite



- Oracle Fusion Financials
- Oracle Fusion HCM & Taleo



- NetSuite ERP

Step 3:

Adopt World-Class Processes

Our Global Process Model[®]

delivers a complete range of best practice in:

- Data recording
- Analysis
- Action insights

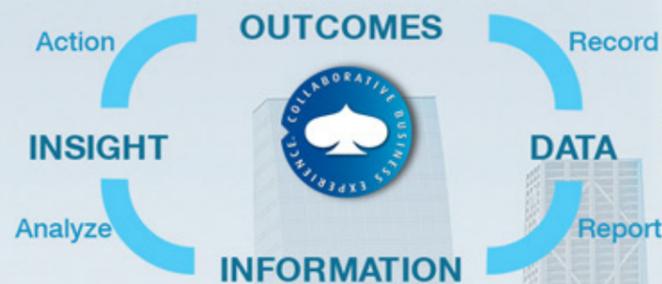
BENEFITS:

- Greater speed to value
- Cuts transition risk
- Ongoing performance analysis

Service Lines

Finance and Accounting (FAO)	Supply Chain Management (SCM)
Human Resources (HRO)	Analytics
Procurement (S2C)	Governance Risk and Compliance (GRC)

COVERING ALL ASPECTS OF SERVICE
from recording the data through analysis
and insights to action



Step 4:

Services From the Right People in the Right Place

SERVICES TAILORED TO YOUR BUSINESS,

delivered from an optimal mix of:

- People
- Skills
- Processes
- Locations

Global Enterprise Model (GEM)



Capgemini forms a close, long-term relationship with clients

To learn more about the Stack, please contact
Jack van Eijk at jack.van.eijk@capgemini.com

Contract Lifecycle Management



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uk.linkedin.com/pub/craig-conte/4/671/102

Analytics To Drive Performance

When people think about analytics, they often think of hard numbers being collected, aggregated and then arranged in insightful ways. In Finance & Accounting these can be powerful tools and drive attention and activity within an organization so as to make it smarter and more efficient.

The same can be said of analytics and contract management, but I don't think there is a lot of awareness of these capabilities. I also believe there may be a misconception that the analytics of contracts are simply the number of contracts signed or total contract value of contracts and termination date reporting. Because of this, people resist using analytics in contract management because they perceive it as too basic and lacking in value. However, I write here to tell you that this is wrong. If you go broader and deeper into the subject, there is much to gain from contract analytics.

Based on what I am seeing in the market, there is a definitive need for these types of reports and intelligence. There is also a growing demand for services to better manage contracts with greater analytical insights across all phases of the contract lifecycle. Allow me to share just two areas where data on contracts could lead to real savings or avoidance of risk.

Scorecards

Recently a client asked me how we could help him transform the types of contracts his teams are signing. My response was to be clear about what is good and what is bad. We may not all be experts in finance, law and operations simultaneously, but we all understand a simple scorecard. A multi-quadrant approach which scores terms or contracts against risk or opportunity can be a powerful tool when there is enough information and a proper dashboard in place. Everyone is competitive in business and everyone wants their deals to be positioned as favorably as possible.

Compliance deviation

Many companies who do contract management will look at the compliance reporting on their obligations. This is a standard approach and necessary step to at least get to "Good in Class". But what is more interesting is to track contract performance through the lens of deviation from standard terms.

When a contract or relationship goes poorly there are many variables to explore if you are trying to fix the contract or avoid the mistakes in the future. Delivery and relationship matter, but so do the terms and conditions. We all make compromises to close deals, but are we always doing that in an intelligent, fact-based way or relying upon what we feel?

What if I told you there was a way to reduce the variables and get to facts? Imagine if you are managing buy sell contracts, then this would mean to track the deviation from the business cases for your contracts in portfolio through the filter of deviation from standard templates. As a vendor this allows a company to look at the financial performance against deviations from preferred positions.

