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Operational excellence

The new force driving high performance
through outsourcing

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Today's multinational companies are increasingly relying on a broad range of outsourcing options to drive efficiencies and greater business value. Accenture's ongoing research into the characteristics of high-performance businesses continues to identify outsourcing mastery as a critical capability of the top performers across every industry. Achieving competitive advantage through outsourcing is no simple matter, however. The ability to drive business value through outsourcing are industrialization principles that enable rigorous, repeatable and high-quality methods and technologies to be applied to work sourced anywhere around the world in a blend of onshore, offshore and nearshore models. And at the heart of those industrialized principles is the core capability of *operational excellence*.

Today, operational excellence is becoming even more essential to a company's ability to drive greater business value through outsourcing, due to improvements both in its impact and in its sophistication. Operational excellence now permeates the business of the top performers, dramatically raising the bar for every industry. No longer confined solely to the manufacturing sector, operational excellence is now found in the front office, back office, IT and, of course, operations. Operational excellence has become a way to integrate previously-siloed functions to serve common business goals, such as customer centricity. It doesn't matter, after all, if your service offering is great if you can't sell and support it well. Nor does it matter that your customer-facing functions are outstanding if you can't get products to them. High performance results when the operational whole is greater than the sum of the parts.

Operational excellence has also become richer and more robust in its second generation of development. When programs such as Lean/Six Sigma and Total Quality Management first appeared, they delivered a certain degree of immediate and welcome value to organizations. Such programs triggered better operating results as they drove down errors and undesirable costs such as processing defects. However, that first generation of operational excellence programs soon became simply the price of doing business, and could no longer deliver competitive advantage.

By contrast, operational excellence is now more forward-looking and more focused on generating value, not just on cutting costs. As a result of adaptations and refinements, the new generation of operational excellence is a comprehensive discipline that delivers measurable, repeatable and

predictable business results through continuous improvements in effectiveness, efficiency and service levels.

Accenture believes that an essential requirement to reaping business value from outsourcing is an approach to operational excellence that moves beyond a focus on excellence in a steady state, to a focus on delivering competitively differentiated business processes in a continuously changing and fiercely competitive world.

Developing next-generation operational excellence capabilities

What should companies be doing to improve their capabilities in operational excellence as they expand their outsourcing models and scope of services? Here are five areas to consider:

1. Focus on intended business value to be delivered

Companies must work with their outsourcing providers to articulate goals that are expressed in metrics around improved business performance. This requires changing an organization's mindset from a transactional to a business outcome focus. The goals of early outsourcing solutions were centered on companies' transactional needs. Today, executives must set their sights higher than one-time improvements or purely labor arbitrage. The conversation about value to be delivered from an outsourcing arrangement should be about continuously improving a company's ability to achieve outstanding business results: increased net margin, reduced costs, more cash collected, accelerated audit process, higher inventory turns, and so on. High performance as Accenture defines it isn't only about excellent business results now, but also about excellence over the life of the outsourcing engagement.

2. Take an optimized, industrialized approach

Make sure your outsourcing provider is bringing to the table finely tuned processes and industrialized methods that encapsulate optimized business practices accumulated through experiences with a large number of leading companies. These optimized processes should reflect the work of process design experts and efficiency experts, and the application of innovative technologies.

At the same time, companies must ensure that an industrialized approach is not simply applied without consideration of an organization's unique circumstances and goals. Methods and practices should not be "one size fits all," but rather configured to support a company's business and industry requirements.

3. Support end-to-end processes

The best outsourcers provide end-to-end processes (e.g., source to payment) so that clients get maximum process efficiencies and highly effective business outcomes. Point solutions focused on a single function are no longer sufficient. Companies must now look to bundling multiple functions (e.g., finance, learning and HR), leveraging synergies among those functions to deliver greater value. Companies that do not look end-to-end across their processes may end up optimizing one function or portion of a process, only to find that value counterbalanced by poor performance elsewhere.

4. Drive toward greater scalability

Scale is another critical component of outsourcing solutions that propel operational excellence. Truly global scale is what enables outsourcing service providers to deliver 24/7 service with a mix of lower cost, highly qualified workers, low-risk operations, and built-in skill and infrastructure redundancies. However, on closer inspection, not all large-scale solutions have the ability to deliver the same degree of business value. To achieve and then maintain operationally excellent business outcomes, an outsourcing provider must possess consistent technology architectures, process designs, training programs, culture, and client service capabilities. Repeatability and scale must be conjoined if companies are to improve business performance over time through operational excellence and outsourcing solutions.

5. Ensure performance improvement will be demonstrated over the course of the relationship

Here's a key question to ask an outsourcing provider: "In addition to showing me how you deliver operational excellence today, show me exactly what your processes are for continuously improving and driving toward even better performance over the course of our relationship." Companies must increasingly look to outsourcers to

continuously upgrade, tune and enhance both their front- and back-office operations. Certain outsourcers claim that their processes are Six Sigma-compliant; yet few demonstrate how their training, culture and management are helping clients secure process outcomes that drive superior business results.

Truly great outsourcing business partners embed a culture of continuous improvement and operational excellence throughout their organization—not only within the outsourcer's front-line workers, but also within their executive ranks, as well.

Outsourcing to achieve operational excellence and high performance

Operational excellence has evolved and matured over the years. It's no longer merely a collection of metrics to be monitored, but a means of driving better business value. Operational excellence has also become a common ground by which companies and their outsourcing providers can work together toward continuously improving their entire range of business functions and services. What's working and what could be working better? How might we bundle certain common functions together in a better way to both lower cost and improve our business performance? What have we learned in one part of our business and how can we get those lessons throughout the entire business?

These are the questions driving the long-term journey toward operational excellence. As pressure on CEOs increases—as shareholder expectations and increased competition push companies toward ever-higher levels of return—outsourcing will be an increasingly dominating market force. That means that developing next-generation operational excellence capabilities will be a key to achieving high performance.

About the author



Jeff Osborne is responsible for managing BPO Delivery across Accenture's global cross-industry BPO offerings which includes HR, Finance & Accounting, Procurement, Call Centers and Learning Management.

He leads a global team responsible for developing and delivering standardized, differentiated BPO services across Accenture's global delivery center network. Mr. Osborne is driving a service factory model across Accenture's global BPO services to ensure Operational Excellence is achieved to maximize performance for both clients and shareholders. Prior to assuming his current role with Accenture, Mr. Osborne spent 18 years in the Aerospace industry holding key leadership roles for Honeywell Inc.

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