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Finance Solutions

**Beyond Cost-Cutting:  
The Intangible Benefits of Finance  
and Accounting Outsourcing**

David Rowlands, Accenture



As organizations increasingly turn their attention to growth-oriented agendas, a number are considering outsourcing as a way to help them transform their operations and to bring scalable expertise.

But it is not the traditional approach to outsourcing that organizations typically have used to shed non-core activities and reduce operating costs. Instead, organizations such as BP, Thomas Cook, and Exel have used a new approach that provides many advantages over standard transaction-

based outsourcing. These organizations have completed ambitious transformational programs in which they outsourced their finance and accounting (F&A) function, in some cases as part of an even larger multi-process and IT outsourcing arrangement. In the process, they have realized a number of very significant business-wide benefits which, while difficult to precisely quantify on their own, have liberated these organizations to focus on their most critical and strategic priorities.

# Intangible Benefits

One such intangible benefit is a greater ability to execute the organization's growth strategy.

It's a fact that outsourcing has helped many organizations cut costs, especially in finance and accounting.

Accounts payable remains one of the most widely outsourced functions and cost cutting is still the most commonly cited reason for organizations to outsource finance and accounting activities.

However, while finance and accounting outsourcing has been successful in reducing operating costs, organizations have only just scratched the surface of the benefits outsourcing offers. A new transformational approach to outsourcing is demonstrating how a deeper and more substantive organization-provider relationship can lead to high performance and

generate a wide range of intangible benefits—well above and beyond simple cost cutting.

One such intangible benefit is a greater ability to execute more effectively the organization's growth strategy—whether it's based on organic expansion, a new business or product launch, or a merger or acquisition.

Finance and accounting is at the heart of any business and growth initiatives must be tightly linked to this function to succeed. By outsourcing finance and accounting to a qualified third party, organizations quickly gain access to a solid systems platform and process model that more easily accommodates both new acquisitions and ventures into new channels or markets. For example, MOL, a Hungarian oil

and gas company, was able to successfully incorporate the finance functions of two acquisitions into a shared services center that was created as part of its finance and accounting outsourcing program.

More comprehensive, standardized, and actionable management information for running the business is another benefit. In today's environment, corporate transparency and governance is critical. Finance and accounting outsourcing has not only enabled organizations to feel confident in their financial data—thus helping managers make better decisions—it has also served as the basis by which organizations can accurately gauge their overall business performance and the performance of their workforce. Employees are also better able to see the

connection between their role and how the organization performs, which can be a powerful motivator. Further, with dependable performance data, organizations can more effectively pinpoint and correct problem areas before they reach crisis level.

A third intangible benefit is better relationships with both vendors and customers, and improved compliance with relevant governmental regulations and tax strategies. Organizations that have outsourced their finance and accounting functions have found that the enhanced capabilities they now have access to enables them to forge tighter electronic links with their customers and suppliers—resulting in much less manual intervention, greater accuracy in transactions and fewer handoffs of work. On the compliance side, an outsourced finance and accounting environment can provide the process rigor and discipline required by such regulations as Sarbanes-Oxley, which has freed up senior executives and finance and accounting personnel to dedicate their energies to more strategic pursuits. There are also direct financial benefits to these operational improvements—ranging from more working capital and improved cash flow due to a stronger capacity for collecting payments from customers, to reduced spending on compliance-related initiatives, and the ability to fully capitalize on potential tax benefits. For example, a large telecommunications organization, after outsourcing its finance and accounting, was able to collect \$40 million USD in outstanding sales within the

first year, reduce its days' sales outstanding by nearly 50 percent, and cut past-due accounts almost in half.

An often-overlooked, yet significant, benefit of finance and accounting outsourcing is the creation of a culture that values innovation and is aligned with the organization's overall business strategy and mission. An outsourcing arrangement that is focused on business outcomes rather than just lowering operating costs can dramatically change the way an organization goes about its business. In some cases this results from the implementation of a simple tool, such as an employee portal that enables people in distant locations to interact with one another inexpensively and in real time, thus creating a team dynamic and corporate culture that did not exist before. In other cases, exposure to the outsourcing provider's best-practice finance and accounting processes inspires employees to think creatively about how to leverage the new capabilities to improve other areas of the business. Still in other cases, it stems from an explicit agreement in the contract for the outsourcing partner to share the risk and reward of achieving the planned business case. Outsourcing partners with a 'consulting legacy' are well placed to bring broad-based innovation capabilities and, when innovation is linked to the long-term finance and accounting service arrangement, high-value, risk-sharing change programs can be developed.

