



REGIONAL HR UPDATE: LATIN AMERICA

BPO IS HOT!

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Why BPO is so hot in Latin America nowadays? Quite simply it is because it increases organizational flexibility and flexibility is critical to achieving effective operations. Business process outsourcing (BPO) is a form of outsourcing that involves the contracting of the operations and responsibilities of a specific business function (or set of processes) to a third-party service provider. Originally this was associated with manufacturing firms, such as Coca Cola who outsourced large segments of its supply chain. In the contemporary context, it is generally used to refer to the outsourcing of business services.

BPO is typically categorized into back office outsourcing which includes internal business functions such as human resources, finance and accounting, and front office outsourcing which includes customer-related services such as contact center services. One of the most important advantages of BPO is the way in which it helps to increase a company's flexibility. However, different sources have different ways in which they perceive organizational flexibility. Therefore BPO can enhance an organization's flexibility in different ways.

Most services provided by BPO vendors are offered on a fee-for-service basis. This helps a company become more flexible by transforming fixed costs into variable costs. A variable cost structure helps a company respond to changes in required capacity and does not require a company to invest in assets, thereby making the company more flexible. Outsourcing may also provide a firm with increased flexibility in its resource management and reduce response times to major environmental changes.

Currently, there is a need for flexible human resources and payroll tools as companies look to rebuild and reorganize their staff and resources, to redeploy existing talent to fill gaps created by staff reductions, to automate processes and streamline operations, to build a global team for working across borders, to promote policies globally, to retain key talent, and to address a whole host of other staffing issues.

With time, every industry starts following certain best practices as it develops and matures. Some best practices followed in the BPO industry include:

- Companies outsource critical but non-core business processes that are not strategic to the firm's vision.
- An inefficient process cannot be outsourced to a third-party vendor without some re-engineering.
- Companies should gather support from their employees before taking the outsourcing plunge. The first step towards this is early communication of the outsourcing decision to the employees and the shareholders.
- Sourcing advisors should be consulted for help in negotiating the deal.
- Vendor(s) are selected based on various criteria such as quality commitment, cost, transparency of operations, data security, etc. •

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