

Driving High Performance through Outsourcing



Achieving Process Excellence in
Automotive Companies

High performance. Delivered.

Automotive manufacturers, suppliers, retailers and dealer networks are using outsourcing to make significant and rapid gains in process excellence. Far from sacrificing expertise through outsourcing, these companies see outsourcing as a tool to improve expertise and capabilities within functional areas and in transferred employees.

Automotive companies, among other enterprises, are attracted to outsourcing for its demonstrable benefits, including dramatic cost savings and the enhanced focus on core competencies that it facilitates. Yet any serious consideration of outsourcing must also address common concerns, such as the belief that outsourcing entails a loss of in-house expertise. The process is being transferred to an outside service provider, so the argument goes, along with the experienced, knowledgeable employees who are key to that process; how can there not be a reduction in process expertise and capability as a result?

From Accenture's decade-long experience in outsourcing, we have observed gains rather than losses in functional expertise, and we have also seen that these gains can lead to higher business performance. To understand this phenomenon in greater detail, we commissioned a new global survey of outsourcing practices, "Driving High Performance through Outsourcing: Achieving Process Excellence," among companies active in outsourcing. The goal of the survey was to ask: Do companies really lose expertise when they outsource a process or function?

The question has more than academic interest for companies in the global automotive industry. Auto companies have demonstrated how small but continuous process improvements in manufacturing can translate over time into greater efficiency, higher quality and, ultimately, gains in market share and profitability. An essential corollary of this philosophy makes it imperative to achieve process excellence in

every business-critical function of a business enterprise. Simply put, companies want outsourcing to promote process excellence as it reduces costs; any-thing less would be undesirable or unacceptable. So unless outsourcing can be shown to raise process excellence, it cannot be regarded as anything more than a short-term economizing strategy.

Does outsourcing promote process excellence? Yes!

The response to this question from companies in the automotive industry is affirmative, and close to conclusive: 87 percent report improvements in process expertise and capabilities as a result of outsourcing. The improvements reported include processes that operate more efficiently, more effectively, at a lower cost, with a greater degree of accuracy, and with a higher level of quality. Virtually all respondents (96 percent) cited one or more of these improvements; nearly one in five (19 percent) cited every single one of these gains.

When queried about the impact of outsourcing on innovation, key skills or capabilities essential to the outsourced process, access to cutting-edge technology, and tools for managing a process more effectively, almost all companies report levels of expertise equal to or greater than those enjoyed prior to outsourcing, and very few report instances of declines in capability.

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In fact, when asked to rate the capability of a corporate process on a scale of 1 to 10 before and after outsourcing, with 1 equivalent to "weak" and 10 to "world class," 60 percent of respondents raised their post-outsourcing rating of their process or function. The average rating gain was more than two points on the ten-point scale. Almost two-thirds of respondents rated their capability at a level of 7 or higher after outsourcing, as compared to slightly more than one-third (37 percent) before outsourcing.

Equally impressive was the rapidity of the gains. Some 61 percent of automotive companies saw results within six months of beginning the outsourcing arrangement, and 80 percent reported gains within one year.

Companies that outsource accomplish more

What happens to the employees transferred as a result of the outsourcing? Although these staff members no longer work inside the original company, they become more productive after being relocated to the outsourcing service provider, where they now benefit from an enriched work environment. As a result, the outsourcing company is able to achieve more from the same staff.

When respondents in a position to evaluate staff performance were asked to what extent expertise and capabilities changed for transferred employees, more than half (54 percent) reported improvements ranging from some to dramatic in their former staff. Asked for specifics, 55 percent cited greater access to process skills, and 45 percent reported both greater exposure to a more skilled workforce and a culture of continuous improvement. Nearly six in ten (58 percent) saw outsourcing as providing the opportunity to reach beyond a company's typical boundaries with internal staff and leverage new thinking and alternative ways of effecting change. Almost half (48 percent) felt that outsourcing gave their company a competitive advantage by providing the best process and technology available in the outsourced function.

Process improvement is a major benefit of outsourcing

More than three out of four respondents (77 percent) working in automotive companies report that outsourcing improved their access to expertise in the function, or improved the speed, accuracy or quality of the process outsourced. When citing main benefits from

outsourcing, the majority of respondents mentioned these gains in process excellence, along with reduced costs and an enhanced ability to focus on the core business.

Survey results document that there is everything to gain and little to lose in an outsourcing decision. Contrary to concerns about a loss of expertise, outsourcing raises the typical auto company's access to expertise and knowledge, resulting in a higher overall capability in the business process or function. The only thing lost is cost, according to most experienced outsourcers. The process undergoes a measurable improvement. Workers gain expertise and capabilities through increased exposure to new ideas and technologies, and greater access to process skills. Companies benefit from functional and enterprise-wide change that positively impacts process performance as well as the bottom line.

From process excellence to high performance

The results from this survey are consistent with Accenture's innovative new studies on the characteristics of high-performance businesses, which suggest in part that such companies achieve high performance through effective outsourcing partnerships. Through wide-ranging studies of companies in many different industries, Accenture has discovered a common pool of critical characteristics among companies that consistently outperform their sector peers. These overachievers all share the ability to create processes that accelerate insight into action, as well as the ability to create competitive advantage through the value chain. Process excellence achieved through outsourcing helps these companies reach the rarefied plateau of high performance by ensuring that every business process runs at optimal efficiency and effectiveness, thereby generating the greatest value. By mastering and competing on core competencies, and then outsourcing or seeking alliance or partnership opportunities for non-core areas, companies build process excellence into every aspect of their operation, and position themselves to achieve high performance.

About this survey

A total of 318 responses were obtained for the survey; 48 of the respondents, or 15 percent, were from companies in the automotive industry, spanning original equipment manufacturers (OEMs), suppliers, retailers and dealer networks. Almost half of the respondents (44 percent) have been outsourcing for more than six years. Nearly three-quarters (74 percent) of respondents were executives in the c-suite or at the director and vice-presidential levels. The survey, which covered companies in North America, Europe and Asia-Pacific, was conducted in August-September of 2004.

Outsourcing with Accenture

For more than a decade, Accenture has worked with many of the world's leading companies to deliver innovation and high performance through outsourcing. We provide a comprehensive set of outsourcing offerings, from technology infrastructure to business applications and processes to complete business transformation. Accenture's outsourcing business, with more than 35,000 people serving more than 450 clients worldwide, helps clients leverage outsourcing to improve business results, improve processes and reduce costs.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills, and technologies to help clients improve their performance. With more than 100,000 people in 48 countries, the company generated net revenues of US\$13.67 billion for the fiscal year ended Aug. 31, 2004. Its home page is www.accenture.com.

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