

Formulating a Business Process Outsourcing Strategy to Enhance Competitive Advantage: A Case Study of PT ABC in the Indonesian Outsourcing Industry

Bayu Istantoro, Ahmad Adriansyah, Antyo Pracoyo, Batara Maju Simatupang

STIE Indonesia Banking School, Indonesia

Email: Istantorobayu13@gmail.com, ahmad.adriansyah@ibs.ac.id, antyo.pracoyo@ibs.ac.id, batara.ms@ibs.ac.id

Abstract. The Indonesian outsourcing industry is currently dominated by low-margin Manpower Outsourcing (MPO) services, with limited development in high value-added segments such as Business Process Outsourcing (BPO). Most domestic providers face stagnant profit margins below 3%, intense price competition, and heavy reliance on labor-intensive operations. Against this backdrop, digital transformation and BPO service automation have become critical differentiators in global markets, yet remain underutilized in Indonesia. This study aims to formulate a Business Process Outsourcing (BPO) development strategy at PT ABC to enhance its competitive advantage within Indonesia's outsourcing industry. The research adopts a qualitative single-case study approach, leveraging internal documentation, strategic meeting transcripts, and informal interviews with management. Using the Playing to Win framework, supported by the VRIO and McKinsey 7S models, this study explores how PT ABC can shift from Manpower Outsourcing dominance to a more balanced portfolio emphasizing BPO services. Results indicate that although BPO currently contributes only 11.2% of gross profit, it holds a growing profit margin—rising from 27.9% (2022) to 32.4% (2023)—and potential for expansion in the BFSI sector. Strategic implications include client diversification beyond PT XYZ, technological innovation, and enhanced workforce capabilities. The study finds that implementing data-driven systems and thematic training programs is essential to support sustainable transformation. These insights offer a practical roadmap for PT ABC to increase profitability and reduce dependency on labor-intensive services.

Keywords: *Business Process Outsourcing, Playing to Win, Competitive Advantage, Client Diversification*

INTRODUCTION

Business Process Outsourcing (BPO) is a modern business strategy that provides opportunities for companies to improve operational efficiency by outsourcing non-core processes to third parties that are more competent. In the Indonesian context, this model has experienced rapid growth, particularly in the Manpower Outsourcing (MPO) sector (Falah, Ma'arif, & Ekananta, 2025; Istan, 2015; Wikurendra, Csonka, Nagy, & Nurika, 2024). However, the potential of high value-added service segments, such as BPO, remains underutilized. This gap presents both a challenge and an opportunity for domestic outsourcing service providers (Bernhardt, Batt, Houseman, & Appelbaum, 2016; Darwish, Hassanien, Elhoseny, Sangaiah, & Muhammad, 2019; Raja & Frandsen, 2017; Todeschini, Cortimiglia, Callegaro-de-Menezes, & Ghezzi, 2017).

The outsourcing industry in Indonesia faces three critical challenges: intensifying competition, overreliance on manual labor-based work models, and persistent margin pressure (Benería, Berik, & Floro, 2015; Dordoni & Carreri, 2022; Hao & Bu, 2022; Hikmah, 2025; McCarthy, 2023). According to data from the Indonesia Stock Exchange (2023), large outsourcing companies such as PT Shield on Service Tbk, PT Personel Alih Daya Tbk, and PT Hoffmen Cleanindo Tbk have recorded stagnant operating profit margins of less than 3% over

the past two years. The dominant price-war strategy has limited space for innovation and the development of value-added services (Kotabe & Kothari, 2016; Liang, Liu, Li, Dong, & Lim, 2023; Zhang, Ma, Xiao, Tian, & Fan, 2019). In contrast, global trends demonstrate a different trajectory. Studies by Deloitte (2023) and McKinsey (2020) emphasize that global companies have successfully increased their competitiveness through the digitization and automation of BPO services—a strategy that has not been widely adopted by companies in Indonesia.