By looking at this three dimensionally, you could look at performance, deviation from preferred positions and then see trends and correlations so that as an organization you would know and see where money or opportunity was lost and not just have a "feeling."

In both of these examples we can take what looks like just written words and make their meaning very clear through analytics. These analytics can then be used to drive behavior and performance.

Why Business Process Outsourcing is on the Menu for Restaurant Chains

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Last year, the international restaurant chain Jamba Juice partnered with Capgemini to leverage BPO functions such as administration, finance and accounting support and IT maintenance. The partnership developed after pressure from an activist investor called for the company to reduce costs and seek opportunities to advance growth. While this approach becomes more and more prevalent, Jamba Juice saw the opportunity through this unique partnership to cut the company's administrative expenses substantially. These outcomes will drive the advancement of the group's growth as it seeks to add another 500 locations over the next five years.

Jamba is not the only chain to recognize the benefits of BPO. In fact, the whole sector is starting to view outsourcing a stack of internal functions as a source of cost savings efficiencies, and competitive advantages. There are several drivers behind this quick turn to BPO:

Although overall spend continues to grow, there are considerable pressures to reduce costs. Quick Service Restaurants (QSR) is a highly competitive and innovative business: there is also constant disruption, acquisition and diversification. Customer loyalty is not a given, as enticing new offerings are appearing all the time (2015 is supposed to be the year of 'restless palate syndrome!'); if a brand stands still, a competitor will literally have its lunch. There are also a number of rising or unpredictable costs such as fluctuations in core food expenses, real estate in growth markets, and labor (particularly with new healthcare legislation in the US).

The challenge for QSR chains is to manage these pressures, while ensuring they do not get pushed to the "front of house" either in the form of higher prices or a reduction in quality or quantity which will send customers elsewhere. Thus, it makes sense to leverage the advantages in the back office via BPO.

Because restaurant chains often grow very quickly, either organically, grocery chain developed products, or through franchising, fairly large organizations often have a back office that was originally designed for a much smaller business.

The systems they will have in place may come from multiple contractors and have grown up in a very ad hoc way. For these reasons, the back office function may not be suited to agility and innovation and can make gaining efficiency and streamlined productivity difficult for franchisees and new employees.

The top line savings – often around 30% of back office costs – are just the most obvious benefit. Outsourcing can also cut risks, improve compliance, reduce IT downtime and give clients greater insight into their business via visualized analytics. BPO solutions are also highly scalable and mean customers only buy what they need. A fairly simple process of leveraging what already exists in a BPO provider's solutions with a proven record of increasing shareholder value.

Smaller companies or sub-divisions can discover an affordable way of gaining access to the kind of back office only large organizations can afford to run in house. For restaurants that want to combine the agility and innovation of a start-up with the reporting and compliance demands of a large centralized organization, Capgemini has developed the Virtual Company. This squares the circle of agility and innovation and is particularly useful for companies which are moving into new countries, setting up new divisions or experimenting with sub-brands.

Perhaps the greatest benefit of BPO though is the access to thought leadership which solves the Target Operating Model and systems inhibitors as a flexible domain expert long term. It also makes sense to leverage a partner who has the proven ability to automate, innovate and deliver readily available infrastructure from across hundreds of outsourcing engagements – a powerful marriage of sector and process expertise. This means that rather than worrying about their back office functions, QSR chains can concentrate on what makes them succeed - providing great service and products to a growing and hungry customer base.

Who Is the 'New Breed of CFO'?

Terence Sandiford

Director, Capgemini BPO



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Great things are expected of today's CFO. In fact, such is the anticipation that the web is in full swing debating the topic – with views ranging from expert opinion to uninformed speculation!

Who is this 'new CFO', and what is he or she supposed to be doing differently?

I meet with a lot of CFOs, and am starting to see these changing priorities reflected on the ground. So, cutting through the hyperbole, here is my take on finance transformation in 2015.

