



The 2003 Outsourcing World Summit

Conference & Exposition

BPO Decision Framework

Monday, February 24, 2003

Round Two – 4:10 – 5:00 PM

Session F

ABE ESHKENAZI, CPA, CHE, CAE

Managing Director

AMERICAN EXPRESS COMPANY TAX & BUSINESS SERVICES INC.

Learn: How to determine if outsourcing is advantageous for selected business processes within your organization or department.

Leaders often develop strategies regarding business process outsourcing without consideration for organizational competencies, internal workflow redesign, or risk analysis.

The strategic process for these types of decisions needs to focus on alignment of the organization's objectives, strategies, and tactics. This is the critical component of determining what to outsource, whom to partner with, and the critical success factors that lead to a successful outsourcing arrangement.

This session provides the decision framework to identify and evaluate business processes within an organization that may be outsourced. The insights shared are derived from the case study of an organization starting with the identification of significant internal challenges in the finance department to full implementation of an outsourced solution.

Key areas to be covered are:

- Identifying critical business issues
- Making the decision to outsource
- Developing a "cost-benefit" analysis of outsourcing
- Understanding the outsourcing process flow
- Controlling the transition process
- Maintaining a productive relationship with the outsourcing provider



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ABE ESHKENAZI, CPA, CHE, CAE

Managing Director

AMERICAN EXPRESS COMPANY

TAX & BUSINESS SERVICES INC.

Mr. Eshkenazi is Team Leader and a Managing Director for American Express TBS Consulting Group, which provides business, operational improvement services, and outsourcing to professional service organizations, education, governmental, and tax-exempt organizations. Mr. Eshkenazi is primarily responsible for business development, project quality and engagement review. His leadership role includes project management, assisting clients in operational efficiencies through business process redesign, individual and organizational alignment, cost containment, and managing implementation of information system enhancements and integration.

Mr. Eshkenazi last position was Principal and Managing Director for Collaborations in Healthcare; a healthcare consulting company he helped create. Mr. Eshkenazi spent four years as Vice President and CFO of the American College of Healthcare Executives and ten years as CFO of non-profit health services organization.

Most recently, Mr. Eshkenazi has led the privatization of:

- City Colleges of Chicago Office of Finance and is currently serving as Vice Chancellor/CFO for the City Colleges.
- Jane Addams Hull House Association Finance Department.

Education/Certifications

MBA, Northwestern University, Kellogg Graduate School of Management (Marketing & Management)

MBA, DePaul University (Finance)

BA, Northeastern Illinois University

Certified Public Accountant

Certified Healthcare Executive

Certified Association Executive



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Business Process Outsourcing Decision Process

Presenter

Abe Eshkenazi, CPA, CHE, CAE

Managing Director for the Consulting Practice of American Express TBS-Chicago; which provides consulting and outsourcing services to professional service, education, governmental, and tax-exempt organizations.

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Mr. Eshkenazi has earned an MBA from Northwestern University, Kellogg Graduate School of Management and from DePaul University, a BA from Northeastern Illinois University. Additionally, Mr. Eshkenazi holds Certifications as a Public Accountant, a Healthcare Executive, and an Association Executive.



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Outsourcing

Fears & Obstacles

- Lack of trust
- Loss of control
- Perception of failure
- Bureaucracy
- Culture

Options

- Recognize – *What is it?*
- Understand – *Why does it matter?*
- Evaluate – *How can we assess/compare it?*
- Act - *Do something?*



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Types of Outsourcing Arrangements

- Intermittant use (staff on demand)
- Management control (retain CFO)
- Functional control (retain staff)
- Shared Service/ASP
- Complete outsource
- Co-Source (BPO)
- Combination of services can include blend of:
 - management skills
 - employees
 - technology
 - systems
 - procedures
 - materials, equipment, and the physical facility



