

INNOVATION NATION



People matter, results count.

“

I truly believe that the value that BPO can bring to global enterprises is only limited by the imagination.”



Hubert Giraud

What a journey! Back in 2003 when Capgemini CEO, Paul Hermelin, asked me to create and grow a Business Process Outsourcing (BPO) business unit, I was incredibly honored. It has been quite a challenge, but an exciting one that has brought much value to our company.

When the dot.com bubble burst at the beginning of the early 2000s, all the big IT firms felt the effects. As part of the Capgemini recovery strategy, the group decided to focus on three basic disciplines: Consulting, Technology, and Outsourcing. With the changes in the market we saw a tremendous opportunity to create, develop, and grow a dedicated BPO business.

Finance and Accounting Outsourcing (FAO) was a clear starting point for the services we would deliver. It was the right time as CFOs were keen to partner with a BPO provider and there weren't many viable options in the market. Capgemini is now a recognized leader in FAO and we have extended our services over the years to include Supply Chain, Procurement, Customer Operations, and Human Resources.

All of our offerings are integrated with a full suite of analytics and underpinned by a strong set of technology and intellectual property assets. We recognize that different industries have unique requirements so we've aligned to our clients' industries to offer solutions such as Demand Driven Supply Chain services for consumer products and retail, Enterprise Content

Management for manufacturing, and we'll soon be introducing new Participations services for the media and entertainment industry.

We have a top team of more than 14,000 highly talented professionals who are passionate about innovation in addition to a global delivery network that is second to none. Our investments in technology and analytics as well as the development of our Global Enterprise Model provide a solid foundation for delivering world class outcomes for our clients.

Technology and analytics are critical to the value BPO can bring to a business and continue to serve as key drivers in the evolution of BPO services. As the industry evolved from a simple labor arbitrage model to a major enabler of business transformation, Capgemini has played a significant role. I'm extremely proud of how far we've come over the past 10 years – and we're just getting started. I truly believe that the value that BPO can bring to global enterprises is only limited by the imagination. What's next? We have some ideas, so keep reading this and future issues of Innovation Nation to find out.

Inside this Issue

2

The Journey

As Capgemini BPO celebrates its 10 year anniversary, Hubert Giraud reflects back on the journey.

10

Delivery Then and Now

A conversation with Hansjoerg Siber about the evolution of delivery operations

20

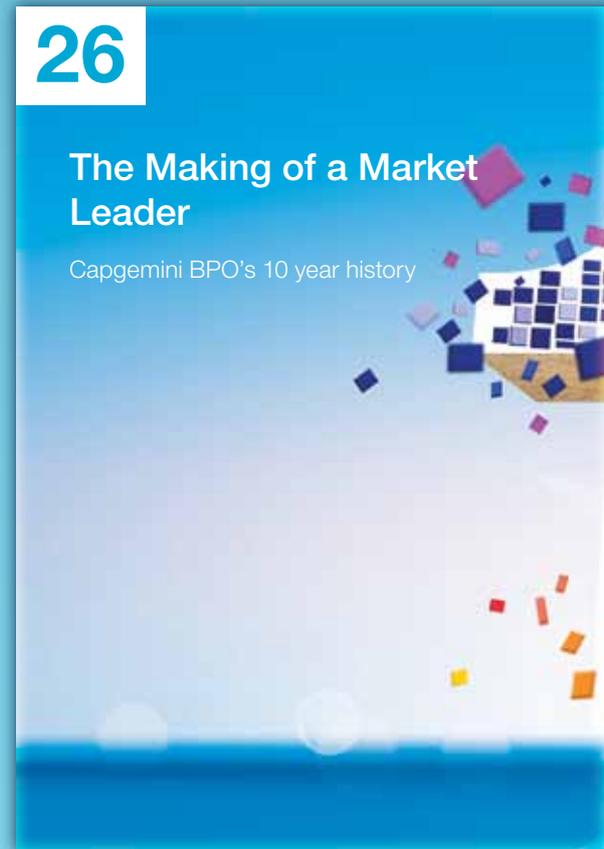
Meet the Expert

Carina Smith, Senior Vice President, Capgemini BPO

26

The Making of a Market Leader

Capgemini BPO's 10 year history



6



Centers of Excellence

A peak inside Capgemini's Global Delivery Network

8



Center Spotlight: Poland

Fast facts about Capgemini's longest operating BPO delivery center



22

Industry Insights: Manufacturing

Looking beyond reducing costs and improving performance to innovating at an accelerated pace

24

Stalling the Inevitable

Recognizing the payment stall tactic

32

Market Views

HfS Research Founder and CEO, Phil Fersht, shares his views and predictions

38

Contract Management

Why companies are taking a closer look at their contracts to minimize risk and revenue leakage

12



Finance and Accounting Services

Addressing the CFO challenge

34

INTERNATIONAL  PAPER

International Paper

Counting on collaboration for outsourcing success

Centers of Excellence:

SARASOTA

Thanks to Sarasota's team of highly skilled professionals and our powerful WebCollect technology, a global healthcare IT client was able to transform their bill-to-cash process, reducing Days Sales Outstanding (DSO) by more than 25 days and cutting headcount by 50% within the first year.

MUNICH

As part of their commitment to continuous improvement, the Munich center has deployed various improvement projects including a new workflow tool to improve global communications in daily operations while measuring the performance of the client's processes.



BLUMENAU

Building on a strong 13 year relationship, Algar has awarded Capgemini BPO a 10 year, \$82 million contract to extend the Finance and Accounting, HRO and Procurement services currently delivered to other parts of their business.

Right

ADELAIDE

In response to specific client needs, the Adelaide center has developed a tailored spend analytics solution that incorporates the IBX business platform to address key analytical requirements within a complex and difficult multi-ERP environment.



tshore®

TRICHY

Since its inauguration last year, Trichy has grown to 300+ employees delivering F&A processes for 7 global clients. The center has also completed 150 process improvement initiatives including multiple Six Sigma Green Belt projects to improve productivity and quality.

Center Spotlight: **Poland**



Fast Facts:

- Center locations: Krakow, Katowice
- Established: Krakow proudly holds the title of Capgemini's first BPO center. It was established in 1996 and became part of Capgemini in 2003.
- FTEs: 3000
- Languages: 30 languages including English, French, German, Greek, Italian, Spanish, Dutch, Swedish, Hebrew, Finnish, Norwegian, Turkish, Serbian
- Clients served: 30
- **Services:**
 - Finance and Accounting (Procure-to-Pay, Order-to-Cash, Record-to-Analyze, Master Data Management, Planning & Performance Management, Compliance Management)
 - Human Resources Outsourcing (Recruitment, Talent Management, Payroll, Compensation, Benefits, HR Administration, Employee Helpdesk)
 - Procurement (Operational Procurement, Category Spend, Supplier and Inventory Management)
 - Customer Operations Management
 - Financial Services
 - Marketing Services (Editorial, Graphics, Design)
 - Contract Compliance and Optimization (CCO)
 - PMO as a service
- **Mission statement:** Poland is a center of excellence for value-adding BPO services that address our clients' agenda. Our teams drive business performance through impeccable service, industry and process expertise, innovative solutions, client intimacy and cultural fit. We are a transformational partner to our clients on their journey to world class.

Why Poland?

- Rich Talent Pool
 - Young, well-educated workforce - almost 500,000 graduates annually
 - Availability of high-caliber foreign language speakers
 - Cultural fit – at the heart of Europe
 - Advantageous labor costs
- Political and Economic Stability
 - EU Member since May 2004
 - Stable economic growth for 21 years
- Class A Office Space with:
 - IT Infrastructure
 - Always-on connectivity
 - Business Continuity
 - Data Backup/Recovery

Delivery then and now

When Capgemini launched its BPO business 10 years ago, how would you characterize the industry standard for delivery operations at that time?

Back then, BPO was still very immature. The large majority of engagements were run like captive operations and BPO providers essentially offered a lower cost, offshore option for running business processes in the same way the client operated onshore. It was pure labor arbitrage – what we often refer to as the ‘lift and shift’ model that is considered to be the first generation of BPO.

