High performance. Delivered.

Business Process Outsourcing

Finding the Right Business Process Outsourcing Opportunities to Achieve High Performance

Between 2011 and 2013 the global Business Process Outsourcing (BPO) market is projected to grow at a compound annual rate of 9 percent.[1] This growth is no surprise. BPO has evolved to become a recognized ingredient of high performance businesses.

And, the growth has been for good reasons: The right use of business process outsourcing can lead to new products, differentiated strategies, higher revenues, more profitable customer relationships and continuous operational improvements. But, identifying and focusing on the most important BPO opportunities for your business is not easy. It requires a systematic and objective assessment of outsourcing potential. Gaining business advantage from BPO requires an outsourcing relationship that not only brings industrialized and cost-effective delivery but also enables analytics-based innovation and insight.

[1] IDC, Gartner and Accenture analysis.

Evolving the value of BPO

Figure 1: Driving growth through outsourcing

Priority Needs	Target Areas	Opportunities
Managing cash	Finance & Accounting	Improve working capital by quickly collecting payments and paying invoices on time thus reducing penalty payments
	Procurement	Leverage our category management expertise, market insight and economies of scale
Driving growth	Supply Chain	Leverage supply chain activities in order to deliver faster in new markets, perform better in the current markets and increase of customer satisfaction which ultimately is driving top line growth
	Digital Marketing	Supporting the growing online activities and increasing agility, website performance and online sales
	Finance & Accounting (Post Merger Integration)	Integrate back office functions following M&A to help support inorganic Growth for the business
Talent	Learning BPO	Improve productivity / revenue growth through training and expression into new markets
	HR BPO	Drive growth while helping HR organizations become more scale able and able to address business requirements
	Engineering	Help clients address skill shortages, allowing them to launch new products, Outpace the competition, and ultimately achieve growth aspirations

In the 1990's BPO consisted primarily of taking over business functions, people and platforms, using existing delivery locations. In an effort to find cost savings, rather quickly the BPO providers began to tap offshore labor arbitrage. But while processes were taken offshore, and savings were generated, the processes weren't necessarily improved.

This led to a second generation of BPO where "Lean", "Six Sigma" and "Industrialization" were incorporated to create operational excellence (OPEX) through process improvement. Many companies have had success with OPEX-driven BPO. In Accenture's recent Global De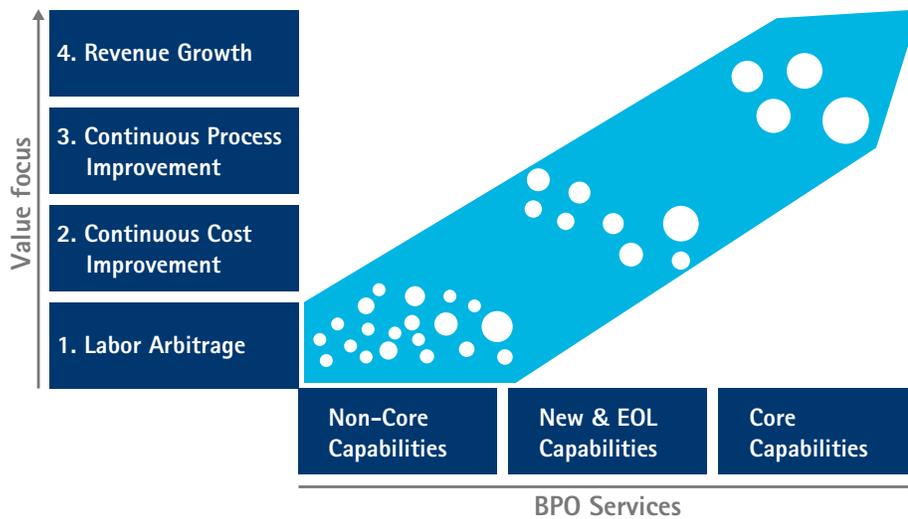livery Study 70 percent of respondents indicated they have experienced productivity increase and 48 percent have realized improved quality through their outsourced services.

But leading companies are recognizing that outsourcing holds significantly greater opportunity to achieve business goals ranging from optimizing talent to managing cash and driving growth (Figure 1). Expectations for outsourcing now include targets such as increased revenue, faster speed to market, improved customer experience, increased customer loyalty, margin improvement, greater flexibility, access to world-class skills, and re-assignment of internal resources to more strategic needs.

