

News

Accenture: Outsourcing services set to jump by more than 60 percent

Engagements still seen as single function cost cutting tool

[Sandra Rossi](#) 16/05/2007 09:53:49

Demand for Business Process Outsourcing (BPO) services in Australia is set to grow by more than 60 percent by 2010, according to a white paper released today.

Prepared by analyst firm IDC and sponsored by Accenture, the white paper found companies across all industries are implementing BPO to remove costs or to support a transformation agenda. The study - 'Australian organisations are ready to harness BPO - the time is right' - examined key trends across Australia's BPO landscape.

It found that the pressure to manage risk, leverage greater productivity, improve competitiveness and lower cost are expected to drive organisational spending on outsourced business process services. The size of Australia's BPO industry is predicted to reach US\$3.840 billion by 2010, up from US\$2.387 billion in 2006, representing a compound annual growth rate (CAGR) of 12.4 per cent.

Strong growth is predicted across human resources and training, finance and accounting, procurement and customer care.

Despite the jump, Australia still lags behind more sophisticated locations such as the US and Europe where BPO is relatively mature.

IDC Australia's outsourcing and BPO research manager, Aprajita Sharma, said the majority of local BPO engagements comprise single function arrangements, rather than sophisticated end-to-end process deals that are more prevalent overseas.

The white paper suggests that organisations which select partners based on cultural fit, ability to demonstrate measurable outcomes, and improve underlying processes, are often more successful at using BPO.

Accenture Australia managing director, Doug Snedden, said until recently Australian businesses tended to view BPO as a cost reduction tool only.

"But now, they are evaluating BPO as a way to retire out-dated back office business processes and transform them into responsive and competitive processes which use new technologies based modern, Web enabled applications," he said.

"In this way, BPO can create sustainable organisational value and competitive advantage, as well as reducing cost. "High performing businesses differentiate themselves by leveraging the expertise of external BPO providers to manage non-core processes, while they focus their energy on making their core business better and more competitive.

"The end result is to have global best practice processes in front and back office. The research suggests Australian companies should re-evaluate their perceptions of BPO and the role it can play as a catalyst for driving process improvement and high performance." The research shows the HR services market will grow by a CAGR of nine per cent to US\$1.591 billion by 2010 largely driven by organisational perceptions of HR as a cost centre.

"HR BPO engagements are becoming increasingly sophisticated, encompassing employee self service and higher value offerings such as recruitment, workforce management and learning," according to the white paper.

Compliance and regulatory mandates will drive finance and administration outsourcing at a CAGR of 12 per cent and reach US\$2.475 billion in 2010.

Most F&A engagements focus on large-volume, transactional processes such as accounts payable.

The most mature BPO sector is customer care which will grow by a CAGR of 15 per cent to US\$833 million by 2010.

Australian organisations are yet to embrace large scale procurement outsourcing which is growing from a very low base.

This segment has a forecast CAGR of 18 per cent and is likely to reach US\$354 million by 2010.

The manufacturing industry has shown the greatest interest in this area. New product introduction, speed-to-market considerations, customer demands, and supply chain integration are the main drivers.