How has the model evolved?

BPO is now in its fifth generation and it’s incredible how much it has evolved. And it’s really due to the industrialization of BPO services, which didn’t exist 10 years ago. The industry moved from labor arbitrage to quality improvements to standardization and efficiency gains and now it’s all about transformation and creating business value. One of the critical elements in this journey was the development of a globally integrated delivery model.

At the time Capgemini’s vision was that delivery operations shouldn’t be a point solution but a fully integrated global network – and that philosophy still holds true today. We were quite unique in our thinking that the focus should be on the network first and then the individual center, but now we’re seeing the rest of the market following this approach.

What has driven these changes?

Client demand has played a large role. The reason many choose to partner with a BPO provider is because they want more than what they can do themselves in-house. Most clients can implement a point solution on their own today because many barriers that existed a decade ago have been removed. Technology is more accessible as are nearby countries. For example, as EU member countries grow, it’s easier for western European companies to establish operations in locations such as Poland or Romania. But the difference between a self-enabled point solution versus access to a BPO provider network is the benefit of scale. Companies can set up a single shared services center but if they need 5 centers across the globe, chances are they would struggle to build an effective network themselves.



“*Delivery operations shouldn’t be a point solution but a fully integrated global network.*”

by Hansjoerg Siber

What is the advantage of the network?

Global standardization and global availability. The ability to deliver equal quality and standards of service regardless of where the center is located is key to deliver world-class outcomes. Our clients are global so in order to best serve them we need to provide global industrialized services and that requires a globally integrated network. It's what I refer to as 'anywhere to anywhere' where the value goes beyond cost savings and leverages experience, skill sets, language and culture from across the network to enable companies to be more agile and ultimately more competitive.

There is also a big advantage in the scalability that a globally integrated network offers. For instance, one of our biggest clients started in 2005 with 100 people out of our Krakow center and today we have more than 1000 team members delivering services for them from 5 locations. They were able to scale quickly and safely according to their evolving needs.

We also believe in the concept of big centers. Just as we enable scalability through our network, big centers allow us to concentrate a lot of capabilities in one location so when we welcome a new client, we have highly qualified and experienced resources to accommodate service quickly and we have the right capabilities ready. Additionally, the sheer size of our centers allows us to constantly create cost advantages, mutualize our capabilities, and create benefits to retain our talent.

Location mix is the second lever of Capgemini's Global Enterprise Model (GEM) transformation methodology – what are some of the key considerations when determining the location mix?

GEM is an important driver for industrialization and one dimension of the model is determining what services should be delivered from which locations. The locations are based on 3 broad categories – the first is the center of expertise which has specialized knowledge for specific process types; second is the center of customer intimacy where we have specific client knowledge and the ability to communicate directly with clients and/or their clients in their own language; and third is the processing center where processes are executed in a highly efficient and effective way. These are the three key building blocks for an optimal location mix. GEM provides a blueprint for the optimal delivery model, including grade, location, and competency mix along with the global process model, technology, pricing and governance – all of which can be adapted according to the client's individual needs. GEM drives consistency in processes, pricing, grading, etc across all of our centers – from Guatemala to Bangalore to Nanhai.

What do you believe to be the most important attributes of an effective delivery network?

A network is only as strong as its weakest link and because our global delivery network is built upon individual centers, we must ensure that all centers within the network evolve equally. While our focus is on the network as a whole, the centers are an extremely important part of the equation. Every center follows the same standards and delivers the same quality of service so we can easily adjust the type and location of services across the network to adapt to our clients' evolving business needs. That is the reason why in 2004 we chose not to certify the individual centers against ISO but the entire network. It was a risk at the time but it has paid off very well for us.

Another important attribute I would like to mention is social responsibility and we take this very seriously. We operate in multiple countries and go to great lengths to ensure we make a positive contribution to each country's society and environment.

What's next for global delivery operations?

First it is all about a change program we launched called Zafiro which drives the total implementation of our Global Enterprise Model everywhere. Going forward, I believe we can further develop the concept of having BPO services shared among clients. Today our level of mutualization is still very much about the infrastructure, but the next step will focus more on services. We've moved from a simple point, to point service center model to what has become a highly industrialized service factory. Today, multiple services are delivered from the same cost-effective infrastructure and this platform enables engagement directors to focus on delivering innovation and value to individual clients while the network provides the required infrastructure. We are now moving towards more shared service components, for example a language help desk that works for multiple clients or analytics that can provide insights across several engagements.

BPO is no longer just about cost savings – it's about partnering with our clients to create a truly transformative model by bringing in standardization and greater agility, thus helping our clients provide better service to their own clients. The global delivery network has been fundamental to this evolution of BPO services in the market and I'm proud of my role in its development.

Finance and Accounting Services

Addressing the CFO challenge

The new vision of Finance and Accounting services

In every market sector, every country and every type of organization, CFOs are carrying a heavy burden of responsibility and expectation. No organization can implement its business strategy until the CFO has created the conditions that make possible. And this is not just about money. The CFO tends to be accountable for regulatory compliance, the quality and integrity of financial data, business reporting, tax affairs, and more. The CFO is the key figure in decision support and in enabling every important action, from launching new products to mergers and acquisitions; from establishing a presence in new markets to delivering satisfactory shareholder return.

This is not new, of course, and we are not in the business of asking for sympathy for senior executives. Yet to understand the potential benefits that Finance & Accounting BPO (FAO) can deliver, we have to see the world through the CFO's eyes. We suspect that for most of them, it often looks highly complex and filled with difficult questions they are responsible for answering.

What is on top of the agenda right now? Key topics include volatility in the global marketplace; sometimes contradictory or conflicting government policies; identifying the most effective growth strategies; liquidity management; questions around regulatory change; how to deal with the after-effects of executional problems. There are plenty of other potential items on this list and every CFO will have their own priorities. All of them have crowded agendas and a long list of executives, colleagues, analysts and investors turning to them for answers.

The CFO is expected to deliver world-class outcomes in everything they do. This is a very important definition of goals. It is not enough to carry out designated tasks competently and diligently, and nor is it enough to meet accepted

standards in everything you do. What matters is the outcome, nothing more and nothing less. If you put in the hours and work as hard as you can but do not deliver the right outcomes to colleagues, they will not thank you. There are no excuses for poor outcomes. This is the world we live in and, for the most part, the operational buck stops with the CFO.

Outcome-based BPO and the CFO agenda

Capgemini, as the acknowledged quality leader in FAO worldwide, understands the truth of the CFO's challenges. We know that, because all other stakeholders demand world-class outcomes from the CFO, the CFO can and indeed must demand world-class outcomes from their own business partners, as well: they simply have no choice but to do so. We think this marks an important developmental stage in the maturity of the BPO market, which may now be evolving at a higher speed than some commentators had expected.

For more and more CFOs, BPO is no longer seen as a matter of buying a service from external suppliers, but is seen rather as an integral part of their own strategic thinking: an essential tool for achieving competitive advantage. They have to deliver the right outcomes and they are increasingly challenging their BPO partners to do the same. Big prizes are available to those enterprises that take an ambitious view of what BPO can do for them, and the outsourcing market is being urged to step up to this particular challenge and focus more strongly on an outcome-based model of delivery.

The key requirement is to understand and align with the CFO agenda, and we recognize this is bound to vary from one organization to another. Yet we think that some core principles are likely to be common to most CFOs in most businesses. The figure below shows an indication of what we might consider to be a "typical" set of CFO priorities.

Our FAO Offering is Aligned with the CFO Agenda



We see four key requirements today, and we believe these will not fundamentally change in the foreseeable future.

- **Revenue growth:** what can the CFO do to ensure that the company is in a fit state to identify new opportunities, to maximize their potential and to open up new areas of growth? This will involve being responsive to line of business management, being able to minimize the time and risk needed to test new options, and to move decisively when opportunity arises.
- **Margin improvement:** how can the entire business be made more efficient in everything it does? How can overheads and fixed costs be reduced, operational excellence achieved, and capital returned to the business?
- **Enhanced controls:** In a fast-changing and globalized market it is becoming more important than ever to ensure full compliance, to track regulatory changes, identify areas of weakness in existing controls, and move fast and effectively to put these right.
- **Improved cashflow:** has there ever been a business in which cash is not king? With better cashflow the opportunities increase, risks reduce, agility is improved and return on investment is better. Earning money is difficult enough at the best of times, so it is essential to get the money into the business as fast as possible.

