

We know

We know

Business Process Outsourcing and Offshoring –

***New Strategies in Support Service
Optimization and Global Sourcing***



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The Offshoring Institute offers a wide range of services on location strategies and optimizing back office processes

- Location analyses and studies based on our Location Selection Criteria Database (> 100 Metropolitan Areas)
- Consulting & advisory services on optimizing support functions
- Courses and corporate trainings on Business Process Outsourcing, Shared Services, offshoring and optimizing support functions



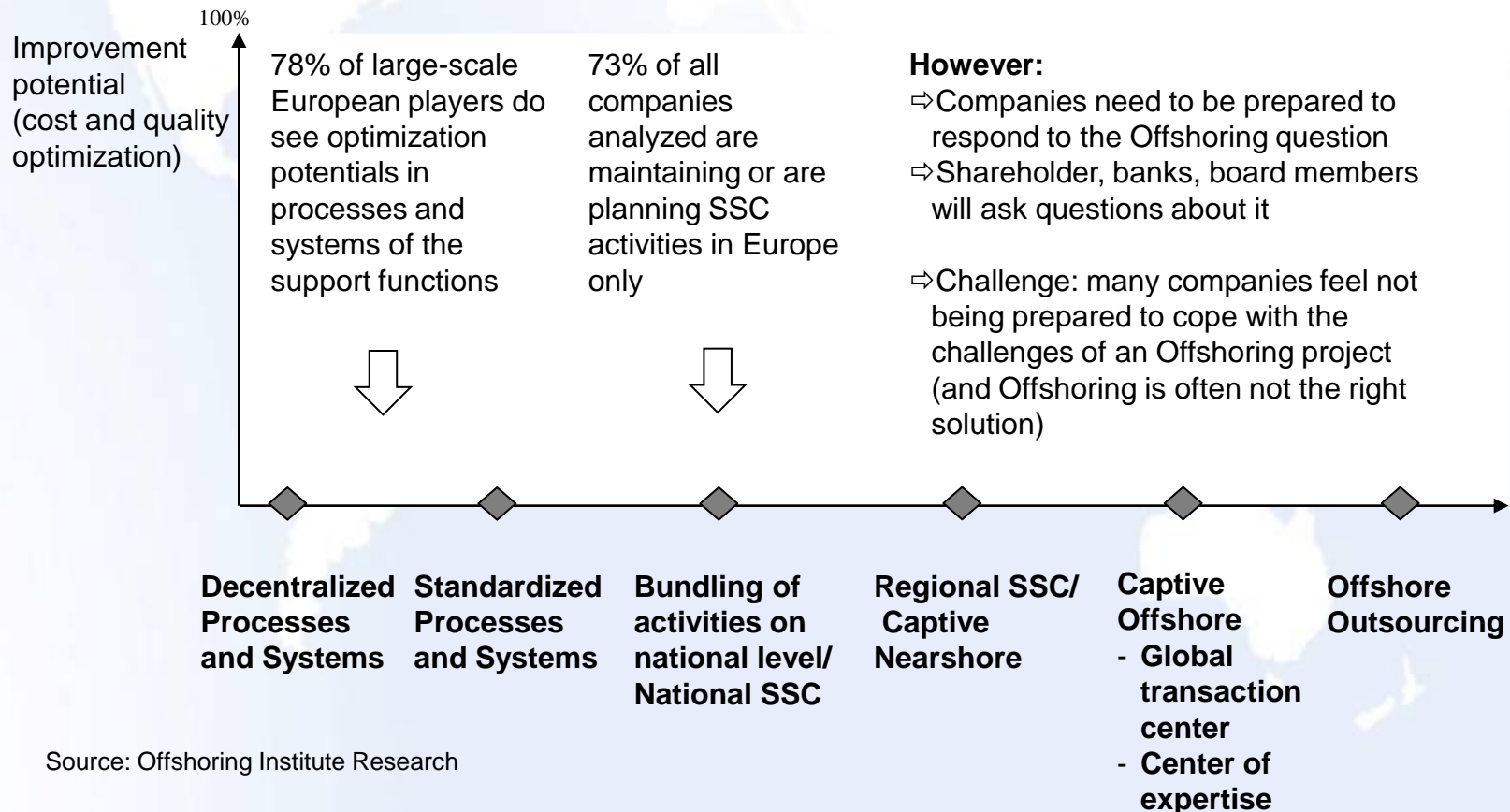
We know how to make the globe transparent.

