


BAIN & COMPANY

Results brief

Insights to make companies more valuable

How to make the most of your back office

by Paul Rogers and Hernan Saenz

When back-office costs spiral and services fail to deliver, the reflex is often to cut support services across the board. But a recent Bain study of 37 companies—in industries ranging from consumer products to financial services to energy—shows that strategically trimming and reconfiguring support functions such as HR, finance and procurement is often smarter than making wholesale cuts. Done right, it can actually improve effectiveness as it reins in costs.

Companies that focus on support services generate results, and they come in three flavors: higher revenues, more effective service and reduced costs

To reduce use, companies need to simplify what support functions are expected to deliver and eliminate nonessential activities by focusing on what's most important to the customer or the business. Reducing the number of financial reports at an advertising company we studied, for example, was an easy move to make. A more creative solution is to charge for services, for instance requiring business units to pay for reports from a shared market research function. Often, that reduces use. More important, it creates a market mechanism that favors the most efficient, high-quality services. These types of changes are relatively simple to implement, and in our



“Congratulations! We’ve reduced all costs to zero! Now, let’s all let ourselves out and turn off the lights.”

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More insights from Bain

[Management Tools and Trends 2007](#)

Bain Brief

June 1, 2007

by Darrell Rigby and Barbara Bilodeau


This year’s survey found four strong themes: Companies understand the value of managing their customers and acting on customer insights; companies are looking outside their own organizations to innovate and grow; they are also eager to

study, they accounted for an average of 25% of total savings in strategic back-office cost reduction. Shared services also appear to be on the rise: When we polled 1,221 executives at global companies for Bain's 2007 Management Tools and Trends survey, 55% said their companies use shared service centers. There's room for improvement, however, as satisfaction was significantly below the mean for the 29 tools surveyed.



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— Hernan Saenz

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Redesigning smarter support services requires companies to dissect their processes. The key here is to focus on the most essential processes (financial reporting in finance, for instance, or recruiting in HR), eliminating steps that don't truly contribute to the business. Automation is often part of the solution. In a simple example, one telecom equipment company provided its salespeople with CRM software so they could pull up customer details and price quotes in real time, which improved their speed and effectiveness while also reducing costs. The move allowed the company to trim the sales administration and finance functions that managed and updated customer information. Another step is to purchase better inputs at lower cost by consolidating or bidding out for

complement cost-cutting tools like Shared Service Centers and Offshoring with tools that help them manage global businesses, as opposed to reducing costs; finally, Bain has identified those that consistently rate above average in both usage and satisfaction across industries.

[Growing the "private" club](#)

The Wall Street Journal

May 25, 2007

by Orit Gadiesh and Hugh MacArthur

Boards are beginning to ask themselves, "What would we do differently if we were privately held?" And the answer is a lot. Private equity shareholders, particularly those from top firms like Blackstone, behave like active owners—they understand the companies they own and drive them to address problems more rapidly while investing more deeply in attractive longer-term initiatives.

[Googling growth](#)

The Wall Street Journal

April 9, 2007

by Chris Zook

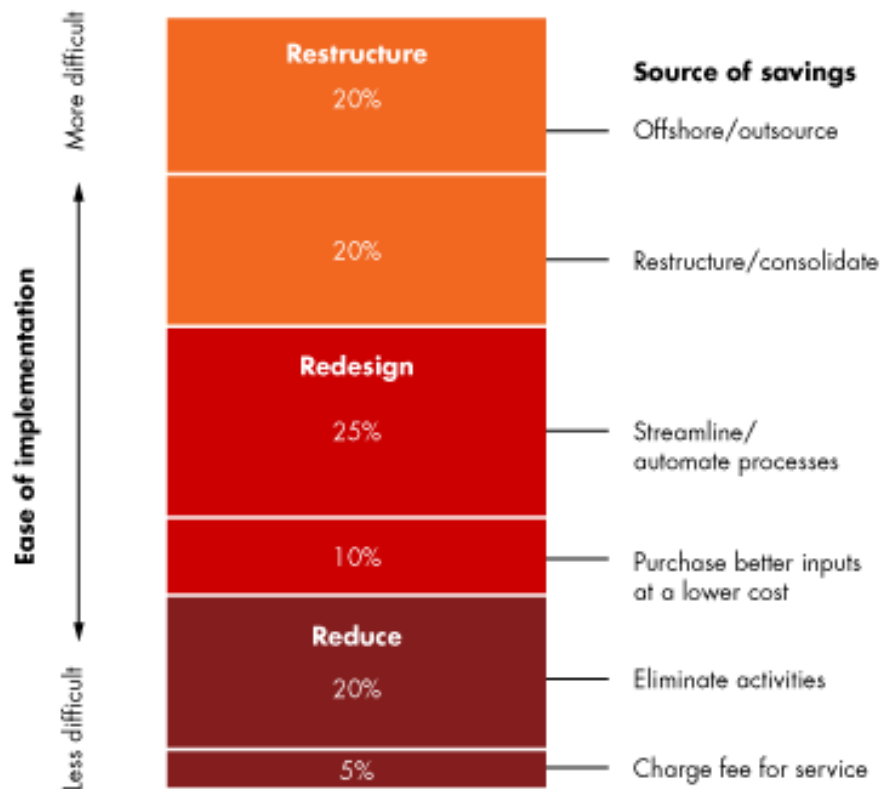
Facing a slowdown in its core business of selling ads tied to search terms, Google has been scouring the landscape for acquisitions. For most companies,

indirect expenses such as hotels and travel, cleaning and maintenance services, telecommunications, and utilities.