The process landscape that currently exists inside large organizations makes it difficult to deliver world-class outcomes in these four key areas and for very good reason. Businesses that change and grow rapidly are almost bound to develop application and process landscapes that are fragmented, contain duplication and become extremely complex.

Major enterprises are also very likely to have significant investments in large-scale ERP implementations, which require customization and regular re-engineering to cope with frequent and rapid changes driven by market needs. This leaves both IT and administrative processes playing catch-up as they try to make rigid and complicated systems move faster than they were ever designed to do.

At line of business level, managers dream of being able to move fast and aggressively to maximize the opportunities they can see opening up across the market. Administrative inertia is always slowing them down, and they demand change for the better, often without fully appreciating the built-in problems that make the speed and agility they demand all but impossible to achieve under present circumstances. The business looks to the CFO to deliver in all these areas and nobody wants excuses. So how does the CFO respond?

A new vision for BPO

We have already stated our belief that BPO is now entering a new phase of maturity and change. In simple terms, we see this as being a “New Deal” between BPO partner and CFO, in which BPO companies pledge to deliver world-class outcomes in all key priority areas, thus empowering the CFO to make the same promise to their own stakeholders. Let’s consider how current concepts and business practice is changing to meet this new demands.

Capgemini bases all of its FAO activities on the Global Enterprise Model (GEM), which is a business and operational concept developed as a result of many years of hands-on delivery experience, enabled by key insights from Capgemini’s unique heritage in business consulting.

GEM sets out a best practice approach for defining, managing, measuring, delivering and-most crucially- continuously improving enterprise processes in order to ensure the best possible client outcomes. GEM contains seven levers, which come together to provide a world-class process and technology backbone for all key operational activities:

- **Grade mix:** ensuring the right blend of skills is available to service each process and deliver each outcome, with a good mix of dedicated and shared expert personnel in the right places.
- **Location mix:** managing seamless interconnection and perfect levels of collaboration between team members in different places, from onshore to near shore to offshore.
- **Competency model:** acting as a fully-integrated part of the client’s own in-house team. Deploying world-class human skills, supported by deep process and vertical sector know-how.
- **Global process model:** ensuring that for all F&A processes, Capgemini BPO truly represents global best practice, and delivers outcomes measurably better than can be achieved in-house.
- **Technology:** making the best possible technology decisions, investing in platforms that are both leading edge and totally stable. Giving CFOs the assurance that a scalable, flexible and reliable technology platform is available at all times.
- **Pricing:** delivering measurable financial advantage, backed by commercial innovation that helps return cash to the business.
- **Governance:** effective governance procedures to deliver world-class outcomes in a multi-vendor, multi-partner world.

The Global Enterprise Model was born in the market, grew and developed as a result of constant input from clients and hands-on business practitioners, and is as close to being a true definition of BPO excellence as anything can be. Yet we would not want to make exaggerated claims for it: in the end, this is our blueprint for what excellence should look like. It is a robust, practical and common-sense framework designed to drive the right results. It is not just about meeting SLAs and improving the efficiency of individual transactions (important though these factors are and will remain): it is an integrated, holistic approach to world-class outcomes.

When CFOs start to work with GEM, they know for certain that the focus is on shared outcomes, that we are true partners and failure to deliver outcomes is our failure as well as that of the CFO. We commit to world-class outcomes and that is what we will deliver. GEM provides the toolkit that enables these outcomes. Yet the story does not, and cannot, end there.

Ready to go BPO- the 'as a stack' approach

No matter how effective the vision and operational practice encapsulated in GEM may be, it is still normal in most cases to start from square one in each BPO engagement. Whether alone or with consultants and sourcing advisers, clients will develop business cases for each engagement, and their BPO partner may then respond by building dedicated delivery resources exclusively, or almost exclusively, for this individual client and their defined scope of work. Not only does this lead to additional design work (which is often the most costly aspect of any large project) it also leads to implementation issues around transition, which effectively happens as a unique, one-off exercise every time. A certain number of transitions fail to meet their targets as a direct result.

Customization of standard solutions ought to be the answer, but in reality most client companies are still reluctant to move to a multi-tenant platform, in which at least some assets are shared with others. The numbers that are willing to try this option are growing, but still quite slowly. Most existing BPO customers target more traditional benefits: divesting themselves of unwanted assets and activities, and investing in the specialist skills and expertise of their BPO partner.

A piecemeal approach, however, stops short of unlocking the full potential benefits of BPO and the capability contained in the GEM model. Capgemini believes that a new approach is needed to cover both design and delivery. We recognize that BPO can be seen (and indeed should be seen) 'as a stack': an integrated, modular set of components that can be customized to deliver the outcomes required at any place or time, for any kind of client organization, and is more or less ready to go as soon as an agreement is reached.

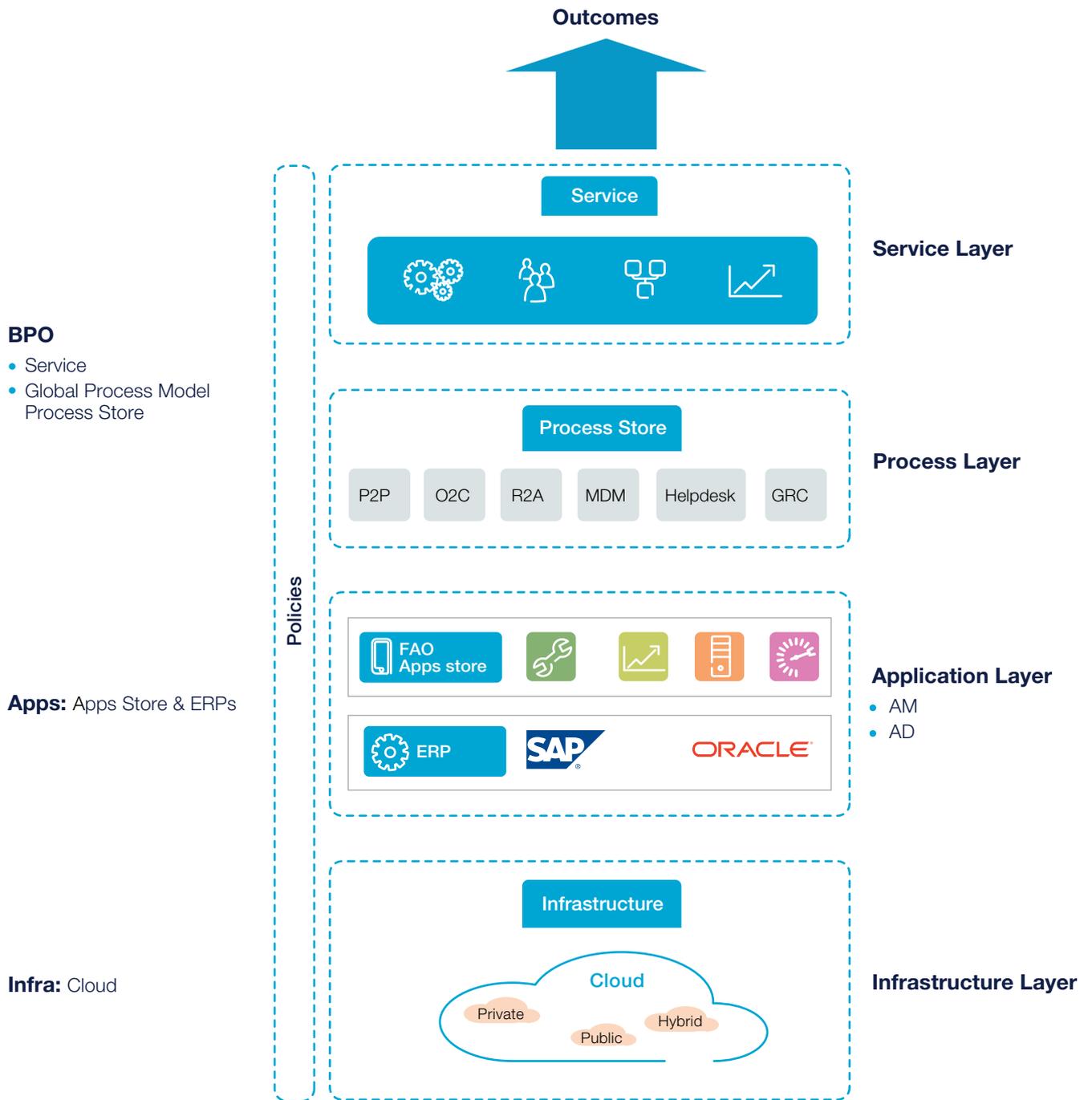
This recognizes the fact that, thanks to the work done in developing our Global Enterprise Model, we now have a pre-configured, proven and stable toolkit for FAO. There is no need to start from scratch every time: on the contrary, we can and should be able to reuse established components, best practice know-how and shared experience, gained from our other work in the wider marketplace to design, build and configure client solutions must faster, at lower risk and cost. This will enable CFOs to direct their full attention to the world-class outcomes the business expects them to deliver and it will also make the transition period less risky and costly than is often the case today.

