

Business Process Outsourcing in Europe

Similarities and Differences

Q&A with Xerox executives Jean-Pierre Allart, Senior Delivery Manager for F&A, and Karine Heckman, Senior Delivery Manager for HR



A European Perspective

Business process outsourcing (BPO) delivery is becoming more global and more local at the same time.

On one hand, multinational organizations are taking a more holistic approach to BPO. They're outsourcing multiple processes that span multiple countries within the scope of a single contract. This simplifies the contracting process and accelerates change.

On the other hand, specific requirements of European countries are now better understood than they were five years ago. So transition, delivery and governance models can be built to accommodate these specific needs.

BPO Similarities and Differences in Europe

This article is a provider's perspective on changes in the Human Resources (HR) and Finance & Administration (F&A) BPO markets for large enterprises in the past five years – with an outlook on the future as well.

We interviewed two Xerox practitioners and executives:

- Jean-Pierre Allart, Senior Delivery Manager for F&A
- Karine Heckman, Senior Delivery Manager for HR

Both Jean-Pierre and Karine have been active in the consulting, shared services and BPO space for over a decade. They've participated in some of the largest HR and F&A transformations in Europe, namely GM Europe and American Standard Europe and GSK.

A Q&A session with both allows us to identify similarities and differences between the F&A and HR functions, as well as their approach to outsourcing.

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Question	F&A Response	HR Response
<p>Is there still a growing demand for multi-process BPO? Or is the market growing away from it?</p>	<p>Multi-tower contracts across HR and F&A are growing but are still very rare.</p> <p>For the F&A function, we see a set of core functions that are typically included in all outsourcing contracts. These include Accounts Payable, Accounts Receivable, Fixed Assets, Travel Expenses and Cash Applications.</p> <p>Some other processes are included from time to time, but not systematically. These include cash collection or general ledger. There is some resistance from clients to outsource these in the first phase of the outsourcing project.</p> <p>For cash collections, the resistance is due to the fact that the function is often embedded into the business units and managed by a different set of stakeholders.</p> <p>For general ledger, the resistance is due to the complexity of some aspects of the function, such as statutory accounting requirements, which vary from country to country.</p> <p>From a provider's perspective, though, the inclusion of these functions into the outsourcing contract adds more value to the engagement and maximizes the impact of change.</p> <p>The higher the complexity of the process, the stronger the relationship between service provider and client, because governance is more focused on transformation than pure transaction processing.</p>	<p>I agree; multi-tower contracts are rare. Some companies have outsourced both functions at the same time, but they have usually treated them as two separate contracts. And these contracts often take longer to champion across the organization.</p> <p>For HR, we see an increasing demand for full HRO engagements spanning multiple regions. It's not only because the number of employees in scope will make a stronger financial business case. It's also for a strategic reason: clients will have a stronger chance to accelerate transformation in HR if they include higher-value-added functions such as recruitment and learning the scope of the contract.</p> <p>In general, clients prefer to retain policy, strategy and the HR business partner organization in-house.</p>
<p>How do the regulations on data privacy affect BPO in Europe when work is transitioning offshore?</p>	<p>A few years ago, clients were wondering whether data privacy laws would be a constraint for outsourcing. Embedding data privacy requirements in our global solutions is just a part of doing normal business. The client is ultimately responsible for declaring the movement of data from one country to another. But we help our clients, since we have the experience. Depending on the legal structure of the client organization, the filing can be done at the European level, or it needs to be done on a country-by-country basis. It is just something that needs to be done consistently and reliably.</p>	<p>Data privacy has never been an issue for clients. They have never looked at it as a reason not to outsource. Sometimes they ask us to prepare the data transfer agreements for them, and sometimes they do it themselves.</p>
<p>Is employee transition to the outsourcing provider still in high demand in Europe? Or is there a shift to a more transformational model?</p>	<p>There has definitely been a shift away from employee transition in the past 10 years. Since the advent of global delivery models, the business case for outsourcing F&A is built around centralization of functions in regional shared service centers near-shore and back offices offshore.</p> <p>The transfer of employees to an international site is therefore almost impossible. The European regulation on employee transition (the Acquired Rights Directive, also known as TUPE in the U.K.) remains an obstacle to employee transfers, too.</p>	<p>In HR, the need for employee transition depends on the culture of the customer, the legislation in place in their headquarter country, and the specific agreements they have reached with the local unions.</p> <p>Some clients, who have their headquarters in Europe, insist that the outsourcer keep employment for their staff in specific countries. The outsourcer then has to make the business case work without fully centralizing the HR function.</p> <p>Others, who have already centralized the function regionally, or who have negotiated more-flexible arrangements with local unions, find it much easier to outsource without transferring employees. We try to be flexible with our clients and adapt to their unique situation.</p>
<p>How is global delivery in BPO working for European companies?</p>	<p>Adoption of global delivery has really changed. Five years ago, European companies were very reluctant at the very notion of centralizing work outside of their home country.</p> <p>Today, global delivery is a basic component of every deal. Clients expect a mix of near-shore and offshore delivery, and there is no longer a need to educate clients on the value of this model and how it will work.</p> <p>Our F&A clients love our Barcelona site for language-specific requirements, and they're very comfortable knowing that Barcelona is well integrated with our sites in Bangalore and The Philippines. We are also expanding in Eastern Europe. It's important for our client delivery team to be integrated globally and to act as a single entity – both for backup/redundancy purposes and for a seamless client experience. This increases our responsiveness to client requests.</p>	<p>The "hub and spoke" global delivery model is also true for HR. But we have actually taken this model one step further. We're centralizing some of our functions on a global basis into a single location in Kuala Lumpur, Malaysia. The idea is to create a distributed network of centers of excellence in some functions – but not too many – in order to leverage economies of scale.</p> <p>We also use our Barcelona center for HR clients, because of the availability of native speakers in all European languages.</p>