Recent research by the International Association of Outsourcing Professionals (IAOP)[2] with assistance from Accenture, reports that only 50 percent of survey respondents indicate that cost reduction had become more important as a factor for outsourcing. Flexibility and preparing for future growth were judged to be as important as near-term cost savings.

Value focus (vertical axis)

4. Revenue Growth

3. Continuous Process Improvement

2. Continuous Cost Improvement

1. Labor Arbitrage

Non-Core Capabilities

New & EOL Capabilities

Core Capabilities

BPO Services

This value-driven focus has led to important shifts in the BPO marketplace. First, companies are now outsourcing operations previously thought too important to consider. Not long ago, business functions that are commonly outsourced today were seen as areas for competitive advantage and too critical to outsource. Now, back-office functions, such as finance and accounting, are routinely outsourced— in many cases as commoditized services. And, organizations are increasingly leveraging outsourcing in middle and front office operations, across multiple functions and end-to-end processes (Figure 2).

Indeed, outsourcing has matured considerably. Outsourced operations are more frequently industry specific and client specific arrangements. And, outsourcers offer well-proven, structured delivery models across multiple domains and geographies.

In addition, companies are demanding— and receiving— more value from outsourcing as those relationships evolve to a third generation, insights-driven, BPO. Today BPO providers can take advantage of mining huge volumes of transactional data being processed to deliver better business outcomes.

Through data-driven analytics and shared goals outsourcers can provide insights and innovation to help companies operate their own business better. Sometimes these insights are descriptive in nature, helping clients understand what has happened already in their business. And sometimes they are predictive, helping clients to not just understand what could happen in the future, but also to anticipate likely scenarios and plan accordingly. By using technology and analytical tools outsourcers can move beyond transaction processing to deliver significant process insight to their clients.

Finding the right BPO opportunities

Figure 3: Common questions companies ask regarding outsourcing feasibility

- How, exactly, do I begin the process? What do I do first?
- What can I outsource given my specific context and competitive environment?
- What elements are important to consider when evaluating outsourcing options?
- When is it worthwhile to offshore operations versus outsourcing them onshore?
- How do I build a business case?
- How do I transition and stabilize the business and how long does it take?

Any outsourcing provider can offer a long list of outsourcing services from which a company can pick. Each has vendor-specific and niche outsourcing solutions and a case for why it will benefit your company. But do they all make equal sense to your business? As a customer, how do you know what is best suited for your organization? Where are the biggest gains to be made? How do companies sort through the multitude of outsourcing opportunities to identify and focus on those most important to their business?

For organizations with limited experience in outsourcing, the opportunity assessment and decision process can often be perceived as a mission impossible (Figure 3). And, in light of the many company and industry-specific business process outsourcing options available, even those companies with some

outsourcing experience may miss out on new strategic outsourcing opportunities simply because of the magnitude and complexity of choices available.

Based on over 20 years of outsourcing and consulting experience, Accenture has created a systematic and objective approach to assess outsourcing potential and provide guidance to organizations throughout their outsourcing journey. Such an assessment enables organizations to better understand and confirm what business process outsourcing truly makes sense for their specific situation. Companies are then able to structure an accelerated approach to focus on those opportunities most productive for the organization and test the feasibility of outsourcing at the process and activity level.

These Accenture methods are also designed to prevent ill-designed BPO deals that will fail or become a burden to the organization rather than something that will help simplify their operations.

There are two, complementary approaches companies could undertake to conduct an outsourcing analysis: a Quick Scan and a Feasibility Assessment, each of which is described further below. These approaches are modular, as the Quick Scan seamlessly flows into the Feasibility Assessment if and when desired.

The Quick Scan

Accenture's Quick Scan approach is a top down assessment of outsourcing potential across the enterprise or on a selected set of functional domains, executed in close collaboration with an organization's senior management.

This Quick Scan methodology makes sure that during a short timeframe (typically three weeks) a group of business processes are systematically and objectively analyzed in order to optimize the operating model of a company. The approach is used to provide guidance on which processes should be kept in-house, which ones should be outsourced, which ones should be transformed and which should stay as is. For instance, in some cases companies can benefit from pure "out-tasking", which simply consists of shifting the execution of a task to outside resources, without changing the process itself. Still other business processes should not only be executed by a third party, but also require substantial improvements. For these processes, full outsourcing is the best solution.

