PARSEQ | AI

REIMAGINING BUSINESS PROCESSES

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REIMAGINING
BUSINESS
PROCESSES

FOREWORD

With organisations under pressure to adapt, innovate, and optimise their operations, forward-thinking business process outsourcing (BPO) providers like Parseq have adapted to meet that challenge head-on.

Where once we thrived by streamlining human-centric processes and relying almost exclusively on people to deliver back office activities faster and more efficiently, we have now become masters of technology.

Today, we deliver continuous improvements for organisations of all sizes through process innovation and progressive automation, removing the risk associated with transformation and enabling clients to achieve sustained savings and service improvements with the optimal blend of people and technology.

In this report, you'll discover more about this new world of outsourcing, how a new model of human-AI collaboration is transforming the back office, and how to move beyond simple cost savings to achieve access to specialist skills and true business agility.

Please explore these insights and engage with us to discuss how a smart, integrated approach to AI, automation, and human expertise can unlock new levels of efficiency, accuracy, and strategic advantage for your organisation.

Craig Naylor-Smith
CEO

EXECUTIVE SUMMARY

STRATEGIC SHIFT IN OUTSOURCING

Over the last decade, outsourcing has evolved from a cost saving measure to a strategic driver for agility, risk mitigation, and access to specialist skills, particularly in advanced AI, machine learning, and automation.

OUTCOME BASED CONTRACTS

The outsourcing industry is moving towards shorter, more transactional, and outcome based agreements, with pricing models shifting from Full-Time Equivalent (FTE) to transactional fees and gain share models.

AI AND AUTOMATION IN THE BACK OFFICE

AI and automation are transforming outsourcing, delivering activities more efficiently and accurately than ever, and enabling intelligent assessment, decision making, and problem resolution. Technologies are moving beyond simple rule based automation to systems that can learn, understand, and generate their own solutions.

HUMAN-AI COLLABORATION

With AI handling routine, data intensive tasks, humans are freed to focus on complex problem solving, empathetic customer interactions, and critical thinking. This has led to an inversion of effort. An estimated 90% of back office tasks performed by Parseq are now automated.

BENEFITS OF COLLABORATION

This human-AI model leads to increased efficiency, improved accuracy, and new opportunities for providers to offer more efficient processing and facilitate the reshoring of work.

AREAS FOR RAPID INNOVATION

Use cases where AI-enabled outsourcing can transform back office operations include:

- **Digital mailroom:** AI automates reading, context identification, and categorisation of incoming documents, reducing processing time and cost.
- **Cash allocation:** AI-driven systems automatically match incoming payments to customer accounts, improving cash flow and reducing unallocated funds.
- **Insurance claims processing:** Agentic AI systems handle claims with autonomy and self-correction, improving processing times and accuracy.
- **Accounts payable:** AI validates invoices against purchase orders and other data sets, streamlining operations and ensuring timely payments.

OUTSOURCING: FROM COST SAVING TO INNOVATION

The way many organisations operate has changed dramatically over the last decade. With constant disruption, increased economic uncertainty, mounting cost pressures and new customer expectations, companies of all sizes have doubled down on their core competencies to become leaner, more competitive and more resilient.

Persistent macroeconomic uncertainty has led businesses to seek agility and mitigate risk.

Outsourcing has become a crucial source of that agility, turning fixed costs into variable ones and providing the flexibility to scale operations up or down as needed, without the burden of internal infrastructure investments or the expense of hiring.

This trend is set to continue. Parseq research, conducted in 2024, indicated that demand for outsourced services in the UK will soar in the next three years, with 71% of large companies and 24% of SMEs intending to increase their reliance on partners for back office support.

By outsourcing non-core functions, businesses can concentrate their internal resources on core activities, thereby improving their competitiveness and customer satisfaction.

This has had a profound impact on the business process outsourcing (BPO) industry.

THE STRATEGIC SHIFT IN OUTSOURCING

While cost savings were a primary driver in the past, the increasing cost of offshore talent has diminished this advantage. Narrowing profit margins and more intense competition make it crucial for organisations to find improvements and efficiencies beyond simple labour arbitrage.

