



Grand Overview: Shared Services & HR

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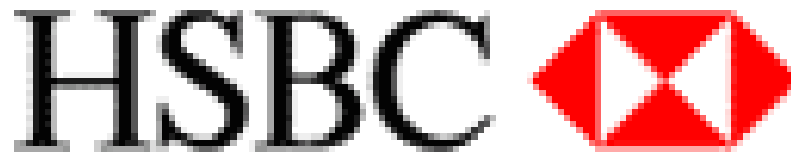
Some Examples

Here is some data on what real decision makers are doing and experiencing.





Actions of Leading Outsourcing Organizations:



Top Performing Delivery Unit in the World

Comments:

About 3 years ago, HSBC's BPO delivery center in Philippines employed one 50-year old white man. Today it employs 3500 people and is ranked #1 in the world for quality among 7 Global Delivery Centers operated by the company.

This achievement in such a short time is remarkable because big old banks usually don't do anything very quickly (or very efficiently). HSBC was able to grow its center to such a size despite being located next door to Convergys, considered by many as the world's most ruthless recruiting organization.





Actions of Leading Outsourcing Organizations:



Growth in Full Range of BPO Services

Comments:

Like many of the large IT consulting firms, they offer a full range of BPO services, even call center support. IBM made one of the largest call center acquisitions by taking on Daksh, a major Indian call center provider. They are expanding this service tremendously throughout India and Philippines. Somewhat ominously, they shut a large site in Bangalore last year and moved most of the jobs to Philippines. IBM provides a vast range of services (IT, multiple back office processes, call center support). On the HR side, they have about 1400 people doing HR work for large international companies.





Actions of Leading Outsourcing Organizations:



Back-Office Growing

Comments:

The company has operated in India for some time. Its delivery center has over 10000 people these days. They sent the Number 2 manager to Philippines a couple years ago to start an operation to provide services for their Australian Delivery Center in Brisbane. Today, the company is receiving better quality performance ratings in Philippines than in Australia. They provide a wide range of services: IT support, CRM, finance & accounting, etc.





Actions of Leading Outsourcing Organizations:



Growing in India, Growing in Philippines

Comments:

Dell, arguably the world's premier manufacturer of computers and related appliances, has had sizeable and fast growing call center sites in both India and Philippines for years. While continuing to grow strongly in India, Dell has recently announced that it would also set up a new captive facility in Philippines -- in addition to maintaining its current relationships with 3rd party providers. They have about 5000 positions currently in Manila alone.





Actions of Leading Outsourcing Organizations:



Not Just An IT Company

Comments:

A quick look at the Accenture Web site makes that company's direction clear. It now provides 18 categories of services. Some of the new BPO subsidiaries that have been incorporated over just the past few years are Accenture Finance Solutions, Accenture HR Services, Accenture Learning, Accenture Procurement Solutions, Accenture Business Services for Utilities, Accenture eDemocracy Services and Navitaire -- a bewildering number of extensions to the core Accenture brand. It is also heavily involved in the call center industry. It did the largest single migration of call center jobs (6000 jobs) to Asia for a large telco.

The company currently has 25000 people in India and 12000 in Philippines plus other locations in eastern Europe, South America and Africa. HR functions are already a strong component of this in India and now in other countries.



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Actions of Leading Outsourcing Organizations:



Development in India, Support in Philippines

Comments:

Company is using India and Philippines in complimentary roles. Both shared services are of similar size. India focuses on software development since it is perceived to have better technical skills. Philippines does most of the application maintenance & support and technical support work since they are seen to have better communication and interaction skills.





Actions of Leading Outsourcing Organizations:



Starting at the Top of the Value-Chain

Comments:

This company's situation is interesting for 2 reasons. First of all, most companies when they setup shared service facilities start by doing low-skilled functions and later move up the value chain. Deutsche Bank isn't doing this. They are hiring high-end financial people to support the company's CFO's throughout the world.

Secondly, big German companies (and especially banks) are usually slow to move because they spend a lot of time in the planning stage. Deutsche Bank started their operation only a short time ago and already employ 1000 people.





Actions of Leading Outsourcing Organizations:

Manulife Financial

Providing a Broad Range of Services

Comments:

This is the fourth largest insurance company in the world. They are new to the offshore outsourcing game in Asia but have big plans to grow a variety of services.



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Actions of Leading Outsourcing Organizations:



Global eXchange Services
(formerly GE Information Systems)

Dual Roles for India and Philippines

Comments:

GXS has operated in both Philippines and India for some time doing a range of IT functions. It is expanding quickly in Philippines after making the decision to centralize all functions with a customer interfacing component because of “better results and economics.” GXS reported an increase in roughly all of its quality metrics within just a few months of moving the work to Philippines from its various world-wide locations. India will remain its primary site for software development and advanced technical functions.





