

Creating a Strategic Enterprise Sourcing Strategy and Governing Change

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- **Overview:**

- Brings over 14 years' business experience in the global outsourcing services industry to AMR Research
- Has lived and worked across Europe, Asia/Pacific and North America
- An acknowledged industry analyst and advisor across Outsourcing services worldwide
- Worked on over 75 global HR, F&A and Procurement sourcing engagements
- Authors the leading outsourcing industry blog "Horses for Sources"

- **Previous Experience:**

- Marketplace leader for BPO advisory services for Deloitte Consulting
- Vice President for Everest Group's BPO Practice, a leading outsourcing strategy firm, leading three research and consulting teams based in the US and India.
- Prior career:
 - Vice President, Global IT Services, Software and Outsourcing for research firm Yankee Group
 - Regional Director, IDC Asia/Pacific
 - Program Manager, European IT Markets Services, IDC Europe

- **Education:**

- BS with Honors in European Business & Technology from Coventry University, United Kingdom
- Diplôme Universitaire de Technologie in Business & Technology from the University of Grenoble, France

Agenda

- Setting the Scene
- Outsourcing Strategies and Dynamics in Today's Global Enterprise
- The Critical Role of Human Capital Management across the Outsourcing Lifecycle
- The Rapidly—Evolving Outsourcing Landscape
- Wrap Up
- Q&A

Setting the Scene

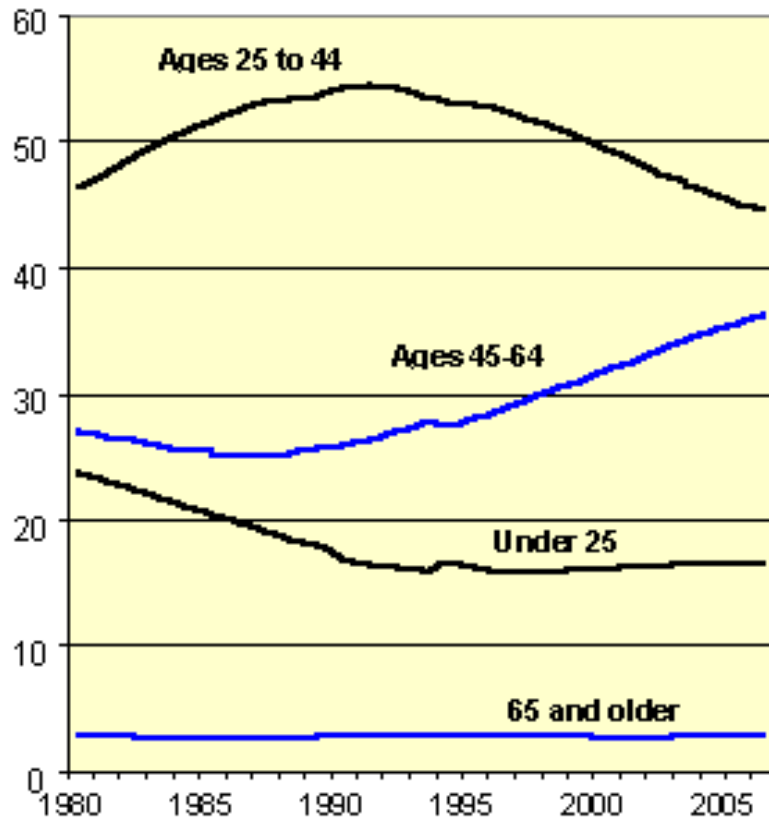


The evolving business environment is driving rapid change within organizations

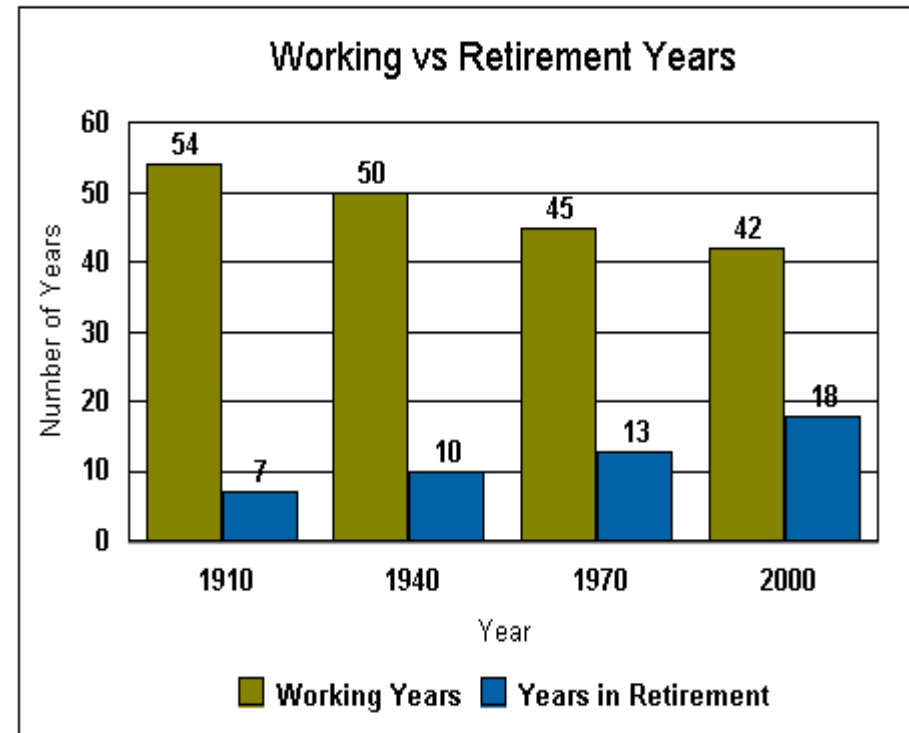


Developing and retaining young talent is critical

Percent of total workforce



Source: Hudson Institute



Source: Elderweb

Scope of the generational transitions in the workplace

- Workforce growth will slow to only 0.7 percent per year in the period 2000 to 2020.



Sectors that will be hit hard:

- Aerospace and defense
- Chemical
- Discrete manufacturing
- Government agencies
- Oil and gas
- Utilities



• This problem is not going away:

- In 2000, approximately 605 million people were 60 years or older.
- By 2050, that number is expected to be close to 2 billion.
- At that time, seniors will outnumber children 14 and under *for the first time in history*.



Source of content: The Fischbowl Blog
<http://thefischbowl.blogspot.com>



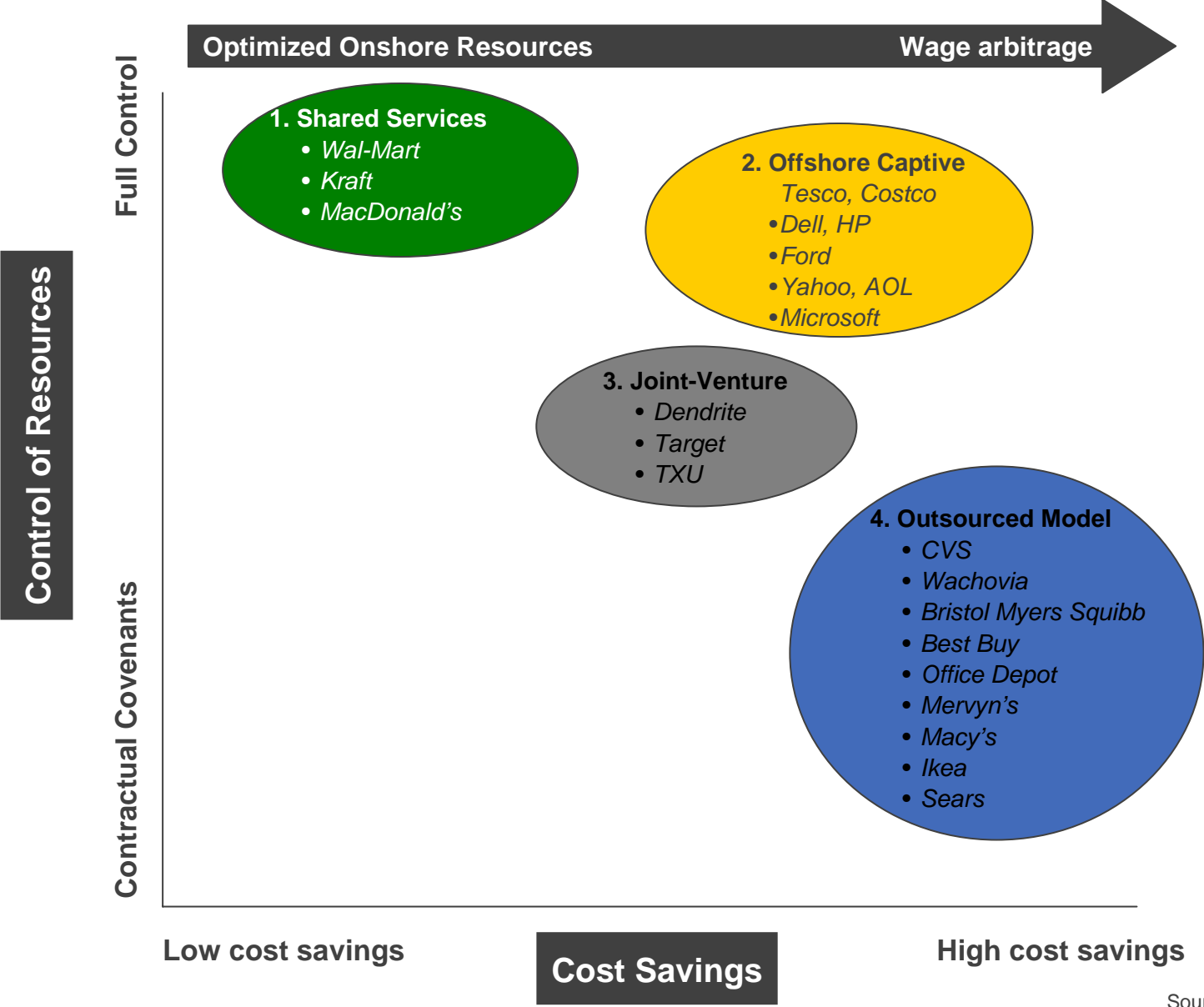
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Outsourcing Strategies and Dynamics in Today's Global Enterprise

