

NEW LANDMARK SURVEY DEMONSTRATES GLOBAL BPO GROWTH

By Joseph Vales



The practice of outsourcing business processes is gaining favor with top executives at corporations around the world, leaving them satisfied with the service they're receiving, free to focus on core activities, and looking carefully for new areas to outsource. That is the key finding emerging from a new survey conducted for Price Waterhouse by noted market research firm Yankelovich Partners.

Reflecting the currency of this increasingly popular approach to corporate management, this landmark study of top executive use of and attitudes toward business process outsourcing is not only the first global survey to ever focus so directly on BPO, it's also the first to provide that data by title, usage, country, and industry.

In conducting the study, Yankelovich Partners interviewed more than 300 top executives at the world's 2000 largest companies in 14 nations. The executives interviewed were either CEOs, presidents, COOs, CFOs, CIOs, or CSOs. The bottom line, Yankelovich noted as the numbers started to come in, is that "business process outsourcing is becoming recognized by savvy executives as a strategy for helping companies focus on their core capabilities and providing bottom line benefits."

Although at press time only preliminary results were available, over the next several months Price Waterhouse will be able to release analyses that compare BPO usage and satisfaction geographically, as well as by title (Business Process Outsourcing Decision-Makers Index), by industry (the Business Process Outsourcing Industry Index), and by experience with BPO (the Business Process Outsourcing Learning Curve). From special tabulations prepared for InfoServer, preliminary data indicate that:

Executives are satisfied with BPO service.

Key to the on-going importance of this survey is its use as a benchmark. In that role, it's critical to determine not only how these executives are using BPO today, but how satisfied they are with the service providers with whom they've struck outsourcing alliances. The Business Process Outsourcing Satisfaction BarometerSM, which registers the number of top decision makers who said they were "very satisfied" or "satisfied" with their BPO results weighed in at 84 percent.

The Satisfaction Barometer pushed even higher in the U.S. and Canada where 91 percent and 95 percent of respondents, respectively, indicated they were very satisfied or satisfied. In addition, nearly two-thirds of those executives whose companies have outsourced business processes reported that the cost savings alone were as high as or higher than they had anticipated.

Business Process Outsourcing Satisfaction BarometerSM Selected Countries

| | Total | U.S. | Can | U.K. | S. Amer | Aus | Japan |
|--------------------------|-------|------|------|------|---------|------|-------|
| | N=192 | N=74 | N=19 | N=14 | N=10 | N=18 | N=15 |
| Satisfied/Very Satisfied | 84% | 91% | 95% | 79% | 70% | 73% | 53% |
| Somewhat Dissatisfied | 9% | 8% | 5% | 21% | 10% | 11% | 20% |
| Very Dissatisfied | 1% | 1% | -- | -- | -- | -- | -- |
| Don't Know/Refused | 6% | -- | -- | -- | 20% | 18% | 27% |

Top decision makers perceive an impact on shareholder value.

It was also clear that Decision-Maker Study respondents saw that the ability to focus on core activities has a direct impact on improved shareholder value: 87 percent of respondents acknowledged that it is BPO that allows companies to focus on their core competencies, 62 percent said that increasing shareholder value was an important consideration when they were contemplating BPO, and 66 percent agreed that BPO will help companies become more profitable, leading to improvement in shareholder value. The importance of shareholder value was especially strong in the U.S., Canada, the U.K., and Australia, where 75 percent, 81 percent, 80 percent, and 80 percent of respondents, respectively, cited it as a key benefit of BPO.

BPO is already being widely used.

- Two-thirds of companies worldwide have already outsourced a business process to an external third party. This practice appears most common in the U.S., Canada, and Australia, where 72 percent of respondents have had experience with BPO. But it's also, surprisingly, becoming prevalent in Japan, where 60 percent of respondents are BPO veterans. Early leading indicators show that business process outsourcing has been embraced by leading organizations and their top decision makers across the globe starting with North America, but spreading to Europe, South America, Australia, and Japan.

BPO's strategic benefits are clear.

- The benefits of business process outsourcing clearly resonated with respondents. In addition to noting BPO's impact on shareholder value, 79 percent cited cost reductions they'd achieved; 75 percent noted the ability to focus on core competencies; 70 percent reported improved quality of service; 67 percent expected it would allow them to maintain a competitive edge in their industry; and 59 percent said they had access to advanced technology. Decision makers in Canada and Australia were particularly concerned with service quality, with 85 percent and 88 percent of respondents, respectively, noting BPO's impact on that aspect of business.

The use of BPO is growing.

- Nearly half of all respondents said they've increased their use of business process outsourcing in the last three years, and virtually none said they'd seen their use of BPO decrease. Forty-two percent of all respondents said they'd witnessed a company-wide shift toward BPO during that period. This shift was even more pronounced in South America, where 60 percent saw an increase, and in Australia, at 56 percent. Attesting to the increasing acceptance of BPO within the corporation, 48 percent told Yankelovich they plan to use BPO more extensively during the next three years.

Barriers remain--but are falling.

- Standing in the way of BPO's success in their companies, respondents noted, were a number of factors, most notably organizational resistance (56 percent), unclear metrics (56 percent), and loss of control (48 percent). While those barriers are not insignificant, the fact that familiarity with BPO breeds not only comfort, but -- according to the Global BPO Satisfaction Barometer -- delight bodes well for the increasing use of business process outsourcing and the increasing strategic advantage enjoyed by those who use it well.

So where is outsourcing going in the future? The next wave of outsourcing may involve core functions, as nearly half of all respondents said they are considering outsourcing not only non-core but core business processes within 10 years.

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