Actions of Leading Outsourcing Organizations:



Also Providing a Variety of Services

Comments:

AIG is the largest insurance company in the world. They have various outsourced facilities providing every imaginable IT service for a vast number of platforms. They also do back-office processing and under-writing. Their young staff are authorizing cheque payments up to \$100K, I am told. Reports are that their young staff (average age 24 years) are doing their jobs better than the US offices being replaced.



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Actions of Leading Outsourcing Organizations:



High Level Financial Analysis

Comments:

Thomson Corp is one of the world's largest financial data companies. They have something 40K employees throughout the world. They have operated facilities in Asia for some time and do quite sophisticated analysis work for the world's major financial centers. As a small example, Barclay's regional office in Singapore recently hired 18 senior people from this operation in Manila to relocate to Singapore. The HR manager was rather upset about this.





Actions of Leading Outsourcing Organizations:



Growing Faster in Philippines

Comments:

Sitel is the largest call center organization in the world. Industry sources say that the company has experienced much faster growth and quality performance in Philippines. Like almost all of its main competitors, the company is moving strongly into providing back-office services such as finance and HR.





Actions of Leading Outsourcing Organizations:



Closed Indian Operations

Comments:

Sykes, a large U.S.-based contact center and IT support organization, has operations in both India and the Philippines. The company said it would shift much of its Indian capacity to the Philippines, where it already has 7,000 employees. "We moved calls to other facilities in Asia to get a higher rate of return," was the official statement from Dan Hernandez, Sykes' vice president for global strategies. But knowledgeable observers in the region say that the rate of return differential must be large for a company of Sykes' size and prominence to forgo India after already putting capacity in place.





Actions of Leading Outsourcing Organizations:



Opportunity is in the Thousands

Comments:

I was told that the company has 30% of its staff each year in India. HP recently opened its second site in Philippines. Philippines is at an earlier stage of development in the BPO sector so hiring and retention are easier. HP expects growth to be stronger there.

HP is another company that is providing a broad range of back office services.





What Business Leaders Say: **About BPO**

Let's look at some
conclusions and trends.





What Business Leaders Say: About the Opportunity

Early Stage of Development

1. Direct Industry Employment is only 1M in India, 250K in Philippines, in China estimates vary.
2. With some Indian exceptions, most BPO's are small
3. Broad range of BPO services provided but voice and IT dominate.

Comments:

All business leaders agree that we are still at a very early stage in the development of offshore BPO industry.





What Business Leaders Say: **Expanding Geographies**

No Longer Just India

1. India still the King of Outsourcing
2. Past huge success naturally can't continue indefinitely.
3. Constraints in infrastructure, increasing salaries, worsening retention.
4. A multitude of countries are making changes to compete for these jobs: Malaysia, South Africa, Philippines, Costa Rica, eastern Europe, Russia, Brazil, Mexico, etc.

Comments:

Experienced BPO Leaders feel India is becoming a more difficult place to do business.
Other destinations will benefit.





Titles from Major Business Publications:



INDIA'S IT CHALLENGE



**INDIA: GOOD HELP
IS HARD TO FIND**



**INDIA: DESPERATELY
SEEKING TALENT**



**INDIA'S LOOMING
IT LABOR CRUNCH**

A simple internet search will yield dozens
more cautionary articles about outsourcing in India





What Business Leaders Say: Expanding Int'l Participation

No Longer Just Americans

1. US companies were first (and notable UK firms)
2. Now Europeans, Japanese, Canadians, etc.
3. Australia is a very popular source country in Asia
4. Singapore is a special situation

Comments:

Many developed countries have historically very low unemployment rates that make hiring and retaining qualified staff extremely difficult. They are following the US lead of moving some of these jobs offshore.





What Business Leaders Say: Expanding Services

No Longer Just Voice & IT

1. Voice-enabled services & IT were the pioneers
2. Most call centers now call themselves BPO companies
3. Most IT firms now provide BPO services

Comments:

IT and voice services were the pioneers. Today, almost every conceivable business process is starting to be outsourced offshore. Some of these include: accounting, HR, design engineering, animation (not that new), medical services, legal services, insurance processes, banking processes, map-making, publishing content creation, research, on and on.

This all makes sense since answering telephone inquiries and IT are just small parts of most large organizations.





What Business Leaders Say: **SMC's Getting Involved**

No Longer Just Big Companies

1. Becoming available to SMC companies
2. Non-returnee entrepreneurs for the first time.
3. Financiers are starting to finance early stage companies.

Comments:

Until recently, most entrepreneurs in India, China and Philippines were returnees (Indian-Americans, Chinese-Americans, etc.). Today we are seeing overseas entrepreneurs setting up businesses. In addition, financiers are becoming more active in the start-up phase of businesses in these less transparent countries. Some say the environment reminds them of the early stages of the dot-com boom.