Against this backdrop, PT ABC emerges as a compelling case study. PT ABC is an outsourcing service provider that offers MPO, BPO, and Knowledge Process Outsourcing (KPO) services. Although the MPO segment remains the main contributor to the company's revenue—accounting for 79.82% of total Gross Profit (GP) in September 2024—there is significant dependence on one major client, PT XYZ, which contributes 70.99% of total GP. This dependence poses financial risks and hinders the company's strategic flexibility in responding to market dynamics (Gärtner & Schön, 2016; Settembre-Blundo, González-Sánchez, Medina-Salgado, & García-Muiña, 2021; Ze & Loang, 2025).

Paradoxically, while MPO dominates revenue, the BPO segment demonstrates superior growth potential despite its modest current contribution. The BPO segment, although contributing only 11.20% of GP, shows very promising growth potential. The profit margin for this segment increased from 27.9% in 2022 to 32.4% in 2023. This increase reflects opportunities for the development of more complex and strategically impactful high-value services, particularly in the banking, financial services, and insurance (BFSI) sector. The BFSI sector is particularly attractive due to its ongoing digital transformation initiatives and the increasing demand for efficiency-driven, technology-enabled outsourcing solutions.

Furthermore, data show that PT ABC's workforce composition is dominated by low value-added jobs such as security guards, who account for 48.09% of the total managed workforce. This highlights the importance of diversifying service types and improving human resource capabilities to enter more strategic service sectors. Therefore, diversifying clients and services represents not merely a growth strategy but also a crucial risk mitigation measure to reduce dependence on PT XYZ and establish a more sustainable revenue base.

To systematically address these strategic challenges, this study employs the Playing to Win framework developed by Lafley and Martin (2013) as the primary analytical lens. This framework comprises five key elements: Winning Aspiration, Where to Play, How to Win, Core Capabilities, and Management Systems. It is used to formulate a comprehensive transformation strategy for PT ABC's BPO segment and to align business direction with market needs and internal capabilities. The analysis is further enriched through complementary frameworks: the VRIO framework assesses the uniqueness and sustainability of organizational resources, while the McKinsey 7S model evaluates the readiness of resources and organizational structures in supporting strategic change.

METHODS

This study employed a qualitative approach with a single case study design at PT ABC, an outsourcing service provider in Indonesia. The approach was chosen to explore the Business Process Outsourcing (BPO) development strategy through contextual analysis based on internal company data.

The research focused on PT ABC's BPO strategy in addressing dependence on a major

client and enhancing competitiveness in the banking, financial services, and insurance (BFSI) sector. The study emphasized client diversification, operational efficiency, and the strengthening of internal capabilities.

Data were collected using triangulation techniques, which included:

1. In-depth interviews with management and key internal stakeholders on strategic policies.
2. Operational observations of work processes and organizational structures related to BPO implementation.
3. Internal documentation review, including financial reports, strategic meeting minutes, and BPO segment performance data.

Purposive sampling ensured the relevance and depth of the information gathered. Data analysis was conducted using a thematic approach, applying the Playing to Win model as the primary analytical framework. The five strategic elements—Winning Aspiration, Where to Play, How to Win, Core Capabilities, and Management Systems—were used to map PT ABC’s strategic direction. Supporting frameworks such as VRIO and McKinsey 7S complemented the analysis by assessing resource capabilities and organizational alignment. Data validity was reinforced through source and method triangulation, along with iterative discussions with key informants to ensure consistency of interpretation.

RESULTS AND DISCUSSION

Analysis of Segment Contribution to Profitability

An analysis of the contribution of business segments to the company's profitability shows that PT ABC's revenue structure is highly dependent on Manpower Outsourcing - Outsourced Labor (MPO-TAD) services. Based on internal financial reports up to September 2024, this segment contributed 79.82% to the company's total gross profit (GP). This high dependence on MPO-TAD services indicates that PT ABC's operational sustainability is still supported by the provision of direct labor, such as security and administrative personnel, who generally have low added value and are highly vulnerable to price fluctuations and labor regulations.

