HP Business Process Outsourcing for discrete manufacturing companies
Enhancing your business performance
Discrete manufacturing companies in the aerospace, automotive, engineering and construction, industrial, high tech, and electronics industries are grappling with an accelerated pace of business change and increasingly demanding customers. With companies facing pressures to grow and increase profitability, their focus should be on strengthening core capabilities—product development and lifecycle management, sales and marketing, and supply-chain optimization—while making sure that non-core activities are performed in the most cost-effective, scalable, and high-quality manner possible.
The environment in which discrete manufacturing companies operate is characterized by:

- Saturated demand in developed markets, coupled with eroded prices due to competitive pressures in most business segments
- Increasing need to focus on newer, less developed, and untested markets
- Increasing product proliferation and diminishing product lifecycles
- Increasing demand for enhanced product features and quality at lower costs
- Globalization of—and closer collaboration with—customers, suppliers, and partners
- Growing compliance burden covering security, safety, environmental standards, and business controls
- Increasing number of mergers and acquisitions leading to multiplicity of enterprise resource planning (ERP) platforms

These trends create pressure on top-line growth and profitability. As a result, discrete manufacturing companies must continually seek to introduce new, innovative products; improve their time to market; integrate multiple distribution channels; and achieve a collaborative and efficient operating model for their global operations.

To be able to focus on core competencies, discrete manufacturing companies such as yours should consider HP Business Process Outsourcing (BPO) solutions to handle the support functions that are not strategically critical to your company and that add little or no competitive advantage. These solutions free up management time and energy as well as capital for investment in areas that do add competitive advantage, while attaining greater efficiencies at higher quality standards. A committed BPO strategy also fosters more simplicity, agility, and value within an organization, thus aligning with HP’s vision of an Adaptive Enterprise, in which business and IT are synchronized to capitalize on change.

HP offers a complete set of service lines across traditional BPO areas of finance and accounting, human resources, procurement, and order fulfillment—along with specialized services related to supply chain, sales and marketing, and engineering. Discrete manufacturing clients like you can find in HP a single partner that can address all your outsourcing needs while allowing you to achieve economies of scale and scope.
BPO offers a wide range of benefits

The discrete manufacturing industry has been a leader in many aspects of outsourcing—such as payroll, manufacturing, and IT—and has the opportunity to take the lead in the adoption of the next wave, Business Process Outsourcing. BPO can deliver significant gains to your organization, including:

- Direct and immediate operating-cost reduction, due to service providers who can take advantage of labor arbitrage, “follow the sun” opportunities, better IT systems, process efficiencies, and greater scale
- Improved productivity and quality of support processes, enabling better support for the core business
- Scalable expansion into new geographies and product lines
- Management bandwidth and capital that is freed up for core activities
- Higher satisfaction levels of customers, employees, suppliers, and other stakeholders through increased process quality, transparency, and response times
- Lower operating risks through contractual safeguards and third-party provider experience

BPO adoption can improve your operating margin by up to 1% of revenue, in addition to the other qualitative benefits outlined above. In many cases, the benefits from outsourcing significantly outweigh the gains companies can achieve from setting up their own shared service operations.¹

Further, BPO is a “here-and-now” opportunity. Discrete manufacturing companies can quickly enhance their competitive advantage through BPO because:

- Savings from manufacturing, purchasing, and logistics have likely already been exploited, requiring companies to seek new areas of cost reduction. BPO is one such area.
- Discrete manufacturing experience in accessing low-cost locations for manufacturing, global sourcing, and IT outsourcing can be extended to BPO, with synergies in vendor selection, infrastructure, and management oversight.
- Industry leaders such as General Motors, Motorola, and Philips have already adopted BPO, and slow movers risk lagging the competition.
- A credible, global vendor such as HP can offer superior solutions that take companies to the next level of operational effectiveness based on scale of operations, world-class processes, and global delivery capabilities.

Discrete manufacturing companies stand on the edge of a growing BPO wave. Companies that do not recognize and act on this enormous potential opportunity risk being left behind.