What Business Leaders Say: Share Services Vs. BPO

Time Vs. Cost

1. Providers get you operational faster
2. Providers help you learn from their experience
3. Doing it yourself costs less
4. Final decision depends on your situation

Comments:

Companies that are doing more complicated work or who have onerous security or regulatory requirements tend to want to do it themselves (captive approach). Lower end work like help desk support is often easier to be done by service providers. One approach I have seen that seems to work well is a dual approach where a company will use an outside provider so they can get up and running faster and learn from their experience. Gradually, the outsourcing organization will move over some of the processes initially provided by the third-party company and move up the value chain to more sophisticated or sensitive processes.





What Business Leaders Say: About the Opportunity

Greatest Of The Decade

1. Monumental growth rates in employment
2. Real jobs (unlike dot-com days)
3. Probably won't repeat in our lifetime.

Comments:

Despite its alleged difficulties, India says it will grow from 1M to 2.4M by 2010.
Philippines is growing by 50% currently and expects to reach 1M people by 2010.
China is growing by 50%. The Dot-Com boom times in North America were exciting but employment growth rates never exceeded 20%-25%.





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by Richard Mills

Let's Discuss

HR Shared Services



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HR Shared Services:

What is Outsourced?



HR Processes Most Often Outsourced

1. Employee service center
2. Employee/manager self service
3. Domestic relocation
4. Payroll
5. Expatriate administration
6. Benefits
7. Recruiting

Comments:

If we separate the HR function into 23 processes, these 7 are most often outsourced today.





HR Shared Services: What is Outsourced?

Recruiting Is A Focus

- Recruiting is the single most expensive function for many HR departments
- Complaints about quality from hiring managers - companies hope to improve with offshore assistance

Comments:

Some people used to feel recruitment was a core function that could not be outsourced. Many companies seek to improve quality and lower costs by outsourcing lower value tasks to offshore recruiters. Staffing companies are also getting into the





HR Shared Services:

What is Outsourced?



Processes Less Often Outsourced

1. Third-party vendor management
2. HRIT
3. Employee communications
4. Workforce analytics
5. Severance administration
6. Data records and management
7. Compensation administration
8. Policy and legal compliance
9. Training/learning





HR Shared Services:

What is Outsourced?

EQUATERRA

Processes Usually Retained

1. Performance management
2. M&A support
3. Organizational development
4. Labor and employee relations
5. Succession planning
6. Employee development
7. HR strategy





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Let's Look at Some Real Businesses



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Who is
Doing What?



Manila Shared Services Center

Overall:

- Started in 1998
- 3 Services offered –
 - Finance & Accounting
 - SAP Support
 - HR support





Who is
Doing What?



HR Shared Services

Characteristics:

Expat Managed (Previously local managed)

- HR BPO centers in Philippines and South Africa
- Manila site supports Asia Pacific and US
- South Africa supports 7 African countries





Who is
Doing What?



HR Shared Services

Services Provided:

- HR data maintenance (SAP HR)
- Recruiting (web-based and internal)
- Expatriate Administration
- Compensation & Benefits





Who is
Doing What?



HR Shared Services

Future Growth:

- Recruiting – high on priority
- HR data maintenance – roll out to 60 countries along with SAP implementation
- Expatriate Administration – roll out globally





Who is
Doing What?



HR Shared Services

Comments and Suggestions:

- Understand your business
- Vast culture difference
- Asians more service oriented than in west
- Technical skills are good
- Need to show staff they are part of the company and not a cost saving
- Develop a career path or retention will suffer
- Overall: Didn't find it difficult





Who is
Doing What?

Hewitt



Current Asian Employment – 4,500+

Characteristics:

- Reported as the largest HR BPO provider
- Services multinational companies and some strong regional firms (Singapore early adopter)
- Operations in India, China, Japan and throughout SE Asia
- Marquee clients include: Pepsico, Marriott, Thomson Corp, Omnicom, Duke Energy, Rockwell





Who is
Doing What?

Hewitt



Current Asian Employment – 4,500+

Services Provided:

- Mainly transactional work at this point (i.e. workforce administration, compensation & benefits, contact-center support)
- Some recruiting, training & development



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Who is
Doing What?

Hewitt



Current Asian Employment – 4,500+

Trends:

- More global HRO deals
- Growth from non-US clients
- Outsourcing many functions at once
- Higher value functions being outsourced



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Who is
Doing What?

Convergys



Successful Diversification Strategy

Characteristics:

- Started as Call Center provider
- Today a strong BPO provider
- Operations in throughout Asia
- Marquee clients include: DuPont, Whirlpool



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Who is
Doing What?

Convergys



Successful Diversification Strategy

Services Provided:

- Payroll, employee service center, benefits administration, workforce planning and deployment and data integration aspects of compensation and recruitment.





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What's In It For You?



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HR Professionals:

What's in it for you?

1. Lower costs for your company (50% savings)
2. Higher service levels (over time)
3. Recognition by senior management
4. Personal career development





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Material
of the
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Part of the **TechWeb** Business Technology Network
outsourcingpipeline

India Daily

ASIA TIMES Online
www.atimes.com

Quoted as:

"the Asia Pacific expert" by CallCenter Magazine.

"Offshore Outsourcing Expert" ComputerWorld USA

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