Parseq's research shows that just a quarter of businesses (23%) choosing to outsource now do so to reduce their costs. Access to specialist skills is now the main motivation for moving activities to managed service partners (cited by 32% organisations). Our research also shows a strong correlation between the processes businesses wish to outsource and those they want to transform with technology.

Companies are partnering with BPO providers to gain access to advanced AI, machine learning, and automation capabilities that enable greater efficiency, accuracy, and scalability in back office functions, as well as talent to deploy and manage these technologies effectively.

This is evident in the types of conversations happening in the industry, where the emphasis has moved from cost cutting and environmental, social and governance frameworks (ESG) to service innovation. The starting point for many client conversations is more often "what are you doing in the AI space?" or "how can you add more value to our partnership with automation?".

71%

of large companies plan to increase outsourcing in the next three years *

* Source: Parseq – State of Back-Office Outsourcing 2024–2025.

THE SHIFT TO OUTCOME BASED AND PERFORMANCE DRIVEN CONTRACTS

The evolving nature of BPO is reflected in contracting and pricing models. While traditional contracts often focused on FTE (Full-Time Equivalent) based pricing, there is a growing preference for shorter, more transactional, and outcome based agreements.

As automation increases, pricing models are shifting towards transactional fees, where clients pay for the volume of processed items or the value delivered, rather than the number of people involved.

- These models will typically account for the maintenance of underlying technology and infrastructure, as well as economies of scale gained from the volume of transactions, allowing for fairer, more sustainable pricing that works for all parties.
- Shorter contracts and flexible pricing models allow for greater agility, enabling businesses to adapt to external events and changing market conditions more easily.
- For new propositions or complex transformations, there's a growing interest in gain share models where the provider shares the risk and rewards with the client, aligning incentives for successful outcomes.

23% of businesses outsource primarily to reduce costs *

32% of businesses outsource to access specialist skills *

* Source: Parseq – State of Back-Office Outsourcing 2024–2025.

AI AND AUTOMATION IN THE BACK OFFICE

Artificial Intelligence (AI) and automation are transforming business process outsourcing (BPO), moving beyond simple task execution to intelligent assessment, decision making, and problem resolution. This evolution allows organisations to tackle complex processes with unprecedented efficiency and accuracy.

FROM SIMPLE AUTOMATION TO INTELLIGENT AI

Historically, automation in BPO primarily involved rule based systems and Robotic Process Automation (RPA), which mimicked human actions for repetitive tasks.

While effective for basic data entry and routine workflows, these systems lacked the cognitive abilities to handle nuanced situations or adapt to unforeseen challenges.

The advent of AI, particularly machine learning and generative AI, has fundamentally changed this dynamic. Automation has moved from simply replacing human effort to AI that can learn, understand, and even generate solutions.

AI'S ABILITY TO ASSESS, DECIDE AND ACT INDEPENDENTLY

Modern AI systems possess capabilities that extend far beyond simple automation. AI can analyse vast amounts of data from diverse sources to understand the context of a situation. Based on its assessment and learned patterns, AI can make decisions autonomously.

For straightforward cases, AI can take independent actions to resolve problems, completing tasks end-to-end without human intervention. The goal is to move beyond simply following predefined rules to proactively addressing issues.

THE ROLE OF AGENTIC AI IN BPO

Agentic AI represents a significant leap forward in automation, characterised by autonomy, proactive decision making, and self-correction to achieve specific goals. Unlike traditional AI that requires explicit programming for every step, agentic AI is given an objective and the freedom to determine the best path to achieve it.

Agentic AI can revolutionise back office processes by handling complex, multi-system tasks with minimal human intervention.

While agentic AI optimises itself, robust guardrails are crucial to ensure data quality and prevent unintended outcomes, especially in sensitive areas like financial services. These guardrails include human oversight and intervention, explicit rules that instruct the AI to adhere to industry regulations and company policies, and regular audits to verify adherence to these policies.