¹See also our white paper entitled “Insourcing vs. Outsourcing.”
Tremendous value-chain potential exists for discrete manufacturing enterprises.

For discrete manufacturing companies, outsourcing can create value across a broad range of transactional processes in the entire value chain, ranging from product development to sales and marketing. The graphic above illustrates key BPO opportunities that exist for enterprises such as yours. These opportunities cover processes that can be both outsourced and performed remotely, going beyond the areas that have traditionally been outsourced, such as warehousing, logistics, and employee training.
Five high-impact areas of BPO opportunity emerge

<table>
<thead>
<tr>
<th>BPO segment</th>
<th>Typical scope of services</th>
<th>Key issues facing discrete manufacturing companies</th>
<th>Key benefits from BPO</th>
</tr>
</thead>
</table>
| 1. Finance and accounting | Accounts payable, accounts receivable, time and expense administration, fixed assets management, general ledger, project accounting, reporting | • Reducing cost of financial processes while maintaining/improving quality  
  • Managing disparate processes and systems resulting from mergers and acquisitions  
  • Ensuring compliance with regulations and internal policies  
  • Attracting and retaining top talent | • 20–40% reduction in cost of financial operations  
  • More variable F&A cost structure  
  • Access to vendor’s expertise in integrating systems and ensuring consistent processes  
  • Improved internal control environment  
  • Improved service |
| 2. Human resources | Payroll processing, benefits administration, personnel administration, recruitment, learning | • Reducing cost of HR support while maintaining/improving quality  
  • Improving HR service levels to globally dispersed workforce without major investment  
  • Being able to scale the extent of HR support up/down based on business need  
  • Spending significant HR bandwidth on transactional activities | • 20–40% reduction in cost of HR operations  
  • Improved service levels through best-in-class technology  
  • Scalable HR support model  
  • Availability of HR bandwidth for strategic activities |
| 3. Procurement | Supplier administration, PO processing, P-card administration, invoice processing, PO matching, credit returns, end-to-end sourcing for indirect procurement | • Optimizing spend  
  • Streamlining procurement process amid supplier and part proliferation  
  • Curbing maverick buying and ensuring compliance with internal policies  
  • Spending significant bandwidth on transactional activities and low-value goods/services | • 5–10% reduction in cost of goods procured  
  • 20–40% reduction in purchasing process costs  
  • Up to 50% reduction in procurement time  
  • Improved process discipline and control  
  • Improved management of all spend categories  
  • Availability of bandwidth for strategic activities |
| 4. Order fulfillment | Order processing, supply chain processing (monitoring and tracking), credit analysis and approval, billing and invoicing, revenue collections, claims and returns handling, dispute resolution, retailer communication | • Reducing turnaround time on orders/claims and improving customer satisfaction  
  • Improving collection efficiency  
  • Reducing order processing cost  
  • Needing scalable order management operations  
  • Ensuring compliance with policies | • 30–50% reduction in order-processing time  
  • 40–50% reduction in customer order disputes  
  • 2–5 days reduction in DSO; and 5–10% reduction in write-offs  
  • 20–40% reduction in order processing cost  
  • Increased scalability and ability to support new channels  
  • Improved controls and compliance |
| 5. Customer and supply-chain analytics | Spend data analysis, inventory optimization, customer analytics, profitability analytics | • Managing a glut of customer and supply-chain data from multiple sources  
  • Maintaining quality of data  
  • Enhancing business intelligence without investing in scarce specialist resources and technology | • Structured approach to data quality assurance, consolidation, and analysis to better support decision-making  
  • Access to high-quality resources without investment |
HP is the right partner for your BPO initiative.

HP has been recognized by leading industry institutions both for our process expertise and for our outsourcing acumen. In addition, our own experience as a manufacturing company with a complex supply chain—and our experience in assisting a host of discrete manufacturing companies with business and technology solutions across the value chain—gives us a distinctive insight into the issues that your enterprise faces. With our large-scale global delivery infrastructure, process-improvement expertise, rigorous risk mitigation and controls, and customer-centric culture, we deliver high value at minimal risk.