For each recommended area, the assessment provides a business case in which not only the cost savings are taken into account, but also the top line growth and quality improvements such as lead time reductions. A Quick Scan is particularly useful to:

• Confirm outsourcing scope and size

• Gain insight into the business case to outsource

• Create a realistic roadmap

• Use experts as a sounding board for education and questions

• Structure and confirm the return on investment for decision-making

When conducting a Quick Scan, Accenture outsourcing specialists and business specialists work with the company to understand its overall business and the skills required for each process. The Quick Scan team assesses criteria that include the company's operating model, business skill requirements for each process, strategic importance, transaction volumes, social impact, cash-flow requirements for implementation and first year benefits.

The team looks at flexibility needs, such as seasonality, and how offshoring can help the company obtain growth plans. It then identifies what could be offshored based on its knowledge of offshore resources (such as what resources are in which areas, what language skills one can expect (and not expect)) and its knowledge of how activities and resources can be decoupled most effectively.

The Quick Scan provides companies with a summary of each process and its full-time equivalent resources, a skills inventory for each domain, a business case for the recommended outsourcing areas, an operating model recommendation and a roadmap for how to proceed on the outsourcing journey.

The Feasibility Assessment

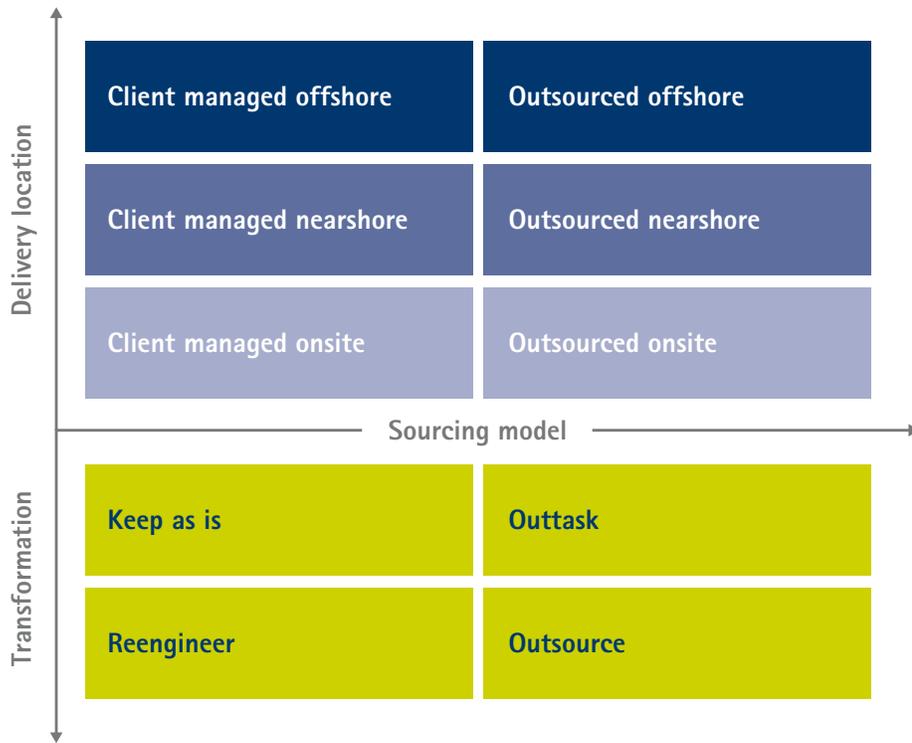Figure 4: Recommended actions towards operating model changes
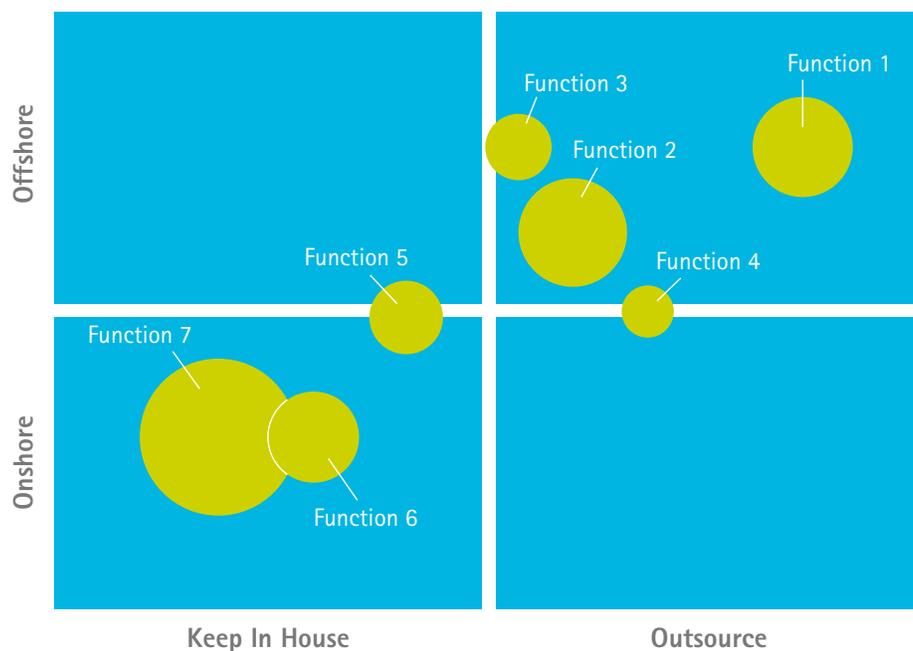
If the organization has a specific focus area identified as having the potential for outsourcing, a detailed Feasibility Assessment may be the most appropriate path to take. Accenture's Feasibility Assessment is a detailed exercise to confirm outsourcing feasibility, create organizational support at an operational level, and prepare for transitioning to a third-party. The Feasibility Assessment is also used as a natural next step after a Quick Scan, to dive into the details and further prepare for outsourcing. Depending on the business scope, the assessment typically spans over 6 to 12 weeks.

