



# Grand Overview: Shared Services & HR

Presented by:

**Richard Mills** CFA (rmills@chalre.com)

Chairman, Chalré Associates

[www.chalre.com](http://www.chalre.com)

For:



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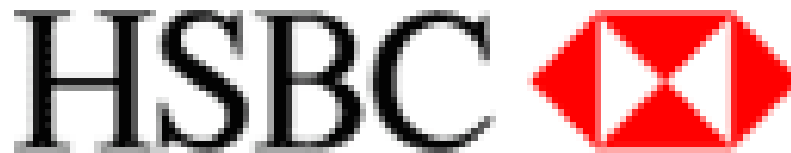
## Some Examples

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



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## Actions of Leading Outsourcing Organizations:



### Top Performing Delivery Unit in the World

**Comments:**

About 2 years ago, HSBC's BPO delivery center in Philippines employed one 50-year old white man. Today it employs 2500 people and is ranked #1 in the world for quality among 8 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. Apparently, successful BPO managers don't need to be 35-year old workaholics in Philippines.



## 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).



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## Actions of Leading Outsourcing Organizations:



### Back-Office Growing

**Comments:**

The company has operated in India for some time. Its delivery center has about 9000 people these days. They sent the Number 2 manager to Philippines about a year-and-a-half 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.



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## 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 3<sup>rd</sup> party providers. The company is now proceeding with an aggressive hiring campaign that will add up to 1400 positions.



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## 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.



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## Actions of Leading Outsourcing Organizations:



## Development in India, Support in Philippines

### Comments:

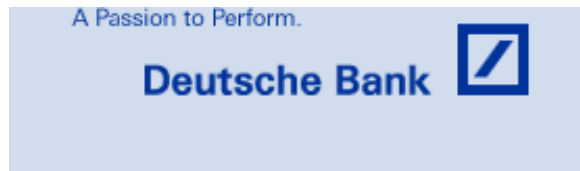
Company is using India and Philippines in complimentary roles. Both shared services are of similar size. India focuses on software development since it is perceived to have better technical skills. Philippines does most of the application maintenance & support and technical support work since they are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



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## 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 300 people. Industry sources say they will reach 500 by the end of the year.



## Actions of Leading Outsourcing Organizations:

### Manulife Financial

#### Providing a Broad Range of Services

**Comments:**

This 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.



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## 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.



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## Actions of Leading Outsourcing Organizations:

**CLIENTLOGIC**

### Growing Faster in Philippines

**Comments:**

ClientLogic is among the top 5 call center/BPO's in the world. Industry sources say that the company has experienced much faster growth and quality performance in Philippines. The company recently moved its head of India operations to Philippines because it anticipates significantly faster rates of growth.



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## Actions of Leading Outsourcing Organizations:



## Acquisition of Provider

### Comments:

Telus International did a complete search throughout the region and decided to make its investment in Philippines. Ambergris Solutions was the home grown success story chosen for a significant investment which was completed about one year ago. People I talk to say they are extremely happy with the decision and excited about the future. Telus is pursuing more large accounts for its 4000-person business. It is also moving a range of its own work from Canada.



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## 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.



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## Actions of Leading Outsourcing Organizations:



## Opportunity is in the Thousands

### Comments:

HP recently opened its second site in Philippines. I was told that the company has 10,000 employees in India and it replaces 2500 of these every year. 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 one of many companies that has experienced higher quality ratings in functions with a customer interface component. Some of these include: application maintenance & support, technical support, infrastructure support, database administration.



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## What Business Leaders Say: **About BPO**

Let's look at some  
conclusions and trends.



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## What Business Leaders Say: About the Opportunity

### Early Stage of Development

1. Direct Industry Employment is only 1M in India, 180K 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**

**rediff.com**

**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 60% 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%.



# Let's Discuss

## HR Shared Services



## HR Shared Services:

# What is Outsourced?

EQUATERRA

## 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 most 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.



## HR Shared Services:

# What is Outsourced?

EQUATERRA

## 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



# 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



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Who is  
Doing What?



## HR Shared Services

### Services Provided:

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



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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



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Who is  
Doing What?

## Hewitt

# 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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by Richard Mills

**Richard Mills CFA**

Chairman, Chalré Associates Executive Search

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Richard Mills  
[rmills@chalre.com](mailto:rmills@chalre.com)  
[www.chalre.com](http://www.chalre.com)

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