AI EVOLUTION

AUTOMATION > AI > AGENTIC AI

01

RULE BASED AUTOMATION / RPA

Mimics human actions for repetitive tasks

02

AI & MACHINE LEARNING

Learns and makes contextual decisions

03

AGENTIC AI

Autonomous, proactive, and self-correcting

HUMAN-AI COLLABORATION IN OUTSOURCED OPERATIONS

While business process outsourcing (BPO) now relies heavily on Artificial Intelligence (AI) and automation, the role of the human remains vital. This industry is being redefined by a new collaborative model, where machines handle routine, data intensive tasks, freeing up humans to focus on more complex or empathetic interactions.

This shift is not merely about replacing human effort with machines, but about augmenting human capabilities, driving greater efficiency, accuracy, and workforce upskilling.

THE INVERSION OF EFFORT **10 YEARS AGO**

90% human effort

10% machine effort

THE INVERSION OF EFFORT: FROM MANUAL TO AUGMENTED

The traditional model of BPO, once a human-centric endeavour with the majority of tasks performed manually, has been inverted.

Ten years ago, approximately 90% of the work involved in outsourced back office activities, such as mailroom operations, claims processing, or accounts payable processes, was done by people, and 10% by machines.

Today, we estimate that 90% of these tasks are handled by automation, leaving 10% to activities such as exception processing that still require human ingenuity. This shift is a testament to the transformative power of AI and automation in streamlining and transforming operations.

AI: THE ENGINE OF EFFICIENCY AND ACCURACY

AI's ability to learn, process vast amounts of data, and learn from human input is at the core of this collaborative model. It performs tasks that are repetitive, rule based, and data intensive with unparalleled speed and precision.

With AI handling most routine work, humans in BPO are evolving to become more strategic and less transactional. This augmented model allows people to focus on tasks that require uniquely human attributes:

- Instead of basic data entry, humans are now engaged in data validation, exception handling, and complex problem solving. They review AI-suggested actions and information flagged by the machines, and make informed decisions that require critical thinking and judgment.
- While AI can handle simple queries in customer facing scenarios, more complex or sensitive interactions are escalated to humans. This ensures that customers receive empathetic engagement and personalised solutions for issues that require emotional intelligence and nuanced understanding.
- This shift has changed the nature of the outsourced workforce, moving from individuals skilled in basic data capture to those with strong analytical and judgment skills, capable of managing complex exception processing. Software developers, too, are seeing their roles evolve from writing explicit code to crafting precise prompts for AI, requiring a more abstract skill set that can clearly articulate requirements.

THE BENEFITS: EFFICIENCY, ACCURACY, AND NEW OPPORTUNITIES

The collaborative human-AI model in outsourcing yields substantial benefits:

- By automating routine tasks, processes are accelerated, and operational bottlenecks are reduced, leading to faster turnaround times and improved overall efficiency.
- AI's ability to learn and process data with precision significantly reduces errors, especially in critical areas like financial transactions and data categorisation. The human-in-the-loop reinforces accuracy by providing oversight and continuous learning opportunities for the AI.
- AI-driven automation creates new avenues for providers to offer more efficient processing to clients who currently manage back office functions internally. It also facilitates the reshoring of work, making onshore execution with advanced technology a more appealing and cost effective option for clients that prefer to work with partners close to home.

THE INVERSION OF EFFORT **TODAY**

FOUR AREAS FOR RAPID INNOVATION

Here are four specific use cases demonstrating how AI-enabled outsourcing can transform the back office, outlining Parseq's approach and how it enables the reduction of the time and cost required to implement innovation from years to months:

- **Use case:** Many organisations, particularly those with high volumes of inbound physical and digital correspondence, struggle with manual mailroom processes. These often involve significant human effort in opening, sorting, reading, understanding, and categorising documents before they can be routed to the correct department or system. This leads to delays, potential errors, and inefficient resource allocation.
- **Parseq's approach:** Parseq uses AI to automatically read, identify the context, and categorise incoming documents. This system is designed with a human-in-the-loop model, where the AI defers judgment to a human for review and decision if it is unsure about the intent or category of a document. The AI continuously learns from these human inputs, improving its accuracy over time. This approach enables the automation of routine tasks, thereby freeing up human staff for more complex exception handling.
- **Impact:** This dramatically reduces the time and cost associated with manual mailroom operations. Instead of a process that could take days or even weeks, documents are processed and routed within hours, improving efficiency, accuracy, and customer responsiveness. The continuous learning of the AI further refines the process, ensuring sustained improvements and a rapid return on investment.