Outsourcing: Key trends

- CEOs recognize the need to **change** to compete and **integrate** on a global level
 - Need for greater **synergies** between the worlds of the CIO, CFO, CHRO and CSCO
 - It's really all about **globalization** with outsourcing as a **vehicle**
- Global **sourcing management reviews** are now commonly required of the CFO
- **Application outsourcing** driving many broader sourcing decisions among buyers
- **Bundling** of applications and those business processes they support becoming increasingly evaluated
- **Vertical BPO** Solutions becoming increasingly evaluated
- **F&A BPO** becoming a major driving force behind new BPO adoption
- Market for Knowledge Process Outsourcing (**KPO**) taking shape
- Companies more willing to **transform** processes onto suppliers' solutions and away from captive models
- **Competitive** BPO adoption forcing buyers to evaluate options

Typical Global Sourcing Engagement Models



Source: AMR Research, 2008

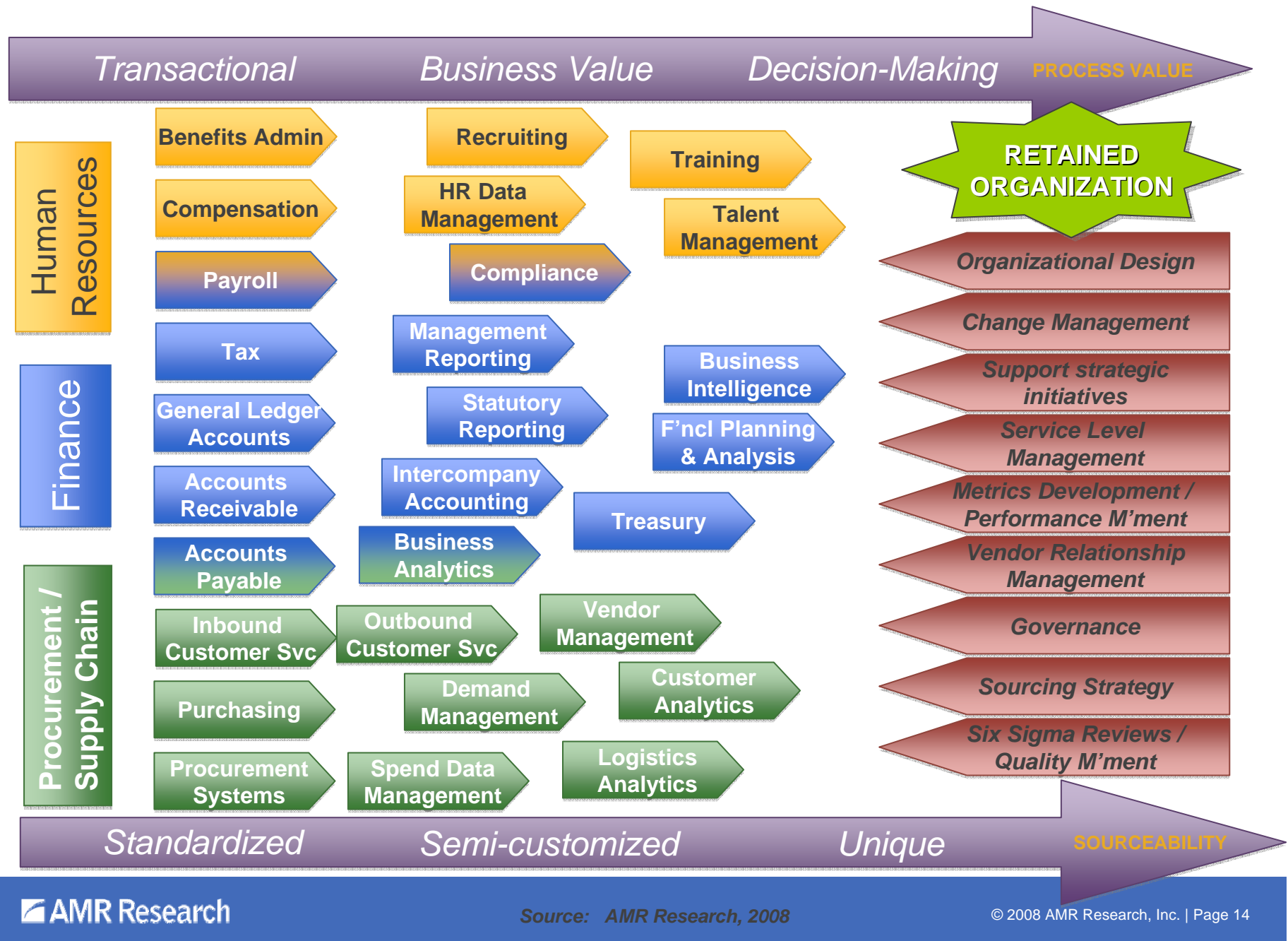
The Captive / Outsource Scenario

- Is the work truly core to our business, or could we move it over to a third party?
- How much risk are we exposing to our business by transitioning the management of these processes over to an outsourcer, rather than maintain ownership ourselves offshore?
- Can we work with an outsourcer to manage the transition of people, processes and technology?
- What is our future option-value if we want to take some of these operations back in-house?
- Which scenario is more easily reversible in the case of future business changes?
- How severe is the attrition rate for each scenario, and how does this impact running costs and quality?
- Are the offshore processes to be truly a part of our global organization, or are they going to be more of a support center that doesn't play a core role in our day-to-day business operations?

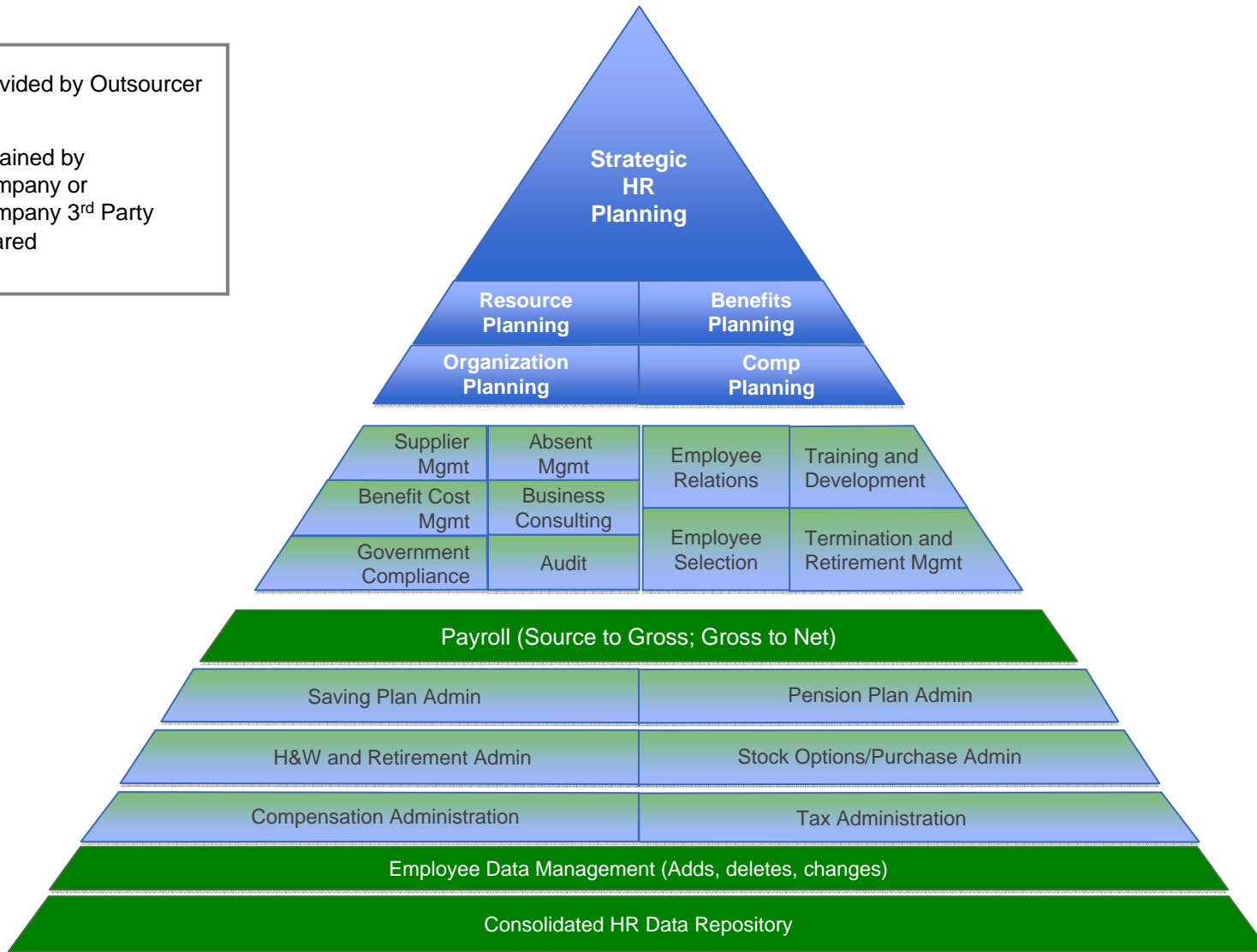
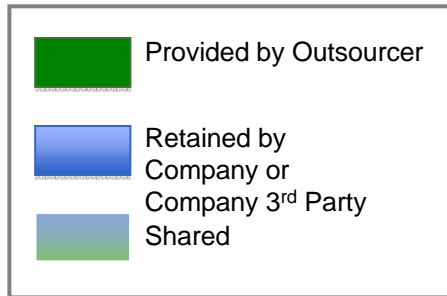
The Captive / Outsource Scenario (cont.)