Such a feasibility assessment is recognized by companies to help them:

- Confirm outsourcing feasibility and create buy-in at an operational level

- Confirm the business case with a "bottom-up" approach

- Refine priorities, transition waves and detailed transition planning

- Gather required input, prepare and gain confidence towards a final outsourcing decision

- Obtain arguments and insight to start discussions with social partners and other stakeholders

- Create awareness, gain management attention, and trigger senior leadership discussions

Criteria considered in the Feasibility Assessment include: Strategic alignment, cost savings potential, quality needs, risk profile, potential compliancy requirements and offshore-ability. Recommendations are presented at a summary level (Figure 4) and more detailed level. Through the visual representation, the results show clearly the domains– including FTE size –that are most suitable for bringing offshore through an outsourced model, and the ones that should be kept in-house onsite. Drilling down, the rationale behind the recommendations– the weighing and rating of the importance of the criteria –is easily retrievable.

Figure 5: Accenture Business Operations Model

	Delivery location	Sourcing model →	
	Client managed offshore	Outsourced offshore	
	Client managed nearshore	Outsourced nearshore	
	Client managed onsite	Outsourced onsite	

Sourcing model

Transformation		
Keep as is	Outtask	
Reengineer	Outsource	

At the core of the approach for both the Quick Scan and Feasibility Assessment lies the patented Accenture Business Operations Modeling (ABOM©) framework and workbench (Figure 5).

The framework is the product of years of consulting and outsourcing work. It offers established decision criteria that have been tested and applied to a long list of companies and outsourcing opportunities. These explicit criteria answer the question of whether a function should or should not be outsourced and, if so, how. Next to leveraging this framework, a blended team with industry, domain, local geography and, outsourcing expertise work in tandem with company executives to conduct the assessment.

Client Successes

Companies that have taken a holistic approach to assessing business process outsourcing feasibility have found significant and previously unidentified benefit potential. In addition, these assessments mitigate the risk of entering into a poorly designed BPO arrangement that results in increased burden to the organization or failure.

A cross function Quick Scan for a European Telecommunications Company

A European telecommunications company competes on operational excellence and, thus, cost management and margin protection are critical to success. The company wanted to assess what parts of the organization—at the process and activity level—might make sense to outsource.

Accenture worked with the company to create two major quick scans of various parts of the business. The first assessed sales and marketing, corporate functions and customer delivery, including supporting IT services. The quick scan identified offshore potential of over 800 FTE on an addressed scope covering 3000 FTE, saving 150 million euro. Accenture then helped the company create the high level business case and investment profile to take the outsourcing decision further within the company.

A Supply Chain Quick Scan for a Global High Tech Company

Driven by continuously growing business, increased customer demand and increased focus on year on year improvements, this company turned to Accenture to assess opportunities to change its operating model leveraging outsourcing within its supply chain and logistics operations.

