

A Broad-Based Approach to BPO

An Interview with Daniel Henderson, President,
Business Process Services, EDS Corporation, Plano, Texas



Daniel Henderson

EDITORS' NOTE Over the past few years, "we've witnessed an evolution in the marketplace," observes Dan Henderson, president of EDS's Business Process Services division. More specifically, "outsourcing is now going beyond its historical and traditional parameters to encompass a more broad-based approach focused on the business processes major clients are looking to streamline." For this reason, Henderson's division – which comprises the longstanding financial process management business, fast-growing customer relations management area, and emerging enterprise-shared services group – was recently renamed in order to emphasize the "full range of people, process expertise, and consulting and operating capabilities" it leverages to "bring about significant transformation within our clients' enterprises." The fact is, "the overall BPO market is expected to grow by 9 to 12 percent" annually, so "a strong position in the BPO market is going to become a more important indicator of which company leads the overall IT- and consulting services sector." So, now more than ever, the BPS division needs to highlight its vast capabilities, "global reach, our Global 1,000 client list, and our strong record of service excellence." Ultimately, Henderson concludes, "those factors have enabled us to lead the market in the growing BPO

space, which we've identified as a significant strategic opportunity for EDS."

Prior to joining EDS in 2002, Henderson served as VP and GM of Honeywell Global Business Services, VP and GM of AlliedSignal Business Services, and VP and CFO of AlliedSignal's engineered-materials sector (AlliedSignal merged with Honeywell in 1999). Before that time, he was VP and CFO of Covia Partnership and previously group CFO of The Quaker Oats Company. Henderson, who holds a bachelor's degree from Davidson College in North Carolina and an M.B.A. from the University of Pennsylvania's Wharton School of Business, is also a member of EDS's Operations Council.

COMPANY BRIEF Headquartered in Plano, Texas, EDS is the world's leading global information technology services company, employing about 140,000 people in 60 countries and serving more than 9,000 clients in a range of industries. With a vast portfolio of technology, systems, and solutions offerings in four distinct business lines – Operations Solutions, Solutions Consulting, A.T. Kearney, and PLM Solutions – the company facilitates its clients' success in the digital economy by helping them to eliminate boundaries, collaborate in new ways, establish their customers' trust, and continuously seek improvement. In 2002 EDS (www.eds.com) reported revenues of \$21.5 billion.

Your business unit was recently renamed Business Process Services. What was the reasoning behind that change?

The main reason behind the name change is that we've witnessed an evolution in the marketplace. Outsourcing is now going beyond its historical and traditional parameters to encompass a more broad-based approach focused on the business processes major clients are looking to streamline. For this reason, we need to emphasize and communicate that EDS brings a full range of people, process expertise, and consulting and operating capabilities to the marketplace. Instead of

representing just our outsourcing capabilities, the new name emphasizes the full scope of EDS's capabilities, which we can leverage to bring about significant transformation within our clients' enterprises.

Which service lines are offered under the Business Process Services umbrella, and does each segment show equal potential for growth?

Our FPM [financial process management] business is large and has been a part of what we do for a long time – more than 30 years. Through that segment of our business, we provide outsourcing for various branches of the financial services industry, including loan processing, and credit card and check processing.

As far as our CRM [customer relationship management] business goes, we're one of the largest operators of customer-contact centers in the world. Through that business, we also offer business intelligence capabilities that enable us to do a variety of inbound and outbound customer relationship management work for our Global 1,000 clients.

Our Enterprise Shared Services division is still a rather new, emerging business for us, although we have a substantial presence and well-known clients in that segment. It includes human resources, finance and accounting, and procurement services, and is a good example of the shared-services approach to BPO [business process outsourcing].

The prospects for growth vary a bit for each of these businesses. However, the overall BPO market is expected to grow by 9 to 12 percent, and EDS's business is expected to grow a lot faster than that.

Is your primary focus on the Global 1,000 for new and continued business?

EDS is well positioned in the Global 1,000 marketplace. We're one of the few companies with the capabilities to truly serve the Global 1,000's needs across the business process services platform, so that's our primary focus. That doesn't mean, for example, that we wouldn't go after a leading U.K. company that doesn't register on the Global 1,000 scale. But our key differentiators are our global reach,

our Global 1,000 client list, and our strong record of service excellence with them. Those factors have enabled us to lead the market in the growing BPO space, which we've identified as a significant strategic opportunity for EDS.

Ultimately, BPO is centered on reengineering, transforming, and streamlining the back-office operations that are critical to the performance of Global 1,000 businesses. So it stands to reason that a strong position in the BPO market is going to become a more important indicator of which company leads the overall IT- and consulting services sector. EDS is already one of the major suppliers to and trusted advisors of the Global 1,000, and we're going to continue to leverage that capability to create a market-leading position for ourselves in the BPO segment. Many smaller, niche players get a lot of press based on their expertise in one particular segment of BPO, such as HR services. But at the end of the day, these companies lack the C-suite access that we've been known for since our inception.