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Support Function Optimization Challenges

Optimization of business support functions – Is Offshore Outsourcing the ultimate right solution?



Source: Offshoring Institute Research

Support Function Optimization Challenges

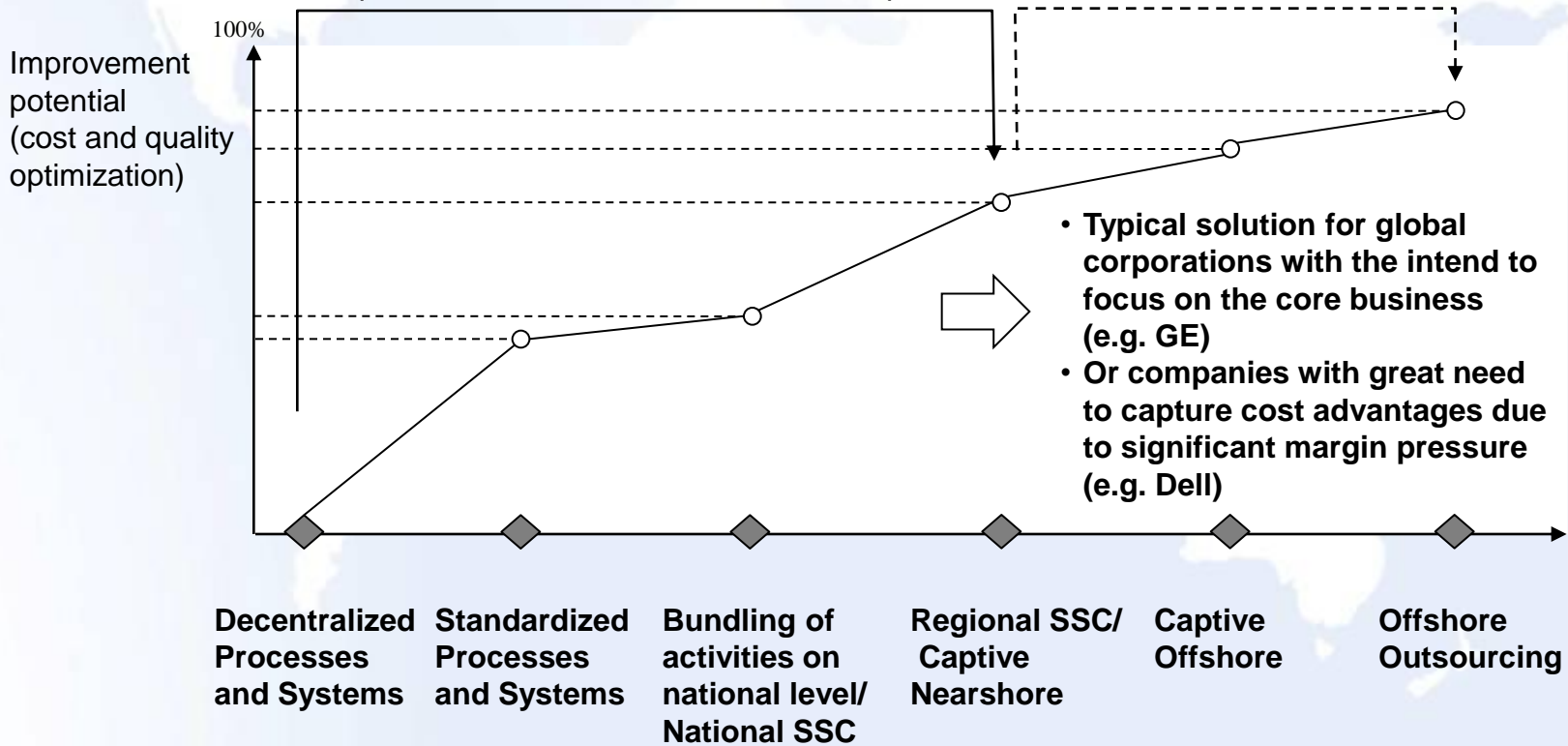
Global companies with strong focus on core competencies and high margin pressure are mainly Offshore Outsourcing candidates