In some ways this is not a dramatic departure: it is commonplace to view enterprise architectures as stacks, integrated layers that connect basic IT infrastructures through applications to processes and eventually to the user. For BPO, however, this is conceptually different from the way that the market has operated to date. It reflects a big change in thinking, enabling us to integrate BPO services into the strategic operational planning of an enterprise, rather than being seen as a semi-detached, external service only.

The diagram below sets out the core architecture of the Capgemini "stack" approach. In this structure all of the different components of a BPO-based FAO service are vertically integrated, making it possible to customise and update services with greater flexibility than is normally possible.

At all times the starting point is the drive for world-class outcomes. Our discussions with clients start here and set the agenda and strategic direction for everything that follows. As we blend components to build the ideal client-focused service, thus embedding our work into the organization as an essential, integral element, outcomes drive everything.

'FAO as a Stack' – achieving a step change



Layer 1: Services.

Consistent global governance and standards must be applied at this level to ensure consistently high quality outcomes across the entire BPO stack. This is where services are delivered to customers (internal and external) and the ability to reach consistently excellent performance levels depends on what we think of as Customised Standardization. A standards-based approach is essential but there has to be room for a certain number of variations to deal with different realities in different parts of the market. Once again, the modular approach we apply makes it easier to deliver consistency without imposing inappropriate uniformity on all aspects of operations.

Layer 2: Processes.

In order to deliver world-class outcomes to clients, and to act as an integrated part of an enterprise's own operations, it is essential for us to deliver processes that are end-to-end in scope and fully interconnected with client business systems. In the past there has been a fundamental difficulty in building BPO processes of this kind, caused largely by the fragmented nature of existing applications landscapes.

For a process (Order-to-Cash, for example) to deliver the highest level of benefits possible, it must be seamlessly connected from one end to the other, which will involve numerous interfaces with existing applications, departments (sales, finance and delivery for example) and data sources. In large organizations complexity in systems, applications and organisational structure can make this difficult. That helps to explain why so many BPO projects tend to start slowly, involve a long discovery phase and often lead to difficult transition.

By building templates for best practice, end to end processes, implementation becomes easier and less disruptive. Capgemini ensures that an engineering plan is in place from the start, with control points defined and interfaces already mapped. The modular structure of our stack-based approach makes integration simpler, and it allows us to select each process component from as if shopping in an "Apps Store". This also helps to speed up and simplify process implementation.

Layer 3: Applications.

This represents a different approach, when compared to "standard" FAO. Capgemini's Apps Store approach is used here to enable flexible deployment of applications and application components as a way of configuring services in a targeted way, while also reducing TCO.

The main benefit of Apps Store in the BPO context is that it provides a growing range of options that can be deployed in flexible ways. To give one example: when a large enterprise decides to open for business in a new market or sector, this

may lead to expansion beyond the scope of current ERP implementations. Rather than re-engineer SAP or Oracle (or any other core application), which will be costly and time-consuming, we are now able to deploy a Cloud-delivered ERP module (from NetSuite, for example) to provide the required functionality where and when needed. The interconnected nature of our stack-based approach ensures seamless connectivity between modules, ensuring operational continuity at all times. This enables higher levels of responsiveness to business needs while reducing the costs involved.

The Apps Store contains a growing number of options, all based on modular components, suitable for fast deployment in response to business requirements. This approach supports fast market entry and testing of new markets and products, while it can also be used to shorten development cycles for new services. By providing applications and components as part of a vertically integrated service stack, we can ensure that every element fits together seamlessly and can be delivered within the scope of the Capgemini Global Enterprise Model.

Layer 4: Infrastructure.

This is a key factor in removing the burden of legacy from client organisations. Core technology can be virtualized and delivered either from a dedicated private Cloud or from a multi-tenant platform (public or hybrid Cloud). The infrastructure platform available to clients is always future-proofed and scalable by design, bringing a higher level of flexibility and cost-efficiency to the service than before.

Integrated BPO in practice

The concept of BPO as an integrated stack has been developed as a direct result of real-world experience in the marketplace. Early adopters for this new way of building and delivering BPO are large enterprises that have a specific need for delivering a consistent quality of service, but with an equal need to use disparate components in doing so.

One such business is an international chemicals manufacturer with a leadership position in several strategically important industry sectors, including agriculture. This company has accelerated its expansion into a growing range of new national markets and required a fast and efficient method for building "virtual companies" at relatively low cost and high speed. It has always been clear that building such entry-level businesses could not be done at an acceptable price and speed by deploying core enterprise applications in multiple locations, as this would take too long and lead to excessively high levels of IT engineering and risk investment. The same point applies to local subsidiaries in smaller national markets, where the volume of business does not justify a new ERP

implementation using core SAP or Oracle, for example, but where consistent quality standards still have to be reached.

Today, the Apps Store and Process Store approach can be used- and have been used- to build a capable service, customised to local needs, with most components Cloud-delivered for additional cost efficiency. Maximising the potential of virtualised components, vertical integration across

and entire service stack and Cloud-enablement, the result has been a dramatic reduction in TCO, risk levels and time to launch. A strategy of expansion, now delivering substantial advantages to the client, is taking place in a way that would not have been possible without the modular, integrated approach pioneered by Capgemini.

Our FAO Offering is Aligned with the CFO Agenda



The figure above shows how Capgemini’s BPO approach actually works in practice, enabling CFOs to meet and beat expectations. The four stages of activity that Capgemini delivers are these:

- **Record:** covering all transactions, activities and related data.
- **Report:** providing the actionable intelligence needed by business leaders for effective management and intervention.
- **Analysis:** not simply reporting on activity by using additional business and consulting skills to identify opportunities, threats and potential actions for.
- **Action:** rapidly and efficiently putting into practice the agreed improvements and new activities defined as result of the previous stages.

Let’s now focus on a specific F&A process: Order-to-Cash, to see how the modular approach adds value from one end of the process to the other.

- At the service level, there is a high degree of customisation to meet specific client needs, with on-shore personnel dealing on a daily basis with end-user customers, and effective use of working capital analytics to enable highly proactive cash management.
- At process level we begin with the best practice, proven processes contained in GEM. Using this as a starting point we then work with clients to build an approach that is tailored to the realities of their own marketplace, the vertical sector concerned and the outcomes they need to achieve. Analytics are used to identify areas of concern and enable fast intervention, while a strong emphasis on both credit and collection ensures effective management of cashflow.

- At applications level we put together the right blend of modules to give the optimum configuration of core systems (ERP), managing seamless interconnection with specialised modules used for managing customer contact and reporting.
- At infrastructure level we use Cloud-based hosted services to ensure consistent access to the resources required at any given moment, ensuring seamless scalability combined with lowest possible TCO levels.

