



Karim Rasched, Business Change Manager, Marriott Hotels, Ltd.

PROCESS IMPROVEMENTS WITHOUT THE PAIN

BUSINESS PROCESS OUTSOURCING HELPS MARRIOTT HOTELS, LTD., SAVE MONEY AND FOCUS ON ITS CORE BUSINESS.

The clock was ticking for Marriott Hotels, Ltd., in 2005. The U.K.-based management company needed to separate its IT infrastructure from its parent company, Whitbread PLC, after hospitality company Whitbread sold its hotels business. That meant that at the conclusion of the two companies' one-year transitional services agreement, Marriott could no longer access the financial applications it had shared with Whitbread, recalls Karim Rasched, business change manager for Marriott Hotels.

In that tight time frame, Marriott Hotels would need to accomplish a seemingly impossible feat: plan the separation, launch new HR and payroll applications, and rebuild the IT infrastructure—not to mention hire the technical and business staff needed to run everything. “Marriott would need to suddenly pay about 10,000 employees who had previously been Whitbread employees,” recalls Stephen Randall, an associate with Hewitt Associates, a U.K.-based consulting firm hired by Marriott Hotels to help with the transition.

JOHN BLYTHE

But Marriott Hotels executives had a plan. They selected a strategy called business process outsourcing (BPO), which meant contracting with Hewitt to provide the expertise to run Marriott's business operations and tapping into Oracle On Demand for all of the necessary technology and infrastructure.

Marriott Hotels is now reaping the benefits of this decision. BPO has not only meant improved cost transparency and business efficiencies for the company; it's also helping Marriott Hotels transform its business processes to address constantly changing global requirements.

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>>SNAPSHOTS

Marriott Hotels, Ltd.
www.marriott.co.uk

Location: More than 65 locations throughout the U.K. **Employees:** 12,000 **Oracle products and services:** Oracle On Demand; Oracle E-Business Suite, including Human Resources Management System and Payroll; Oracle Discoverer

Hewitt Associates Inc.
www.hewitt.com

Headquarters: Lincolnshire, Illinois
Employees: More than 24,000
 Hewitt is the world's largest provider of multiservice HR business process outsourcing, with a focus on helping organizations maximize their HR investment.

Marriott International, Marriott Hotels' parent company, had a long history of using Oracle's PeopleSoft applications, so Marriott Hotels and Hewitt faced a decision: stay with Oracle E-Business Suite or switch the U.K. operations to PeopleSoft

says. "We also have clarity about what the cost will be for the duration of the agreement, regardless of what our business sees in terms of growth."

POTENT PARTNERS

Ironically for Marriott Hotels, the Whitbread organization announced the hotel spin-offs in the same week that Marriott Hotels completed a new implementation of Oracle E-Business Suite 11i for supply chain, finance, HR, and payroll. The North American operations of

WHAT IS BPO?

Business process outsourcing (BPO) is becoming an increasingly popular choice even for organizations that aren't undergoing major business disruptions such as a change in ownership, says Lowell Williams, executive director for HR services at EquaTerra, an IT and business process advisory firm. "When companies look at the staggering cost of buying and operating systems by themselves, they sometimes turn to outsourcing as a way, in effect, of renting a provider's system," Williams says. "You're essentially buying a system by the drink rather than owning the bar."

The top BPO solutions span finance and accounting, including accounts payable and receivable; procurement, supply chain, and workflow systems; HR; and IT, explains Williams. Unlike software as a service (SaaS) and other outsourcing alternatives, BPO encompasses the hardware and software as well as the staffing to run the entire business service.

Enterprises also can choose a

mix-and-match approach by selecting a single provider or multiple providers for the various services. Oracle's contribution to a BPO solution includes a highly available and scalable data center and expertise to manage the IT solution, which either BPO service providers or enterprises can draw from. The company's range of business applications, including Oracle E-Business Suite, Oracle's PeopleSoft Enterprise, and Oracle's JD Edwards EnterpriseOne, also offer industry-leading enterprise programs for BPO providers to offer their clients. "Oracle is one of the strongest players in HR technology in the marketplace today and stands every chance of being the major provider of HR systems and services," Williams says. "In addition, it has very strong systems in finance, supply chain, and logistics. Those are tremendous assets."