HP’s complete set of BPO service offerings for discrete manufacturing companies includes:

- **Finance and accounting**—accounts payable, accounts receivable, travel and expense administration, fixed-asset management, intra-corporate accounting, general ledger, treasury accounting, tax accounting, financial reporting, and project accounting
- **Human resources**—payroll processing, benefits, employee and management self-service, and leave administration
- **Procure-to-pay**—supplier administration, requisition creation, PO processing, P-Card administration, invoice processing and approval, goods and services, PO matching, payments administration, GL accounts settlement, and end-to-end sourcing for indirect procurement and procurement of technology-related direct production goods
- **Order-to-cash**—customer administration, order processing, credit analysis and approvals, billing and invoicing, revenue recognition, collections, dispute resolution, cash application, and reconciliation and reporting
- **Supply-chain analytics**—spend data analysis, inventory optimization, profitability analytics, and strategic sourcing support
- **Sales and marketing support**—warranty administration, channel-partner management, customer contact centers, customer quality survey and assessment

“HP has exhibited a deep understanding of our business, culture, and values. We are confident that HP can effectively leverage its own experience to help [Procter & Gamble] further down the path of becoming an Adaptive Enterprise.”

Filippo Passerini, Chief Information and Global Services Officer, Procter & Gamble

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2 For example, Top 10 shared services organizations (2002 and 2003) by Shared Services News; #1 Outsourcer by InformationWeek (2002); winner of Outsourcing Excellence Award (“Best First Steps”) by Outsourcing Center (2004)
Case study: Procter & Gamble

Key elements of HP’s migrations and ongoing operations

<table>
<thead>
<tr>
<th>HP initiative</th>
<th>Description</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Phased approach</td>
<td>Phased migration (APAC followed by EMEA)</td>
<td>Balanced financial savings with risk mitigation</td>
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<tr>
<td>Two-level governance</td>
<td>Governance structure at both Program level (global) and Regional level (EMEA, Americas, and Asia/China)</td>
<td>Managed global scale/scope without losing focus on the “details”</td>
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<td>12 key solution towers</td>
<td>Established 12 key solution towers (Program Mgmt, Governance, Transition, Finance, Process, HR, Communication, IT, Facilities/Physical Security, Third-Party Transition, Operations, Quality and Business Controls)</td>
<td>Modularized complex migration and assigned dedicated tower-level ownership</td>
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<td>Integrated transition plan</td>
<td>Built a comprehensive, detailed, deliverables-oriented working document—Integrated Transition Plan (ITP)</td>
<td>Integrated view and the ability to cascade ITP across regions, towers, and work-streams</td>
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<tr>
<td>Stringent reviews and control plan</td>
<td>Established stringent weekly review mechanisms at all levels, using a Control Plan (driven off ITP) to reflect progress against each deliverable with dependencies</td>
<td>Tight monitoring of execution against plan; visibility into activity status and areas that required senior management attention</td>
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<td>Comprehensive process documentation</td>
<td>Built comprehensive process manuals for the TAP processes (scope, organization structure, roles and responsibilities, SLAs, SIPOC, and process maps)</td>
<td>Better load balancing through clearly defined tasks; better handling of peak loads; easier training and improved accuracy levels</td>
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<td>Train-the-trainer approach</td>
<td>20 experienced F&amp;A personnel sent to P&amp;G site to be trained on processes and train the rest of the team</td>
<td>Balanced training cost with training effectiveness</td>
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<td>Experienced team</td>
<td>Deployed resources with significant experience in the procure-to-pay cycle to manage P&amp;G’s operations</td>
<td>Quicker learning curve on processes; easier best-practice sharing between HP and P&amp;G</td>
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<td>Cross-training</td>
<td>Delivered cross-training to a batch of processors across regions (EMEA and APAC)</td>
<td>Improved resource utilization, capacity planning, and best-practice transfer</td>
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<tr>
<td>Cultural alignment</td>
<td>P&amp;G delivery areas in HP facilities made to look and feel like P&amp;G offices</td>
<td>Significant cultural alignment between HP and P&amp;G, reinforcing partnership approach</td>
</tr>
<tr>
<td>Factory environment</td>
<td>Implemented a “factory environment” (daily production planning exercises, work instruction/tip sheets), leveraging manufacturing best practices</td>
<td>Productivity gains and financial savings (e.g., increased level of accuracy, reduced time to process an invoice)</td>
</tr>
<tr>
<td>Value-adds</td>
<td>HP volunteered to clear invoice backlog for P&amp;G in one of its centers (beyond contract scope)</td>
<td>Reduced invoice backlog by 50%</td>
</tr>
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Case study: Procter & Gamble