In this example, which can be replicated for all other core processes in the F&A value chain, we use an integrated, modular approach to BPO to deliver the world-class outcomes that enterprises demand today. In the end, our agenda is the same as that of client business leaders, themselves: to create the conditions for revenue growth, including better customer relationships and brand enhancement; to reduce TCO and drive operational efficiency in order to improve margins; to enhance business controls, ensuring consistency, reduced risk and assured compliance; and finally to improve cashflow, which opens up a whole range of new opportunities for new business investment.

BPO that really is Ready to Go

We believe that the BPO market is on the cusp of significant change. The case for strategic use of BPO as a source of competitive advantage through reduced cost and risk, together with a decisive move from CapEx to OpEx, has now been made and is accepted as a basic fact of life. Growth rates in the market show that business leaders have listened to this message and accept it as reality. Yet further transformational changes are inevitable in the near-term future, and the key to these changes lies in modular BPO, in which BPO is seen as an integrated stack of activities and resources.

This vision, which we have outlined in this paper, depends on a consistent approach to standards and governance, backed by management of flexible service components that can be customised to deliver services of wide variety and real precision. We believe this approach to BPO will mark the point at which it becomes normal to embrace BPO as an integral part of enterprise strategy.

As CFOs come under further pressure to deliver world-class outcomes right across their business, so they need to use expert BPO providers as trusted partners. For this to be truly viable, they must identify companies that are dedicated to world-class outcomes and are able to take a fast and high-impact approach. This means using pre-configured modular components to build solutions at unprecedented speed, and then to move through the transition phase with low risk, low cost and maximum efficiency.

Thanks to the investment Capgemini has made in the Global Enterprise Model, we can deliver these benefits right here and now. Ready to go BPO is a game-changer in a market that is already moving at high speed. We predict that next few years for FAO will be exciting and fast-moving. CFOs will increasingly look to the right BPO partners to deliver the world-class outcomes they require, and they will look critically at the methods and processes they are being offered. The market at the end of this decade will look very different and there will be real competitive advantage for the businesses most ready to embrace change.

Meet the **Expert**



Carina Smith

Title: Senior Vice President, Capgemini BPO

Location: UK

Area of Expertise: Cross business transformational outsourcing

Connect with Carina at
[Capgemini.com/expert-connect](https://www.capgemini.com/expert-connect)

A bit about me:

I am a German national with a Scottish accent! I love skiing, sailing and anything arty

Achievements:

Delivering contract growth and new client relationships for Capgemini

Awards/recognitions:

Multiple nominations to SSON's G6 panel, regular panelist on HfS webinars, sought after speaker for industry events

What do you see as some of the most significant changes in the BPO market in the last 10 years?

The biggest change has been the maturity of clients and the expectations that BPO is now a major transformation tool for companies incorporating technology and not just a route to labour arbitrage.

Outlook:

I believe companies will increasingly make larger investments in BPO as part of multi-tower contracts. Many are realizing that transformation is faster, easier, and less costly when implemented via a business transformation partner that can offer a full suite of technologies and expert services.

Industry **Insights**

To achieve competitive advantage and win in today's world, manufacturers must look beyond reducing costs and improving performance. The ability to innovate at an accelerated pace is the key.



“

Manufacturers who aspire to win must be ready to revolutionize their value chains.”

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Manufacturing

by **Devesh Nayel**

Globalization of markets has provided great new opportunities for manufacturers. The ability to reach and deliver products to consumers across the world has truly changed the game. But with every opportunity there are challenges, and vice versa. Establishing a global manufacturing capability, managing capacity and production across continents, and ensuring consistent, high quality output, with financial controls, are all vital to achieving success.

The past few decades has created new and strengthened existing pressures such as rising input costs, scarcity of resources and talent, as well as growing complexities in supply chains. With both organic and non-organic organizational growth and as manufacturing capacity continues to shift from developed to emerging economies, new markets and competitors have emerged. This has created a web of intricacy leading to a long list of issues, including shortage of effective best practice sharing, insufficient transparency, lack of harmonization of tools, and redundancy in master data. Together, these factors slow decision-making and hinder the ability to respond to ever changing market dynamics.

However, being able to respond to market shifts continuously as well as the ability to innovate, at an accelerated pace, will be the most important capability differentiating manufacturing companies and creating competitive advantage. In today's world, important progress is taking place in development, process and production technologies. Companies which are able to take advantage of already available advances, as well as fund further investments, are those which will be most successful. Capgemini can be a powerful ally in this regard and our BPO services are assisting some of the most respected and valued brands in the market today.

Manufacturers who aspire to win must be ready to revolutionize their value chains. One must question the status-quo and drive enterprise-wide transformation, which cuts costs and releases potential for growth and success. We see a powerful transformational force in three digital technologies: 3D printing, which revolutionizes prototyping and cuts time

to market; robotics, which improves process efficiency and enhances productivity; and big data, with advanced analytics, social technologies and the Internet of Things, which helps manage companies' value chains. As an industry consultant, we are well versed in these areas. However, as a BPO provider, we can directly affect big data and through operational transformations put significant focus enabling cost savings to enable the other two.

Being able to gain product and customer knowledge rapidly is increasingly important and enables quick response to a particular issue or need. To help manufacturers' seize the opportunities coming from the constant flow of data, we prepared manufacturing specific content management solutions, redefined our approach to master data management, and invested in analytics capabilities – manufacturing analytics in a box. A well designed and continuously monitored, analyzed, and optimized manufacturing information systems can be a truly transformative force for manufacturing flexibility. It cuts development time, reduces material waste, eliminates tooling costs, enables complex planning, and simplifies production runs. Similarly, the ability to tackle sales planning, forecasting, and warranty processes intelligently leads to supply chain optimization. This all adds up to significant cost and time savings as well as delivers priceless information on customers, products, and channel partners in real time.

In Capgemini we believe taking a step towards new can free up the potential stuck in inefficient operations and can fuel a company's entrepreneurial spirit. We help manufacturers minimize various risks in their transformational journey by enabling our Global Enterprise Model which comprises market's best practices. Thanks to the savings we realize in manufacturers' support functions such as finance operations and supply chain, we help them fund investments in R&D, new technologies, and ultimately innovations. It is this commitment to delivering agility, responsiveness and information driven customer insights that allows us to partner with them on their journey towards gaining that competitive advantage.

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Strong AR technology should not only support the collection process, but also monitor behavioral tendencies.”



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From the **BPO Blog**

Stalling the Inevitable

Recognizing the Payment Stall Tactic

by **Frank Matijevich**

Customers use stall tactics to delay payment. And addressing the problem requires not only education and recognizing the behavior, but also an understanding of how process and technology can help support the correction.

It is the responsibility of the assigned collector to recognize a stall tactic. At the risk of using a cliché, the squeaky wheel in the case of collections, does get the grease. Customers have a keen insight into your business and use it to their advantage. They realize if they aren't getting any calls or communications about their payment behavior, they will continue to push the envelope until they treat you as a finance company.

What should you look for? Customers fall into three main categories of stalling or delaying payment:

- **The Requester** - One of the prime stall tactics is the invoice copy/statement of account. This is a quick way for the customer to put the work back on their vendor to supply further documentation above what was already supplied. Copies of contracts and purchase orders also fall into this category.
- **The Disputer** - Monitoring the customer dispute behaviors is essential. Watch for the pattern and repeated disputes.
- **The Withholder** - They love to hold something back. Short pay the invoice today, get some extra attention and low and behold the customer just bought themselves another 120 days.

In all of the above cases, the customer knows how you operate. They know how long it takes to receive a call from you. They know when you miss a short pay or worse, issue a credit on a completely false claim.

Strong AR technology should not only support the collection process, but it should be able to monitor the behavioral tendencies. By tracking and maintaining a database of common and frequent disputes by customer, the system should be prompting your collection team to focus on those customers displaying specific types of behavior. The system should be offering multiple delivery options for invoices and statements of account. Finally, the system should be using these behaviors to monitor credit risk and prompt the business to take action before it's too late.

Each year, customers find new ways to work the system and being cognizant of these types of behaviors is a part of a collector's job description. Being current and timely with follow up is an essential. Good AR technology should be able to support the experienced collector and help mitigate risk by closely monitoring the customer's credit limit. Ultimately, management should be focused on setting clear expectations and ensure that their team is performing to optimal standards. So what are we waiting for? It's time to take back control and stop being a victim of the habitual late payer.