- How much management time, and how much cost, will we spend – in each scenario - flying senior executives over to offshore locations to oversee low-value processes such as accounts payable, help desk support etc.?
- How much experience with offshoring do our firm's senior executives currently have, or will they learn it by trial and error and substantial cost to our organization?
- How complex is it to transfer knowledge from our parent operations over to our offshore operations? Wouldn't it be cleaner and easier to move the work to a third party outsourcer, who will take on the work they are contracted to do?
- How effectively can staff respond to procedural changes in the business in each scenario?
- Is there really a major difference in performance levels in either scenario? Can we dictate service levels with an outsourcer that guarantee quality and process rigor?
- Cost-variables: how will currency fluctuations, wage inflation, foreign tax regulations (i.e. India's STPI tax scheme) impact each scenario?

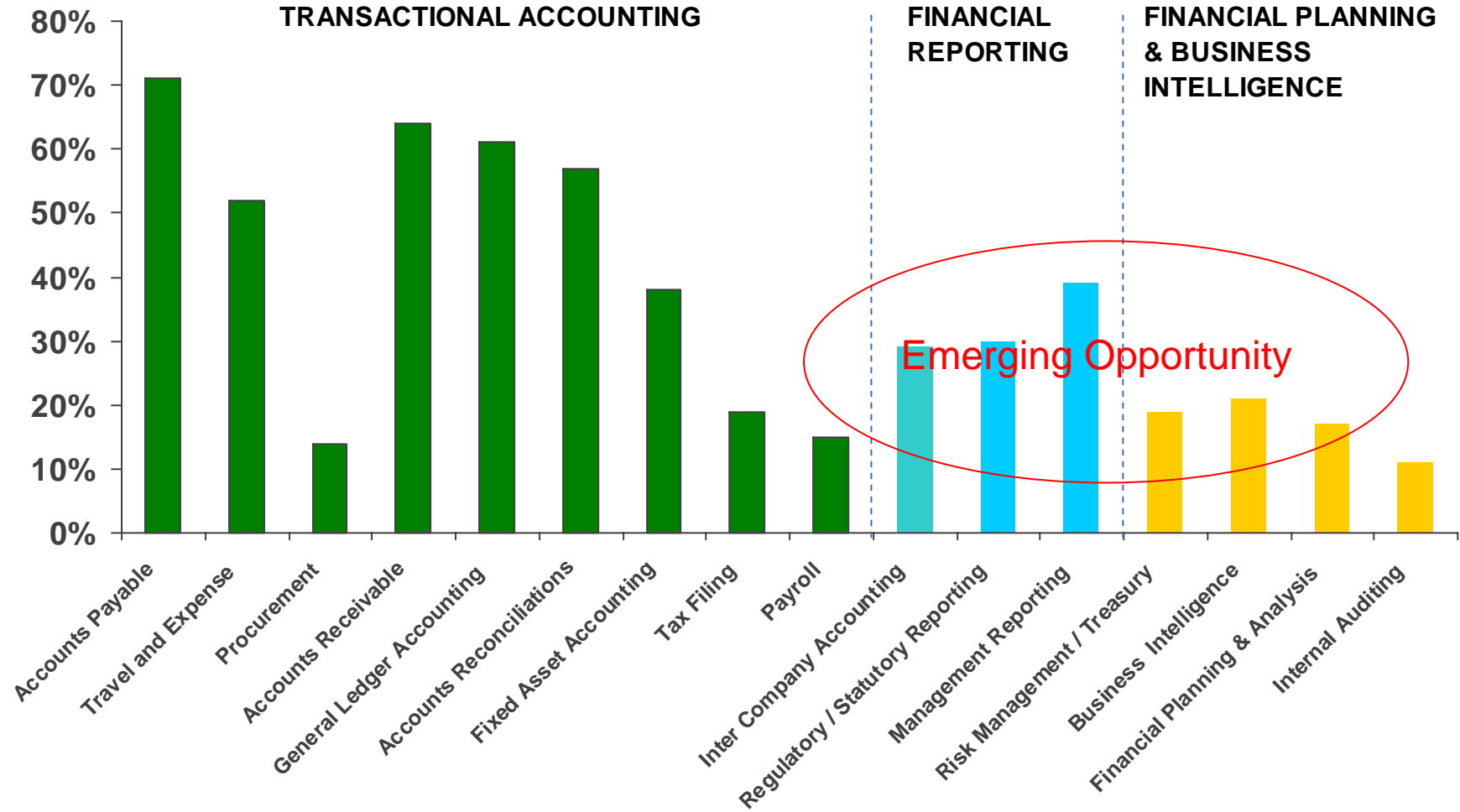
The BPO Value Spectrum



How HR BPO relationships work



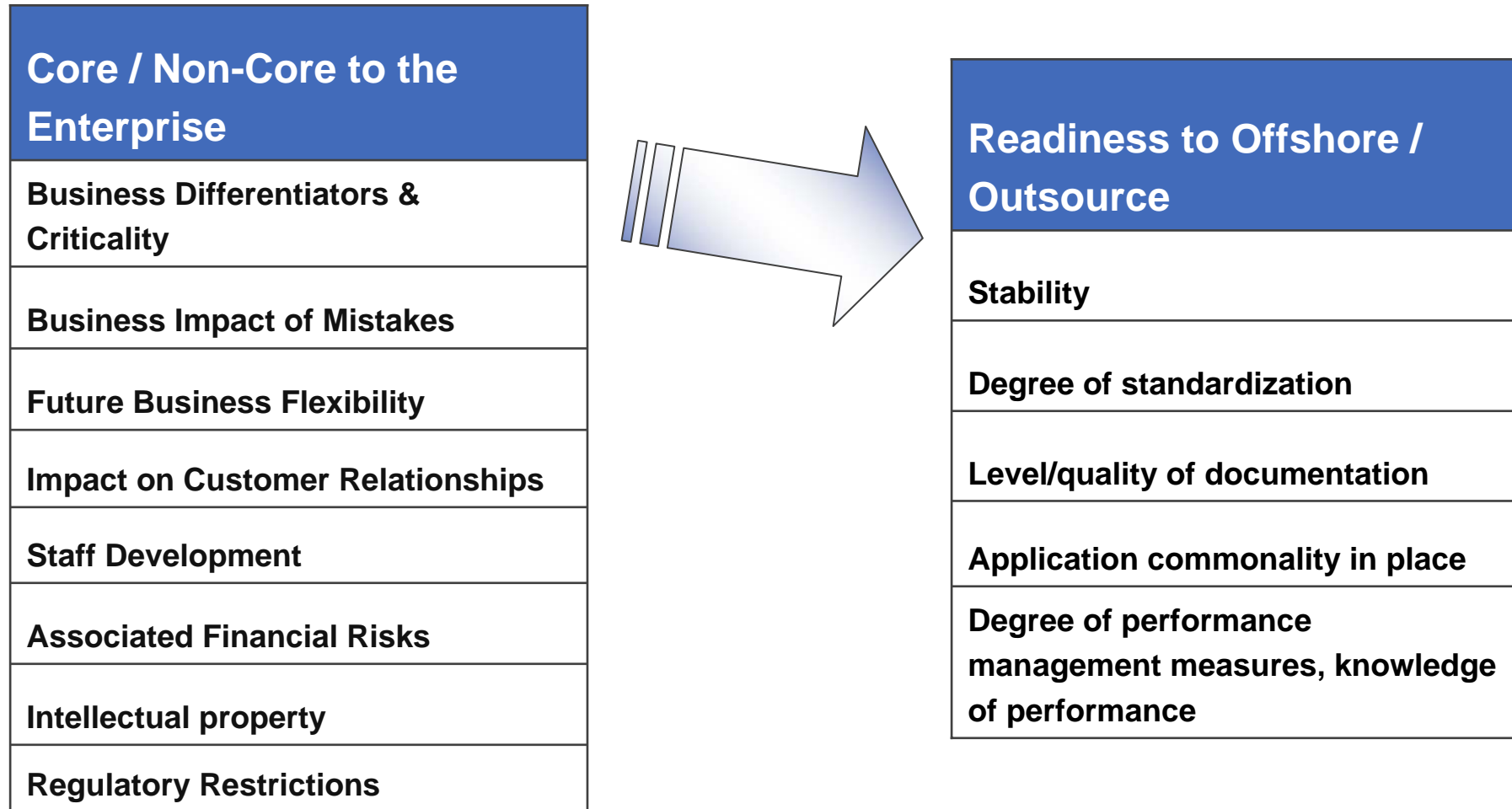
F&A Processes outsourced in multi-scope engagements



Sample size: All current F&A BPO contracts

Source: AMR Research, 2008

What's core, what's ready and what's the impact to the business?