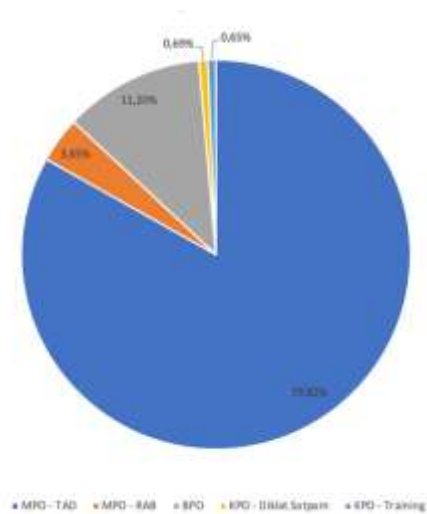


Figure 1. Summary of Gross Profit Contribution for Each Product

Source: PT ABC Financial Report for September 2024

In addition to the dominance of the MPO-TAD segment, PT ABC's revenue structure also shows significant client concentration risk. A total of 70.99% of total GP comes from one major client, PT XYZ, which is a direct affiliate of the company. This condition creates high dependence and vulnerability to external shocks, such as changes in client business policies, contract renegotiations, or regulatory dynamics in the financial sector, which is the core business of PT XYZ. With an undiversified revenue structure, PT ABC's financial resilience to external risks is limited, which in turn can hamper strategic flexibility in the long term.

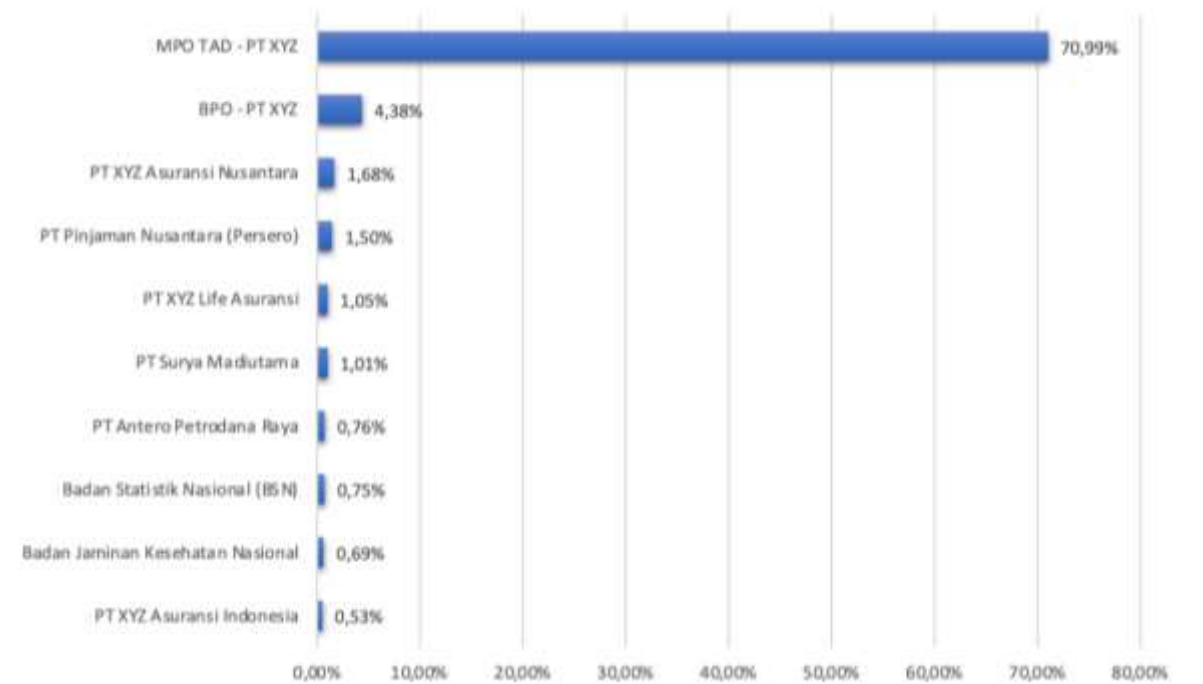


Figure 2. Top 10 Gross Profit Contributions per User
Source: PT ABC Financial Report for September 2024

Meanwhile, the Business Process Outsourcing (BPO) segment contributed less to GP, at only 11.20%. However, this segment showed promising growth indicators. In the last two years, the profit margin from BPO increased from 27.9% in 2022 to 32.4% in 2023. This increase in margins reflects PT ABC's initial success in managing operational efficiency and improving the quality of BPO services. The BPO segment offers process-based services, such as human resource management, back-office operations, and customer service, which structurally have higher added value than MPO-TAD services.