Beyond your global reach and access, what differentiates EDS from its competitors in this particular market?

Differentiation is the ultimate competitive challenge. Eventually, a company has to combine subject-matter expertise with industry expertise, and then globally commit to and implement solutions over time; that's the key to differentiation. At EDS we understand that challenge, so we're actively hiring subject-matter experts – leaders in their respective fields – to latch on to the front end of our overall operating and program management expertise. That combination, not to mention A.T. Kearney's consultative capabilities, creates its own distinction. The fact is, very few companies can deliver this full range of services.

Which geographic markets present the most growth potential for EDS in the BPO segment?

A lot of companies haven't taken advantage of the full breadth of BPO services yet. Still certain companies, such as Bank of America and BP, were early adopters. However, no geographic region is close to being saturated with companies that outsource BPO. So the world is an open market for us, although our key opportunities today exist in the United States, Canada, and the United Kingdom.

When exploring the option to outsource, many clients have concerns over the transitions that will result from bringing in an outside party. How does EDS address those concerns? And has the outsourcing business model changed to assuage certain clients' apprehensions?

Historically, facilitating employee and process transitions is one of the things EDS does best, and it's absolutely critical. We have a 94 percent retention rate with

employees that we bring into EDS from a client company. The early adopters of BPO wanted companies such as EDS to take over their employees and operations and simply run things better for them. Now, as the market matures, companies are more interested in optimal solutions for BPO services. Companies that are looking for a combination of best practices and cost reduction must now look at different operating models, such as integrated, multi-client service centers. So clients nowadays aren't necessarily looking for an outsourcing solution that completely takes over their current operations and employees.

As part of a large conglomerate, some of the strength of your sales positioning must come from EDS's expansive service offerings. Do you work closely with other EDS business segments in servicing your clients?

EDS's business segments are increasing their joint participation, especially when it comes to our broad, transformational activities. We're reorganizing ourselves so that there's a real focus on having expertise in our specific business process services offerings. We're working closely with A.T. Kearney, and particularly with its critical-operations consulting group. They're the best in the world at strategic sourcing, and their expertise is crucial to us. A.T. Kearney often leads the way into our discussions with corporate clients. They have their strategic sourcing capabilities, and we have the ability to operate and continually monitor their strategic programs for the clients. So we're in it together, and clients are more and more interested in that combined offering. Many clients hire A.T. Kearney as a high-value consultant and trusted advisor. At the end of the cycle with A.T. Kearney, clients decide they want to implement what those advisors suggest. So we can come in and implement these processes and move the enterprise forward. Client companies go through a natural decision-making process, and EDS participates in every step.

How does technology come into play in the services you offer?

Technology is one of our most important levers. Through technology and automation, we can deliver better service to our client companies at drastically reduced costs over time. We can also improve service and cut costs by giving our clients the option of providing human resources in an offshore environment. In addition, we can create self-service, Web-based front ends for our clients' employees, instead of the traditional agent-based tools. So, in that instance, the primary driver of value is technology, and one of the biggest and most relevant areas of technology is the emerging Web-services area. From technology strategists to applications developers, we have the entire spectrum within

EDS. We have an enormous source of human-capital value, and we focus on effectively recruiting, retaining, and rewarding those employees.

What excited you about the opportunity to join EDS in 2002, and has the job been what you expected?

Through my professional experience, I had a lot of exposure to the marketplace, and I had a strong knowledge of the value that process reengineering and shared services could bring to major companies. I also understood how difficult it is for large corporations to realize that value if they take on the endeavor alone. Most companies fail to generate the full potential and value of the process when they try to take on shared-services capabilities internally and individually. So I saw both the difficulties and the value of such a program. I also noticed EDS's capabilities and market-leading position in this exciting, emerging BPO industry, which is a combination of services and technology.

The fact is, this is a vibrant industry, and it has a global context. Its life comes from large, sophisticated corporations doing business together. So, naturally this was a very interesting opportunity to me. Has it been everything I expected? Basically it has. This is a company that competes aggressively to be a market leader in the BPO space. We're like other companies that are trying to reposition their capabilities, their approach to the market, and their presentation of their value propositions so that they have the most meaning in the marketplace. However, we're actively restructuring our company and our focus so that we can take advantage of this very energized marketplace. So I'm still very excited, and I feel good about our prospects.

Can you ever disconnect from the business and truly relax?

Do I ever sleep? This is a global enterprise, and there's always something going on. So I constantly have to have touch points and operating processes that allow me to keep in touch with the frontline business. But the buck can't stop only with me. We have a very good client-care organization and a great team of leaders, who are very good at what they do, who understand our strategy for success, and who have a lot of passion for this business.

Ultimately, you have to hire a great team of people who know what they're doing; that's the only way you're going to succeed in a global business. And in a sophisticated, demanding, global business, a company has to be very responsive and accessible. Clients have to know the key people who are in charge of their accounts, and we have those kind of responsive people working here. Clients know that if they have an issue, a problem, or a new idea that they want to kick around, our people will always be very responsive to their needs. ●