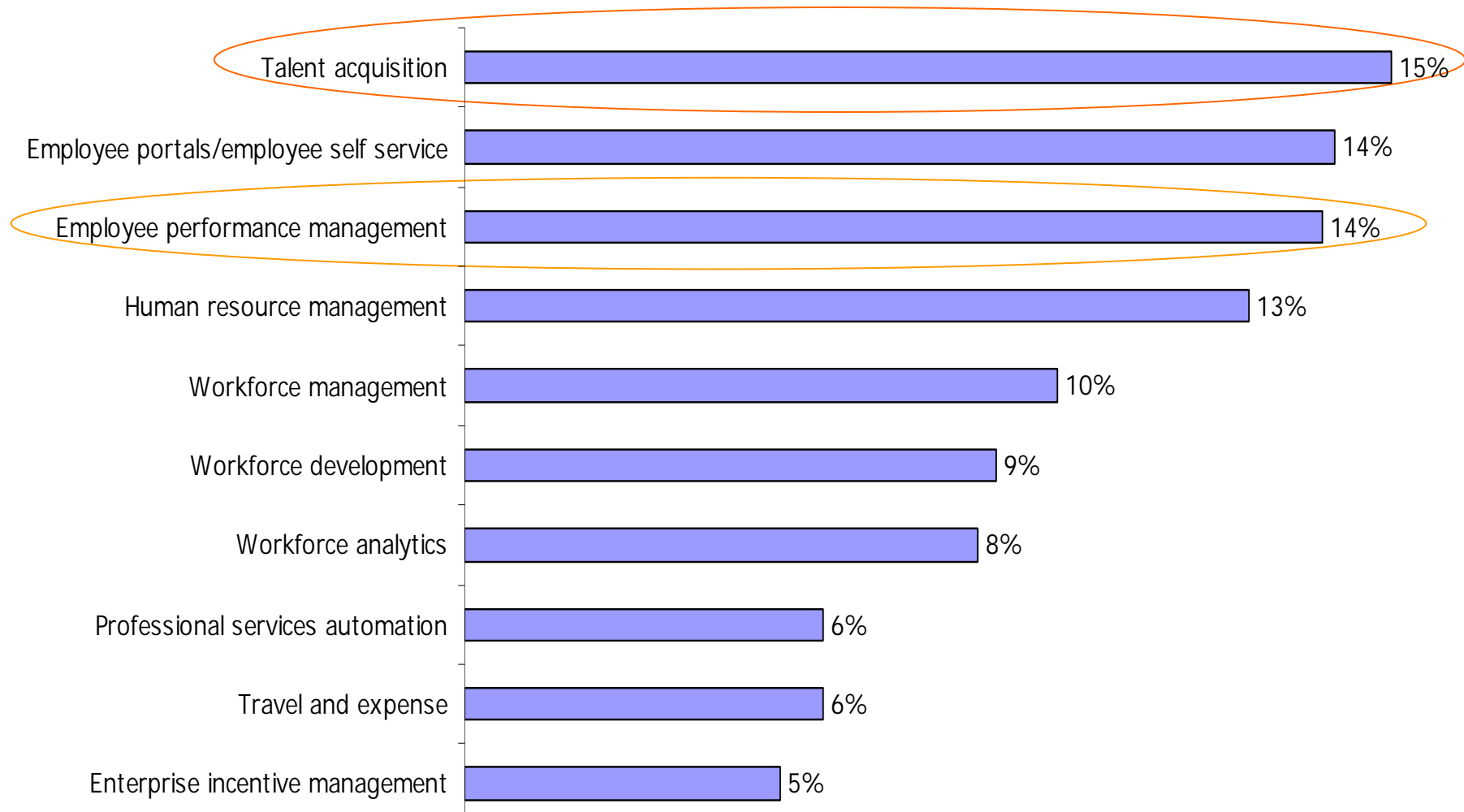
Source: AMR Research, 2008

The Critical Role of Human Capital Management across the Outsourcing Lifecycle

Top Human Capital Priorities

Top priority for improvement over the next 12 months

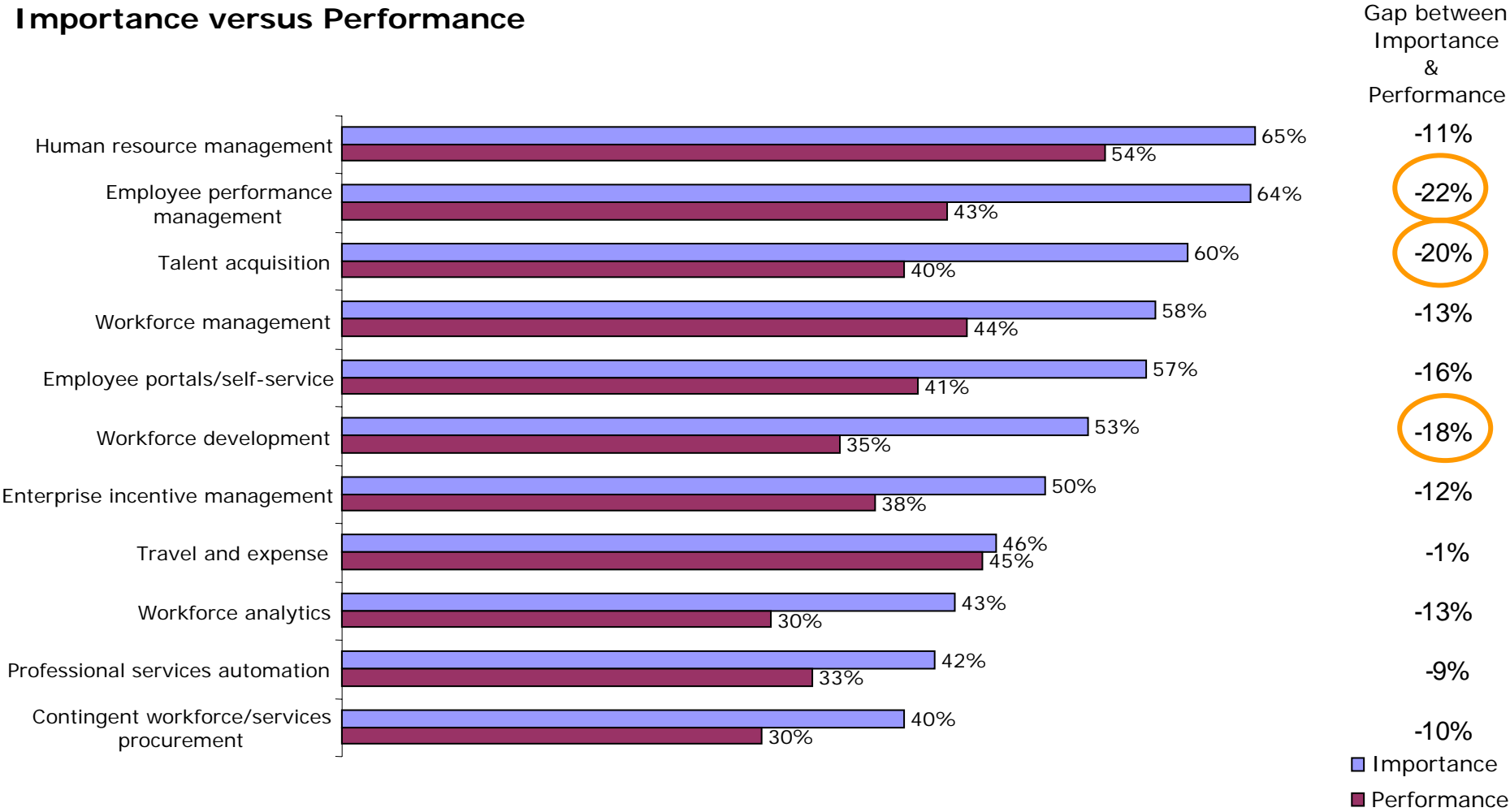
Base - Total Respondents, n=237



Source: AMR Research, 2008

Focusing on critical HR: Where HR can deliver

Importance versus Performance