Working smarter on the right processes is generally harder to do than simply reducing demand, but it yields more savings, accounting for approximately 35% of total savings in our study.

Getting more for your G&A spend

In our study of 37 companies, some simple steps led to high savings, but the most benefit came from substantive changes. Here's the average savings for the group as a whole:



Restructuring, though hardest to execute, typically has the biggest impact, contributing some 40% of the total savings achieved in our study. The goal is to ensure that support services are located and organized in such a way that they can perform most effectively at lowest cost by, for example, consolidating services currently done in several countries into a regional shared service center or by moving services out of the business units and into corporate headquarters.

Sometimes, restructuring will lead to the decision to outsource.

reinvention of a core business doesn't have to involve such high levels of risk. Bain's research shows that nine out of every 10 companies that successfully renewed themselves in the past decade found the solution in mining their hidden assets -- assets they already possessed but had failed to tap for maximum growth potential.

The unassured future of wireless data

BusinessWeek Online

April 17, 2007

by Rasmus Wegener and Pratap Mukharji

On the surface, it would seem that text messaging and other wireless data services are becoming commonplace. But a recent Bain survey shows that only 10% of US subscribers accounted for more than 90% of all text-message traffic. Such patterns of use indicate that wireless providers will have a harder time expanding their data services profitably.

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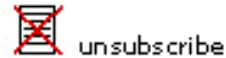
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Kyobo Life Insurance, in Korea, added an outsourced call center to support customers so salespeople who used to provide support could focus on selling. The result: a jump in revenue, a dramatic increase in customer service rankings, and a savings of nearly 40% in back-office costs. The right approach is critical: outsourcing, though widespread, continues to fall short of many companies' expectations. Three out of four respondents to our 2007 Management Tools & Trends Survey outsource some functions, but satisfaction remains well below the mean for all tools.

Companies that focus on support services generate results, and they come in three flavors: higher revenues, more effective service and reduced costs. When companies follow this approach, it's like taking off the parking brake and stepping on the accelerator.

Paul Rogers is a partner with Bain & Company in London and head of Bain's Global Organization Practice. Hernan Saenz is a Bain partner in Boston and a senior member of Bain's Performance Improvement Practice.

For more information on improving your back-office effectiveness, read "[Make your back office an accelerator](#)," by Paul Rogers and Hernan Saenz in the March 2007 issue of *Harvard Business Review*. For more information on Bain's 2007 Management Tools and Trends Survey findings, read [Management Tools and Trends 2007](#).

In the news

Toyota's success pleases proponents of 'lean'

USA Today May 3, 2007

A cheer went up last week when Toyota sold more cars and trucks than General Motors. The cheer obviously did not erupt from the US auto industry. Rather, it came from the industry of experts and consultants who sell the no-waste business regimen known as lean manufacturing. A Bain & Company survey shows that only 19% of companies that have tried lean manufacturing are happy with the results, says Mark Gottfredson, the leader of Bain's Global Performance Improvement Practice.

Straight talk

Financial Express May 7, 2007

Private equity funds are increasing their reach in India. Their mere presence there indicates a strong interest in Indian markets. Sri Rajan, who leads the Private Equity Practice at Bain & Company in India, weighs in on the growth issues and sustainability of the funds in India.

Sidbi plans to launch private equity fund

Business Standard May 1, 2007

The Small Industries Development Bank of India (SIDBI), the state-run lender to the small-scale sector, is planning to launch a Rs100-crore private equity fund, which will invest in small and midsize companies. A recent study by Bain & Company, a global consultancy firm, said the private equity market in India would more than triple, to \$7 billion, by 2010. According to the study, world class differential capabilities in manufacturing and services combined with expanding domestic demand will fuel private equity growth over next 5 years.

Job deferrals add options for students

The Wall Street Journal May 3, 2007

In a bid to attract top talent in a tight job market, companies are letting college seniors interested in philanthropy defer job offers and spend two years teaching at underfunded schools with the nonprofit organization Teach for America. Many well-known employers target similar prospective hires: college seniors with relatively high grade-point averages and leadership positions in campus groups. "What we are looking for are exceptional people who have a passion," says Chris Bierly, a partner at Bain and leader of its undergraduate recruiting, which has in the past let people defer offers to pursue educational fellowships and nonprofit work on a case-by-case basis. "A good number of those folks are drawn to consulting, and they are also drawn to helping their community."

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Fortune's annual "100 Top MBA employers"

Fortune May 3, 2007

Think of it as a popularity contest for companies. Each year, research firm Universum surveys MBA candidates on where they'd most like to work. Global consultant firm Bain & Company ranked #4. A Bain spokesperson says, "The company is always looking for people who are passionate, motivated and rewarded by helping our clients achieve results."

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