

SPECIAL SECTION-OUTSOURCING

It's All About Savings

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Business process outsourcing allows companies to optimize costs and adjust flexibly to market changes as well as enabling them to focus on their core business operations.

Driving force

BPO, or Business Process Outsourcing, is becoming the main driving force of business effectiveness and can also provide stimulation for strategic changes. Companies all over the world take advantage of outsourcing. In the face of growing globalization and the economic slowdown, the importance of outsourcing in the world of business is growing. Jerzy Kalinowski from consulting company KPMG points to many causes for this. "First of all, spinning off processes that are not key for a given business, such as accounting, real estate management or IT system maintenance, allows managers and employees to focus on the main business processes, from both a strategic and operational aspect," Kalinowski explains.

His view is confirmed by Agnieszka Górska-Kończyk, director for personnel and payroll services at Vattax. "Outsourcing various tasks has a substantial impact on improving a company's efficiency. By providing their services to many different businesses, outsourcing companies have extensive experience, which reduces the risk of errors. Also, we shouldn't forget that the security of such services is assured by the relatively high professional indemnity insurance policies that these companies take out. Organizations achieve measurable savings from reduced office space, smaller spending on computer hardware and software and less money spent on specialist training for their employees," Górska-Kończyk says.

When searching for different ways of reducing costs and improving efficiency, a company can usually consider cost-cutting in four areas: manufacturing, purchases and input logistics, sales, and support. "Not all these areas are equally susceptible to outsourcing," explains Szymon Churski, senior manager at MDDP. "Among them, the most effective option is to outsource any support services, which can include accounting, personnel and payroll, and IT."

One example of a function that is essential for a company's operations, but is not part of its core business, are personnel and payroll processes in a broad sense. "By commissioning an outsourcing company to deal with all payroll tasks, a company gains the possibility of reducing costs from the very start, by not having to pay for extra office space, computers, servers, specialist software, telephones, materials," says Paweł Rochala, sales and marketing director at TETA HR Center. "Taking advantage of outsourcing, a company also has the guarantee that the outsourced processes will conform to the highest standards, thanks to market competition and the outsourcing company's experience and specialist knowledge. Payroll outsourcing can protect a company from the consequences of mistakes related to binding legislation, as outsourcing companies can also assume responsibility before institutions such as the National Labor Inspectorate (PIP) or the Social Insurance Institution (ZUS). They are often insured as well. All this combined means that the decision to outsource can bring numerous benefits in terms of cost-efficiency and productivity," he adds.

Detailed analysis

Outsourcing is not a service that can be prepared in a day-it takes time to design and start up a comprehensive service for each client. "Our experience shows that the first step is usually to

identify the candidates for outsourcing, meaning the business processes that due to their character or costs could be carried out effectively by an external subcontractor," says KPMG's Kalinowski.

"After that comes a cost-benefit analysis and an assessment of any risks involved in outsourcing the processes in question. If the company's management decides based on this analysis to take advantage of outsourcing, the entire process that will be carried out by the external provider has to be defined in detail, including all the 'contact' points-points of interaction between the company and the provider," he explains.

MDDP's Churski agrees. "The contract should cover civil liability, the scope of the service and the fee, distribution of tasks, rules of document circulation. Outsourcing is a very broad concept, offering many different models of cooperation that can be individually tailored to a given business partner's needs. When choosing the appropriate model, you must always know what you expect from the outsourcer. Before deciding to outsource, you have to understand what tasks you are allocating to the outside company, what the costs of these tasks were before, and then conduct the required changes professionally," Churski says. Sometimes excessive cost-cutting demands can be a problem. Of course cost-cutting is one of the main merits of outsourcing, but as with everything else, here too moderation is needed.

For large and small

Outsourcing is used successfully by multinational giants and companies large and small. KPMG's Kalinowski says that "in the case of large companies, outsourcing can bring much more spectacular results in terms of improved efficiency or reduced costs. There's one more important aspect: many large Polish companies are currently reaching the limits of their 'simple reserves' and, needing to improve their effectiveness, can be expected to move part of their business processes to external service providers due to the economic slowdown."

Analyzing the situation on the BPO market, it's impossible to unequivocally define a criterion for identifying what company size is right for selected tasks to be outsourced. "By their nature, multinational corporations operate in different countries and in different legal environments," says Churski. "That's why they readily and often take advantage of outsourcing. And it's not important if it is a global company with capitalization that is equal to the GDP of Poland or a company from the European Union that has chosen Poland as the first country for its expansion. Many multinational businesses commencing operations in a given country do so on a small scale, but they still need accounting, payroll, IT infrastructure, but don't want to pay the costs of setting up and maintaining their own resources, so their first steps take them to an outsourcer," he adds.

It's true that the majority of companies in Poland that outsource their processes are multinational corporations. "The reason behind this trend is thought to be greater awareness and knowledge of BPO among decision-makers in companies with foreign roots," says TETA HR Center's Rochala. "In more economically developed countries, outsourcing is a valued and often practiced strategy. Moreover, Poland has become an attractive investment location and multinational corporations have placed it on their list of countries where it's worth moving non-production functions. Thanks to this, Poland stands a chance of becoming a leader in the influx of foreign direct investment to the BPO sector," he adds.

Regardless of whether we are talking about a small domestic business or a large multinational corporation, by handing over some of its tasks to an outsourcing company, it can concentrate

on its core business and carry out its own key tasks. Properly conducted business process outsourcing is one of the key features of an effective business organization.

Leading the Pack in Europe

According to the The Top 50 Emerging Global Outsourcing Cities report by advisory firm Tholons, Poland ranks first in Europe and fifth in the world in terms of attractiveness for outsourcing projects. Among the most attractive locations, Cracow came fifth and Warsaw 28th.