Some new skillsets of the new CFO

The new breed of CFO is a step beyond just being the highest accountant in the business. These are some of the areas where they are expected to shine:

Enhanced commercial literacy – they are able to report and present results in a more accessible and focused way. They are also educators, helping other board members develop their financial skills.

Profitability – they are able to play a more proactive and strategic role in identifying and optimising profitable areas of the business.

Rightsizing and prioritisation – they are able to envision the optimum size and shape of the organisation and where and how to invest in certain service and product areas.

New and emerging markets – they have a sound understanding of the potential opportunities and risks in these areas, and the business planning and commercial implications that come with this.

Acquisition strategy – they have an increasingly sharp eye for the potential value and practical challenges of acquisitions in the context of all of the above.

So, what's driving this change?

It's the economic recovery along with a few other disruptors...

The main point here is that we (seem to be) coming to the end of a long period of austerity in the major developed economies

and big business is starting to take a less cautious, defensive approach to its operations. In short, it's time to look at how to drive growth, not just cut costs.

During this period, it's also worth remembering that some disruptive technologies have entered the mass adoption stage and consumers are now behaving in fundamentally different ways. This is impacting on all kinds of industries and business processes. So there's another reason to take a fresh look at the way you do business.

This dynamic and exciting new world calls for a different kind of financial organisation and a different kind of finance specialist. Enter the 'new breed of CFO' armed with all of the above skillsets.

The same fundamental priorities

For all the excitement, it's worth pointing out that the 'new breed of CFO' still has to base their work on some rather more traditional, but absolutely critical foundations. Point is the CFO's traditional role as the chief accounting officer remains and the buck still stops with them, when it comes to making sure the numbers add up. The considerable work of reporting and forecasting to the business and its shareholders must continue to be accurate and timely. Their understanding and management of financial risk must also be as robust as ever. And the need for simplicity and cost effectiveness in finance operations will not go away.

A new relationship with outsourcing?

We are arguably reaching a tipping point in priorities from cost reduction to growth, but any CFO still needs to manage the fundamentals.

The 'new CFO's I meet are often as interested in the flexibility and scalability of an outsourcing model as much as its potential for cost efficiency. They come across as well-rounded entrepreneurs who are looking to build a slightly different finance back office that is both fit for purpose and fleet of foot. The fact that we are able to help them compare their approach with global best practice and contribute sector and international expertise makes even more sense to them.

Capgemini Wins Major Contract to Provide Office Depot Inc. With Business Process Outsourcing, Application Maintenance and Testing Services Worldwide

Contract expansion secured to support Office Depot and OfficeMax merger integration

In January, we were delighted to announce that we were selected by Office Depot Inc., a leading global provider of office products, services, and solutions formed by the merger of Office Depot and OfficeMax, to drive critical technology migration and finance and accounting services resulting from the merger.

As part of the contract Capgemini's role will be to:

- Help standardize and optimize Office Depot's global finance and accounting operations, extending its existing business process outsourcing (BPO) services until 2020 (extension of contract which was set to expire in 2016).

- Provide new services for application development and maintenance to 2017, as well as testing services through to the end of this year. Testing services include the implementation of a Testing Center of Excellence to enhance Office Depot's application testing function.

Office Depot Inc. is extending its relationship with Capgemini to consolidate and standardize the financial and accounting processes across the combined global operations with OfficeMax. Capgemini began working with Office Depot in 2011 to streamline its end-to-end finance processes and is now expanding its services post-merger.

“Capgemini has been a longstanding and trusted business partner for Office Depot, providing us a strategic approach to restructuring our financial management processes,”

said Kim Moehler, senior vice president, chief accounting officer finance department for Office Depot Inc. “The sheer velocity of change and reorganization at our company required a partner that would work as a core component of our team. Capgemini has successfully implanted its consultative business process outsourcing expertise across the finance organization, which has brought us heightened benefits.”

