

Case Study: EquaTerra Has the Recipe for Support Services at Darden Restaurants, Inc.

Outsourcing is Not the Only Answer

At a Glance

Company Profile

Founded: 1967

Headquarters: Orlando, Florida, U.S.

Industry: The world's largest casual dining restaurant company operating more than 1,600 Red Lobster, Olive Garden, Bahama Breeze, Smokey Bones Barbeque & Grill, Seasons 52 and other restaurants in North America. All domestic restaurants are company-owned and operated and typically perform exceptionally well.

Size: Employs more than 150,000 people

Services Featured

- Strategy and Assessment of Support Services
 - Current State Assessment, Including External Benchmarking
 - Future State Service Delivery Model Development
 - Business Case Development
- Transformation Roadmap

Business Processes Involved

- Human Resources
- IT
- Finance

Executive Summary

Darden Restaurants, Inc. was faced with an opportunity to redefine how back-office support services should be delivered to best meet the needs of its operating divisions. Like many companies, Darden was interested in the advantages of outsourcing, but senior management wanted to ensure that outsourcing was the right decision at the right time. To assist with the decision-making process, Darden requested that EquaTerra assess the company's current situation, develop a service delivery model for the future and prepare a transformation plan that would meet its need. The result was not what Darden management had expected.

Business Challenge

As Darden Restaurants, Inc. began planning for a new corporate headquarters, management questioned the type and size of facilities needed for support services. That led to concerns about how to position support services to best enable corporate objectives for dynamic growth. The scope of analysis covered all core aspects of its Restaurant Support Center (RSC) – IT, Finance and Human Resources – with key objectives tightly aligned with corporate strategy:

- Allow operations to focus on core activities that drive revenue
- Develop and implement a support service model that easily scales and adapts to support organic and/or acquisitive growth
- Leverage economies of scale so that support center costs do not grow in proportion with the number of restaurants or the top line
- Deliver services to concepts and restaurants that improve the way they operate; the transformation focus should begin with the customer experience and work backwards

In terms of delivery models, all options from continuing to operate through internal shared services to aggressive use of outsourcing were on the evaluation menu.

How We Helped

Darden's leadership team, focused on developing a fact-based service strategy, tapped EquaTerra to help it objectively assess whether internal transformational options, outsourcing or blended sourcing (a mix of the two) best served improvement objectives.

In conjunction with APQC, a member-based nonprofit that provides benchmarking and best-practice research to organizations worldwide, EquaTerra started the assessment by collecting and analyzing relevant metrics of current operations. Benchmark analysis clearly demonstrated Darden's existing cost structure was very lean – in many process areas performing solidly above the first quintile mark and service performance was high. Overall, the economic case for outsourcing wasn't compelling. Certainly labor arbitrage and modest process improvement opportunity existed, but would likely not provide a sufficient return on the investment and cost required to establish and manage a blended, multi-shore model.

The decision to outsource is complex and Darden rightly looked at a wide array of qualitative factors in determining its future-state delivery model. In the aggregate, these factors, combined with the economics, suggested Darden continue along its internal path of transformation.

EquaTerra Recommends Transformation Roadmap

The track record and continued growth of outsourcing as a strong support services delivery mechanism speaks for itself. However, as the Darden experience shows, there are many paths to transformation, and outsourcing isn't the right answer for all companies. But that's only part of the message. The real learning is that the assessment process, in and of itself, is a valuable tool in the transformation arsenal.

The process of performing an assessment and setting a strategy for delivering support services, when done well, yields transformational value regardless of the path chosen. The evaluation of metrics, practices and options is not merely introspective. Rather, the assessment process should examine comparative (external) performance, best practice deployment and commercially-competitive options. And the resulting strategy for support services becomes a roadmap for transformation.

"When you have a long tenured leadership group in IT or any function, you need to look outside periodically and make sure you're not missing something. We do that a lot with technology and applications, but it's harder to do from a complete organization and process point of view. To do that you really need to look outside and EquaTerra helped lead that effort for us.

We went in thinking outsourcing was going to be at least part of the answer. The fact that they helped us focus on all sourcing, organizational and process-related options, and not just a set few, made a significant difference. They really took the time to listen to us and understand our business. That's what ultimately got us to the right decision."

Will Anguish, Vice President
Darden Restaurant, Inc.

Results

Darden's team asked EquaTerra to present these findings and recommendations to their executive management, some of whom were proponents of outsourcing. EquaTerra's objective, honest and fact-based evaluation allowed the company executives to "get to what matters" in the evaluation and decision process.

Advisor Insights

For Darden, the assessment process yielded many tactical, process-specific improvement ideas as well as a couple more strategic themes:

The power, but difficulty, of managing a multi-functional transformation agenda should not be underestimated.

Companies who operate in a multifunctional shared services environment can already appreciate the value of this model and proudly wear the battle scars they earned to get there. For others like Darden, the challenge is one of aligning strong and efficient functions along the same vision, plan and timeline. Understanding disparate stakeholder expectations – and working to align those perspectives and goals – must be part of the strategy and assessment process.

Seeking external perspectives in developing a transformation road map is critical and will take on different forms. From an overall process standpoint, Darden learned the value of tapping external experts to guide strategy development. Deep outsourcing and offshoring experience, well-proven analytical tools and decision processes, and knowledge of the marketplace are not things most companies have internally. From the aspect of data and analysis, Darden and EquaTerra mutually sought the services of APQC. This project clearly demonstrated the value external data brings to decision analysis. While “conventional wisdom” would suggest outsourcing is always cheaper, there are times this will not prove true.

Lastly, Darden realized that looking externally to develop a transformation plan sometimes literally means looking. One of Darden’s improvement initiatives included setting up an employee contact center that could handle all types of inquiries. EquaTerra recommended and made introductions for Darden to visit a commercial, best-in-class call center with deep experience in this area.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

www.equaterra.com

Contact Us

If you would like to know more about EquaTerra please contact us.

Europe/Asia Pacific	Americas
+44 (0) 845 838 7500	+1 713 470 9812
infoeuapac@equaterra.com	infoamericas@equaterra.com

For details of all our locations visit www.equaterra.com/locations