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## Business Process Outsourcing G&A cost reduction: Get better results by bundling

"The downturn has already precipitated major changes in buyer behavior, industry structure and competitive dynamics, and has opened a gap between winners and losers that is likely to grow substantially."

**Caroline Firstbrook**  
Accenture's managing director for Strategy in Europe, the Middle East, Africa and Latin America

Traditional rules of finance, competition, strategy, and operations have been transformed by The Great Recession. And in executive suites around the world, hard questions are being asked about "Where should we invest for differentiation, and where can we rely on others to get the work done better and with greater cost effectiveness?"

More and more, the answers to these questions point to a greater reliance on specialist partners to perform back-office functions such as Finance and Accounting, Procurement, HR and Learning. But not in the usual way, where buying decisions have been made in piecemeal fashion by the functional heads of the activities being outsourced. Today, leading companies are making these decisions at the enterprise level, where they can bundle an assortment of functions and contract with a single provider—and expect bigger, quicker savings and service improvements, while positioning their businesses to operate in a new competitive world.

### Multi-source vs. single-source providers

For companies seeking high performance, outsourcing a back-office function is not a revolutionary concept. But these companies have seen that when you outsource support functions one-by-one, the cost and complexity of managing multiple providers and arbitrating the interactions among them can offset much, and in some cases all, of the anticipated gains—both financially and in terms of management time and attention.

A recent study by the Everest Research Institute, for example, revealed that companies typically realize a 35–40 percent direct savings in setup costs when they outsource additional services to an existing provider rather than introducing another provider to the mix. And significant additional savings and operational efficiencies can be gained from the longer term operating savings generated by simplified governance, reduced management time, and reduced provider arbitration costs—plus the advantages of increased operating scale with fewer providers.

## G&A reduction bundle: Like the supermarket concept

A bundled approach to BPO is similar in principle to the supermarket concept, where shoppers can save valuable time and money while getting more consistent and predictable quality and availability from stores with a broad range of goods and services, including groceries, prepared meals, pharmaceuticals, financial services, even clothing and automotive services.

In addition, a bundled approach enables synergies across previously discrete functions. For example, the HR and Learning functions typically manage large amounts of indirect spending on activities such as pensions, benefits, recruitment, training and development, etc. When HR outsourcing is bundled with specialist indirect procurement capabilities, organizations can realize many times the direct cost savings from outsourcing the HR function by itself. And when companies bundle Finance and Accounting outsourcing with Procurement outsourcing, they can achieve more rapid and reliable end-to-end process transformation and ensure compliance with procurement policies, yielding significant savings and efficiencies.

Other benefits of adopting the bundled back office outsourcing approach include:

- Fewer duplicate management layers, processes, and costs
- Reduced operating risk by limiting points of failure
- Reduced delivery risk through simplified points of contact
- Additional leverage across ERP-based solutions
- Opportunity to achieve larger, holistic back-office change

Certain industries like energy and utilities, manufacturing, and telecoms have led the way in taking the bundled approach, but others are increasingly following their lead. A study by the Everest Research Institute—before the

downturn—found that the trend towards multi-process outsourcing was growing two and a half times faster than single-process outsourcing. That rate is certain to accelerate as more companies seek the benefits of the bundling back office functions.

## The way forward

Traditional ways of doing business will prove insufficient to the challenges confronting organizations in the wake of The Great Recession. Saving 10 percent here and 10 percent there won't be enough. Radical transformation will be needed to position organizations for a future of scarce resources and more intense competition. And those who will emerge as leaders aren't waiting; they're already taking advantage of the current downturn to make fundamental changes in their business.

Companies seeking high performance are developing new strategies and new capabilities, and deepening their engagement with key outsourcing partners to exploit their capabilities more fully. One sign of this trend is the increase in companies that are putting in place a strategic sourcing capability to make more intelligent sourcing decisions—at a firmwide level instead of a functional level—to take advantage of the opportunities offered back office bundled solutions, and to help them realize greater value from and with their sourcing partners.

The number of providers with the depth and breadth of capability in technology and business processes across all G&A functions, and with the infrastructure to support clients anywhere in the world is relatively small. Accenture has extensive experience working at this level of engagement, and is recognized as a leader in every key back-office function: Finance and Accounting, Procurement, HR and Learning. Call us today to see how our back office bundled solutions can help you achieve high performance.

## About Accenture

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