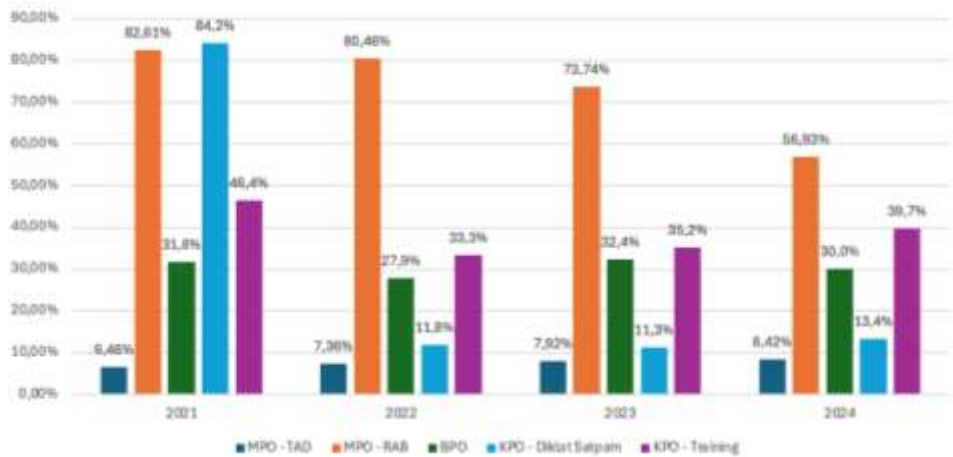


Figure 3. Summary of Gross Profit per Product
Source: PT ABC Financial Report for September 2024

The growth of the BPO segment is also in line with industrial transformation, particularly in the Banking, Financial Services, and Insurance (BFSI) sector, which is undergoing accelerated digitalization and requires complex service solutions. With higher margins and broader expansion opportunities, BPO has the potential to become a new growth engine for PT ABC if developed strategically. Diversifying revenue from MPO-TAD to BPO not only provides long-term financial stability, but also opens up opportunities for the company to enter high value-added service sectors that support sustainable competitive advantage.

These findings underscore the need to reorient the company's strategy from a labor-intensive business model to one based on capabilities and technology. Reducing dependence on the MPO-TAD segment and single clients such as PT XYZ is crucial for PT ABC to increase flexibility, mitigate risk, and build resilience in the face of an increasingly competitive and complex outsourcing industry.

Client Diversification Strategy: Where to Play

The Where to Play element in the Playing to Win framework plays a strategic role in directing the company's business focus to market segments that have growth potential and strategic alignment with internal capabilities. In the context of PT ABC, the Where to Play strategy translates into client diversification through expansion into non-captive sectors, particularly Banking, Financial Services, and Insurance (BFSI). This sector was chosen based on three main considerations: the complexity of business processes, the high demand for technology-based operational efficiency, and the potential for higher profit margins compared to traditional labor-intensive sectors such as security or cleaning.

PT ABC's dependence on one major client, PT XYZ, which contributes 70.99% of its total gross profit (GP), creates a significant client concentration risk. This risk includes uncertainty in contract continuity, fluctuations in demand, and dependence on the strategic direction of the parent company. Therefore, client diversification is not only an effort to expand the market, but also a form of long-term strategic risk mitigation.

The first step in this diversification strategy is to identify the BFSI segment as a new playing field that has not been fully utilized by PT ABC. The BFSI industry in Indonesia is currently under pressure to undergo digital transformation, cost efficiency, and improve

customer service quality. This situation creates a high demand for BPO service providers that not only offer cost efficiency but also expertise in managing complex, technology-based business processes. This is where PT ABC can position itself as a strategic partner.

The Where to Play strategy also includes further segmentation of service types relevant to the BFSI sector, such as call center management, insurance claim administration, KYC document processing, customer data management, and payroll services. Focusing on value-added services like these allows PT ABC to avoid the price wars that are common in MPO-TAD services and build long-term value-based relationships with its new clients.

To support this expansion, PT ABC needs to leverage its internally developed technological capabilities, such as the Prima Payroll application, the Talent Pool platform for digital recruitment, and PrimAcademy as an online training system for outsourced workers. The use of these platforms becomes a unique value proposition that differentiates PT ABC from conventional BPO providers.