Consistent with these experiences are the results of a recent Accenture

survey<sup>1</sup> which gathered insights from organizations that have outsourced. Many of these organizations realized increased access to functional expertise as a result of outsourcing, including:

- Access to the latest technology (named by 62 percent as a benefit of their outsourcing arrangement)
- Better performance measurement and management (51 percent)
- Improved quality management and control (48 percent)
- Improved analytics for decision making (44 percent)
- Culture of continual improvement/innovation (42 percent)
- Better change management (39 percent)
- Improved market information used to spot market trends (37 percent)
- More strategic view of the business, including ROI (34 percent)

How have organizations been able to achieve far more than cost savings through their outsourcing relationships? They have taken a number of critical steps that have enabled their outsourcing effort to generate significant intangible value, including:

### Embracing a new perspective on outsourcing.

One of the most basic but critically important steps is for executives to move past the traditional view of outsourcing as an arrangement in which an organization 'gets rid of' unwanted activities to a more collaborative relationship in which the organization actually gains significant capabilities, expertise, and assets that would be difficult (if not impossible) to build on their

<sup>1</sup> Driving High Performance Through Outsourcing: Achieving Process Excellence, Accenture 2005.

# Key Factors to Generating Intangible Value

Organizations have only just scratched the surface of the benefits outsourcing offers.

own cost effectively and with an acceptable level of risk. Such a shift in mindset is, in fact, occurring among many executives whose organizations have been involved in outsourcing relationships. In the Accenture survey mentioned earlier, 92 percent of executives whose organizations are currently in an outsourcing relationship said they gained process expertise and capabilities in the outsourced finance function—as opposed to simply reducing costs.

## Using outsourcing as a vehicle to adopt best practices.

Few organizations are experts in operating back-office finance functions, nor should they be. For example, BP excels in producing the energy resources needed to keep our cars and trucks running; Thomas Cook whisks people to foreign destinations for rest, relaxation, and fun; and Exel provides world-class contract logistics

and freight management services to its customers. Therefore, it follows that a finance and accounting outsourcing provider's core business would be finance and it must provide best practice finance operations if it is to gain and retain clients.

## Integrating process outsourcing with enabling technology.

In many ways, operational excellence begins with information technology. Multiple software applications and mixed technology platforms often impede business performance—making it difficult for organizations to perform basic activities, such as reconciling financial figures among different business units or hampering more ambitious efforts, such as integrating a newly acquired business entity.

By standardizing all of their finance and accounting activities on to a common, integrated, enterprise

resource planning system, BP, Thomas Cook, and Exel removed a major obstacle for improving business performance. BP was also able to smoothly integrate two acquisitions, Amoco and ARCO, into its outsourced shared services center with no interruption of service—in large part because of its existing finance and accounting outsourcing arrangement.

Thomas Cook was able to adopt a common financial language and reporting structure across its business units. "For the first time, we are able to measure the business," said Ian Ailles, managing director of specialist businesses at Thomas Cook. "We now get one version of the truth, only one P&L (Profit & Loss). We know whether we're making or losing money, and we're not caught out by different financial systems."

At Exel, the implementation of a new, integrated finance system and processes enabled the organization to streamline

and coordinate financial information flows. This, in turn, made it easier to track customer profitability and credit issues, and to gain a better understanding of its cost base.

The above organizations embedded change programs into their outsourcing arrangements. By creating the right outsourcing relationship, each organization was able to share the risk of delivery while contracting for 'business outcomes.'