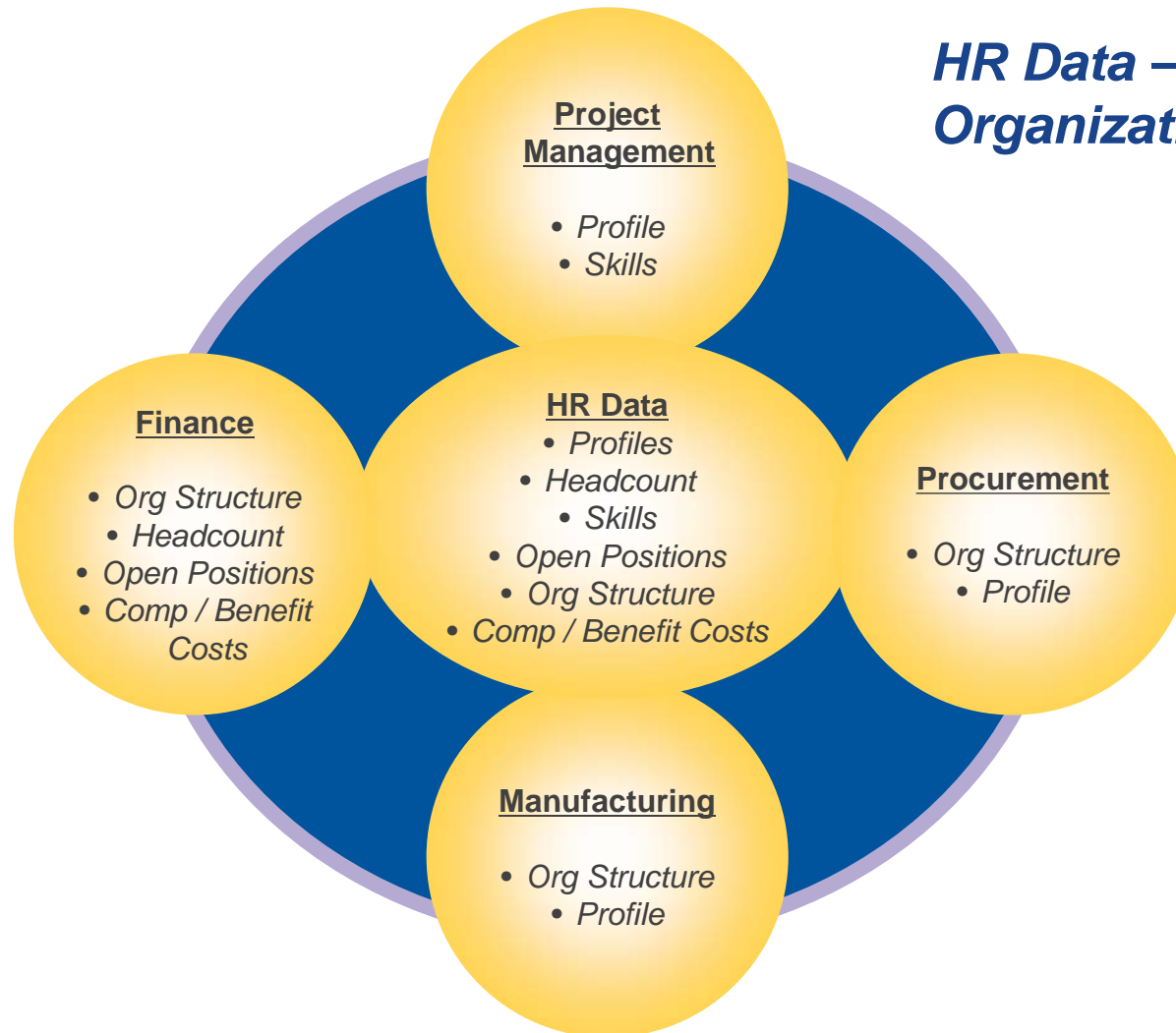


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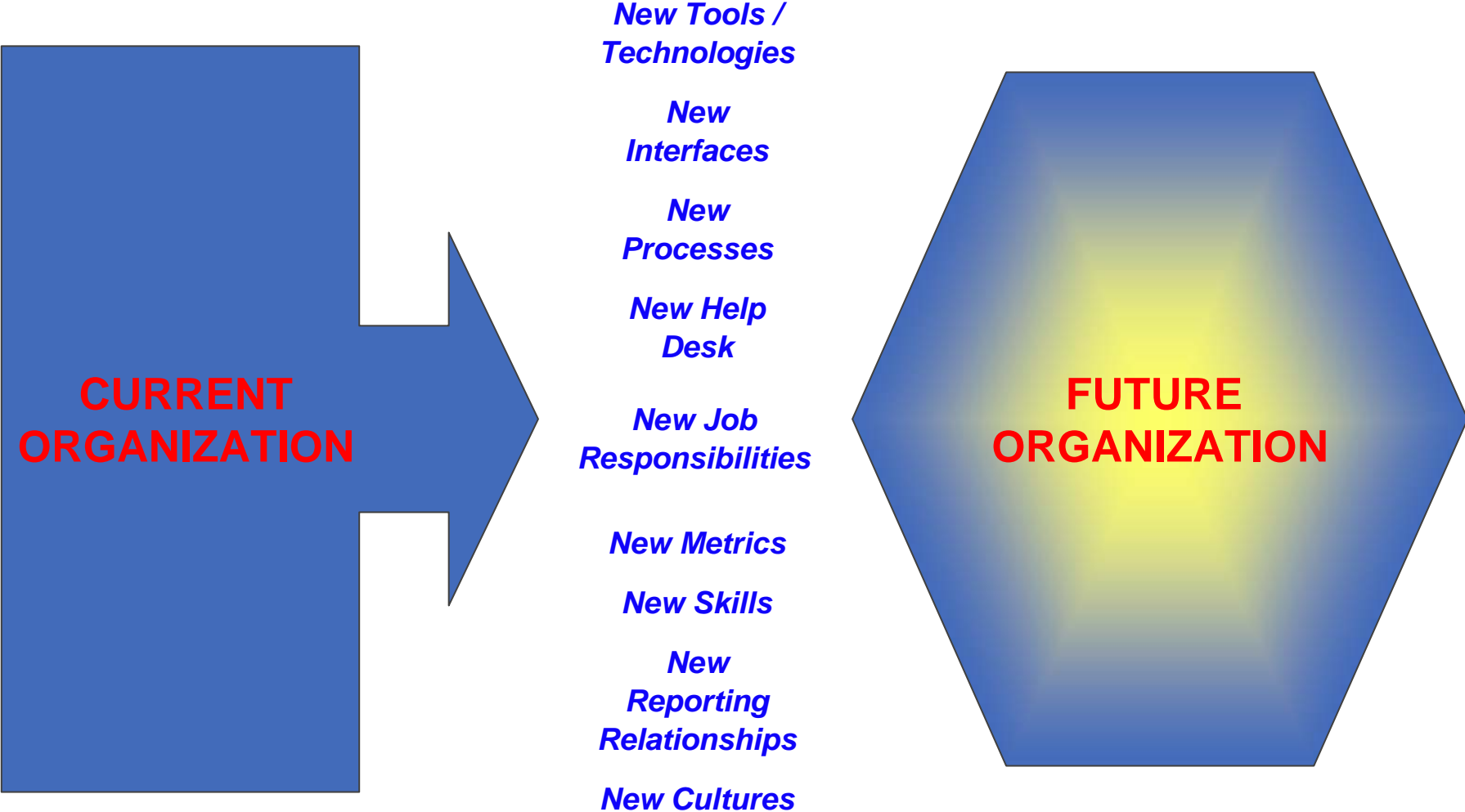
Source: AMR Research, 2008

HR must provide leadership with visibility into Enterprise Performance

HR Data – The “Hub” of Organizational Data



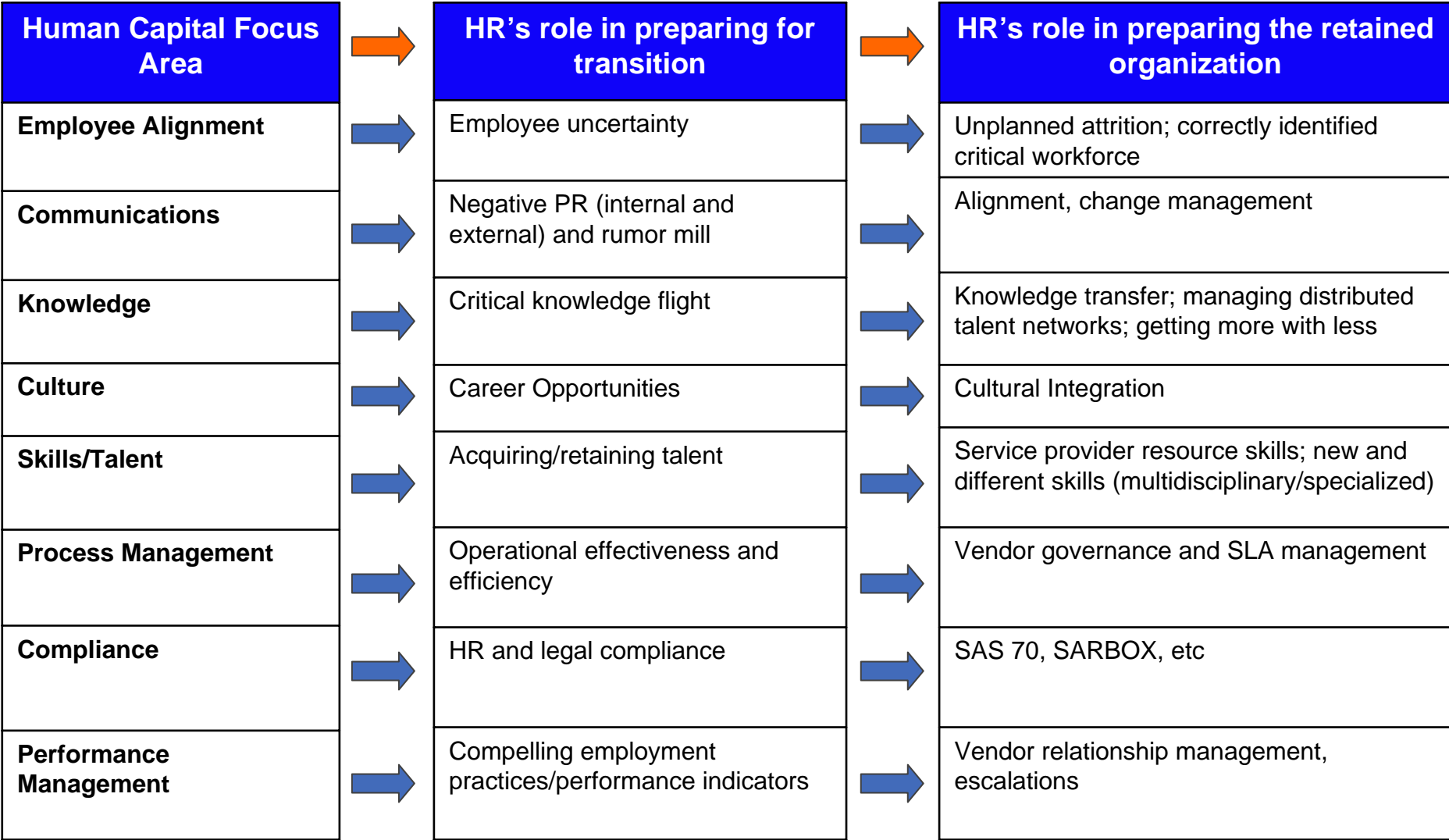
Employees are affected in several ways during outsourcing or offshoring