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Outsourcing Objective

Create/Increase competitive advantage

- Organizational focus on core activities**
- Higher quality**
- Improved service**
- Superior technology**
- Access to specialized management skills**
- Timeliness**
- Reduced costs**



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Corbetts' Three Question Test

- 1. If starting today, would you do it yourself?**
- 2. Would other companies hire you to do it for them?**
- 3. Will tomorrow's CEO come from here?**

**If it's a core function - the answer will be
Yes to all three!**

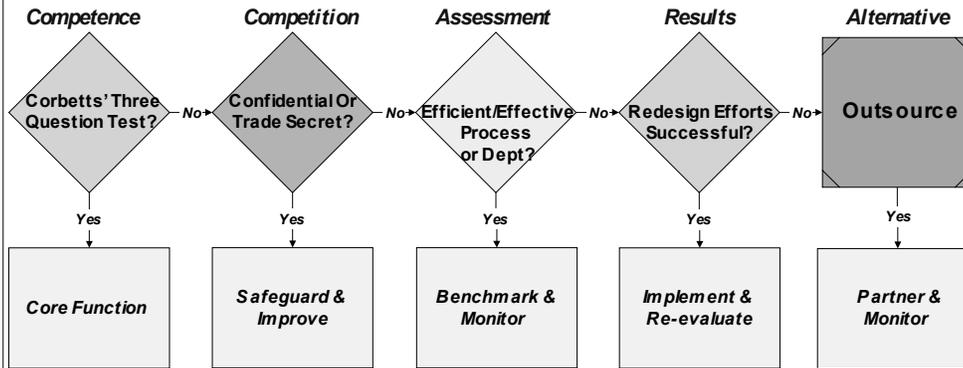
Copyright © 2002 Michael F. Corbett & Associates, Lt.



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Deciding What to Outsource



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Strategic Assessment

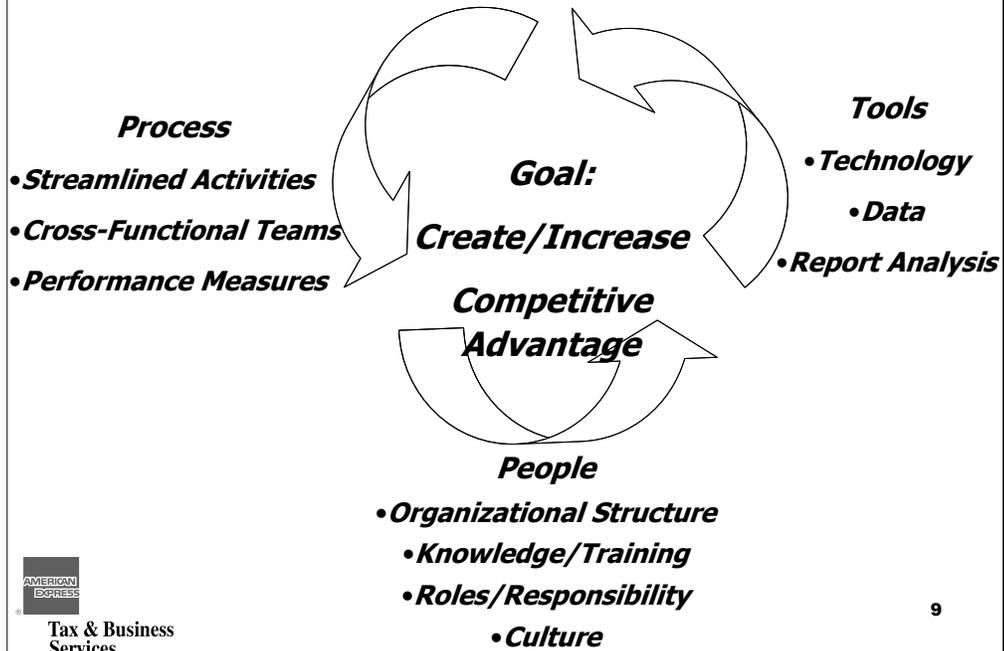
- Strategic**
 - What is governance/leadership style?
 - Are mission/strategies/goals clearly articulated?
- Current Situation**
 - Is company successful? Productive?
 - Is company meeting its strategic objectives?
- Competitive Market**
 - Assess external factors (economic, political, technology)
 - What is competitive market situation?
- SWOT**
 - What are companies core competencies/weaknesses?
 - How efficient/effective are the people/process/tools?
- Evaluation**
 - Focus attention on core competencies
 - Evaluate alternatives to improve operational and financial efficiencies through BPR, BPO, outsource of non-core activities, joint ventures, acquisition . . .



