

Business Process Outsourcing – A Fresh Approach

If you're tasked with balancing tactical expense reductions with strategic growth initiatives, perhaps it's time to take a fresh approach. Most of the world's leading companies, banks, and investment firms use business process out-sourcing (BPO) capabilities to achieve immediate operational efficiencies and improve shareholder value by maximizing cost savings and transcending traditional market boundaries.

Everything Must Go: Business Process Outsourcing

Eager to focus on the things they do best, companies have turned to business process outsourcers for virtually everything else.

Says Russ Banham, CFO Magazine

Last year, General Motors was the world's leading travel agent — or so it would seem. The automaker sent more than 100,000 employees on the road, and that's just in the United States. Its peripatetic workforce racked up an eye-popping array of expenses for airfare, hotels, fleet transportation, entertainment, communications, and other business needs, most of them paid for via four different corporate-card accounts. The mountain of data produced by all that activity required a veritable company-within-a-company to process, flag questionable expenses, and record everything in the general ledger.

Does a company that designs and builds cars really want to devote so many internal resources to the management of corporate travel? In December 1998, GM said no, and shifted the burden to Kirkland, Washington-based Captura Software Inc.

GM, for example, estimates it will save \$3.7 million a year by outsourcing its travel-expense processes to Captura, representing a 93 percent cost reduction. "We'll be able to take half the people out of the back-end T&E management process alone, from 23 employees down to 11," says Michael Osment, CIO of GM's enterprise activities group. "We're also saving several hundred thousand a year by eliminating paper receipts, and that doesn't even count the people administrating this. Ditto the savings on postage, imaging costs, copying, and just plain keeping track of everything." Even though GM is keeping half its staff, savings will also accrue from substantially reduced or eliminated internal IT support, hardware cost purchase savings, hardware maintenance savings, early corporate-card payments, and better vendor rates. The capital saved in such arrangements can be strategically redirected. Offloading tedious functions may enable a company to focus on more important things

GM is not alone in moving its non core business processes to outsource service providers. Many companies are following suit, outsourcing a growing list of functions that includes purchasing and disbursement, order entry, billing and collection, human resources administration, cash and investment management, tax compliance, internal audit, payroll, and customer relations.



A survey conducted by *CFO* magazine and AMR Research found that business process outsourcing, or BPO, has already become popular among companies of all sizes for a variety of reasons, and will likely gain steam in the months ahead.

Saving money is a prime motivator, of course, but advocates claim that strategy also enters into the equation. "Outsourcing has moved up the food chain," says Frank J. Casale, CEO of The Outsourcing Institute, a Jericho, New York--based professional association of more than 26,000 outsourcing executives. "It is no longer seen solely as a cost-cutting measure, a last-ditch effort to save money and perform financial triage."

Casale contends outsourcing has become a management tool, freeing companies to build upon their core competencies by leaving the non core stuff to specialized providers. "There is definitely strategic value here, particularly in the areas of improving quality and service, instilling best practices, and having an expert on tap who will stay abreast of constant change," he says.

What's in it for Me?

Real business value is derived from actual business results. BPO clients enjoy improved performance and profitability by using BPO services to:

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| • Focus on core competencies: 67.3% | • Save money: 61.1% |
| • Tap vendor domain expertise: 55.5% | • Focus on strategic growth: 37.4% |
| • Maintain/reduce head count: 34.6% | • Redirect capital budget: 22.7% |
| • Reduce assets on books: 7.6% | • Other: 2.8% |

- Achieve operational excellence, leveraging proven methods and innovative technologies
- Beat competitors to market, with creative new products supported by full-functioning systems
- Respond quickly to market demands, without the headache of cultural barriers
- Tap an experienced pool of global resources to achieve cost savings without compromising superior service
- Realign core talent to focus on market distinction strategies

What MVL Consulting can do for you:

As an expert in business process outsourcing, **MVL Consulting** combines technology skills and expertise in the financial services industry to help you improve the performance of your business. Our integrated solutions combine skilled professionals with a proven infrastructure to deliver best-practice operational support for your business.



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