Leveraging the Quick Scan method, Accenture experts worked with the company to come to a clear view on what could be outsourced and additionally, which key initiatives would further accelerate the transformation sought after.

Through this transformational outsourcing program, the company will make a step change towards year on year quality and cost improvements, while freeing up key resources for open positions throughout the organization.

An Iterative Feasibility Assessment in Telecommunications

The Dutch telecommunication company KPN has taken an iterative approach to its feasibility studies and offshoring.

The telecommunications industry was, and still is, going through a period of dramatic change. In particular, the emergence of rich Internet Protocol-based services has created both opportunities and challenges for carriers: Opportunities to provide exciting, profitable new subscriber services, and challenges building new network capabilities while maintaining the current ones.

KPN analyzed its options for building higher-bandwidth networks and upgrading its operations support systems, while concurrently maintaining its legacy networks and offerings. The company identified an opportunity to achieve better focus on new developments by outsourcing some of its legacy network operational requirements to Accenture, in particular, its narrowband service.

Leveraging the skills, experience and assets from its global outsourcing organization, as well as the Accenture Global Delivery Network, Accenture was able to demonstrate that outsourcing provisioning services would generate immediate cost savings to KPN while also improving service quality. This represented a new departure for KPN, as it was KPN's first network outsourcing arrangement and its first business process offshoring arrangement.

Accenture worked with KPN to conduct a detailed assessment of which processes could be outsourced and which processes should remain onshore. This extensive due diligence helped reduce business risks and supported the successful transition of efficient processes.

"The recent phases of KPN's outsourcing journey with Accenture have continued to deliver stellar results. The run rate saving is 50 percent, meaning that breakeven was achieved within the first full year"

The recent phases of KPN's outsourcing journey with Accenture have continued to deliver stellar results. The run rate saving is 50 percent, meaning that breakeven was achieved within the first full year. Under Accenture's continuous improvement of the business processes, efficiencies continue to be gained, allowing the number of full-time equivalents to be reduced over time. These efficiencies are also making themselves felt across the total KPN value chain, with rework dropping by some 80 percent. The substantial cost savings delivered thus far have not come at the expense of customer service—far from it. In fact, the score for first-time-right resolution is 95 percent and even higher for all services in scope. The dramatic decline in the amount of rework will also have a beneficial effect on the experience of KPN's customers.

European IT & Communication Services Company

As the company needed to engage into a large transformation to improve its EBITDA, Accenture proposed to launch a Quick Scan to help structuring a program that could significantly contribute to the company's EBIDTA objectives.

The Quick Scan was conducted in 4 weeks, assessing the whole company, from Finance, HR, Procurement, Sales to its Customer, Products and Service Delivery entities. The scan embedded a scope of 7000 FTE and resulted into a proposed potential of 1900 outsourceable FTEs, with a business case of 80M€ yearly net savings.

Though language and proximity to clients and client operations were strong requirements, the Quick Scan showed that, with minor adjustments in the way the services were delivered, the company could bring off-shore a significant portion of its labor intensive activities. The Quick Scan also helped the company realize that such a large transformation would help them develop over the following two years a competitive advantage, with a more flexible, robust and secured delivery engine, that could result in significant market share gains, while freeing up its local workforce and resources for the introduction of new services, such as their cloud offering.

Conclusion

There is a new period of growth in the BPO industry: one that creates business advantage for companies through insights from long-term client relationships, unique industry-specific platforms and solutions, industrialized solutions, cost-effective delivery methods and analytics-based innovations.

Accenture uses its business insights, extensive experience and analytics capabilities to help our clients identify outsourcing opportunities that can lead to differentiated strategies, higher revenues and margins, more profitable customer relationships and continuous improvement. Through a holistic analysis of BPO opportunities, companies can find ways to speed time to value, reduce costs and risks, and multiply the business value of outsourced services. Uncovering the right opportunities to use business process outsourcing takes companies a significant step further in their journey toward high performance.

Contacts:

Christophe Peynaud
Executive Partner, for Communications,
Media & Technology within
France and Benelux
christophe.peynaud@accenture.com
+33 472831628

Gretel Vanseer
Sales Director BPO solutions,
France and Benelux
gretel.vanseer@accenture.com
+32 2-2267254

About Accenture

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become high-performance businesses and
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