



Rhodia: Embracing Outsourcing to Improve Competitiveness


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For Paris-based Rhodia, a leading producer of specialty chemicals, the status-quo was not an option. Like its competitors, the \$5.5 billion company had been watching profits shrink and share price fall, the result of rising raw materials costs, market overcapacity and declining demand for chemical products. To compound the situation, Rhodia's growth-through-acquisition strategy had left the company with relatively high fixed costs. Rhodia's management knew that the company, whose products are found in everything from automobiles to apparel, had to act quickly to stay competitive.

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The question became: How to consolidate the finance function, streamline operations, save on costs and boost effectiveness, without investing huge sums in business process reengineering or system renewal?

Among the first in the industry to recognize the need for dramatic change, Rhodia's management launched a major effort to transform Rhodia into a model of efficiency and cost effectiveness. Management called for five separate initiatives, the most radical of which involved the overhaul of the company's European finance function. Following years of mergers and acquisitions, Rhodia's finance operation found itself scattered across more than 60 locations in seven European countries from Spain to Slovakia. It consisted of three Enterprise Resource Planning (ERP) systems, eight different SAP platforms and 12 different purchasing systems.

The task of transforming finance posed a major challenge beyond the sheer scope of the project. Like other makers of specialty chemicals, Rhodia was concerned about the financing of its change effort. The question

became: How to consolidate the finance function, streamline operations, save on costs and boost effectiveness, without investing huge sums in business process reengineering or system renewal?

Rhodia got its answer when it hired Accenture for the outsourcing of the company's finance function—everything from accounts receivable to travel and expense. The move established Rhodia as the first company to outsource a major back-office operation in Central Europe.

A tough sell

Outsourcing was not the first option considered. Initially, the company evaluated the possibility of consolidating the finance function into an internal shared services center. But that proved to be an unacceptable solution. Explains Chief Financial Officer Pierre Prot: "With so many

different systems, the cost of integrating would have eclipsed any productivity gains."

Prot was aware that in a range of industries, companies outside Europe had been reaping significant benefits by outsourcing everything from applications to business processes to technology infrastructure. Outsourcers not only were controlling costs, but also vastly improving performance in key support areas. The solution enabled those companies to focus on core activities, accurately predict costs and service levels, and quickly scale resources up or down to meet changing business needs.

Despite these potential gains, outsourcing still was a tough sell at Rhodia. While business process outsourcing had gained popularity in both the United Kingdom and the United States, continental Europe had not yet been sold on its merits. "The



biggest reasons are social," explains Christian Marchetti, the Paris-based Accenture partner who oversaw the Rhodia engagement. "There's a fear that it will be too complex to manage from a social perspective. Also, tougher labor regulations create more resistance by management."

At Rhodia, some managers equated outsourcing with relinquishing control. Others feared reprisals by organized labor. It was Paul van Beveren, Rhodia's change manager for finance, who championed the idea. He convinced senior management, which ultimately persuaded Rhodia's executive committee, that it was the best available option for reducing costs as well as improving and standardizing processes.