The Making of a **Market Leader**

2004

Capgemini's BPO business unit is created by Hubert Giraud



Finance and Accounting Outsourcing (FAO) services delivered from Krakow, Poland and Guangzhou, China

2005

New Financial Services offering launched



New BPO delivery centers opened in Adelaide, Australia; Mumbai, India; Toronto, Canada



2007

5000+ Full Time Employees

New Customer Care and Intelligence services launched

BPO India crosses the 1000 FTE mark



2006

BPOpen[®] Launch of BPOpen[™] A Global Integrated Services Platform for Increased Speed to Value in BPO Delivery



Unilever

Capgemini acquires and fully integrates Unilever Shared Services Limited into BPO Global Delivery Network

New BPO delivery centers opened in Bangalore and Chennai, India



Capgemini ranked among world's best BPO companies by the International Association of Outsourcing Professionals (IAOP)

2008

Capgemini introduces the Global Process Model - a pioneering approach to running best-in-class processes



New Reference Data Management Services launched



New BPO delivery centers opened in Santiago, Chile; Sao Paulo, Brazil; Guatemala City, Guatemala; Salem, India



2009

New BPO services for Procurement, Knowledge Process Outsourcing, Human Resources



Capgemini leads the way in F&A BPO, says NelsonHall



New BPO delivery centers opened in Campinas, Brazil and Katowice, Poland



2011

Capgemini BPO announced to be one of the 6 strategic business units of the Capgemini Group

New Social Media and Supply Chain management services launched



Capgemini BPO acquires Vengroft, Williams and Associates' Order-to-Cash and WebCollect O2CPro platform



New BPO delivery center opened in Sarasota, Florida (USA)

Gartner positions Capgemini as a Leader in the Magic Quadrant for Finance and Accounting BPO



2010

Capgemini BPO acquires IBX and launches innovative on-demand procurement-as-a-service solution



New Master Data Management and Management Assurance services launched

Capgemini introduces BPO Command Center



New BPO delivery centers opened in Stockholm, Sweden and Nanhai, China



2012

New services launched for Governance, Risk and Compliance (GRC), CFO Analytics and Business Process Analytics



Gartner positions Capgemini as a Leader in the Magic Quadrant for Finance and Accounting BPO for the second year in a row



IDC recognizes Capgemini as a Leader in BPO Analytics in 2012 MarketScape report



New BPO delivery centers opened in Trichy, India and Blumenau, Brazil

2013

Capgemini BPO introduces new organizational structure focusing on industries including:

- Consumer Products, Retail and Distribution
- Manufacturing
- Utilities
- Media & Entertainment
- Financial Services



Capgemini introduces the Global Enterprise Model – a business transformation platform that distills our assets and experience into an engineered approach for delivering transformation for our clients

Gartner positions Capgemini as a Leader in the Magic Quadrant for Finance and Accounting BPO for third consecutive year



HfS Blueprint for Finance and Accounting BPO positions Capgemini in the Winner's Circle



New Supply Chain Plan-to-Deliver services launched



New BPO delivery center opened in Lyon, France

Market views

by **Phil Fersht**

Founder and CEO, HfS Research

HfS has a sizable BPO buyer community - how have their needs changed over the past decade?

Companies today are looking for more than just driving out costs and having a third party take on their processes that are not core to the business. BPO is more of the norm today than even just five years ago, when we were still arguing about whether to do accounts payable in-house or shared services – now it's just a no-brainer. There has been a genuine mind shift from many enterprises on how to run their operations more intelligently and where third parties can fill capability gaps. HfS recently did some research that found the average spend

by global 2000 companies on in-house resources has gone down 9% while spend on external staff has actually gone up by 11% in recent years. We're seeing a real change in the way that companies are running operations – they're trying to slim down the core and increase their extended enterprise. And BPO is at the heart of this change.

What have been some of the key drivers for these changes?

Companies need to be more nimble and have access to better data. They don't want to be as bloated as they used to be; they want to be more agile in managing their operations. They



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Companies must not settle for the status quo or they risk falling into a comfort trap and settling for ordinary.”

need to be more adaptive to their business environments, with the ability to scale up and scale down as needed. And each industry has different needs, for example Media & Entertainment firms have had to completely reconstruct their businesses due to the impact of digital delivery, many tech firms are having to revamp their entire business models with the onset of Cloud solutions, the banking sector is still struggling to cope with the new regulatory demands, and healthcare insurers are having to content with the seismic shift from B2B to B2C models. Industries with sensitivity to rapid secular changes to their fundamental economics are showing a big interest in BPO that makes them more adaptive to their environments - and also more intelligent.

Innovation is at the heart of everything we do at Capgemini and the focus of this publication. What do you see as some of the keys to innovation and where improvements are needed?

Companies must not settle for the status quo or they risk falling into a comfort trap and settling for ordinary. The rapid proliferation of new technologies has increased the need for buyers and suppliers to collaborate on the next best solution so both need to challenge each other to move into the future. Both parties need to make collaboration much more impactful if they want to improve innovation. Providers need better insights into the real challenges of clients and clients should provide forecasts to suppliers at least once a year. Statements of work should specify parameters of joint business transformation with clearly defined activities and expectations to get the innovation agenda rolling.

Other things that are very important to innovation are developing better metrics for business transformation that focus on things like number of ideas generated. There also needs to more flexibility in BPO contracts to add or delete content based on outcomes or innovation or idea exchange. RFPs need to be less specific, and allow providers to innovate and buyers need to be more proactive in exploring whether providers can really help solve their problems.

Do you have any predictions to share for 2014?

The impact of business platforms empowered by new technology and cloud is not to be understated. It really is changing the game in terms of providing better information and value for clients and giving them a platform to be more nimble and successful. We are seeing it in industries like

insurance where providers are putting together platform-based solutions on cloud technology and providing effective automation that can enable smarter analytics. The year of the business platform is coming of age.

We'll see "Big Data Fatigue" set in where clients demand practical solutions from providers to help them develop a long-term digital roadmap that takes advantage of social collaboration, analytics, mobile and cloud delivery of services. These are five-to-ten year journeys for clients, not a quick fix as many providers are claiming.

We'll see some examples of significant provider-switching in BPO that we haven't seen before, as several buyers demand more value from their providers and are willing to go through the cost and disruption of adding a new provider in order to make that happen. Several clients who were supported by their providers "A-team" five years ago are frustrated that they are no longer treated like royalties. Others are also disappointed in the failure of their provider to deliver more than laborarbitrage, basic delivery.

In addition, our research shows that the Global Business Services framework will get significant traction as more enterprises look at integrating their operations more effectively (including those sitting in shared services and outsourced delivery models) to get greater control over their operations. Global Business Services will become more than simply managing a few provider contracts and beating up on poorly performing shared service centers – it's about re-aligning the enter operations function (the old "COO's office") to support the business with a commercial orientation. Smart service providers will (and some already are) position themselves as partners to support their clients' GBS strategies, while smart sourcing advisors know they need to address the broader GBS transformation needs of their clients, or face being relegated to supporting contract procurement.

Net-net, these are exciting times for the industry. The 2008 recession held back the BPO business from moving from labor arbitrage to more of a transformation model but we've seen genuine progress in the past 12 months. Ambitious buyers, advisors, and providers do not want labor arbitrage to be the guiding model and it takes time to move away from contracts that started that way. And we're well underway.