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<p>What are the latest technology trends in BPO in Europe?</p>	<p>Clients expect their outsourcing partner to bring innovation – not only at the beginning of the contract, but also on an ongoing basis. Our technology is now very mature to support transactional processing and brings a lot of value to our clients.</p> <p>There is still room for further automating business-to-business transactions, though, especially in Accounts Payable, to increase process efficiency.</p>	<p>In HR, the strongest areas of innovation are in the fields of Employee Relationship Management, Employee Portals, Training, Recruiting/Onboarding and Benefits.</p> <p>We're making strong investments in each of these areas. Keep in mind that Europe is only part of the solution. The specific needs of Europe need to be taken into account in the context of the broader global solution. Europe has specific language needs – but Asia also does.</p> <p>In the next few years, the key to HR integration will be our ability to help European-headquartered companies better understand the local requirements of the Asian market, where growth is exponential.</p>
<p>What enterprise processes bring most value to a European client when outsourced to a strategic BPO provider?</p>	<p>For F&A, I would say that internal control and compliance across all processes, as well as general ledger and accounts receivable, are the processes. These can bring the most value when managed strategically.</p> <p>These are areas where the outsourcing provider can act as a trusted advisor in implementing best practices, innovation and process re-engineering, and really become part of the client's organization.</p> <p>They are also areas where implementation of technology holds the most potential for transformation, compared to transactional processing where technology enablers are already there.</p>	<p>I agree that the implementation of technology to automate business processes is the best way to provide value-add to our clients. It is just not enough to use labor arbitrage to deliver cost savings.</p> <p>Our clients expect us to deliver automation in many areas of their business. For instance, the HR portal that allows employees and managers to automatically perform HR transactions in a "self-service" environment has significantly changed the behavior of HR professionals and the quality of information in the HR systems.</p> <p>Most European companies have some kind of portal before they outsource, but they usually have several sign-ons for different processes and countries. The ability to have a single point of entry globally and for all HR processes has been a huge transformation for our clients.</p> <p>In terms of HR processes, I think the learning and recruitment fields hold the strongest promise for value-add for our clients. For instance, recruiters wanted a tool to communicate with their candidates prior to on-boarding, to set up the workplace, training and benefits. They can now do so by using the integrated HR portal.</p>

Jean-Pierre Allart

For the last 10 years, Jean-Pierre Allart has been fulfilling key Project and Finance Management roles in multinational companies. Areas of expertise include:

- Implementation of ERP systems and process re-engineering in complex matrix environments
- Centralization of Finance and Accounting
- Restructuring of Finance organizations
- Serving as Finance Director.

He joined the company in 2006 as a Global Strategic Business Unit Executive to lead the implementation and operational delivery of key accounts within the Xerox Finance and Accounting portfolio. Before joining Xerox, he was leading the outsourcing efforts of a global healthcare group in Europe.

Karine Heckmann

Karine Heckmann has over 17 years of Strategy and Management Consulting and Outsourcing experience, working mostly in international environments. She has been leading large international projects within Morgan Stanley International, Deloitte Consulting and Affiliated Computer Services. She has built solid international experience, combining extensive operational, transformation and business development responsibilities. She holds a degree from Rouen Business School (École Supérieure de Commerce de Rouen).

Rebecca Scholl

Rebecca joined Xerox in 2004 from Gartner, Inc., a leading industry analyst and market research firm. There, she was principal analyst in charge of BPO research, responsible for conducting research and providing advice to clients procuring or delivering BPO services. Her research focused on human resources outsourcing, finance and accounting outsourcing, and offshore outsourcing. She is the author of numerous reports on the BPO market, including *The Rise of BPO*, *HR BPO: Time to Deliver on Your Promise*, *BPO: Verticalization and Globalization Accelerate*.

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