### Using appropriate metrics.

Traditional outsourcing arrangements that are purely focused on cost reduction tend to fall far short of what they could ultimately generate. To achieve higher-value benefits from outsourcing, it's critical for the organization and outsourcing provider to agree on appropriate and relevant metrics that are

outcome-based. For instance, Thomas Cook used its outsourcing relationship to create a new organizational culture that was more consistent with its business goals. One of the keys to doing so was the creation of innovative metrics that rewarded its outsourcing provider, Accenture, on 'cultural fit.' In addition, the organization hoped to infuse greater innovation into its own organization and, thus, developed a metric that gauged the outsourcing provider's performance in bringing new ideas for the business. In fact, innovation was and still is such a priority that it is one of four metrics on which Accenture's compensation depends.

### Ensuring strong governance.

The right governance structure is essential throughout the life cycle of an outsourcing arrangement

to ensure that the goals of the arrangement are achieved. Good governance entails involving the right people—at the right level of seniority, at the right time. For example, while the CFO and other senior executives are critical participants at the beginning of the arrangement, their involvement over the long term will lessen as the arrangement matures. Importantly, the organizational structures and events related to governance are not intended to replace the operational management structures that help ensure the smooth day-to-day functioning of the outsourced processes. Rather, the governance structure is there to manage the interface between the organization and service provider to keep the focus on the overall business objectives of the arrangement.

# Conclusion

In many organizations, the back office—especially finance and accounting—is viewed as an impediment to growth and change. In fact, some of the technology, resource, and expertise constraints, with which many finance and accounting functions are saddled, do limit an organization's ability to effectively execute bold new strategies that can help it become and remain a market leader. The challenge is to transform the finance and accounting function from a constraint to a platform for growth and innovation, and as a driver for continually improving business performance.

Today's dynamic business environment absolutely requires creative thinking and flexibility—especially in finance and accounting. That's why the traditional approach to outsourcing, unloading non-core accounting processes to a third-party provider who can do them cheaper, sells an organization short. Yes, a cost-focused outsourcing arrangement may result in lower-cost finance and accounting operations, but because it is predicated on predictability and repeatability, such an arrangement does not generally include innovation, growth, and alignment with the strategic direction of

the organization. However, organizations that are open to new models for outsourcing can be rewarded handsomely. In 2001, when Thomas Cook entered into an outsourcing arrangement, it was incurring significant losses. Sixteen months later the organization had turned around and was generating a considerable profit, which has grown year after year. While some of that change is attributable to cost-saving initiatives, much of it can be traced back to the fact that the organization is doing business in a completely different way. These results were only achievable because of the foresight of Thomas Cook's management team.

"Initially, when we thought about transformation, we set about changing the whole operating model of the business," recalls Ian Ailles at Thomas Cook. "In order to execute a big change from a big loss to a big gain, we had to be smarter about how we ran the business."

As organizations such as BP, Thomas Cook, and Exel have demonstrated, being smarter often starts with thinking bigger.



## About the author

David Rowlands is an executive director for Accenture Finance Solutions, Accenture's finance and accounting outsourcing business, responsible for delivering transformational outsourcing solutions to air and travel industry clients around the world. In addition, Mr. Rowlands has extensive experience in managing pan-European accounting operations, finance strategy, post-merger integration and core financial process re-engineering, and has worked across a range of industries including chemicals, construction, aerospace and defense, and fast-moving consumer goods. Mr. Rowlands is a chartered management accountant and has a master's degree in economics from Cambridge University.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills and technologies to help clients improve their performance. With more than 123,000 people in 48 countries, the company generated net revenues of US\$15.55 billion for the fiscal year ended August 31, 2005. Its home page is [www.accenture.com](http://www.accenture.com).

## About Accenture Finance Solutions

Accenture is one of the world's leading providers of finance and accounting business process outsourcing (BPO) services. With more than a decade of experience, Accenture Finance Solutions offers a complete suite of finance and accounting BPO services through its global network of delivery centers. Employing unique, proven assets and tools to reduce risk and increase the effectiveness of finance operations, Accenture Finance Solutions works closely with finance leaders to help them achieve high performance through quantifiable improvements in service, capabilities and cost. More information can be found at: [www.accenture.com/financesolutions](http://www.accenture.com/financesolutions)



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