Counting on collaboration for outsourcing success

The Secrets behind International Paper and Capgemini's Long-standing Partnership



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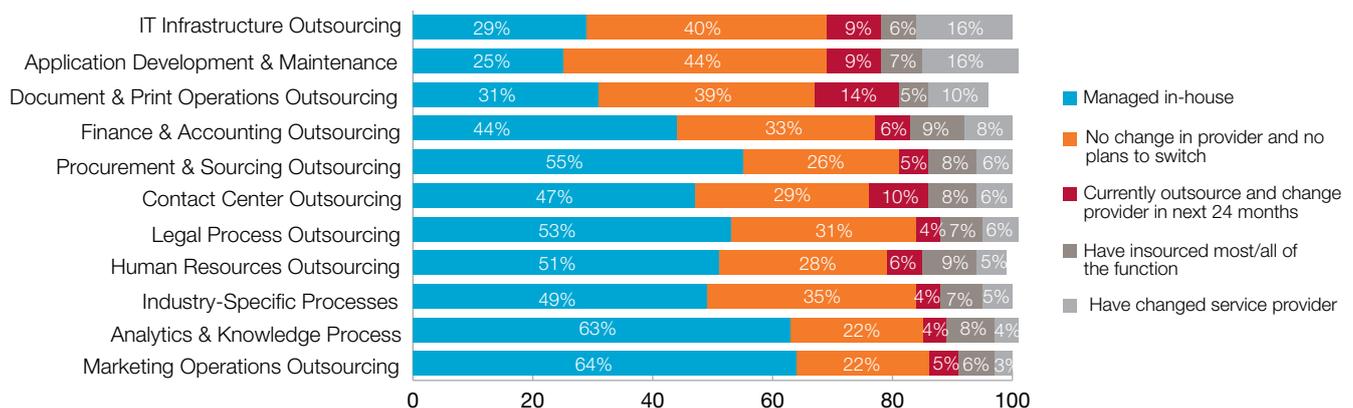
A Challenging Business Services and IT Market for Relationship Building

The business services and IT industry is at a point today where a lot of the groundwork has been laid for a stable operating model for most client organizations. Mature buyers now expect to get more value out of their outsourcing relationships, see more innovation from their providers, while

consistently shaving off costs year on year. It's tough times being a service provider as more buyers start to implement multi-vendor sourcing strategies and encourage more competitive bids to gain price advantages. Our recent State of Outsourcing 2013 study illustrates the potential service provider churn rate for buyers today. For mature areas such as infrastructure outsourcing and ADM, one in four buyers have switched providers or are planning to do so in the next two years.

Exhibit 1: Provider churn in the next two years

Have you changes service providers or insourced any of the following in the last 3 years?



Source: HfS Research 2013, "2013 State of Outsourcing" Study, n = 399 Buy-side Enterprises

In this scenario, buyers and providers are both seeking ways to make their engagements more valuable. Contract analysis will tell you that the days of the mega-deals are all but over, but there are immense benefits in dissecting the relationship lessons from them when they do work. At HfS Research, we have concluded that the key to all successful long-term business services and IT relationships is collaboration leading to delivery of tangible business outcomes. Accordingly, this document examines the relationship dynamic that a buyer and provider have fostered over the last decade that has helped them move forward together and establish a lasting partnership.

Challenge: Finding a Partner That Was in it for the Long Haul

International Paper (herein also referred to as 'IP' or 'the client') is a global leader in paper and packaging with operations in over 24 countries, more than 70,000 employees and \$28 billion in net sales in 2012. A Fortune 500 company, IP serves in the uncoated papers and industrial and consumer packaging markets across North and Latin America, Europe, Russia, Asia and North Africa. Its operations include pulp and paper mills and converting and packaging plants.

International Paper, headquartered in Memphis, TN, had an in-house shared service center in the city that oversaw the administrative duties of the company's operations in North America. By 1998, the company had a widespread presence across Europe, and felt the need to establish a similar operations hub in Europe in partnership with an outsourcing provider that would run the transformation programme for European operations.

In our conversations with Harry Wauters, Director Global Financial Shared Services Centers, he stressed that the key objectives for International Paper in selecting a service provider were strategic, *"We were looking for a provider who we thought wanted to develop this business, stay in this business and help us to execute our own strategy. Our long-term objectives were to continue the evolution of our Krakow center into a global hub, not just for Europe. Naturally, that meant we were looking for a stable partner to help us build this."* International Paper was also planning/undertaking a series of acquisitions to grow its business in new markets, making integration and backend process optimization a challenge. IP was thus looking for a partner that could bring process expertise and take on F&A work across an expanding geographical presence in the future.

Solution: Taking on Responsibility through a Shared Vision

After a competitive assessment and rigorous analysis, International Paper selected Capgemini in 1999 as its outsourcing provider for IP's European F&A operations.

Based on the success of the European project, the contract was extended in 2002 with additional F&A operations from IP's Shared Service Center based in Memphis. The account has grown ever since. Currently 500 Capgemini employees serve more than 240 locations, working out of Krakow, Poland, Nanhai, China and Guatemala City, Guatemala, providing full scope F&A services including Order-to-Cash, Procure-to-Pay, Record-to-Analyze and Treasury in multiple languages, serving multiple customer locations across the globe.

In Harry's words, *"We found a provider that demonstrated how hungry they were to have the deal and grow it, and how accommodating they were to work together. We are a complex company in a challenging industry and they approached our issues with real business context and a rapid transition plan."* Capgemini also used its Rightshore® delivery model to optimize cost; for example moving transactional F&A functions to Capgemini's Center in China and setting up collections operations in its Guatemala Center.

Insights into Capgemini's BPO Services

Capgemini is a global leader in providing consulting, technology and outsourcing services with over 125,000 people in 44 countries. Under Capgemini's 'Rightshore' delivery model, more than 14,000 BPO employees provide 24/7/365 services in over 37 languages from delivery centers spanning Australia, Brazil, Canada, Chile, China, Guatemala, India, Poland, Sweden and the United States. The service provider is recognized as a leader in BPO services, predominantly in the Finance & Accounting service area.

HfS Research recently placed Capgemini in the Winner's Circle for being a market leader in providing F&A BPO services. We attributed their success to a strong finance and accounting pedigree that goes beyond administrative processes and transformation capability. They have deep expertise in F&A analytics and management reporting, they offer proven 'Rightshore' global delivery for clients, and the value add by their cost and efficiency enhancing platforms such as Webcollect (from the acquisition of Vengroff Williams & Associates), are all true differentiating assets. Read more about our analysis in the HfS F&A Blueprint report here.

Implementation: Bringing on Board Global Delivery Capabilities and Sound Relationship Management

Secret #1: Implementing Best Practices in F&A

Over the course of the engagement, Capgemini has worked with International Paper to optimize its Finance and Accounting practices in a number of ways. In our discussions with the client, some of the most impactful service-oriented solutions brought by the service provider are outlined below.

- **Standardization through the Global Process Model**
Capgemini was viewed as an important driver of process improvement using its Global Process Model©1 and worked collaboratively with International Paper to achieve process standardization and higher operational performance. *(The Global Process Model is Capgemini BPO's proprietary approach to process optimization. It is a repository of best practices based on two decades of experience delivering processes for more than 100 clients across various industries. It is a key enabler of transformation within the Capgemini Global Enterprise Model (GEM), driving standardization and harmonization across global business processes.)*
- **Improving Efficiency and Effectiveness via the Command Center**
One of the key objectives for IP was to achieve greater transparency for their global operations, especially given the dispersed nature of business and regulatory compliance pressures. Capgemini offered its Command Center service to increase operational efficiency and optimize customer care. This service provides a single view for IP across delivery centers and services ensuring greater visibility, consistency and control in managing geographically dispersed delivery centers. Its ability to collect reliable data and present it through informative, easily decipherable dashboards, clearly and efficiently highlights potential issues and trends. Harry Wauters commended the effort, stating, *"The Command Center is a big plus for us. It has aligned KPIs around the globe both for Capgemini and the retained organization in real-time and on-line. As an example we are able to monitor the financial close for the entire organization through one center, which was not possible before."*
- **Assuring control and compliance thanks to a Governance, Risk and Compliance (GRC) framework**
Capgemini supported IP through their GRC framework by building a control framework for SOX compliance while creating an environment with a clear segregation of duties. Increased control and transparency resulted in clean audit opinions – over the last ten years there weren't any audit findings reported for the operations delivered by Capgemini.
- **Creating additional value through analytics and improvement projects**

By implementing Lean processes, applying 6Sigma methodologies and using analytics services, Capgemini was able to streamline accounts receivables across Europe. At the outset, IP's overdues in Europe amounted to 20%, with receivable values upwards of 1.2 billion Euros. Capgemini's responsibilities included collections, cash application and query and dispute management, while IP retained the credit group and the sales force. Even though the provider didn't own the entire process, its team consistently investigated up and down the value chain and reduced irregularities. The result is that in the last eight years, IP has maintained 97.5% current receivables across Europe with a maximum bad debt amount of 0.7 million.