Following back-office consolidation, P&G looked to outsource its global transactional accounts payable (TAP) to focus on its core business and realize further operational efficiency gains. P&G entrusted HP with the responsibility of being its partner to run its TAP operations across Costa Rica, the UK, the Philippines, and China. The process scope spanned receipt of AP documents, verification, sorting, forwarding/returning, pre-posting verification and archiving, plus call-center operations. HP’s first-phase solution involved acquiring and rebadging P&G Costa Rica employees, shifting scanning to Costa Rica and Barcelona (for Americas and EMEA, respectively), and delivering transaction processing and call center support from Costa Rica, India, and China.

HP adopted a phased approach to the migration to balance financial gains with risk mitigation, while maintaining a strong performance-improvement focus and partnership approach. HP’s migration of P&G’s TAP processes was completed on time and at the estimated budget. To date, HP’s ongoing operations have significantly improved P&G’s process parameters. Accuracy has improved to 97.5%, exceeding the 96% target. Turnaround time has also improved, from 97% to 99.5% for Asia Pacific and from 84% to 95% for EMEA.

Key elements of HP’s migration and ongoing operations are highlighted above.
Case study: procurement outsourcing for a large technology company

The client had been outsourcing major parts of manufacturing and supply-chain activities starting in the mid-1990s. The scope of their outsourcing needs was for “buy-sell” global procurement services and complementary engineering services to support R&D and supply-chain activities. They were looking for a solution to effectively manage and control inbound supply to contract manufacturers for certain strategic components. Plus, they wanted to utilize a competitive supply-chain infrastructure that was flexible and adaptive to fast-changing market demands.

The client needed a capable partner with procurement services ranging from the initial market intelligence, strategic sourcing, tactical implementation, order management, and invoicing to electronic payments processing. The solutions provider would need to have market and supply-chain attributes, enabling the highest potential for leveraging skills and resources—along with similar supply-chain attributes such as high-velocity global sourcing.

HP offered the client the opportunity to leverage HP’s well-established buy-sell transactional service organization and business processes as well as a highly scalable infrastructure.

The client has reaped substantial benefits from this partnership, including:

- Control of strategic spend to leverage buying power across global business units
- Control of component quality
- Protection of negotiated component pricing to maintain competitive advantage
- Adherence to negotiated contract terms and conditions as well as to assigned business shares
- Assurance of supply through leverage of HP’s access to global markets, and effective allocation management during market shortages
- Leverage of engineering skills and resources for complementary professional services

Overall, the client has achieved double-digit million-dollar savings while improving procurement quality and accuracy.
HP can help you take the first step toward realizing full BPO benefits.

We can help you dramatically improve your business operations so you can derive significant value with the least amount of risk. But getting started is a daunting task. What to outsource? Where to outsource? What would be the financial impact? What is the implication for your IT infrastructure?

HP offers a strategic assessment solution to help you address these questions so you can embark on your outsourcing/shared services journey. Our experienced BPO and shared services experts can assist in developing your BPO strategy in the context of your current state, business objectives, and the pace/magnitude of change that is acceptable.

HP employs a proven, phased approach for strategic assessment, as illustrated above.