The worst mistakes enterprises make when they evaluate offshoring / outsourcing

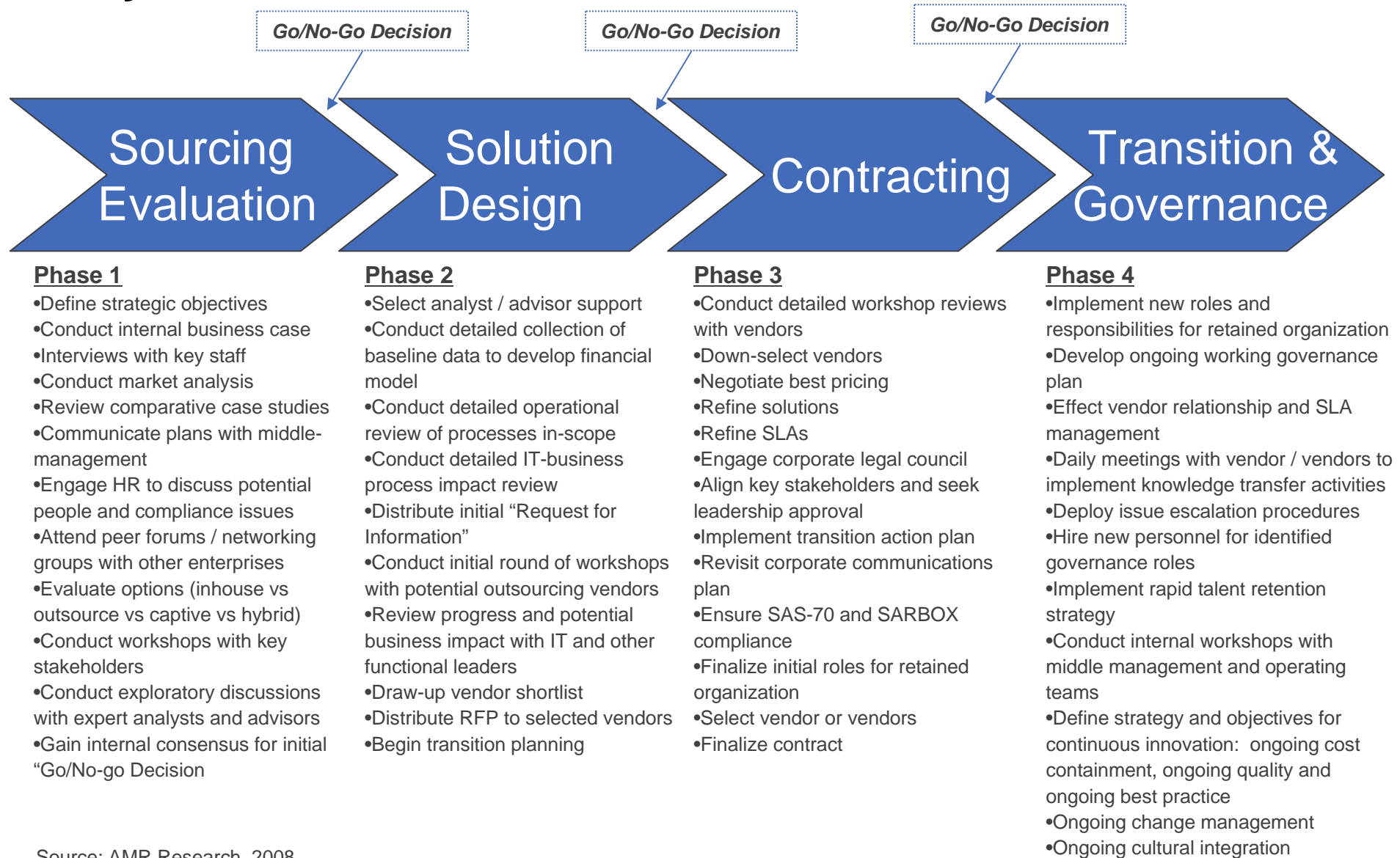
- Poor communication to key staff
 - Explain that jobs are not on the line, and you want their support
- Failing to weed out the dissenters
- Not involving IT in business process assessments
 - Ideal time to approach process re-design and standardization to maximize IT investments
- Not seeking peer advice
 - Learn from other enterprises' mistakes!
 - There is no defined curriculum for outsourcing
- Not using a good advisor
- Failing to grasp globalization and manage careers of key staff
- Not involving HR from the get-go...

