



# THE SEARCH FOR LASTING VALUE

As the progress of the outsourcing world continues to accelerate, more companies are handing over business-critical processes to external vendors. **Vijay Rangineni** of Mahindra Satyam BPO tells Jim Banks why CEOs need to re-assess their approach.

There was a time when business process outsourcing (BPO) was used by companies to access cheaper labour in emerging economies to carve cost out of repetitive, non-critical tasks. The lure of savings that went to the bottom line was irresistible for many enterprises, but problems led many companies to reassess their motives for outsourcing. Times have changed.

Clients and service providers have matured, and BPO has become a high priority for CEOs, particularly as businesses deal with the impact of the global downturn and the liquidity crisis in the financial markets. Gone are the days when BPO was only about outsourcing low-end, non-core activities to multiple vendors offering labour cost arbitrage.

Today, BPO is seen as strategic and transformational, and increasingly undertaken in partnership with a single vendor that executes a broad array of business processes. Reducing cost is still a consideration, but the key driver is the ability to help organisations become more competitive and improve their service offering to customers.

Viewed in this way, BPO should certainly be on the radar for any forward-thinking CEO. So believes Vijay Rangineni, CEO of Mahindra Satyam BPO, who has witnessed first hand the dramatic change in attitudes towards BPO.

'Things have changed. At the start, outsourcing was purely about cost arbitrage to boost the bottom line. Now, CEOs are looking at outsourcing more strategically. They want to see how it can have a positive impact on profitability and also help them create an enterprise for the future by reducing expenditure, increasing the customer base and improving customer service,' he observes.

'Outsourcing can help pull together many initiatives in an organisation and step up progress towards long-term goals. Cost arbitrage is a given, so CEOs are looking at short-term objectives, but they also want partners with domain expertise to help them be nimble enough to adapt as markets change.'

Headquartered in India, Mahindra Satyam BPO is the outsourcing arm of Mahindra Satyam, a leading global business and IT services company with a presence in over 60 countries in six continents. Mahindra Satyam BPO is firmly positioned among the world's leading BPO providers.

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From its global delivery centres it serves many Fortune 500 organisations and is the world's first company to be certified at e-sourcing capability model level 5.

## The heart of the business

In working with some of the most prestigious companies as an integrated, end-to-end sourcing partner, Mahindra Satyam BPO has been at the vanguard as BPO extends its reach up the value chain to encompass far more than the non-core processes with which the market began.

Across manufacturing support, geospace, supply chain management, visualisation, telecom, and artwork and

pack management, to name but a few, the company continues to grow, and Rangineni sees it increasingly leveraging its global presence to meet the ever more sophisticated needs of its clients.

Key to the development of its capability was the strategic investment in Satyam by global systems integrator and consulting firm Tech Mahindra in April 2009, which greatly expanded its delivery footprint. Mahindra Satyam is now part of the \$6.3 billion global industrial conglomerate Mahindra Group.

'The investment by the Mahindra Group was a big change. It brought financial stability to the organisation. The companies offer a broader portfolio and we are closer to our customers. We are more focused on providing end-to-end solutions, and we have developed a BPO platform to help reduce our customers' upfront investment and deliver benefits faster,' says Rangineni.

The company is a prime example of how service providers are exploring a deeper association with their customers to capitalise on a shared desire to maximise the gains from outsourcing. For a CEO, this can be achieved by integrating multiple outsourcing initiatives across an organisation with a single partner in order to meet broader, strategic goals.

'This is possible partly because there is more stability in the industry. As a career option, BPO was once seen as a stop-gap arrangement that people chose because it brought in good money. Now it is seen as a more sophisticated industry with many career options, so vendors can attract the best talent,' Rangineni observes.

'There will always be multiple opinions about BPO, which is to be expected. During the downturn, the industry has taken two steps back with customers again

looking primarily at costs. However, it is interesting that the approach is a lot more mature. Customers now know that they can undertake outsourcing initiatives with both the short and long term in mind. There is a greater focus on quality and sustainability, which shows that there is increasing respect for the BPO industry.'

It is that stability, and the respect it engenders from clients, that has spurred many businesses to trust their sourcing partners with core processes. For some vendors this is new territory, but for Mahindra Satyam it is familiar ground.

'For our first customer we provided virtual manufacturing services across global locations. We began as a strategic partner and continued by winning prized deals such as artwork and pack management services for a pharma major, geospatial services for a leader in digital map data and visualisation services for an aerospace major. We have been closer to the core of the customer's business than is typically seen in BPO. We also handle processes with a view to ensuring high quality and over large volumes,' says Rangineni.

'Companies are reducing the number of vendors they use. Some are moving to a single vendor, so there is much more sharing of information. They want longer contracts and stability along with sustainable benefits, but quicker than before, which means more complex engagements. We have been a strategic partner with our customers from the start and have often moved vertically in an industry segment towards customers' core processes. What starts with simple data entry can soon move to the upper end of the value chain.'

From its beginnings, Mahindra Satyam has targetted the high-value, specialty BPO space, and this has set the tone for its approach to its relationships with customers and its solution-oriented approach.

'We have always had a strategic approach to customer relationships. Customers like our integrated IT and BPO option, and this is what allows us to move up the value chain,' adds Rangineni.



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#### **Beyond the downturn**

The trend for BPO providers to handle increasingly business-critical processes has not been undone by the downturn in the global economy. Increased cost pressure is driving many more enterprises to outsource, and service providers' growing expertise has led them to develop new delivery options.

'Anything that can be done better and at a lower cost is being outsourced, which is including more core processes. A new 'pay-per-use' model or platform BPO is coming into play, which involves a lower initial investment and is easier to scale up. To win in this area you need enhanced communication with customers to identify their key concerns,' says Rangineni.

'We must, more than ever, balance immediate benefits with customers' long-term interests. In our existing engagements, we look at ways to enhance benefits to customers with no additional investment from them. This involves greater investment at our end, but that is what successful businesses are all about. Both parties need to stretch themselves for the other. On new deals, we realise that customers were outsourcing to address immediate pressures, and built agility into the sales-to-operations cycle to go live much faster than industry benchmarks and display the value of the

association with us to the customer right at the start of the relationship.'

Rangineni firmly believes that a closer relationship between client and vendor will set the tone for the future of BPO. Consolidation will create fewer credible service providers and as clients focus more on creating lean, agile organisations they will put more trust in vendors that can easily move up the value chain.

The onus, therefore, is on vendors to keep investing in improving their services. For customers, the need is greater than ever to have a clear view of how outsourcing can transform their organisation, and Rangineni stresses that this must be driven from the highest level.

'We need to be close to our customers to understand how we can help them. Clients will need to have an outsourcing evangelist within their organisation, someone who understands its true value,' he remarks.

'This should be an initiative driven or actively supported by the CEO.' ■

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