Inside Outsourcing™

Inside with: Mark Toon, Founder and CEO, EquaTerra

EquaTerra provides a comprehensive set of services, tools and processes that help corporations achieve dramatic reductions in their G&A cost structure and achievement of business process excellence through four distinct service lines. These service lines align with our clients’ progression through their business process lifecycle. Knowledge & Education; Assessment & Planning; Outsource & Insourse Advisory Services; and Relationship Management (RM.)

LJ: What is your view of the competitive landscape in BPO?

MT: The BPO marketplace is served by a full spectrum of service providers, from local to global and from sub-process to multi-process. Of course, the maturity of the market (defined in terms of the breadth and depth of competition, the stability and capital adequacy of the leading providers, and the demographics of the existing deal population) varies widely from process to process. There are very few genuinely global, multi-process service providers out there yet. For individual business processes, the market is most mature in the HR space, and probably least mature in emerging areas like P2P (procure to pay).

In the last year, EquaTerra has seen service providers making significant capital investments to advance solutions both increasing effectiveness and efficiency of services provided.

LJ: What do you see as the hurdles to success in BPO?

MT: The biggest barriers to success in the BPO marketplace are the cultural barriers to transformational change that exist in so many organizations, across all sectors and in all countries. Organizations that are ready, willing and able to adopt BPO as a transformational tool, while certainly facing near term risk management challenges, are also certainly positioning themselves for maximum competitive advantage. Unfortunately, many organizations are as yet unable (or unwilling) to recognize the imperative to migrate to a flexible cost base model leveraging best in class business support services or be out-competed.
However, American business is leading the way, and deals like the recent P&G global HR outsourcing legitimize the marketplace. We believe that there are other first-mover deals in other key spaces, such as P2P, that should continue to support companies willing to outsource key processes.

**LJ**: How does offshore outsourcing emerge as a part of BPO service offerings?

**MT**: Offshore outsourcing is really a labor cost arbitrage effect, made possible by the improvements in communications technology and the decreases in communications costs that have taken place over the last decade. Although there are offshore organizations that offer outsourced business process services, and these organizations are having an impact on the market at the sub-process level, the most interesting aspect of offshore outsourcing is found in the global service providers, who are consolidating commoditized activities (such as service desks) into their own large scale facilities in low labor cost geographies.

Offshoring is not and should not be treated as the panacea. For instance, a company that eliminates elements of its process will still be more efficient than if they move the process to a lower labor costs location. So, offshoring works well when combined with process elimination.

**LJ**: Does the shared services model have a role in BPO initiatives?

**MT**: The move to a shared services model is an indicator that an organization recognizes the need to better manage business support activities to deliver scale and scope economies. A few years ago, when the shared services approach first gained popularity in larger corporations, the BPO option was not real. As the BPO marketplace has matured, the relevance of shared services has diminished, except in that for some organizations the move to shared services is a necessary precursor to outsourcing because their cultural barriers to outsourcing are insurmountable.

However, for most organizations contemplating establishing a shared services approach for the first time today, this would be a mistake, as it would simply defer their attainment of the genuine efficiency and effectiveness gains that are available through BPO.

**LJ**: How would you define the role of the third party advisory firms?

**MT**: At EquaTerra, we believe that our obligation is to help companies improve their processes. Therefore, to effectively provide value, EquaTerra’s professionals are business process experts, outsourcing professionals, and transactional experienced. In addition, EquaTerra helps companies with the management of these complex outsourcing relationships and believes that this experience is a significant differentiator. There are other advisory firms, focused in the specific areas such the ITO marketspace. These companies provide value differently and often are focused on providing the best deal for a client. We just offer a different value. But, a company must use the advisor that best suits their objectives.
Helps offset 10% dip in the firm’s consulting revenues in fiscal 2003

Story by Thomas Hoffman

NOVEMBER 12, 2003 (COMPUTERWORLD) - A silver lining for Accenture amid a weak IT spending environment has been strong growth in the so-called business process outsourcing (BPO) market, in which companies offload to a third party management of business functions such as accounts payable or human resources. While consulting sales at the management consulting firm dipped 10% for the fiscal year that ended Aug. 31, BPO revenue doubled to $1.44 billion, said company executives at a media briefing in New York yesterday.

And while the company isn’t looking to grow by combining forces with a tech giant, as PricewaterhouseCoopers did with IBM last year, Accenture is ”continuing to look at BPO [acquisition] opportunities” where it makes sense to expand, said Chairman and CEO Joe Forehand.

Accenture first entered the BPO space in 1991, when it took over discrete accounting operations for British Petroleum Co. and Northwest Airlines Inc. The company now has eight BPO divisions, including finance, human resources and business services for utilities -- and it’s continuing to branch out.

For instance, Accenture recently began providing life insurance policy management services for a customer in France and is now looking to expand those services to insurers in Europe, the U.S. and other parts of the world, said Joel Friedman, chief operating officer for Accenture's BPO business.

BPO has continued to be a growth market during the economic downturn and is expected to expand from an $860 billion business today to one worth $1.2 trillion in 2006, according to market research firm IDC. Some of Accenture’s BPO customers include AT&T, ConocoPhillips Co. and the U.S. Department of Defense.

Friedman declined to speculate on what other BPO areas Accenture might explore. ”But this market is growing 30% to 50% each year, and we expect to grab our fair share of that,” he said.
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Study: Telecoms Love Outsourcing

NEW YORK -- Telecommunications service providers facing a difficult business environment are pursuing outsourcing opportunities more aggressively than ever before. According to a recent study from global management consultant Booz Allen Hamilton, more than 75% of North American telecom executives consider outsourcing a key component of their business plans today. Moreover, the study found that service providers are willing to outsource some activities that previously were considered "core" business functions.

Improved financial performance tops the list of reasons that service providers give for outsourcing. All of the respondents (100%) cited operating expense reduction and optimization of capital expenditures as a key driver, closely followed by headcount flexibility, which was mentioned by 77% of wireless and 63% of wireline players. Other reasons, such as exploring new technologies and capabilities, were far less important and primarily mentioned by smaller players.

Booz Allen interviewed senior executives from major service providers to reveal the drivers and trends for outsourcing in the North American telecommunications industry. Study respondents represent more than 80% of the market, including local carriers, long distance carriers, wireless carriers and smaller players.

Although service providers have previously embraced outsourcing support functions such as HR and IT, they generally have not supported outsourcing of core technical or customer facing activities including network planning and architecture, platform development and sales and marketing. However, that attitude has changed - most executives interviewed conceded that they are actively moving towards outsourcing network functions once considered core. In fact, over 70% said they have either already outsourced some network-related activities or would do so in the near future. Among network-related functions, installation (66%) and maintenance (63%) are most likely to be outsourced.

All of us wish you and yours a happy thanksgiving holiday