BUSINESS DRIVERS FOR BPO

Six important business drivers are pushing enterprises to consider the BPO option. First, enterprises may

decide to use BPO so they can focus on their core competencies within their business segment—the areas of expertise or intellectual property that help them gain a competitive edge. Essential commodity services, such as back-office operations, can be less costly and more efficient to run if they're turned over to a company that specializes in each respective area. "Companies decide to concentrate on better serving their customers by letting go of their payables, receivables, HR, or procurement functions," Williams says.

Similarly, BPO can mean a higher level of expertise in key business areas. "If I'm in an in-house HR department in a corporation, I may spend 20 percent of my time on compensation matters, 30 percent on benefits administration, 10 percent on learning, and the rest on recruiting and other areas. That means I'm a generalist. I may be doing compensation, but I'm not a comp expert," Williams points out. Providers of HR BPO, by contrast, can offer experts in each subgenre.

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or even another platform.

“We had to consider what the overall impact would be on the hotels, after they had just gone through the implementation of the new Oracle applications,” Rasched says. “We had just gone from a very centralized infrastructure to one that was significantly more reliant on self-service applications.”

Rasched’s group decided to stay with Oracle E-Business Suite and capitalize on the training and data mapping it had completed for the implementation. “Hewitt made the recommendation that we look at reimplementing the Oracle platform for HR and payroll because we’d just developed a good solution for our business, and it was working successfully,” Rasched says. “The processes were already well defined. From a technical perspective, moving to the Oracle On Demand environment was relatively simple because all we had to do was figure out the network connections among Hewitt,

Oracle, and Marriott and design a new interface to Marriott’s PeopleSoft-based general ledger [GL]. This was relatively easy to achieve due to Marriott’s extensive in-house expertise at operating and maintaining various GL solutions for its global financial processing requirements.”

The HR and payroll applications now run within the Oracle On Demand data center, located in Austin, Texas. During the one-year transition phase, Marriott Hotels had to move to Marriott’s GL system, a new expenses solution, and the new payroll application, as well as a new networking infrastructure to allow desktop PCs to communicate. “All of that had to happen at the same time, so we had to find ways of minimizing impact where we could,” Rasched recalls. “In the HR and payroll areas, we had the opportunity to effectively do a ‘lift and shift,’” thanks to the preceding work Marriott had done.

Third, BPO can give enterprises cost savings of 15 to 35 percent, or higher, compared to internal operations, Williams adds. The reason? “As BPO providers specialize in certain niches and provide similar services to a large number of global companies, they become process champions in those areas,” says Tibor Beles, vice president for business process outsourcing at Oracle. “They can bring to the table the best practices in each process area to gain greater process efficiencies.”

A fourth driver is derived from a related form of cost avoidance—enterprises don’t have to invest already-tight resources for new infrastructure and staffing in response to business realignment.

Fifth, the growing number of regulations facing companies throughout the world is spurring organizations to consider BPO as a part of their compliance strategy. By centralizing services, enterprises can ensure that regulatory policies are being applied consistently throughout all of the various divisions.

“A service provider can streamline processes across geographies and then document these processes accurately,” Beles explains. “These are all factors that contribute to effectively maintaining compliance.”

Finally, and perhaps the most significant growth area for the future, BPO can help organizations undergo fundamental business transformation. Because BPO providers are experts at engineering efficient business processes, they can perform a consultancy role for optimizing internal operations. “It is not enough just to take a broken process and get the BPO provider to run it for you,” Beles points out. “That may prove cheaper in the short term, but it’s certainly not better over time.”

Instead, an enterprise may need a process expert to take a high-level view of the entire business system and suggest fundamental revisions. “The change is driven by the expertise of the third party that runs the process assessment, that designs the future process flows and takes the client company through the

transition phase,” Beles says. “That enables a company to go beyond what was possible in the past. That’s when BPO becomes a strategic tool.” A merger or acquisition is often a catalyst for BPO transformation to streamline process between the parent company and the new divisions, Beles adds.

The return on investment depends on which of these business challenges an organization is addressing with BPO. The relatively straightforward outsourcing of HR or finance operations could bring a return in about 24 months, Williams says. Other areas, such as procurement, may see even faster returns once the client and BPO provider consolidate information from disparate divisions and suppliers and centralize purchasing. “We had one consumer goods client that spent about [US]\$2 million in transition costs to pull everything into one place, and it saved [US]\$14 million in media buying alone in the first year,” Williams says. “The payback occurred within months.”