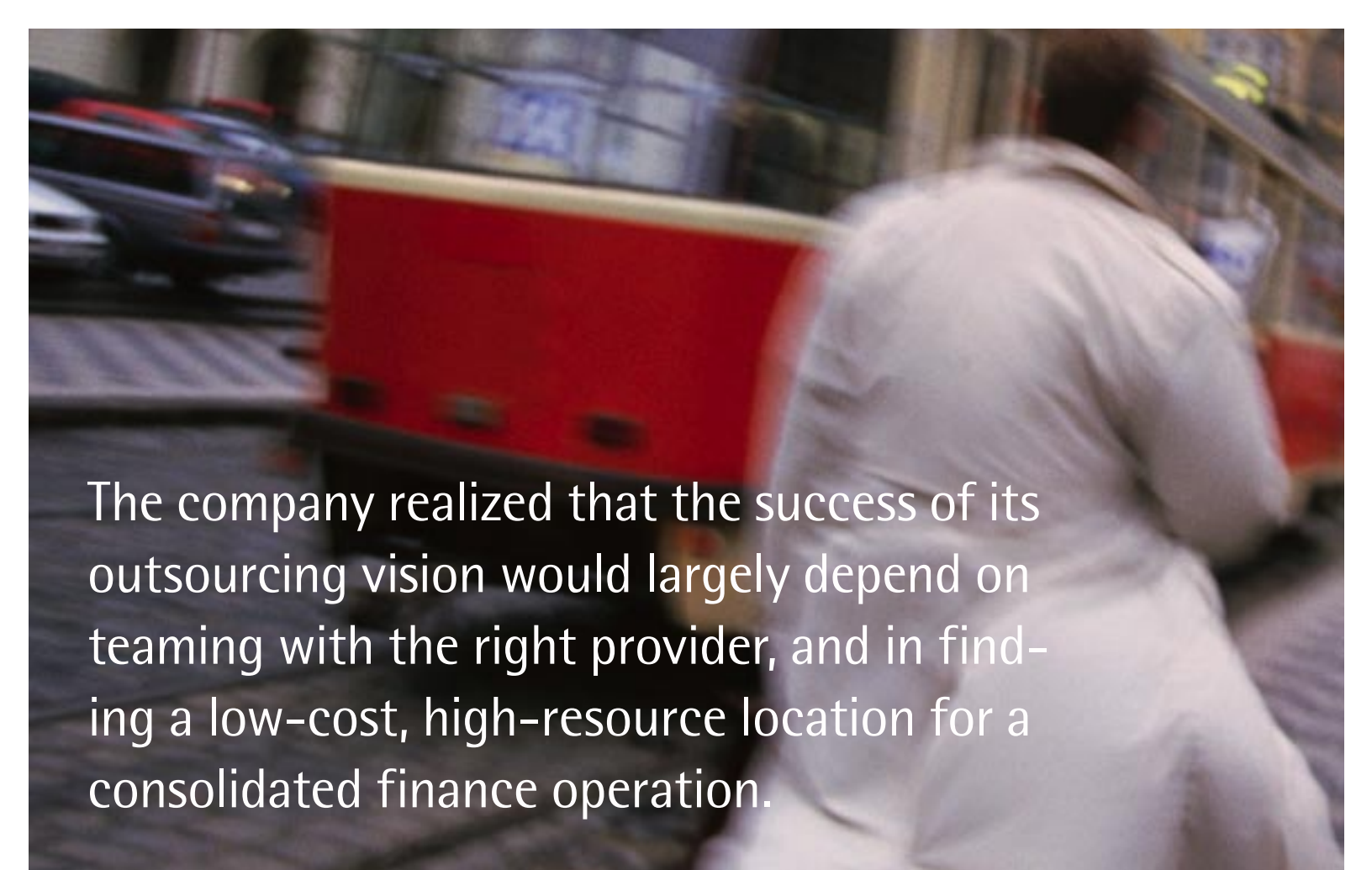
Finding the right solution-provider

The company realized that the success of its outsourcing vision would

largely depend on teaming with the right provider—and in finding a low-cost, high-resource location for a consolidated finance operation. After Rhodia considered several potential outsourcing partners, Accenture emerged as the winner. A leader in both Finance & Performance Management, as well as Business Process Outsourcing (BPO), Accenture has worked with more than 450 companies worldwide to use outsourcing as a strategic tool for change. In addition to more than a decade of outsourcing experience, Accenture came armed with unmatched skilled resources, proven business processes, technology experience, and a global network of more than 50 delivery centers dedicated to helping companies quickly and cost-effectively achieve their visions. Also, with its deep chemical industry experience, Accenture understood Rhodia's business and its unique challenges.

Perhaps just as important: Accenture's commitment to accountability. Accenture was so confident in its ability to help Rhodia control finance operating costs it was willing to share the risk. It agreed to a 6 1/2-year outsourcing deal that includes both a fixed price and a performance-based incentive plan in which Accenture is rewarded on the basis of continuous process improvements. Accenture receives bonuses based on improvements in savings or service levels—but then it is committed to meeting those new levels, with future bonuses pegged to further improvements. For Rhodia, the gamble on outsourcing was a sure bet.

"Accenture showed the biggest commitment to realize our business case," says van Beveren. "They were willing to go to what was a completely Greenfield environment. No one else was willing."



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A major factor in Accenture's favor was its choice of a location for the consolidated finance operation. Rhodia had narrowed its focus to central Europe, where labor costs, which account for up to 60% of a shared service center's total expense, are considerably lower than in western Europe. Accenture made a convincing case for establishing the operation in Prague, where it had maintained a large practice for more than ten years and benefited from a stable political and economic environment.

There were many reasons why Prague was a good choice, including its well-educated population, excellent transportation and communications facilities, and some of Europe's best commercial real estate values. Easily accessible to major cities throughout the continent, the Czech capital was the perfect location for a pan-European services center.

To serve the needs of Rhodia and future clients, Accenture established an Accenture Delivery Center in Prague. At its delivery centers, Accenture relies on reusable assets, common architectures, methods and tools, and a highly skilled staff to develop low-cost solutions for clients.

The Prague facility now handles accounts payable, accounts receivable, cash management (payment and receipt), credit and collection, as well as provides general accounting and tax services, with resources fluent in more than ten languages. The outsourced financial and accounting services provided at the delivery center in Prague enable users to benefit from standardized processes as they leverage scale through high-volume transactions—reducing costs, improving cash position and working capital, and achieving operational excellence.

Unprecedented knowledge transfer

It was anticipated that most Rhodia finance employees would choose not to leave their homes to join the new Prague facility. As a result, the consolidation and relocation of Rhodia's far-flung finance operation involved a knowledge transfer of unprecedented proportions. Accenture was responsible for helping to enable a smooth transition.

"We had to start from scratch. We had to find a building, recruit the recruiters, define and implement the technology and telecommunications infrastructure," explains Marchetti. "It was the first time anyone had attempted to do Business Process Outsourcing in central Europe to serve western European clients, at that scale." Not only did it call for moving all of the work from multiple locations in seven countries to a new remote site, but it also required the



new Prague center to deliver a level of service that was at least equivalent to what it was replacing—a level of service that would have to improve over time.