Case Study Phillips

Step 1: From decentralized units and divisional SSCs to Regional (EMEA) SSC in Lodz (Poland)

Step 2: Sell off of facility in Lodz to BPO Provider (Nearshore captive)

Step 3: Further relocation of transactional processes to BPO centers in India



Support Function Optimization Challenges

Local players compensate difficult to reach labor cost advantages through technology solutions such as workflow systems

Case Study: International Construction service provider with focus on Germany

Step 1: Implementation of standardized processes

Step 2: Bundling of accounting activities in one center

Step 3: Implementation of technology and workflow solutions to reduce human intervention

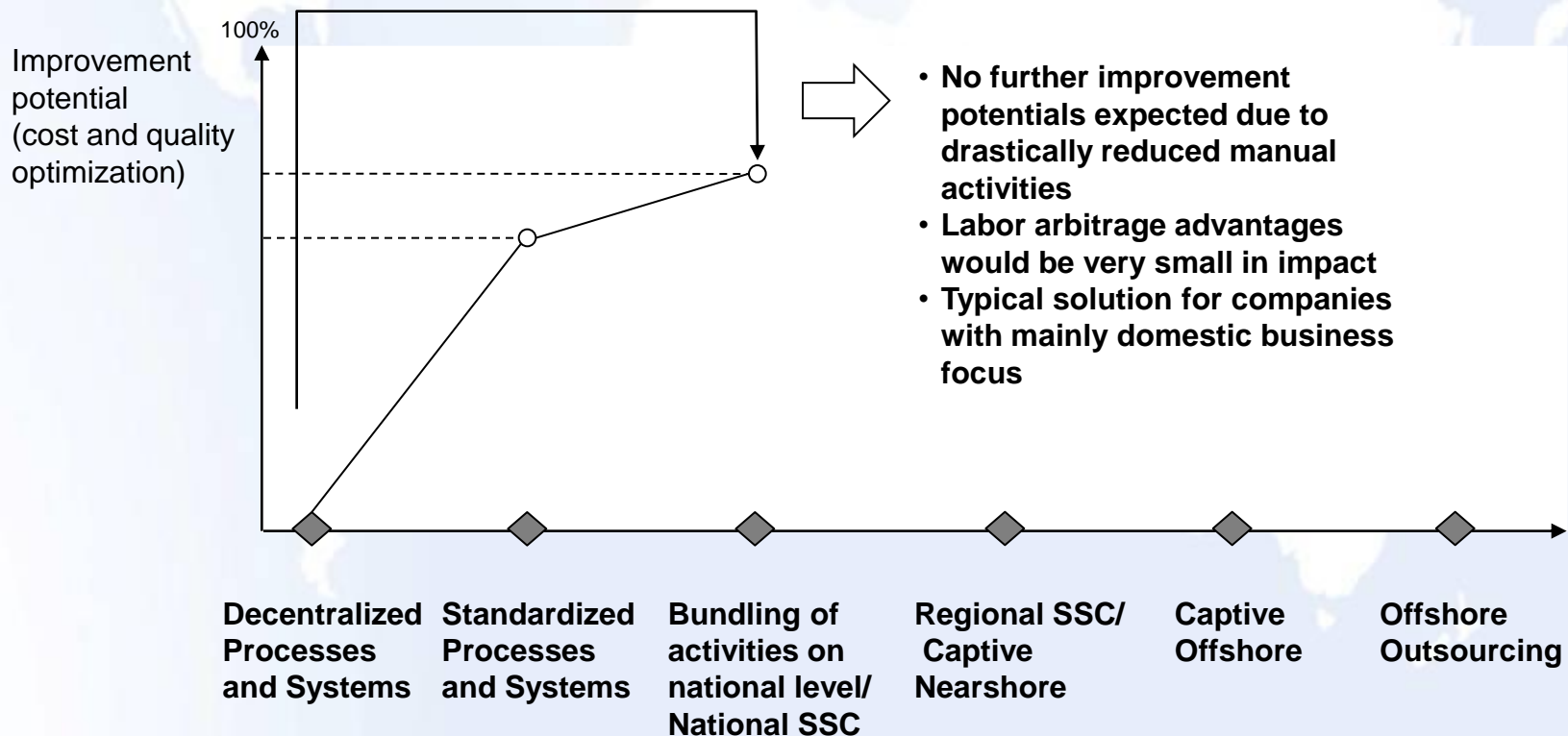


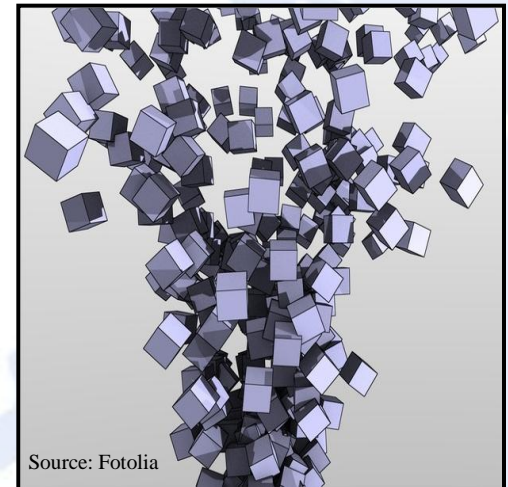
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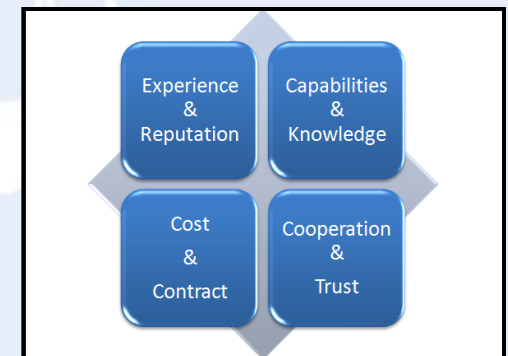
Successful Outsourcing Projects Variables

Many variables determine the success of an Outsourcing initiative

Communication **Trust** Costs Quality improvements Deadlines Know-
How Transfer **Efficiency Location** Change Management
Margin Availability Reputation Teams skills and
capabilities Process Split Stakeholder support **Service Level**
Agreements Stability **Infrastructure** Governance
Contract duration **Relationship Management** Systems



In order to select the right outsourcing partner, specific requirements need to be captured and weighted in a sound selection model
(Example – categories for outsourcing partner selection model)



Successful Outsourcing Projects

Provider Selection

Selection of outsourcing partners is key to a successful initiative

Illustrative



Experience & Reputation
BPO Knowledge & Experience
Outsourcing & BPO Reputation
References (comparable)
Service-Portfolio (IT, BPO)
Capabilities & Knowledge
IT and SAP Capabilities
Consulting Capabilities
Industry Expertise
Costs & Contract
Price versus Service
Contract and SLA Capabilities
Cooperation & Trust
Existing Relationships (e.g. IT)
Key Personnel