Thus, the client diversification strategy in the Where to Play element not only responds to market needs but also shapes a new direction for more resilient and strategic growth. PT ABC's positioning in the high-value BFSI sector provides an opportunity for the company to shift its business position from a workforce provider to a strategic business process solution provider, while building a more balanced and sustainable client portfolio in the long term.

Competitive Strategy: How to Win

The How to Win element in the Playing to Win framework formulates a strategic approach to winning competition in selected target markets. For PT ABC, which targets the Banking, Financial Services, and Insurance (BFSI) sector as the focus of its Business Process Outsourcing (BPO) service expansion, the main challenge is how to develop relevant and sustainable competitive advantages in a complex, competitive market that is sensitive to service quality.

The main strategy implemented by PT ABC within the How to Win framework is a combination of a differentiation-focus approach with an emphasis on cost efficiency. The differentiation strategy is carried out through the provision of complex, value-added process-based BPO services, such as customer service, contact centers, and technology-based administrative services. These services are designed to meet BFSI sector standards, which require reliability, speed of service, and high regulatory compliance. The strategy focuses on non-captive financial institutions such as regional development banks, insurance companies, and multifinance companies, which were not previously served by PT ABC.

In terms of efficiency, PT ABC strives to reduce costs through business process optimization and workflow digitization. Concrete steps that have been taken include the implementation of e-Invoicing, e-Reminder, and data-based monitoring dashboard systems to accelerate administrative processes and decision making. The transformation of manual processes into automated ones enables the company to increase labor productivity while significantly reducing operational costs.

In addition, the How to Win strategy also places human resource management as a key pillar. PT ABC targets human resource development that is not only technically adaptive but also understands the characteristics of the BFSI sector. Thematic training programs developed through the internal PrimAcademy platform aim to build competencies in risk management, customer service, and digital skills that support the execution of value-based BPO services.

Thus, the company is able to build a competitive advantage that is not easily replicated by competitors.

This strategic approach is in line with the principle of strategic fit between the target market, internal strengths, and client needs. Through the synergy between operational efficiency, differentiated services, and strengthened human resource capabilities, PT ABC is able to create a unique value proposition and win the competition in the BFSI sector BPO segment. By continuing to strengthen its position in this market segment, the How to Win strategy not only creates short-term competitive advantages but also directs the company towards more robust business sustainability.

Strengthening Core Capabilities: Core Capabilities

Within the Playing to Win framework, Core Capabilities play a key role as the internal foundation that determines the success of Where to Play and How to Win strategy implementation. To identify and evaluate PT ABC's internal strengths, the VRIO Framework (Barney, 1991) approach was used, which assesses capabilities based on four main criteria: valuable, rare, inimitable, and organized. This evaluation is enriched by the Leonard-Barton (1992) perspective, which emphasizes the importance of technical systems, managerial systems, shared knowledge, and corporate values as formers of dynamic and sustainable capabilities.

The results of the analysis show that PT ABC has built four groups of core capabilities that are strategic and relevant in the context of BPO service development in the BFSI sector:

Operational Efficiency through Integrated Systems

PT ABC has developed integrated technology-based operational systems, such as Prima SuperApps, Prima Payroll, e-Invoicing, e-Reminder, and e-Confirmation Payment. This system supports real-time and accurate attendance, payroll, and financial management. This capability fulfills all dimensions of VRIO because it provides high added value, is rare in the local industry, is difficult to imitate without complex infrastructure, and has been effectively managed by the organization. This makes efficiency a sustainable competitive advantage in BPO service tenders that demand high productivity and low costs.

Technological Innovation and Service Digitalization

In response to the dynamic and complex needs of the BFSI sector, PT ABC has developed various innovations such as e-Recruitment, e-Psychotest, and PrimAcademy as an online Learning Management System (LMS) for training more than 35,000 workers. These innovations enable efficiency in the recruitment process and competency strengthening on a large scale. By combining technology, training curriculum, and performance management systems, these capabilities are considered to have a sustainable competitive advantage according to VRIO analysis.