HR's role in preparing the Enterprise for Outsourcing



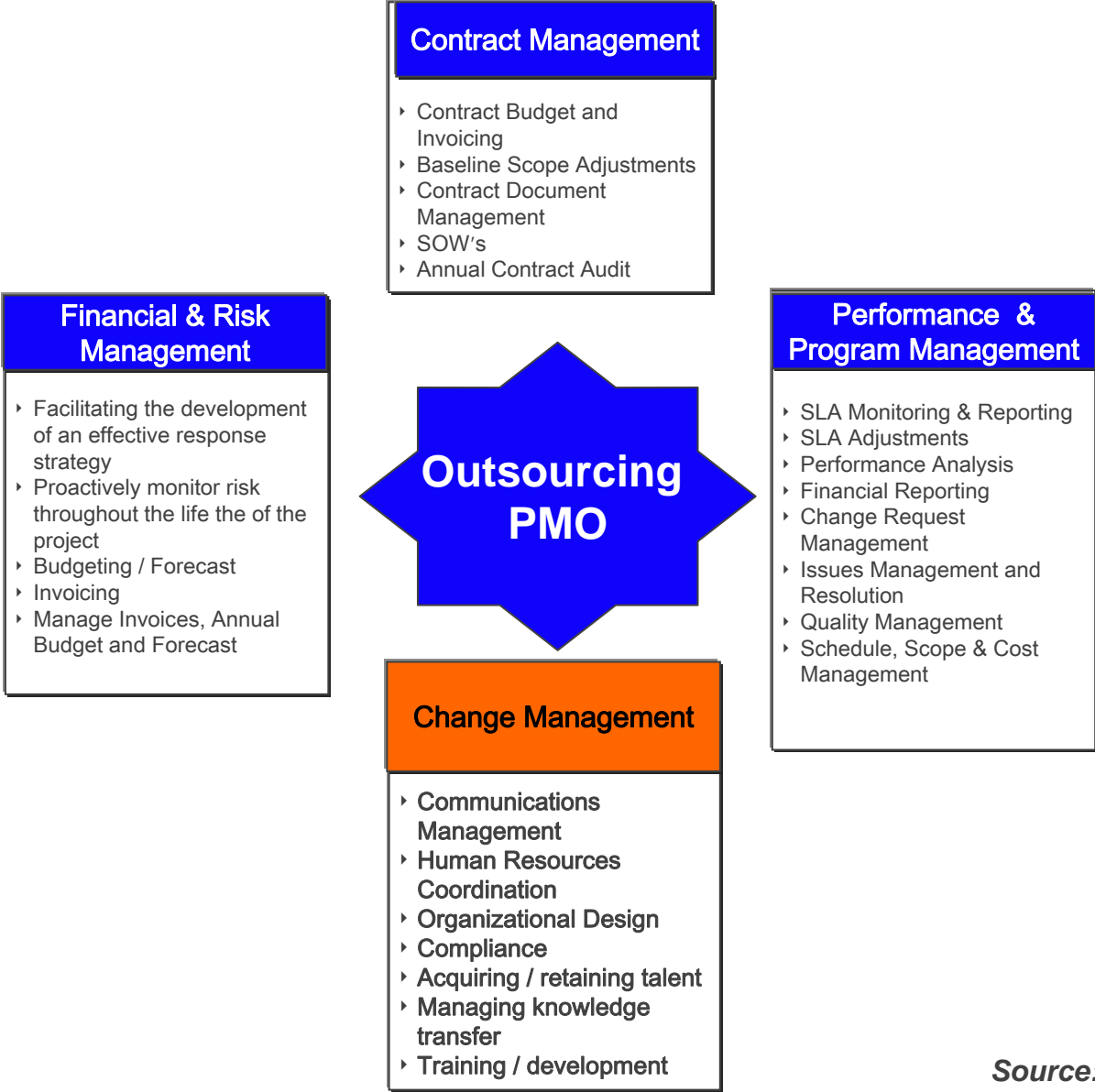
Source: AMR Research, 2008

HR needs to be intimate across the entire (Out)sourcing Lifecycle



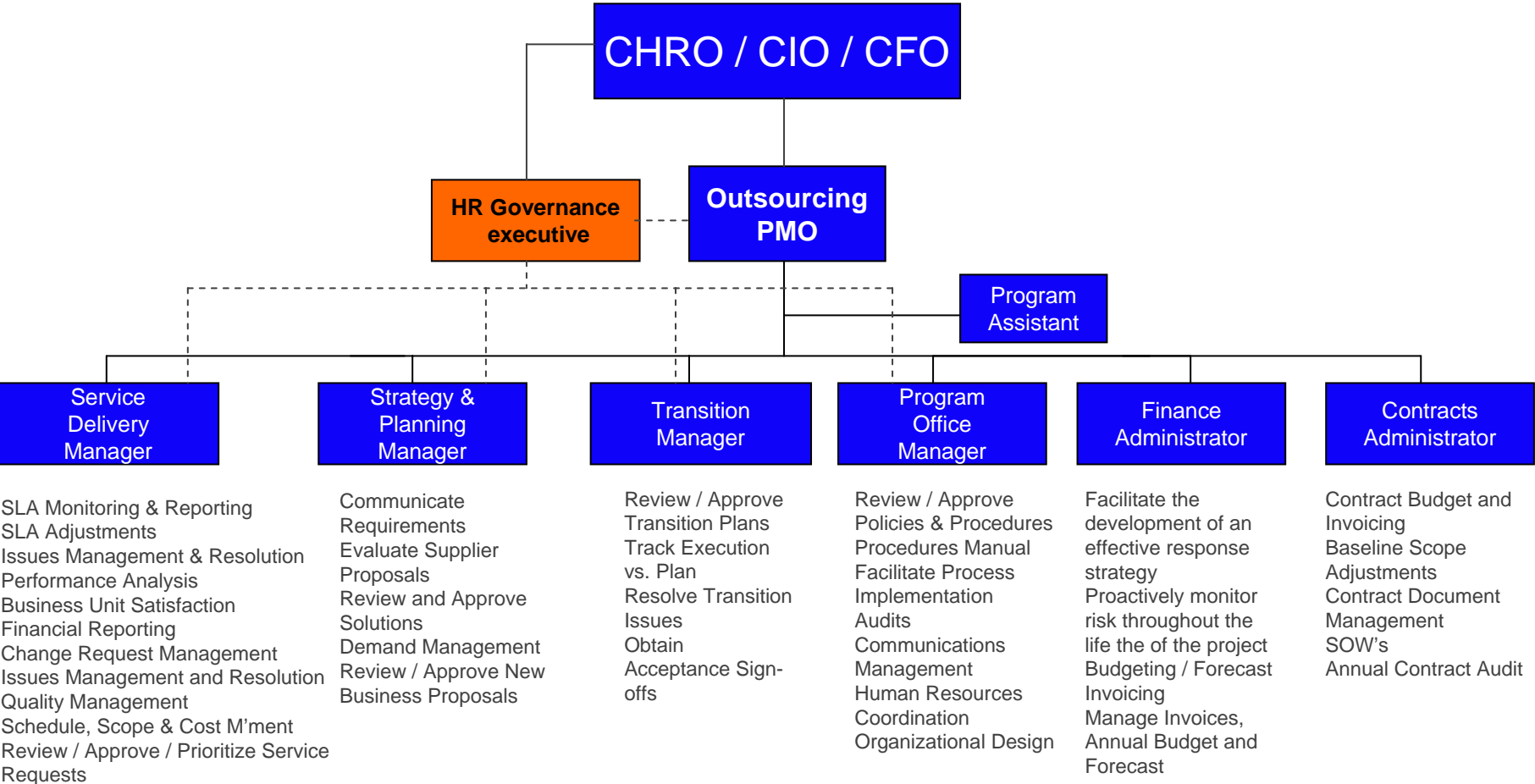
Source: AMR Research, 2008

Critical activities for an Outsourcing PMO



Source: AMR Research, 2008

Designing and Structuring the Retained Organization

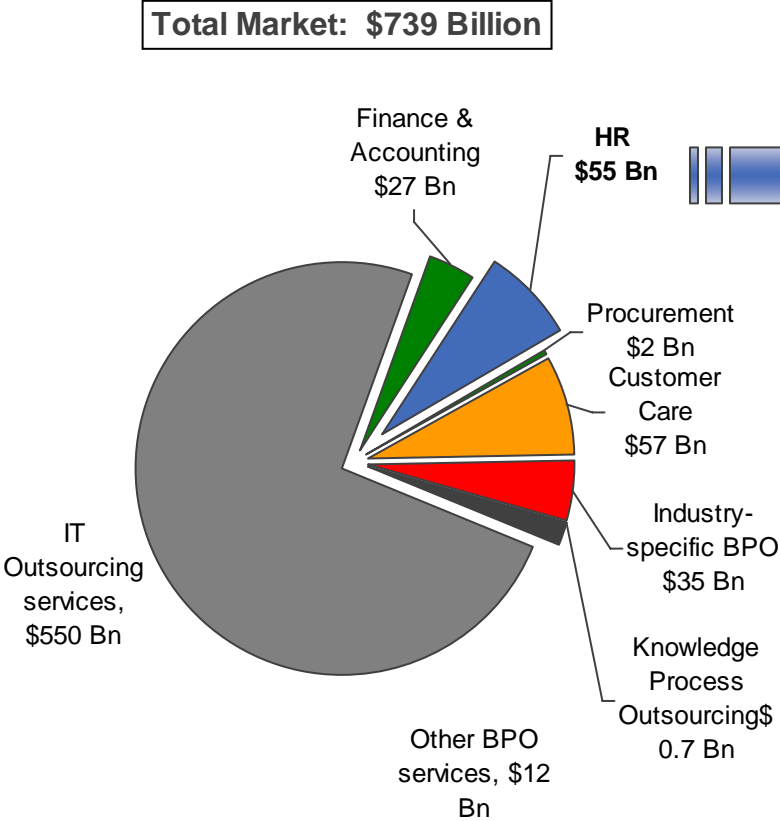


Source: AMR Research, 2008

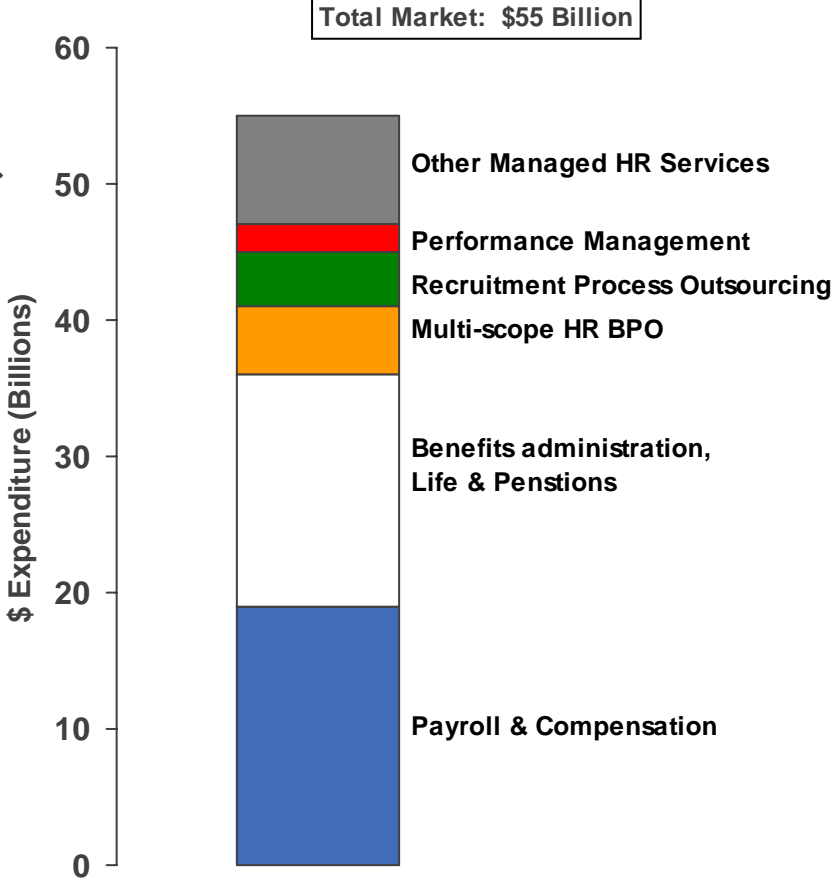
The Rapidly-Evolving Outsourcing Landscape

HR services dominate global BPO markets

Global Business Process Managed Services Market, 2007

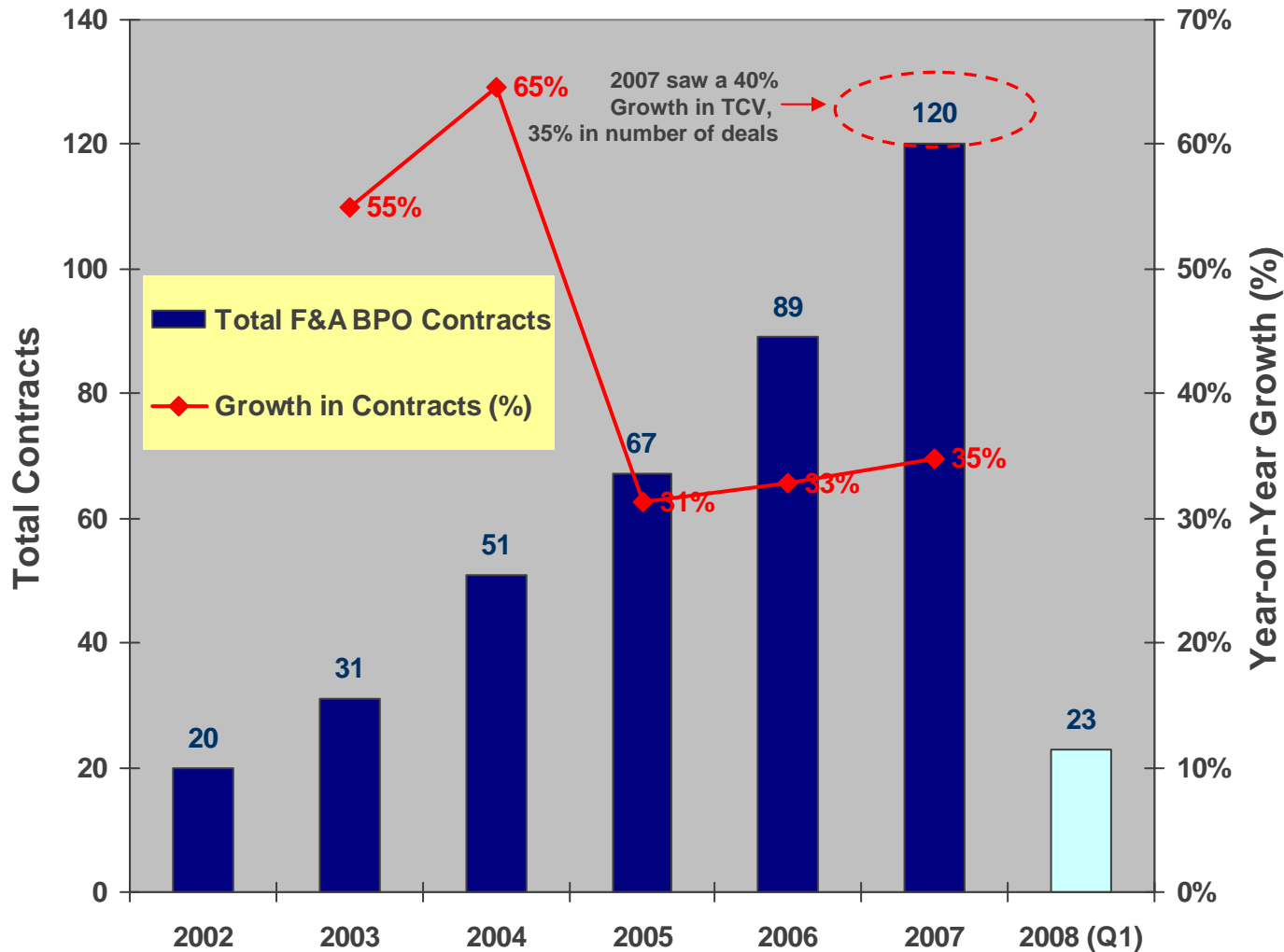


Global Managed HR Processes Market, 2007



Source: AMR Research, 2008

The F&A BPO market has seen 424 multi-scope engagements to-date, with a compound annual growth rate of 40% over last 5 years