In the assessment phase, we systematically evaluate your current business processes, organization, and systems environment and establish a performance baseline. In the concept development phase, we define an optimal sourcing model for business processes and create a business case for it. In the implementation planning phase, we develop a comprehensive rollout plan covering stakeholder communication and change management. If you decide to give up ownership of some non-strategic business processes, HP can be your partner for ongoing delivery.

Whether you want to set up your own shared services organization or outsource some of your operations, or need to determine which of these is the better option for you, our experienced consultants can help you.
With a breadth and depth of comprehensive solutions offered worldwide—plus deep industry experience and expertise—HP is uniquely positioned to assess your specific BPO requirements, develop a tailored solution, and seamlessly deliver the solution to generate cost savings and process improvements. Here are several reasons why you should consider HP BPO solutions:

**HP’s global delivery capabilities and process excellence**

HP has a BPO delivery footprint of more than 60 regional and in-country front offices with more than 5,400 employees in global business hubs across India, Costa Rica, Mexico, Spain, Eastern Europe, China, Singapore, and the United States. Our trained and experienced staff can support more than 30 languages while processing more than 150 million annual transactions. We have a very strong offshore presence, with one of the largest finance and accounting operations in India—which has among the lowest attrition rates for BPO operations centers.

We have a proven transition methodology and an experienced transition team that has successfully managed more than 500 large transition projects. Our experience in managing the merger of HP with Compaq, which involved integration and consolidation of more than 500 processes in global centers, has further enhanced our capability to manage complex business transformations.

We deploy our proven Six-Sigma methodology to provide high quality and reliability in our processes. We continuously benchmark our operations along key indicators (process efficiency, quality, and more) to maintain our performance at world-class levels as defined by Hackett and other industry associations, which translates into improved process performance and associated business benefits for our clients. In addition, we leverage HP’s technology strength to offer platform-independent technology enhancements in the form of workflow tools, scanning solutions, and Web enablement to further reduce operating costs and improve productivity.

**HP has been through the journey—and we practice what we preach.**

Over the last 15 years, we have been through a journey of regional consolidation, global consolidation, digitization, and commercialization of our own shared service facilities. This experience has given us an unparalleled insight into the complexities involved in integrating globally dispersed organizational units with disparate systems and processes, in planning transitions without loss of control, and in managing organization-wide change.

As a result, you can leverage HP’s experience, best practices, and change management experience to execute your transformation faster, more efficiently, and with lower risk. Furthermore, we manage our BPO business within HP the same way we do commercial accounts. Our best practices, process improvements, and technology-enabled process automation are tested and proven. HP’s shared services have been consistently rated as among the best in the world on cost and performance metrics by independent agencies.

HP BPO has a proven track record of execution for our parent organization, and we will continue to invest in our global delivery infrastructure. This investment helps create a perpetual state-of-the-art environment for HP and our commercial BPO clients.

**HP has a deep understanding of the industry.**

HP has a unique blend of experience both as a successful player and as a leading technology service provider in the discrete manufacturing industry. HP has the experience of managing the largest and some of the most complex supply chains in the high-tech industry—spanning 160 countries. HP has standardized processes (based on the Supply Chain Operational Reference model recommended by the Supply Chain Council), practices integrated management of supply and channel partners, and is extremely advanced in the management of third-party manufacturers.

HP offers a host of technology and business solutions apart from BPO across the discrete manufacturing value chain, covering collaborative product development, product lifecycle management, sourcing and procurement, partner manufacturing management, supply-chain and logistics management, manufacturing execution, selling and distribution, and warranty services.

In HP, discrete manufacturing companies can find a thought leader that offers relevant domain expertise in addition to world-class transaction processing.

**To learn more**

If you are interested in learning more about HP’s strategic assessment and outsourcing services, please contact our discrete manufacturing sales executives:

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- Stafford Toone (stafford-paul.toone@hp.com)

Or visit: [www.hp.com/hps/process/](http://www.hp.com/hps/process/)