

Volume 1 Issue 2

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Inside Outsourcing™



Inside with: Jim Madden, Chairman of Exult

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Inside with Jim Madden

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EDS- Brown goes down

Jim Madden, Chairman, CEO & founder of Exult, Inc., the leading provider of integrated Human Resources Business Process Outsourcing to Global 500 companies, recently spoke with Larry Janis about his views on the future of HR BPO.

LJ: How do you see the competitive landscape evolving for HR BPO?

JM: There is tremendous interest in HR BPO among large corporations, and all indications are that the marketplace will continue to grow. In fact, Gartner Group's Dataquest recently predicted that the market for integrated, multi-process HR outsourcing in the US will grow from \$2.5 billion in 2000 to more than \$21 billion by 2005. That's almost 850% growth. I believe that the companies that will be most successful in this market are those that:

- have a single-minded focus on HR BPO, not a diffuse offering,
- have a delivery model geared to HR, and
- run processes on a large scale for multiple Fortune 500 clients

LJ: How does the industry view Exult's recent announcement of bottom line profitability?

JM: Investors and analysts tell us that reaching this milestone proves the validity of our model and of the HR BPO marketplace. It took us only three years from our first contract signing to become profitable, in a very tough economic environment, and our financial success proves that our model is strong. But our financial success is only part of the story. More importantly, our blue-chip clients (BP, Bank of America, International Paper, Prudential Financial, Pactiv, Unisys) have experienced service improvements, higher employee satisfaction and have saved substantial money. For example, at one client, employee satisfaction with HR processes rose to 85% from 63% after we assumed responsibility for providing service. Our clients enjoy guaranteed cost reductions that typically are 15-25% of related costs, plus \$10-20 million in capital avoidance. As an example, for a 50,000- employee client that spends \$2,000 per employee on HR costs, we can usually save them \$15-25 million a year.

From the Editor.

Welcome to our second issue!

Inside Outsourcing's goal is to provide you with articles of interest and with a forum for the exchange of information in this rapidly evolving industry.

Future issues will have "Inside With", a Q&A with different outsourcing leaders.

Inside with: Jim Madden, Chairman of Exult (cont.)

LJ: How do you see your service delivery evolving over time?

JM: We believe Exult has set the pace as the pioneer and service model leader in HR BPO. So constant innovation not only drives us but is also one of the core values of our company. Our process and product development group is focused on things like delivering a seamless user experience for voice/web interfaces, integrating performance management tools into total learning solutions, and making our recruiting tools available to more candidates. In addition, our operations teams innovate every day to relentlessly pursue higher points on the efficiency curve and drive out variability in our services. We also actively use multi-shore locations to deliver cost-effective solutions. Going forward, we will continue to evolve our delivery model in a way that constantly seeks new ways of delivering reliable, quality service in the most efficient way possible.

LJ: Do you see offshore outsourcing emerging as a significant challenge in the future?

JM: We have analyzed this extensively, and I don't believe offshore outsourcing alone can compete with organizations that have a balanced onshore/offshore delivery model like ours. You need both onshore and offshore elements to reach optimization: first changing how the work is done, and then delivering services from the most cost effective location. Our Full-MultiSM strategy - which refers to multi-process, multi-client, multi-center, along with multi-shore - gives us the flexibility to deliver the work from the location that best fits the need at a given point in time.

LJ: As HR BPO continues to grow, how do you see the major ERP vendors (PeopleSoft, SAP) adapting to the concept of outsourced transaction processing across multiple clients?

JM: So far, we haven't seen any of the ERP vendors embrace our model and partner with us to maximize the potential value of cross-client processing systems. We continue to talk with them about our vision and how together we could achieve new levels of service and efficiency. I'm optimistic that we will find a way to get them to engage, but if we can't there are a number of other possible solutions that we think represent viable options for our clients.

LJ: You've been able to build a new company with over 1300 employees in just four years. Since human capital is such a critical part of your service to clients, what are the challenges of such rapid growth from a workforce perspective?

JM: The typical challenges of quick success and exponential growth. On the one hand, you have the excitement and career potential that a business like ours provides to its employees: a chance to move from "back office" processing in the typical corporate setting to the core business of revenue generation and customer service with Exult. On the other, we maintain a high rate of change in our business, as we quickly grow and innovate in technology and service delivery. This means constant adaptation and "pushing the envelope". We recognize this, and continuously assess our needs, work hard to develop and invest in our employees and offer a challenging and rewarding environment. For example, we have 24x7 learning opportunities available to our employees and this year we have announced an enhanced rewards and recognition program as a result of employee feedback.



Deloitte & Touche Launches Advisory Services

SAN FRANCISCO, March 17 /PRNewswire/ -- A new service line that helps organizations make better and more strategic decisions regarding which services and processes should be centralized internally, and which are better candidates for outsourcing, was announced today by the Management Solutions & Services practice of Deloitte & Touche LLP, one of the nation's leading professional services firms.

Deloitte & Touche's Shared and Outsourcing Advisory Services (SOS) practice can assist companies in consolidating and dedicating resources to one business unit that provides support processes or knowledge-based services to corporate entities, providing services throughout the lifecycle of a shared services initiative, from feasibility assessment to implementation. Moreover, the SOS practice can assist companies to develop vendor evaluation criteria, facilitate the evaluation process, evaluate the non-legal aspects of proposed vendor contracts with the selected outsourcing service provider and, if necessary, assist in the restructure of the non-legal aspects or complete termination of contracts with existing service providers.

"Organizations and their decision-makers are under great pressure to reduce operating costs and do whatever it takes to stay profitable during these extremely difficult economic circumstances," explains Mark Delane, a key leader of the Shared and Outsourcing Advisory Services practice.

"Companies need to focus and understand which processes and operations they do best, and which can be performed more cost-effectively by other organizations. Deloitte & Touche's Shared and Outsourcing Advisory Services helps organizations strategically determine the most cost-effective and efficient use of internal and external resources."

"Organizations and their decision-makers are under great pressure to reduce operating costs and do whatever it takes to stay profitable..."

The landscape in the advisory sector of the outsourcing industry seems to be shifting. Companies like PA Consulting (won the ING deal) and Everest Consulting (growing globally) are making inroads to capturing market share in what was a TPI dominated industry.

In our next issue, we look forward to sharing with you news about a newly formed firm in this space, Equaterra.



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New EDS CEO: Michael Jordan

From Forbes.com

Michael Jordan was called on to turn things around for his team on Thursday. Jordan, who shares his name with the shooting star of hoop fame, was appointed CEO of Electronic Data Services. The computer services giant announced the management shake up after weak demand plunged the firm's stock from more than \$60 to \$17.25 in the past year. Jordan, who had been CEO of CBS, will replace Richard Brown. The Plano-Texas firm also said that former vice chairman Jeff Heller would come out of retirement to become president and chief operating officer. "The EDS board of directors and Dick Brown mutually agreed it is in the best interests of the company to effect a leadership change at this time," EDS director Roger Enrico said in a statement.