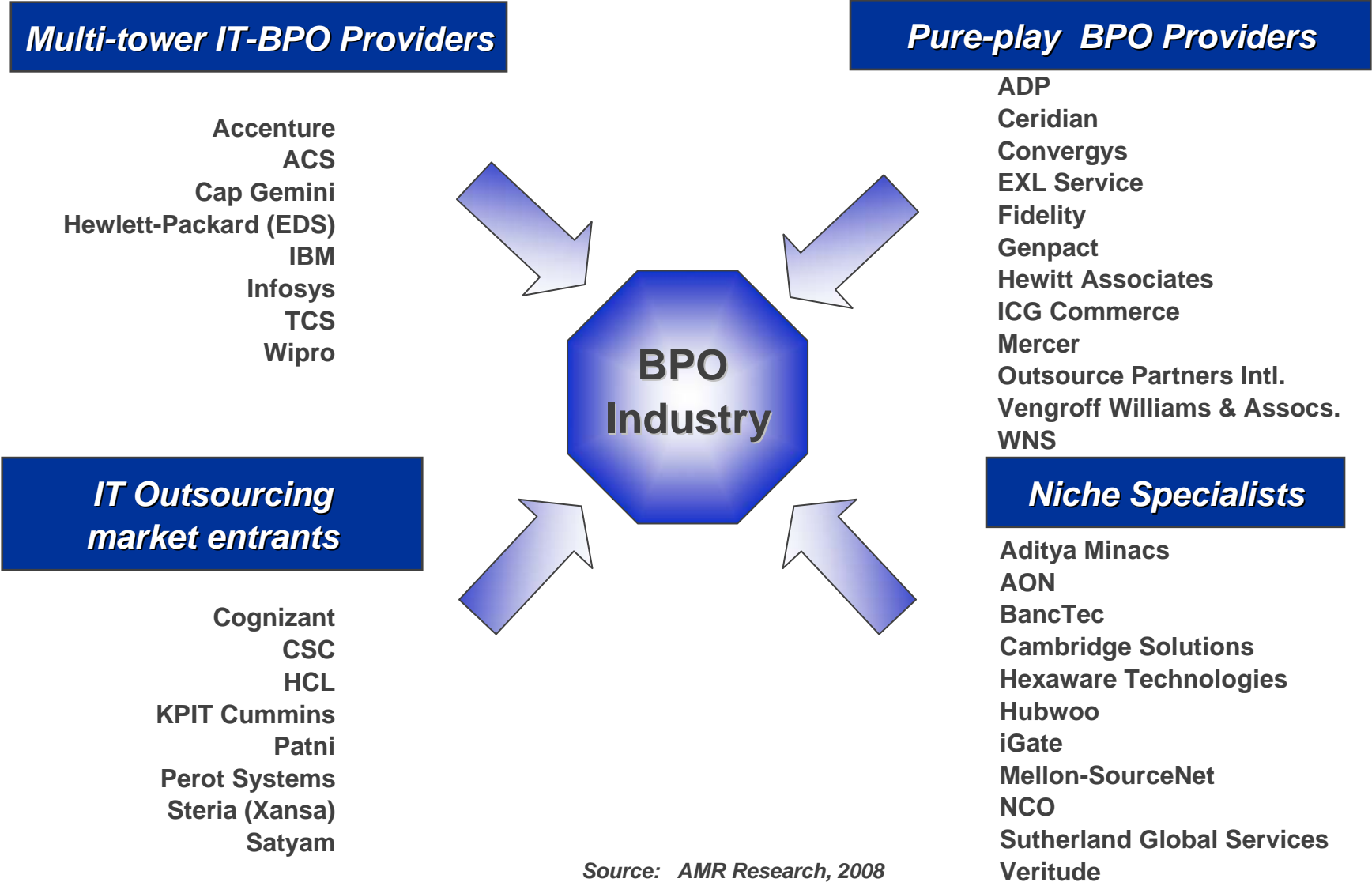


- Sunlife
- Yamaha
- Hertz
- Coors Brewing
- Tetra Pak
- Phillips
- ICI
- Colgate
- Microsoft
- Nestle
- Office Depot
- British Telecom
- Kimberly-Clark
- AmBev
- GlaxoSmithKline
- P&G/Gillette
- Cadbury Schweppes
- Georgia-Pacific
- Thomas Cook

Sample size: All current and expired Multi-scope F&A BPO contracts (includes 2 or more core F&A processes bundled over \$1m TCV)

Source: AMR Research, 2008

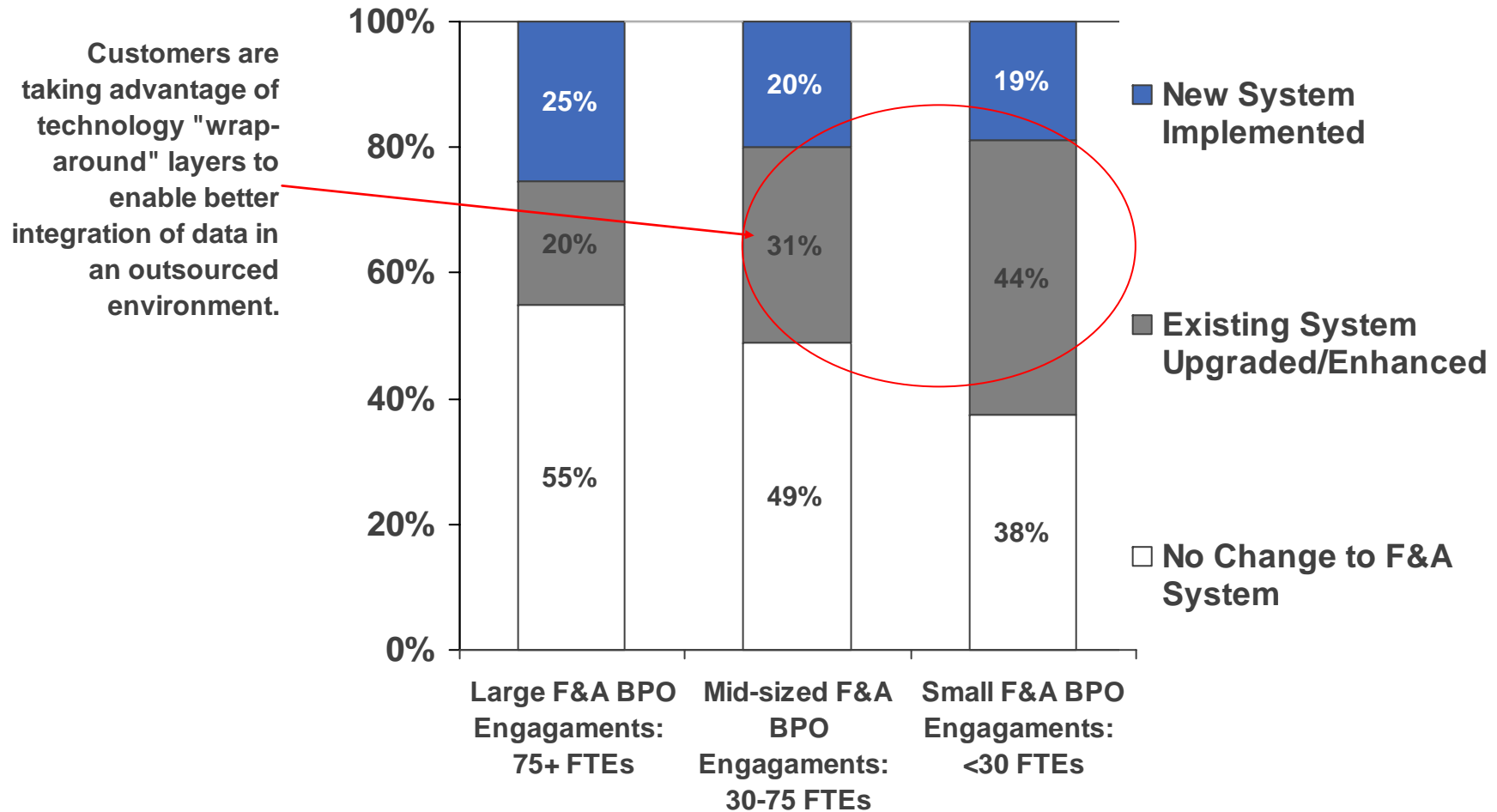
Business Process Outsourcing supplier landscape (selected firms)



Source: AMR Research, 2008

Shift towards hybrid BPO/IT engagements driving new corporate behavior

Financial System Strategy with Existing F&A BPO Engagements



Sample size: All Current F&A BPO contracts

Source: AMR Research, 2008

Wrap Up

- US companies are caught in a global talent quagmire and need to refine their strategies to develop and retain this talent
- CEOs recognize the need to change to compete and organize themselves on a global level
- The challenge is how to drive that change and re-skilling existing managers to embrace global business dynamics
- Outsourcing provides both strategic and tactical options that can help drive global change, as long as it is adopted in the right way and governed by the right staff
- However, it takes two to tango: outsourcing provides a vehicle, but you need to drive it
- Human capital strategy has a major role to play
- What is your company doing to globalize?

Q&A