Example: provider selection model of the Offshoring Institute

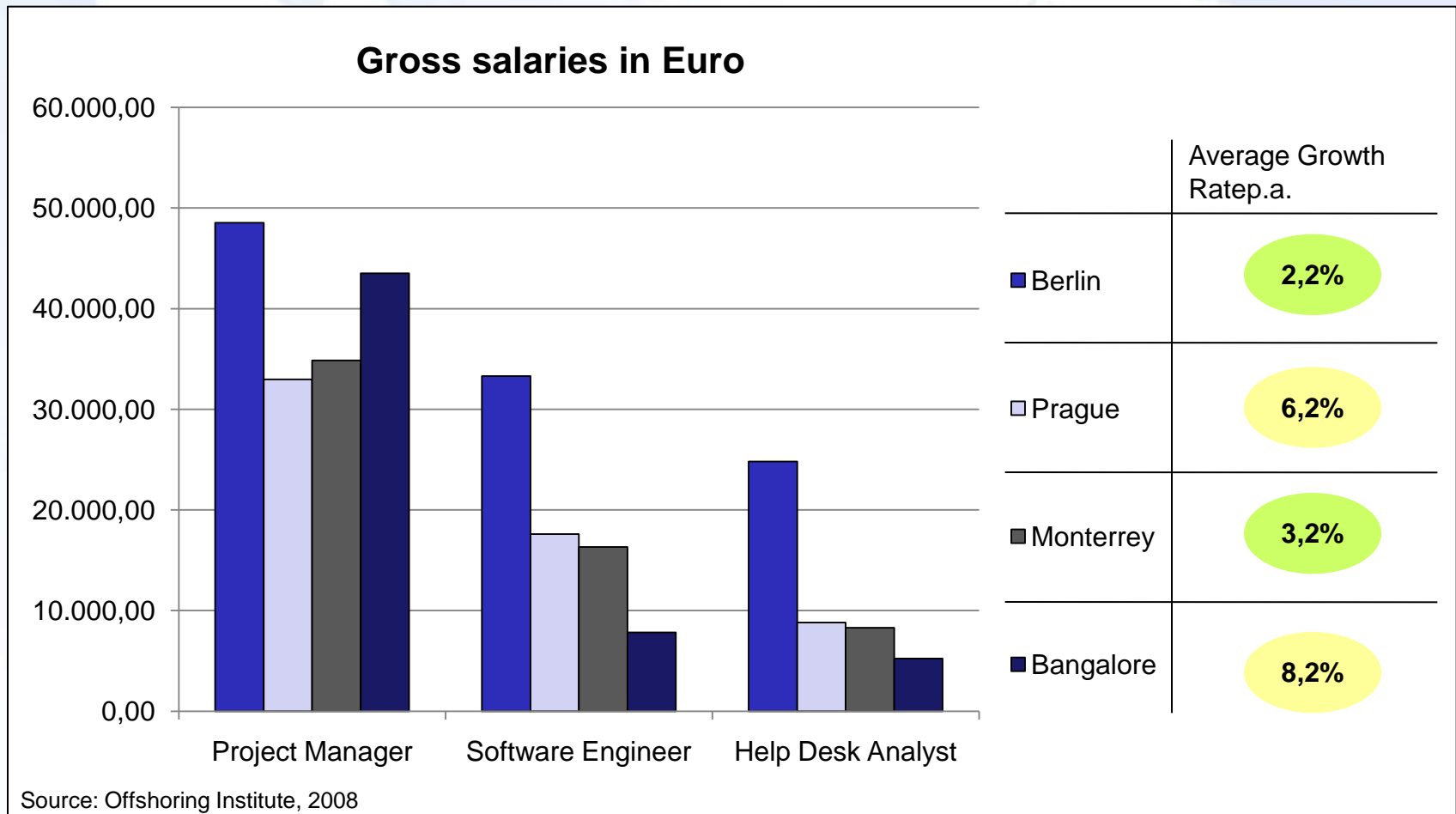
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Offshoring Strategy