Responsive Talent Pool Management

The Talent Pool Dashboard system enables real-time monitoring of candidates across all branches. Candidate data is organized in a standardized format that enables quick and accurate matching to client needs. Although this system is valuable and well-organized, it still faces challenges in the “rarity” dimension as competitors are also beginning to adopt similar systems. Therefore, this capability is classified as a temporary competitive advantage that needs to be continuously developed, for example through AI integration and candidate personalization.

Compliance and Quality Management System

As a service provider in regulated sectors such as finance, PT ABC has developed a robust quality management and compliance system, including ISO 9001 and 14001 certifications, as well as a Case Monitoring Dashboard to manage operational risks and industrial relations. These capabilities are considered highly strategic as they not only enhance credibility but also strengthen client trust in the BFSI sector. Within the VRIO framework, this system fully meets all the criteria for sustainable competitive advantage.

Overall, PT ABC's main strengths lie in its integrated technology systems, large-scale digital training capacity, and complex quality control systems. These four capabilities not only support differentiation and efficiency strategies, but also create high barriers to entry in the BFSI sector BPO market. However, PT ABC must maintain flexibility, regular system updates, and strengthen inter-unit collaboration to prevent core rigidities that could hinder adaptation to the ever-changing market dynamics.

Supporting Management Systems

Management systems are a fundamental element in the Playing to Win framework, serving to ensure that strategies can be executed effectively and measurably. In the context of PT ABC, the supporting management system is designed to underpin the strategic transformation towards becoming a value-added BPO service provider in the Banking, Financial Services, and Insurance (BFSI) sector. The implementation of management systems focuses on performance monitoring, digital system integration, organizational structure strengthening, and internalization of corporate values.

To ensure consistent and measurable strategy implementation, PT ABC is advised to develop a Balanced Scorecard-based monitoring system. This system includes strategic indicators from four main dimensions: financial, operational, human resource management, and customer satisfaction. With quarterly reporting by the Strategy and Business Planning Division, top management can quickly make data-driven corrections to the strategic direction and resource allocation.

In addition, the integration of digital systems that have been developed, such as Prima SuperApps, Prima Payroll, e-Invoicing, and Dashboard Talent Pool, has become the backbone of BPO project operational management. These systems enable real-time activity monitoring, employee management, and cross-branch financial control. However, integration between systems and performance reporting automation still need to be strengthened in order to support national-scale BPO expansion with high service quality consistency.

The current centralized organizational structure needs to be adjusted towards a semi-decentralized model. This change aims to increase the agility of operational decision-making in strategic branches, particularly in fulfilling Service Level Agreements (SLAs) and workforce management in the highly dynamic BFSI sector.

In terms of organizational culture, the internalization of core company values such as professionalism, integrity, compliance, and service orientation must be implemented down to the field operational level. This is important to maintain work culture cohesion and service quality consistency amid market expansion and an increase in the number of managed employees.

With a responsive, adaptive, and data-driven management system, PT ABC has a strong foundation to support its BPO service transformation strategy. Alignment between

organizational structure, information systems, performance indicators, and cultural values is a key factor in managing operational complexity and ensuring long-term competitive advantage in the BFSI sector.

CONCLUSIONS

The study concluded that developing a Business Process Outsourcing (BPO) strategy was crucial for PT ABC to reduce dependence on the Manpower Outsourcing (MPO) segment and a single client, which posed significant concentration risks. Through the Playing to Win framework, PT ABC formulated a transformation strategy centered on diversification in the Banking, Financial Services, and Insurance (BFSI) sector, leveraging its technological and operational strengths, including digital platforms such as Prima Payroll, e-Invoicing, and PrimAcademy, to enhance efficiency and service quality. The company's core capabilities—integrated systems, ISO-based quality management, and real-time monitoring—were found to support sustainable competitive advantage when strategically integrated, guided by VRIO and Balanced Scorecard analyses. Managerially, PT ABC must prioritize BFSI client expansion, enforce system-wide digital standards, and strengthen human resource competencies and performance monitoring mechanisms to ensure alignment between strategic objectives and market dynamics. Future research could expand this study by examining the long-term financial impacts of BPO transformation across multiple Indonesian outsourcing firms or by exploring comparative frameworks that integrate digital innovation with strategic agility in service-based industries.

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