The organization now uses Oracle E-Business Suite HR and payroll applications, relying on Hewitt's expertise to help run the processes and Oracle On Demand to host and manage the programs. Rasched's group and the Hewitt team manage the activities between the U.K. hotels, Hewitt, and

the Oracle On Demand team. "We will control the treasury side of the payroll, for example; we will maintain the bank accounts and deal with out-of-process requests and emergencies," Rasched says.

Five Keys for BPO Success

Karim Rasched, business change manager for Marriott Hotels, Ltd., learned a number of important lessons during the process of moving the company's HR and payroll systems to a business process outsourcing (BPO) solution that utilizes Oracle On Demand and Hewitt Associates.

1 Clean up internal business processes before moving to an outsourcer. "If you can simplify your processes, it becomes easier to negotiate the deliverables with a particular partner organization," Rasched explains. "Recognize that it is not as simple as just taking a particular process, passing it over to a provider, and hoping that you don't have to think about it anymore."

2 Expect ongoing change. "We recognized very early on in the process that we needed a partnership relationship with Hewitt, rather than a straightforward supplier-buyer relationship," Rasched recalls. "These kinds of processes are in a state of flux because our organizations change all the time. We must be able to support each other when new business challenges arise. It's an ongoing relationship."

3 Seek outside help. Employ a third-party consultant to help define desired business outcomes and the metrics that will measure them. "Be clear about your business requirements and what you expect your outsourcing provider to provide," Rasched says.

4 Avoid customization. "Very early on, we decided to keep the applications as 'vanilla' as possible and design our processes around the way that the applications were conceived," Rasched says. "That has made a significant difference to our ability to upgrade without a lot of testing effort and creates very few technical issues compared to if we had launched an intricately customized implementation."

5 Implement an effective governance structure from the outset. Marriott reviews service and performance results with Hewitt twice a month. This also gives the companies a chance to discuss any new developments or challenges that arise. Marriott, Hewitt, and Oracle also conduct more-formal monthly reviews, based on a regular report that Hewitt prepares to analyze the previous month's key performance indicators and any technical issues. "We have also retained our steering group meetings with senior managers representing all of the partners involved in the original design and implementation of the solution, where we talk about long-range planning for future developments and activities and also resolve issues that may since have arisen from the original project," Rasched says.

CONCRETE BENEFITS

In addition to helping to meet its restructuring deadline, what does BPO mean to Marriott Hotels? At the top of the list, according to Rasched, are transparency of cost for key business processes and a flexible model that can quickly adapt to the needs of Marriott's rapidly growing business. He adds that individual hotels have the opportunity of reducing their expenses as they move from their standalone payroll applications to the BPO model.

However, cost and process efficiencies are only a piece of the value that the hotels now see, says Rasched. "We are not just giving them a payroll solution. We also give them a whole end-to-end process for regulatory filings, standardization of processes, better cash control, and a maximization of cash as a result of being able to do it all in one place," he explains. "That's entirely facilitated by Oracle E-Business Suite applications, and because we have merged the HR and payroll databases into one data store."

Partnering with Oracle gives Marriott Hotels and Hewitt access to industry-leading applications and IT services, as well as implementation expertise gained from the company's extensive experience with global corporations. "Oracle's involvement has been invaluable, and it was one of the major reasons for choosing this partnership," Hewitt's Randall says. "We felt that Oracle's BPO partnerships and Oracle On Demand services provided the other two legs of the partnership."

"If providers want to have full control over the cost of the operation and run the whole operation independently, obviously that's a feasible choice," says Tibor Beles, vice president for business process outsourcing at Oracle. "But if they prefer to rely on Oracle's IT management expertise and applications management expertise, that is certainly available."

In addition to quickly coming online to serve Marriott Hotels' needs, the applications fit into the company's long-term plans. "Although there are a myriad of payroll platforms that we could have chosen and operated here in the U.K., we were also looking for a model that other Marriott operations could use to expand across Europe, the Middle East, and Africa," Randall says. "Two of the reasons for choosing it were the scalability it can provide and the ability to eventually do multicurrency and multicountry payrolls." <>

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