Hot Spot Analysis – Labor costs

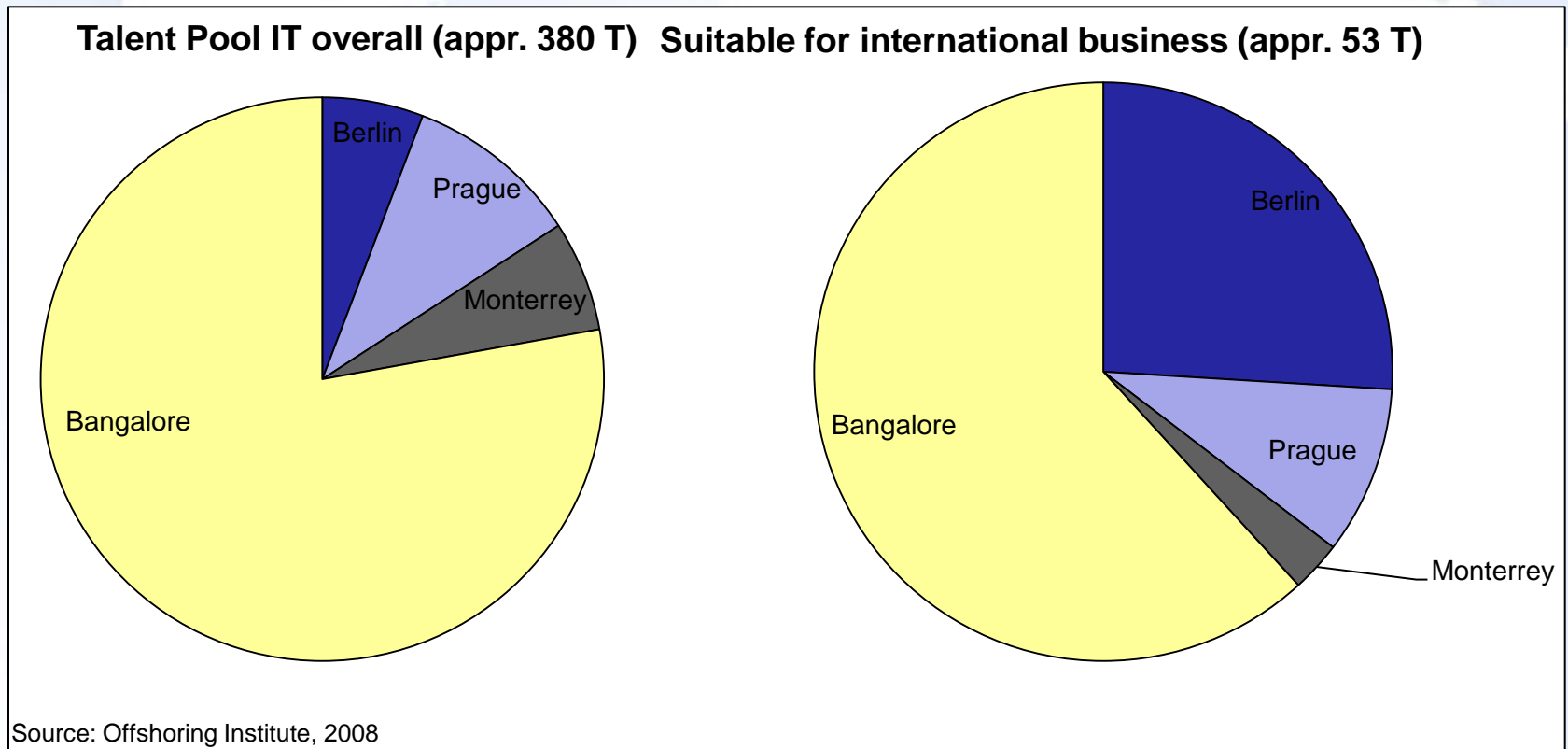
The labor cost advantages of places such as India are still significant