In another example, before partnering with Capgemini, International Paper had over 265 payment terms for European customers. The provider has worked with IP's credit leader, sales force and other departments to standardize and align payment terms and reduce that number to 65 over the course of the engagement. As a result, the client has cleaner databases, leaner credit processes and improved collection results.

Secret #2: Innovating Collaboratively to Create Value

When quizzed about the strongest reasons for working with Capgemini, International Paper pinpointed the importance of collaboration. Harry categorically stated that they were able to build a strong relationship with the provider because of the spirit of collaboration that both parties brought to the table. Over the years, the two companies have built a structured optimization process within IP to capture new ideas from both teams, debrief with team leaders, vet them for business case and predictable outcomes and eventually implement and monitor the results. The client recounts Capgemini's push from day one to drive these continuous improvement and value creation activities. Team members are expected to spend part of their time thinking, "How can I do things differently, in a leaner way and a more efficient way, and in more a value-added way?"

All this collaboration leads to innovation, Harry mentions, because it takes both - ideas from Capgemini and sponsorship and green lights from IP to advance improvements. He stresses, *"Corporations these days look for what's next on a sustainable basis... "What are you going to bring me the year after, and the year after, and the year after that?" In order to be able to do that, the kind of optimization and continuous improvement that Capgemini brings has become crucial today."*

Secret #3: Strong Governance and Flexibility

International Paper and Capgemini have maintained a fairly lean but strong governance structure for managing the operations. Clear communication and escalations paths,

direct contacts promoted on both sides at Team Lead-Team Lead, Manager-Manager levels for day-to-day activities result in an effective governance structure. An Optimization community was formally appointed to assure a proper focus on continuous improvement process. At a holistic level, senior executives from IP and Capgemini meet annually to discuss global governance and next steps.

IP particularly values Capgemini for their flexibility and ability to scale up and down according to their business needs. The company undertook multiple large-scale acquisitions in the last ten years, most notably Weyerhaeuser and Temple-Inland. Capgemini worked with IP to integrate, improve and ensure F&A process alignment within the acquired businesses. Various ongoing IP projects were supported upon request by Capgemini employees, which allowed IP to tap into the capabilities of the service provider without having to add on these capabilities as a permanent fixture.

Results: Effecting Global Best Practices in F&A to Improve Outcomes

Overall, International Paper has had an extremely positive experience working with Capgemini, resulting in their decision to renew their contract until 2018. The key benefits the client has derived from its long standing relationship with Capgemini revolve around the following business outcomes:

- **Consistent, high quality performance:** The biggest priority for IP in their decision to outsource to a process expert was their need to bring high quality improvements and consistency in their F&A processes. In the client's words, *"We as an organization were very convinced by the importance of quality and Capgemini has always ranked high with us on this."*
- **Cost savings:** IP has realized significant cost savings over the course of the engagement with Capgemini. Much of the value realized as part of this contract was through efficiency gains and improved performance metrics.
- **Incremental savings derived from innovations, process optimization and continuous improvement:** International Paper has uncovered new sources of cost reduction due to Capgemini's process rigor, implementing F&A analytics, the Command Center and continuous improvement efforts.
- **Focus on compliance and control:** Capgemini's focus on control and compliance has been a great source of comfort for the client, evident in the fact that they have received zero audit remarks in the last ten years. Harry elaborates, *"Our corporate controllers and CFOs can rely on the outsourced structure even better than their own structure. Everything is well documented. Everything is process mapped. Everything has desktop procedures, and it has the proper controls, segregation, and compliance with it."*

- **Flexibility in working around IP's global strategy:** This partnership shows a unique willingness from a service provider to work with a client's long-term strategic plan, displaying flexibility in different areas. As an example, they have given IP access to a global delivery network that reflects their own business strategy.

Lessons Learned and Best Practices in Managing a Long Term Outsourcing Relationship

- **Vision.** One of the key elements to a successful long-term partnership is starting with a long-term view, of at least five years.
- Focus **beyond** cost cutting. The focus should move away from cost cutting to value creation.
- Work with a provider willing to be **flexible**. Flexibility is key component in a collaborative approach.
- Have a **lean structure**. Start with a simple lean escalation and problem solving structure - a one-voice approach to governance.
- A **structured and phased approach** to the implementation, take one component at a time and build the level of outsourcing as each service is embedded.
- If it ain't broke, **don't fix it...** if the agreement has been largely successful and continues to drive value. But you need to make sure the agreement is still competitive - benchmarking the costs can be a viable alternative to going through an RFP process. Continuous RFP processes can be expensive and time consuming. Cost effectiveness can be tested through benchmarking and a collaborative partner will be willing to undergo this process, particularly if it helps to avoid an RFP!

About HfS Research

HfS Research (www.HfSResearch.com) is the leading independent global analyst authority and knowledge community for the business and IT services industry. HfS is unique in that it serves the research and strategy needs of business operations leaders across finance, supply chain, human resources, marketing, customer management, IT and core industry functions.

More information is available at:

www.hfsresearch.com

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Adept contract development and management can improve profitability within a company by up to nine (9%) percent of the annual revenue.”



Connect with Craig at
Capgemini.com/expert-connect

Opening the drawer on **contract management**

Why companies are taking a closer look at their contracts to minimize risk and revenue leakage

by **Craig Conte**

“Let’s sign the contract, put it in a drawer and never look at it again,” is something you often hear at the negotiation table when one party wants to close a thorny issue or make the point that contract performance is all about the “relationship.” With all due respect to the “relationship”, it seems strange to invest months in the procurement cycle, weeks in negotiation, substantial funds in hiring counsel and advisors and countless amounts of internal credibility on something that is intended to sit in a drawer. And who in 2014 really uses drawers or cabinets anyway? It only stands to reason that if a company is going to invest so much time and energy into a business case for a purchase or portfolio of purchases, shouldn’t it also invest time and effort to ensure the proper performance (or receipt of the proper benefits) from those purchases are delivered?

As more companies question this old way of looking at contracts, more are realizing the benefits of proper contract and commercial management of their contractual relationships. A 2012 independent study by the International Association for Contract & Commercial Management (“IACCM”) shows that proper contract development and management could improve profitability within a company by up to nine (9%) percent of the annual revenue. That is a staggering number when you realize that most CFOs would be happy with a simple 3% improvement in the current economy.

Looking at industry best practices one can quickly see that a few themes are common amongst the companies doing contract management adequately, namely visibility and control. The first lever is to simply have a grasp as to what is in the “drawer” that so many are willing to ignore. Just as proper

analytics can give the CFO insight on the big data in financial numbers, good contract retention can give the CPO views on the vendor portfolio terms, the General Counsel a view on the risks and actual contract standards in play, and the CFO a view on actual contracted cash flow and a contractually supported forecast. A deeper dive into document retention will look at obligation and compliance management. Typical IT contracts can place anywhere from 100 to 1000 unique obligations on vendors and absolute clarity on scope of purchase so that unexpected surprise changes affecting spend or risk are avoided. Put another way, by simply breaking down and organizing the information, companies can really see and know what they purchased or promised to perform.

But visibility is only half of the story. Visibility provides knowledge, but true power comes when you can take that visibility and apply it to your organization or service provider to exercise control. This is why Capgemini not only recommends world-class technology to enable visibility, but also ensures its Contract Compliance and Optimization (CCO) solutions are staffed appropriately. Rightshore® professionals with legal, commercial and operational backgrounds take action and correct mistakes, hold parties (internally and externally) accountable, and keep the business case intact. Once a company sees the light and makes the decision to open the drawer and look inside, it has to take the next step and make something happen. Those that do this are enjoying at least some part of that 9% improvement in revenue.

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About Capgemini

With more than 130,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at

www.capgemini.com