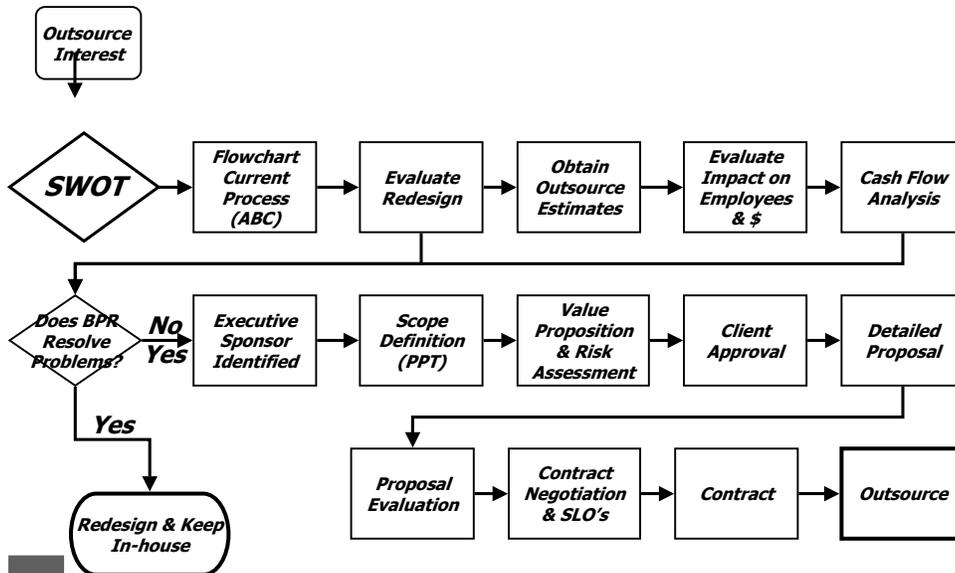
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Process - Tools - People



Outsource Decision



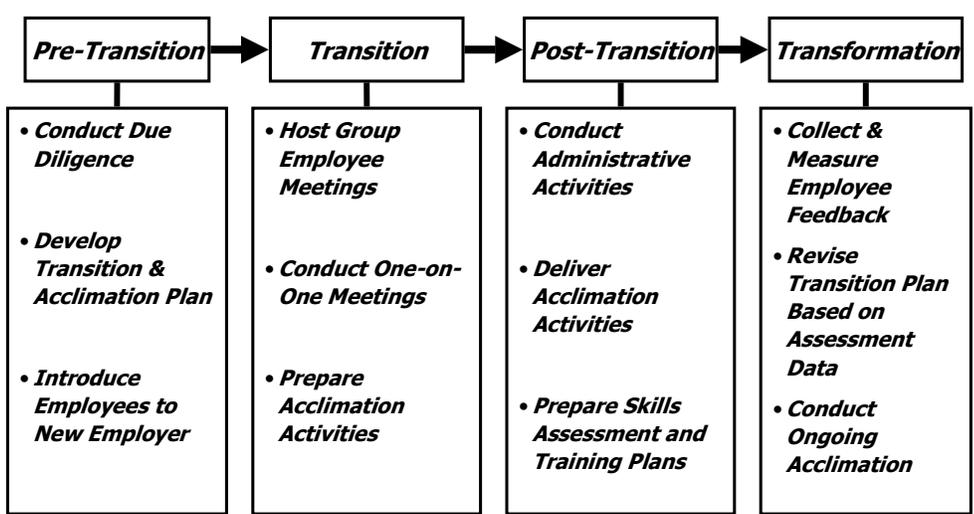
Adapted from "Thinking Through the Privatization Option", I. Fryklund, 1997