“We are excited to expand our program and partnership with Office Depot, becoming an integral business partner in their global restructuring initiative,”

said Christopher Stancombe, CEO of BPO and member of the Group Executive Committee at Capgemini. “We continue our emphasis on enhancing Office Depot's productivity and accelerating value realization by providing next-generation business and IT solutions that will reduce costs and improve performance across its business operations.”

With the expansion of its global footprint and shared services, the newly merged conglomerate has engaged Capgemini for additional applications maintenance services to support the integration of OfficeMax's legacy IT systems. Also, Capgemini aims to provide testing services for more than 70 IT merger-integration projects. By creating a Testing Center of Excellence for Office Depot Inc., Capgemini will provide a virtual and centralized command center that delivers mature software testing functions and leverages best practices in migration projects.

“The transformative nature of major M&A initiatives requires a collaborative technology partner that can provide the critical strategic support necessary to implement a new business roadmap, both during and beyond the initial transition phase,”

said Ted Levine, global sector leader, consumer products & retail, Capgemini. “Our teams' diverse range of expertise, together with the breadth of services we can deliver, positions us well to help Office Depot drive maximum value from its recent merger as it embarks on this important new phase in the company's history.”

“With Capgemini's deep retail industry expertise and its proven track record of transformational migration projects, we knew that its team and services aligned well with our business roadmap,”

said Todd Hale, chief information officer, information technology division for Office Depot Inc. “Our collaborative efforts to execute a global transformation will not only enhance the operational framework across this new global enterprise, but provide our executives and teams with invaluable insights to streamline business processes and bring greater value to our partners and customers.”

Capgemini positioned in the Winner's Circle by HfS Research Blueprint report for **Finance and Accounting BPO**

HfS Blueprint 2015: Progressive Finance & Accounting BPO

Standing testament to our commitment to developing and delivering world-leading BPO services, we have been positioned in the "winner's circle" by the highly respected analyst firm HfS. In their report, HfS Blueprint Report: Finance and Accounting BPO, they highlighted strength as a transformative Finance and Accounting BPO service provider with key process transformation and finance analytics capabilities, giving Capgemini a competitive edge on the market.

According to the HfS Research report, Capgemini is positioned in the Winner's circle based on its outstanding client relationships, customer wins in recent years, an effective Global Enterprise Model (GEM)™¹, and integration of technology into business processes. The report stated that Capgemini was a "global service provider with strong transformational capabilities and a full set of offerings."

Christopher Stancombe, CEO of BPO and member of the Group Executive Committee at Capgemini said: "Capgemini has always been at the forefront of delivering best-in-class Finance and Accounting BPO services tailored to meet customer's requirements, while developing deep-rooted relationships with clients. We are very proud of being in the Winner's circle, further improving our position from 2013 to be ranked as a world leader for Finance & Accounting BPO services."

Phil Fersht, Chief Executive at HfS Research: "Capgemini is excelling as one of the most progressive finance and accounting services providers. During our Blueprint™ analysis, Capgemini F&A clients cited the firm's strong relationship focus and its dedication to providing talent to improve the value of finance delivery. In our view, Capgemini's Global Enterprise Model and proven ability to provide this service quality consistently sets it apart at the forefront of the F&A market."

Capgemini has a range of end-to-end Finance and Accounting services designed to help organizations enhance efficiency, effectiveness, and control while delivering value across the overall business. Capgemini's unique Global Enterprise Model (GEM)™, has proven to be a powerful analytics-driven BPO platform for driving business transformation across organizations.

HfS Research Ltd.: "Blueprint Report: Progressive Finance & Accounting Business Process Outsourcing Services, March 2015"

¹ Capgemini's Global Enterprise Model (GEM) is a transformation methodology comprised of seven, levers including grade, location and competency mix, Global Process Model, technology, pricing and governance, all of which are calibrated according to each client's specific needs.



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About Capgemini

With almost 145,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.573 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at

www.capgemini.com/BPO

