



Genpact Looks to a New Era beyond “General Electric’s Provider”

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In its first industry analyst conference, leading business process outsourcing (BPO) provider Genpact emphasized its business, today, is much broader than supporting General Electric’s back office and primarily delivering finance and accounting (F&A) services. The global service provider surpassed the \$1 billion revenue threshold, in 2008 and new opportunities and challenges have emerged to scale and diversify its growing services business.

“Tiger” Tyagarajan (Chief Operating Officer) and Bob Pryor (Executive Vice President, responsible for sales, marketing and new business development globally) co-hosted on May 18-19 in Cambridge, MA what Genpact billed as its first analyst and advisor conference. The event was well attended by all the analyst firms and many of the consulting firms which regularly help clients hire BPO firms such as Genpact. The largest of the advisory firms present was EquiTerra, which currently advises on the lion’s share of the BPO business. All and all, it was a good first effort, and more open than many service provider events we have attended in the past.

The headline message was that the majority of Genpact’s business is no longer with its former parent GE (currently about 40 percent). In fact, its GE business actually declined last year as a percentage of total revenues. Further, only about one third of its business is now in finance and accounting outsourcing (FAO). As demand in other areas grows, Genpact will continue to verticalize its offerings in areas such as back office processing for financial institutions and healthcare companies, in addition to developing its IT services, and knowledge process outsourcing (KPO)/analytics offerings.

Genpact’s front and back office client work supports a wide range of industries; mortgage, commercial and consumer banking, investment and wealth management, insurance (property, & casualty, life, actuarial), automotive and pharmaceutical. Genpact’s pharmaceutical vertical provides a diverse range of services, and its banking, financial services and insurance revenue represented 43.6% of overall corporate revenues in 2009. Its mortgage business has had some interesting changes, which include a new service line in mortgage renegotiation due to recent U.S. government laws.

In addition to the verticals already mentioned, Genpact has grown its presence in the healthcare vertical, as well providing the whole range of services from call center, F&A, analytics, and procurement to large international automotive companies globally. Many of its clients also utilize Genpact’s KPO offerings, leveraging MBA types to do all sorts of analyses that enable them to assess and evaluate risk in many different business areas. These offerings have become so popular that they account for 10 percent of Genpact’s revenues.

Genpact’s IT business accounts for approximately 16% of revenues, from ERP implementation/support and IT infrastructure services. This capability allows Genpact to respond to a new phenomenon in the market wherein CFOs are looking to make rapid transformational changes in the operations of the finance function, and pay for that change in a manner that doesn’t impact any quarter’s earnings. The solution outsourcing providers say they are regularly asked for is an ERP implementation or upgrade along with offshoring of the F&A function. This deal structure is compelling to CFOs since everything but severance packages can be paid for over time, much like a software as a service (SaaS) deal. Several of these deals have been worked on in the last year, and Genpact now has the capability to be considered.



Genpact is also growing its source-to-pay/procurement outsourcing business. However, it needs to better clarify its source-to-pay partnership and alliance model with ICG Commerce, a significant provider of procurement services. Procurement outsourcing is clearly a space with a compelling value proposition, not only because of the potential for substantial spend reduction, but also because creative contracting and outcome-based performance pricing, are positioned to allow clients to structure an arrangement with little or no up-front investment or risk to themselves.

Like all businesses, Genpact is working on becoming more efficient and increasing its margin. Its answer is in innovation, productivity, higher-end service offerings, automation, site selection for tax breaks, and spend management. It also has high expectations for its Smart Enterprise Processes (SEPSM) offering, a scientific, and granular proprietary approach to business process management which focuses on optimizing process effectiveness in addition to efficiency.

The HfS Viewpoint: Genpact is addressing critical challenges to standardize processes across its clients, but recognizes the hard work is only just beginning

Genpact has expanded into logically adjacent processes to its core F&A base, and is demonstrating healthy growth. It is saying all the right things from a potential client's perspective about its willingness to assume risk and make significant process improvements.

In its FAO business, Genpact has been at the forefront of the market in recent years, taking on a host of enterprise clients. However, the main challenge in FAO is to develop process standardization across clients, which will enable further growth and profitability. Genpact, like its main competitors, has not been immune to this challenge, but claims to be gaining leverage by sharing resources across its client base. However, in many instances (like the vast majority of today's FAO endeavors), Genpact uses its clients' ERP systems and strictly adheres to clients' controls and risk environments, thus limiting the ability to implement multi-client process standardization . That is, it has to follow the work sequence, quality checks, data verification rules, etc that the client has always used and they cannot change them with the agreement of the client.

Until it can gain wide acceptance of largely standardized offerings, it will be challenged to leverage assets across its FAO clients and make process and cost improvements with multi-client impact. However, Genpact does recognize these challenges and is making concerted efforts to bring - and gain - acceptance of more standardized processes to its clients. One of these opportunities to develop process standardization is to provides IT-enablement of processes by delivering a new ERP system to the client. For example, its recent alliances with ERP SaaS provider NetSuite is targeted at mid-market clients which are willing to move to the NetSuite ERP platform and have Genpact service its business processing. In a similar vein, Genpact has also recently partnered with leading insurance asset provider MajescoMastek. We believe these alliances are a move in the right direction to deliver more replicable processes to its expanding client base, while providing differentiated offerings to their principal competitors, many of which are caught up in the traditional BPO log-jam of delivering customized BPO services around legacy ERP systems.

All-in-all, Genpact clearly recognizes where it needs to focus, but it will take another couple of years for them to fully demonstrate real business results from many of its new initiatives. The BPO industry is still largely immature, and Genpact can only move as fast as its clients will allow.



About Horses for Sources

Horses for Sources (HfS) is the foremost advisory analyst firm and social networking community focused on helping enterprises make complex decisions with their global outsourcing strategies. HfS is well-regarded across the industry as the platform that delivers the "real hard facts" about outsourcing.

HfS provides the most impactful and frequently-visited collaborative community platform in the global services industry, providing rapid and insightful commentary, analysis and debate of enterprise outsourcing dynamics. The organization is unique in the fact that it integrates personable social networking with market research and advisory services.

Led by industry expert [Phil Fersht](#), the Horses for Sources research team is a multi-disciplinary group of analysts and experts with deep domain knowledge in Business Process Outsourcing, Industry Specific Process Outsourcing and Cloud Computing. The team comprises a unique skill-set of research, practitioner and strategy experience, that can take full advantage of social-media platforms to deliver cutting-edge research to enterprise buyers.

Launched in 2007, the Horses for Sources blog has more than 100,000 regular visitors across the global outsourcing industry, and is widely recognized as the leading destination for collective insight, research and open debate of industry issues and developments. The Horses LinkedIn community is thriving with 10,000 industry professionals sharing views and information daily.

The company's blog and company website can be found at <http://www.horsesforsources.com>. It can also be followed on Twitter at twitter.com/horses4sources and LinkedIn by joining "[The BPO and Offshoring Best Practices Forum group](#)."

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