Outsourcing Process Flow

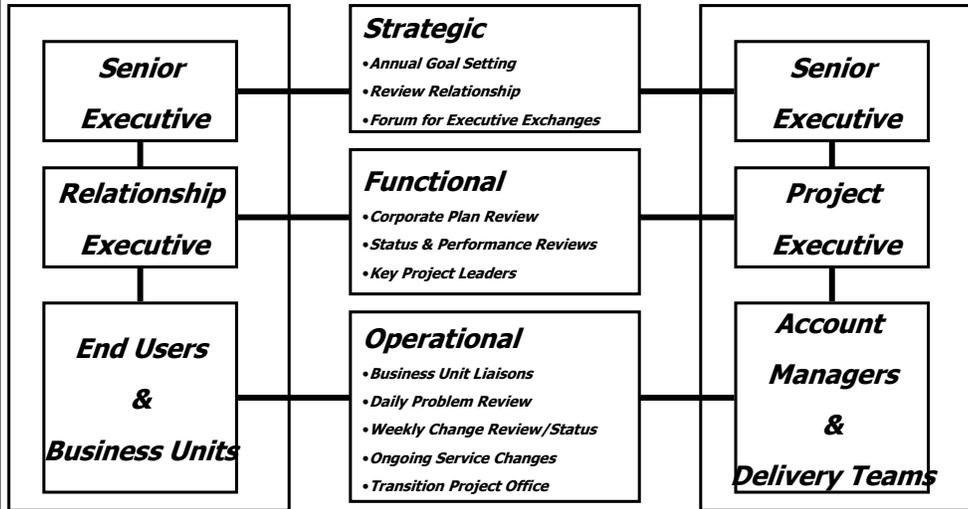
Phase One		Phase Two		Phase Three		Phase Four		Phase Five
Consulting		Transition		Development		Implementation		Exit
Cultural Assessment	Announcement	BPR Rollout	Employment	Create BPR Teams	Skills Development	Implement Plans	Maintenance	Renegotiate Contract
Communication Strategy		HR Transition Mngmt Team		Provide Training		Ensure Deliverables are Met		Transfer Plan
Assimilation Plans		Communications Plan Rollout		Set Directions/Guideline		Hire Employees		Employee Separation Program
Employee Relations		Transition Meetings		Develop Org Chart		Guide & Monitor the Process		Documentation
Compensation & Benefit Analysis		Employee Discussions		Develop SOW		Training and Performance Mng		Change Management
Staffing Review		Employee Applications		Manage Change		Manage Change		
Contract Development		Initiate Skill/Career Dev				Document		



Transition Process



Outsource Relationship



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Case Study

City Colleges of Chicago

CCC is the second largest community college in the nation

- 7 NCA Accredited Colleges (13 facilities in total)
- 8,000 staff
- 160,000 students
- Revenues/Expenses in excess of \$300MM

CCC is part of the political landscape in Chicago

- Board is appointed by the Mayor
- Significant board involvement

Programs

- ✓ Baccalaureate
- ✓ Business
- ✓ ABE/ASE
- ✓ Technical
- ✓ Health
- ✓ Remedial



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City Colleges of Chicago Finance Issues

Finance Department History

- 6 different CFO's in the past 8 years
- 65 FTE's at the central office (55 union)
- Unsuccessful financial management system implementation in 1997
- Lack of internal documentation
- Significant investment loss in 1994
- Inefficient internal processes leading to significant problems in processing/reporting timeliness and accuracy