Offshoring Strategy

Hot Spot Analysis – Talent availability

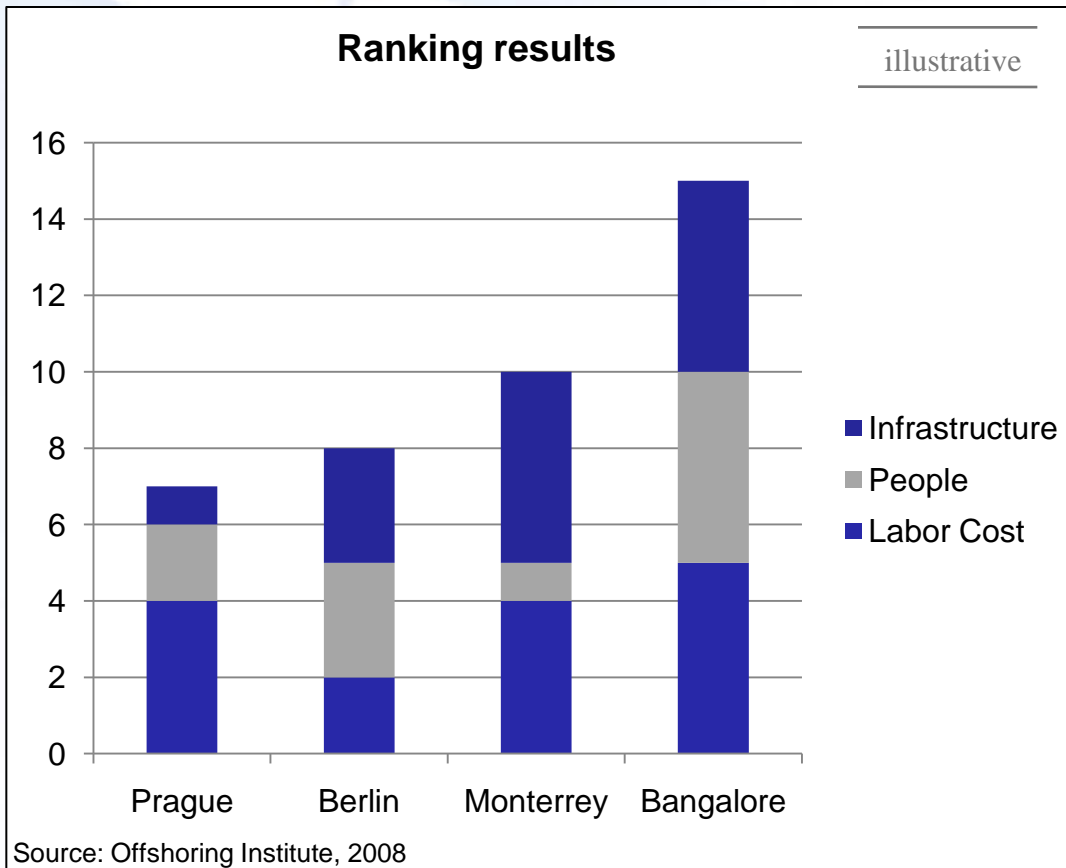
Sufficient talent availability is decisive in order to staff operations appropriately and to keep attrition low



Offshoring Strategy

Hot Spot Analysis – Comparison model

The weighted ranking model leads technically to the best suited location



Approach (simplified)

- ➔ Ranking:
 - ➔ Rating of absolute values
 - ➔ Weighting of criteria
 - ➔ Calculation of ranks
- ➔ Categories (standard):
 - ➔ Labor Cost
 - ➔ People
 - ➔ Infrastructure
 - ➔ Environment
- ➔ Feedback and verification through senior management/ key stakeholders
 - ➔ creation of buy-in/ identification of road blocks

Offshoring Strategy

Cultural differences

Qualitative decision factors for shoring options in location selection are as important and need to be assessed as well

Illustrative

Decision Factors	Low	High	
Cultural Empathy			
Languages Affinity			
Geographical Proximity			
Time Zone Immediacy			
Regular Staff Traveling			
Project Urgency			
Management Retention			
Basic Conclusion (simplified)	Offshore	Nearshore	Onshore

Comments
<ul style="list-style-type: none"> • These assessments deliver immediate input for the weighting of the respective criteria • Whereas talent pool and labour cost are usually consensual factors other factors such as language and cultural affinity need to be determined by company specific preferences • This tool allows to include non monetary factors or other figures

