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Outsourcing

Client success story

Victorian State Government



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Human resources business process outsourcing (HR BPO) has existed ever since companies started sending their payroll services to third parties and contracting the management of pension plans. But the practice of outsourcing multiple HR services to a single provider is a relatively new phenomenon.



What might surprise some is that the Australian state of Victoria was among the earlier pioneers of this practice. When the Victorian State Government in Australia decided in 1996 to use outsourcing to facilitate the implementation of a shared services HR arrangement for two of its Departments – Premier and Cabinet, and Treasury and Finance – as well as for its internal IT operations, little did it know that it would be taking one of the first steps toward creating a brand new industry. All that these enterprising government officials knew at the time was that operating their own internal HR administration for each separate government Department was costly, inefficient and distracted them from focusing on service delivery to citizens.

While these two Departments only accounted for 1,100 staff, each had separate human resources departments, different payroll/HR software systems and divergent work practices. The Victorian State Government leadership knew something truly innovative had to be done to synchronize it all.

Ultimately, the decision was made to merge the Department of Finance and the Department of Treasury, and, together, with the Department of Premier and Cabinet, they proposed to outsource their collective HR services as seamlessly as possible to facilitate the convergence of practices between the Departments.

Innovating HR, creating an industry

Following an extensive bidding process, in February 1996, the two Departments and Accenture signed what came to be known as one of the first significant multi-service HR BPO contracts in the world.

"The initial contract was exciting for Accenture and the Departments, because we were basically inventing the right solution with very little precedent to draw from," said Leigh Maynes, Service Director for Accenture HR BPO Services. "It was a five-year contract focused on transforming the Departments' HR function, which involved transitioning their transaction processing, including HR administration, occupational safety, performance management for non-executive staff and formulation and administration of workplace training programs. We were able to create a state-of-the-art HR system for the Departments and outsource it at the same time." Because the practice was so new, the

Departments decided to maintain control over a variety of HR services in this first contract, including executive contract and remuneration, policy development and review, maintenance of HR delegations and the coordination of a graduate program.

While this initial contract achieved cost savings in the vicinity of 30 percent, the Departments agreed that they needed to seek more from the service provider in the second contract. They were looking for a provider with experience, knowledge of their business operations, commitment to making it work, and trustworthiness.



The 2001 contract

In 2001, the two Departments wanted to expand the scope of their HR BPO arrangement and engaged in a new bidding process to find the right vendor for their needs. Accenture – which by 2001 was a trusted partner – was chosen for this new contract as well.

The new contract established a shared set of objectives. It introduced the concept of "non-exclusive services;" documented the HR processes, specifying the responsibilities of both the Departments and Accenture; extended the outsourced arrangement to cover more policy and information support; and, introduced a comprehensive performance-management regime including a balanced scorecard and annual satisfaction survey.

"A key element to the second contract was the desire to transition to more self-service HR tools, improve the account-management systems and step up service delivery across the board," Maynes said. "The

Departments wanted to improve their constituent services and vendor management and saw HR BPO as a means to delivering tools such as call tracking to monitor completion rates and contract-management systems to ensure that service contracts were being effectively handled. The end result was a significantly enhanced level of service – one that included employee self service, e-learning and many new processes that the government wasn't looking to invest in and implement on its own at that time."

A decade-long collaboration

The partnership between Accenture and the Victorian State Government has fundamentally changed the way the two Departments view HR and how HR programs should be implemented. Accenture's experience in HR business process outsourcing, knowledge of the client's business operations, and proven trustworthiness led Departmental management to transition almost all operational activities to the company. "If a new operational task comes up, the internal HR Director's first question should be 'Who should do this?' and if Accenture can, we will talk to them," said Laurinda Gardner, Deputy Secretary, Strategic Management Division for the Victorian State Government's Department of Treasury and Finance.

Solidifying this partnership, the Accenture/Victorian State Government contract was extended to 2006 and to encompass a newly established agency, the Department for Victorian Communities. The scope of the contract continues to expand as well, with Accenture now providing full-service HR services including:

- Recruitment
- Learning
- Workforce Performance
- Rewards (Compensation & Benefits)
- Payroll
- Employee Services
- Customer Contact Services
- HR Technology Services

Working together, Accenture and the Victorian State Government have achieved a new breadth and depth of human-performance capabilities. Strong relationships have been fostered within the state government, with significantly improved transition capability. Furthermore, systems are better integrated and the Departments make far better use of technology.

An evolving view of HR

"In the initial contract, achieving cost savings was the primary driver and really the only concrete measure of the arrangement's success," Maynes said. Both sides could point to the 30 percent savings to show that HR BPO worked. But interestingly, the senior officials were even more impressed by the potential to continue to focus on HR to further support business objectives.

In the second contract and continuing today, cost is not the primary factor. In an effort to become a high-performance organization, the Departments wanted – and received – a much higher level of service. Accenture now owns the information technology that supports the services, thus, relieving the Departments of another task.

Today, Accenture and the Victorian State Government are true HR partners. "We bounce ideas off its strategic HR leaders before we plan the implementation of a new program," said Gardner. "Accenture has a lot of experience to bring to the table; it has become a trusted advisor in this regard."

This relationship has even stood the test of government turnover. When a change in government leadership happened in 1999, Accenture stepped right in and helped the new governing party with its transition planning – including its staff recruiting.

"Eventually, what we've created is a relationship that is no different from working with one of our internal teams," says Gardner. "In fact, one of the risks of this relationship is the instinct to do too much and get sucked back into the day-to-day work. The key to making an HR BPO relationship work is to stay strategic and trust your partner to handle the transactional business that you handed off."



In the end, it is this new strategic HR focus that makes HR BPO arrangements so valuable. "Today, we focus far more on the capabilities we need in our workforce," said Gardner. "We have been able to focus more on the strategic elements of HR than we would have if we'd never entered into this relationship."

As an HR BPO pioneer, the Victorian State Government has a unique view of the client/provider relationship, especially regarding government HR BPO. The client has become an in-demand expert in the field and is often asked for its advice in forming an effective government HR BPO relationship.

"We've talked to many other states that have been looking to do this," said Gardner. "We believe that it is very important to understand what you want and to be very clear. You have to spend a lot of time and effort on the relationship; this investment will pay off because it will help break down the inevitable problems. Our relationship with Accenture has worked because we've had strong account management and client services. We're aware of what they can provide us and always understand where they are coming from."

In 2007, the Victorian State Government again extended its HR BPO contract with Accenture for another three years, making it one of the longest running HR BPO relationships in the world.



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