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American Express TBS & CCC

Milestone Events

- CFO resigned in August of 2000
- New Chairman of the Board
- Board requested an analysis of Office of Finance – responsibilities and operations
- Mandate from the Mayor to remedy chronic deficiencies



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Phase I

Recognize & Understand

Strategic & Remediation Services

Review and prioritize needs

- Cover all studies completed to date
- Prioritize critical business issues

Identify resources required to implement recommendations

- Internal
- External

Address current technology situation

- Assess the current technology, software, and hardware, to understand the network and system environment
- Identification of mission critical applications
- Determine status of ongoing and/or planned projects



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Assessment Findings Evaluation

Critical Business Issues

- Absence of strong leadership
- Lack of understanding among staff of their roles and responsibilities
- Weaknesses in specific staffs' skill sets and absence of cross-training
- Low staff morale and related performance problems
- Inefficient organizational structures
- Lack of alignment between responsibility and accountability
- Absence of authority to make decisions at appropriate levels
- No change management process



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Formal Recommendations

- I. Privatization and Reorganization of the Office of Finance**
- II. Implementation of a New Financial Management System**
- III. Process Analysis to Support FMS Implementation**



Phase II Act

Tactical / Risk Assessment

- Review Financial and I/S operations to ensure that essential business operations are performed**
- Define roles, responsibilities, and accountabilities for all divisions and staff impacted by proposed outsource arrangement**
- Develop and implement communication plan**
- Develop performance measurement and monitoring systems**



Implementation Steps and Time Frame

- High Level Implementation Plan For Project Teams**



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Document



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Transition Plan

- Detailed Transition Plan Identifying Critical Tasks and Responsibility**



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CITY COLLEGES TEACHERS FEAR THEIR JOBS COULD GO PRIVATE

By J. Linn Allen
Tribune Higher Education Writer
February 15, 2001

Trail-blazing moves by the City Colleges of Chicago that could lead to privatizing of the system's operations—including teaching—have touched off a furious reaction by unionized faculty members who fear their jobs will be abolished.

The Cook County College Teachers Union is planning to picket outside City Colleges board meeting . . .

THE CHRONICLE OF HIGHER EDUCATION

chronicle.com/money

Money & Management

A Community College Tests the Limits of Outsourcing Chicago's City Colleges has jettisoned IT workers and accountants. Are professors next to go?

By JAMILAH EVELYN

Chicago

From the issue dated April 12, 2002



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Successful Outsourcing

Lessons Learned

- A strategic vision and plan
- Senior executive support and involvement
- Investment of time by vendor and supplier to understand and clarify relationship before engagement is commenced
- Identify key resources
- Selecting the right vendor
- Clear and unambiguous contract that is flexible (contradiction in terms!)
- Ongoing management of the relationships
- Open communication with affected individuals/groups
- Careful attention to personnel issues
- Long term financial justification



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Contracting

Key Decisions

- Specify how the contractor is to be measured
- Develop benchmarks or baselines for acceptable performance standards
- Roles and responsibilities clearly defined
- Types and timing of reports
- Be willing share risk
- Conflict Resolution
- Communication, communication, communication

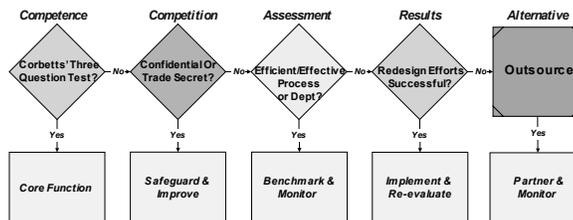


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How Do You Get Started?

- Determine whether the business process is too complicated or sensitive to be controlled outside the organization
- Identify primary stakeholders
- Collect and analyze data
- Determine high level outcomes indicators
- Establish guiding principles - overall and per function



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**QUESTIONS ??
COMMENTS !!**



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**For more information on this
topic please contact:**

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