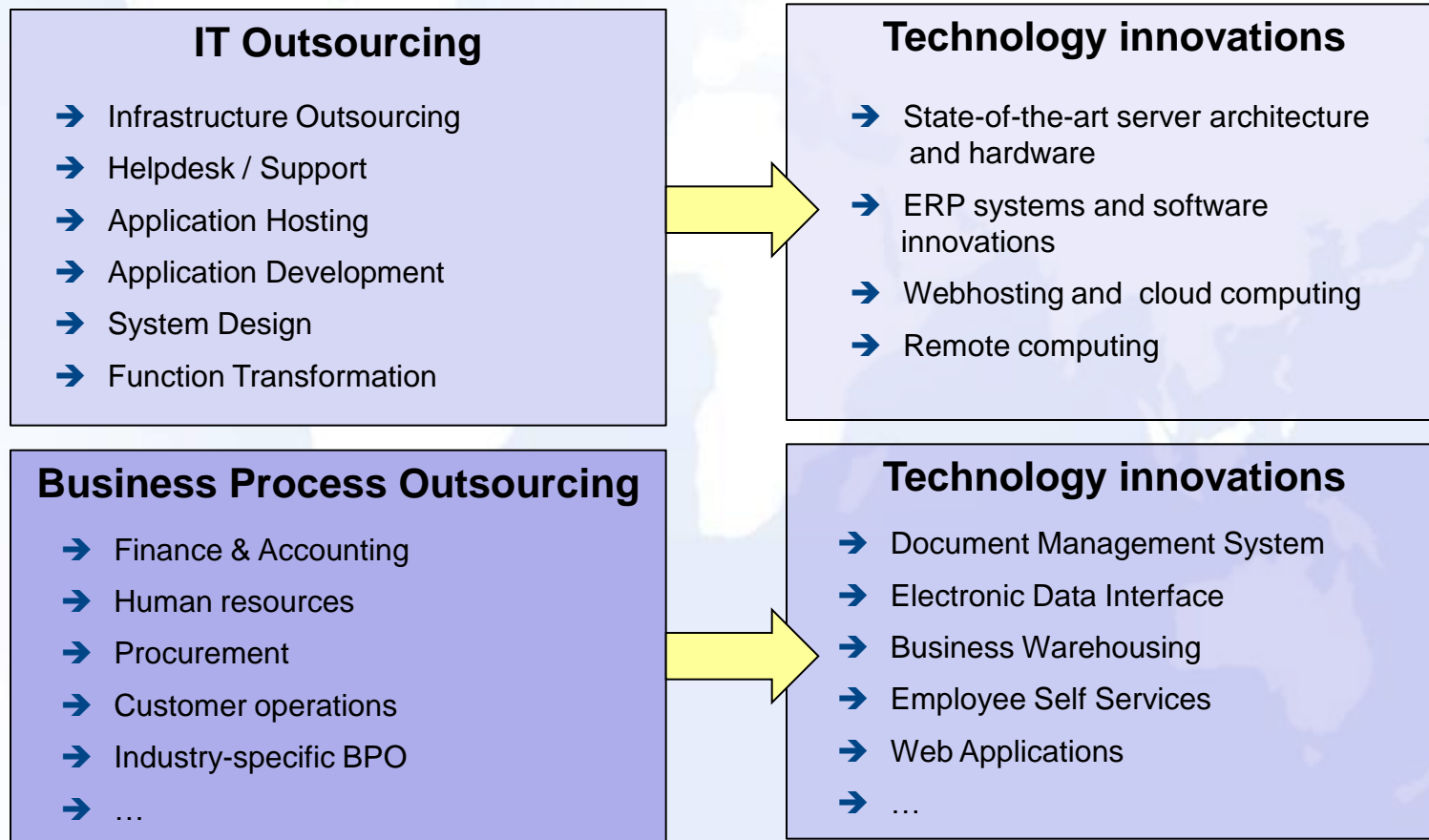
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The Role of Technology in Offshore Outsourcing

The role of technology is determined by kind of outsourcing scope and respective innovations

Examples



The Role of Technology in Offshore Outsourcing

Is the offshoring trend already history?



Advantages Offshoring:

- Labor Cost Arbitrage
- Qualified staff and talent availability
- Global allocation of work for global players (language, culture, regional footprint)

But

- There is no „Wonderland“

Advantages Technology

- Increased productivities
- Reduction of manual workload
- Global technology and systems standards

But:

- Increased complexity and system dependency, investment risks

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Summary

The Offshore Outsourcing strategy of a company is as unique as the business strategy itself

- ➔ Global players have to deal with the Offshore Outsourcing Question – it can not be ignored
- ➔ However, there are multiple ways of applying Offshore Outsourcing solutions – it depends heavily on the specific situation and strategic goals
- ➔ Implementing Outsourcing requires proper planning and a structured approach
- ➔ Finding the right location footprint for support functions depends on many variables – access to talent might be even more important than plain cost savings
- ➔ Hard to measure „soft facts“ have usually the strongest impact on the location questions
- ➔ Technology is on the rise – more and more corporations prefer automation instead of relocation
- ➔ However, „lights out processing“ is still a vision and so far only applicable to pure transactional activities

Thank you for your attention

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