- **Use case:** Reconciling incoming payments with customer accounts is a critical back office function that can be highly complex and time consuming, especially for organisations with a large customer base and diverse payment methods. Manual cash allocation often results in unallocated funds in suspense accounts, leading to cash flow issues and increased administrative effort in resolving discrepancies.
- **Parseq's approach:** Parseq implements AI-driven cash allocation systems that take incoming payments and automatically match them to customer accounts. The AI analyses vast amounts of data, including cash receipts, payment points, account numbers, and historical allocation patterns, to determine where money should be allocated. With a high degree of confidence, the AI can automatically post payments. For cases with lower confidence, the transaction is referred to a human for analysis. This machine-human hand-off serves as both a guardrail to ensure data integrity and a guide to inform future allocations.
- **Impact:** This solution significantly reduces the time and effort spent on manual reconciliation, improving cash flow and reducing the volume of unallocated funds. The high accuracy of the AI model minimises errors, and the human-in-the-loop ensures robust oversight. This transformation, which traditionally might take years to develop in-house, can be implemented in months with Parseq's specialised expertise and existing technology.

03 ACCOUNTS PAYABLE

- **Use case:** Accounts payable (AP) processes, which involve the receipt, validation, and payment of invoices, are often manual, prone to errors, and a drain on resources. Matching invoices against purchase orders, contracts, and payment terms can be a complex and time consuming task, leading to delayed payments and strained supplier relationships.
- **Parseq's approach:** Parseq utilises AI to read, interpret and validate invoices against purchase orders and other data sets for accuracy. The system flags discrepancies or low confidence matches for human review, ensuring accuracy and compliance while automating the majority of the process.
- **Impact:** This automation significantly streamlines AP operations, reducing manual effort and the incidence of errors. It accelerates invoice processing, ensuring timely payments and improving supplier relationships. By leveraging Parseq's existing AI frameworks and expertise, organisations can implement this solution in a fraction of the time and cost it would take to develop internally, achieving rapid gains in efficiency and cost savings.

04 INSURANCE CLAIMS PROCESSING

- **Use case:** The insurance industry often grapples with lengthy and resource intensive claims processing, from initial submission to final payout. Manual handling of claims, including document verification, policy detail checks, and payment processing, can lead to delays, customer dissatisfaction, and high operational costs.
- **Parseq's approach:** Parseq employs agentic AI systems for claims handling, which are designed to demonstrate autonomy, proactive decision making, and self-correction. An agentic AI can interact with multiple systems to gather all necessary information related to a claim, verify policy details, assess payments, and draft communications to the customer. It then presents a near complete package for human approval. This use of AI allows humans to focus on complex or exceptional cases that require a greater level of critical thinking and empathetic interaction.
- **Impact:** This approach drastically reduces claims processing times, moving from weeks or months to days, or even hours for straightforward cases. It enhances accuracy, reduces the need for extensive manual intervention, and improves customer satisfaction through faster resolution. Parseq's ability to integrate and deploy these advanced AI solutions rapidly accelerates the innovation cycle, delivering tangible benefits much quicker than traditional in-house development.

ABOUT PARSEQ

Parseq is a managed service provider specialising in back office and IT services for organisations with stringent regulatory, data and privacy requirements. We transform document, financial, payment and technology processes through continuous innovation and progressive automation.

Working with our clients, we remove the risk associated with transformation and enable sustained cost savings and business improvements by achieving the optimal blend of people and technology.

PARSEQ

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