To facilitate the move, Accenture proposed a novel approach that matched the chemical maker's needs: relocating Rhodia's 15 existing systems to Prague and then working on standardizing them, rather than standardizing first and trying to transfer the new, common system. Marchetti recalls the reasoning: "The natural way is to change the systems and processes and then consolidate. But that was too expensive. Also it could take several years," he says. "They didn't want to wait."

Because Rhodia opted not to invest in business process renewal, Accenture's objective was to create the minimum process changes required to operate the financial services center, and to simultaneously build the new orga-

nization. Accenture felt confident it could rely on its network of worldwide delivery centers to help realize speedy completion of the project. Accenture's Delivery Centers have enabled hundreds of clients to leverage the power of global sourcing. The centers connect technology and outsourcing professionals with common practices and disciplines.

Rallying global resources

Accenture was able to draw on experienced people in the 26 delivery centers that offer outsourced finance and accounting services—places like Aberdeen, Scotland and Bedford, England, sites of successful outsourcing work performed for such clients as BP Exploration and Conoco Ltd. Another source of help: Accenture's Delivery Center in Wilmington, Delaware, where outsourcing is conducted for DuPont and other chemical industry clients. The delivery cen-

ter network employs more than 3,700 experienced finance and accounting professionals who drive business value throughout client organizations. The delivery centers also enable Accenture to quickly serve clients' needs. For example, re-used assets from Aberdeen and Bedford expedited the design of space layout, service management and help desk systems for Rhodia.

Meanwhile, Accenture pulled in consultants from its practices throughout Europe to do everything from altering processes to designing the new organization. Accenture helped define the roles that would be required to serve Rhodia in Prague. Next, Accenture recruited about 170 finance and accounting professionals, almost all of whom held university degrees in economics, business or accounting.

These new Accenture employees worked closely with Rhodia's existing

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finance team and Accenture professionals deployed from the global network. Following a two-week training period, the new hires were assigned to Rhodia subsidiaries throughout Europe, where they shadowed finance workers to learn their jobs, all in preparation for transferring the positions and knowledge to Prague.

Even with the impressive new workforce, Rhodia's heterogeneous environment made the process of transferring systems immensely challenging. For example, while SAP was the most dominant general ledger system in use, most of the Rhodia enterprises that employed it had several sub-systems for accounts payable and inventory management. "Some might have been using five different applications," explains Ian Seagrave, Accenture's then delivery lead for the Rhodia project. "In total, there were probably 25 to 35 different systems." It was teamwork, flexibility,

and a deep familiarity with Rhodia's existing systems that enabled Accenture to find solutions for the complex environment.

Ultimately, the joint team delivered a financial operation that was enterprise-centric. "Our primary customers, the accounting managers, wanted one point of contact, not one point of contact per process," recalls Frantisek Serba, Accenture's current client delivery lead for the Rhodia project. "So we switched and did things on the basis of the enterprise instead of the process." Each Rhodia enterprise now has its own representative in Prague.

"We moved very carefully, testing our approaches as we went along," says Marchetti. "Because we were agile, we were able to change what didn't work at first, and change it very quickly."

It was determined, for example, that many invoices were coming into the center either without an accompanying purchase order or with one that did not match. A utility that captured all the details of these un-processable transactions helped Accenture identify and size the problem and obviated the need to send the invoices back to their point of origin for verification.

Restoring competitiveness

It took only 14 months, four months faster than any other service provider proposed, to complete the knowledge transfer. Even with delays and modifications, the transition went so easily that 10% of the budgeted funds did not have to be spent.

Today, the delivery center in Prague handles work that had been spread out over 60 sites. In less than two years, outsourcing has delivered sub-



stantial benefits. The company has reduced operating costs by 35% and is well on its way to achieving the final cost reduction target of 42%. The streamlined financial management not only cut costs, but also improved the way financial processes are executed. And it improved the company's access to timely financial information, which helps the company make better, faster decisions. The results so impressed the editors of Outsourcing Journal that they recognized the Rhodia-Accenture arrangement with the prestigious 2003 Most Strategic Partnership Award.

"This initiative will give them high-quality service for a low cost. And the benefits will be sustainable," says Marchetti. He views the successful transition as a tribute to the solid working relationship created between Accenture and Rhodia, a relationship which Marchetti likens to a marriage. "From a business perspective we are

married for six and a half years. In marriage, you have to be able to rely on your partner."

Van Beveren agrees with the analogy. "If one of you makes a mistake, you can't lay back and tell the other to fix it, you have to jump in and help one another until it is solved," he says. "You can't put that kind of a relationship into a contract. It has to be built on mutual trust."

Rhodia was open to change and willing to take an innovative approach, it learned the value to be gained by pioneering new territory. "We couldn't have done it without our partner," says van Beveren. "Accenture showed the biggest commitment. To this day, they are one of the best service providers I know."



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