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## A Finance Organization Greater Than the Sum of its Parts

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## Summary

In a recent article (Managing Performance for Better Shareholder Return), I introduced a comprehensive framework for enterprise performance management, a capability increasingly important to companies looking to grow. This framework, along with the right metrics and tools, can help companies set strategy, plan, forecast, monitor and manage business performance in order to create value. It can help companies make decisions and take actions quickly ... actions that are aligned and organizationally focused on strategy and value creation.

## Background

An important question I am frequently asked about enterprise performance management capabilities is how communications and high-tech companies reconcile this type of work with the growing trend to outsource portions of the finance function. Robust performance management capabilities are more important than ever, in part because of the compliance issues raised by new regulations such as Sarbanes-Oxley and Basel II. For increasing numbers of companies, the answer to rapid development of effective financial performance management lies in some sort of outsourcing arrangement.

But doesn't business process outsourcing in the financial area raise a host of issues with regard to governance and compliance? If you are concerned about taking greater direct control of finance processes, aren't you less likely to outsource your finance and performance management functions? Not exactly, according to a recent study by the Economist Intelligence Unit and Accenture Finance Solutions.

## Analysis

The majority of those surveyed by the Economist Intelligence Unit and Accenture Finance Solutions did express concerns about an outsourcing provider's knowledge of a company's unique requirements and the quality of the controls it has in place. About half of

survey respondents said that the concern over the ability to maintain governance and compliance best practices stands—or has stood—in the way of a decision to outsource finance functions such as information management and analysis, and financial risk management. Digging deeper into the opinions of the finance executives surveyed, however, reveals a slightly different story.

For example, 43 percent of the executives surveyed who had already outsourced a finance process said that outsourcing had actually improved the quality of governance and compliance at their organizations, and 44 percent of the same group stated that outsourcing had made no adverse impact on governance and compliance.

## Recommendations

So what are we to make of this apparently contradictory information? Clearly, companies are in transition when it comes to most forms of outsourcing, especially finance outsourcing. In that situation, it is simply human nature to be cautious about the unknown. Companies in that position might want to focus first on opportunities to outsource the underlying transaction processes and applications of enterprise performance management.

Organizations can take an incremental approach here, testing the effects of these outsourcing activities on governance and compliance. By outsourcing the transaction components, companies can devote more attention to the value-added activities in enterprise performance management.

On the other hand, companies that have already "gotten their feet wet" in the area of finance outsourcing are finding that outsourcing actually can increase the rigor of business processes because they are better documented, and because a dedicated team, with a customer service mentality, is managing them. In fact, 77 percent of our survey respondents who already outsource finance functions agree with the

proposition that outsourcing increases rigor in the performance of business processes. Experienced executives also believe that outsourcing makes it easier for companies to stay on top of frequent changes to tax codes and accounting rules. They find that outsourcing provides an increased level of information transparency and visibility of controls.

### Some pioneering experiences

A number of companies are ahead of the curve in outsourcing and shared services in the finance and performance management arenas. For example, one leading provider of business communication solutions to small and medium-size businesses in Europe and the United States was looking to enhance its existing financial operations to support the company's future development, as well as reduce the operational cost of finance consistent with its longer-term strategic plan. The company also was looking for more consistent management of its financial services across eight operations.

Company executives entered into a strategic outsourcing agreement with Accenture Finance Solutions, Accenture's finance and accounting business process outsourcing business. Accenture is now managing for this company several core finance functions—including general ledger transaction processing, accounts payable, accounts receivable, credit checking and collections—through a financial shared service model, managed out of a central location.

The migration was completed in only seven months. One month after that, the company reported that its finance headcount had already been reduced by more than 50 percent. The company is on track to achieve net savings of \$1.8 million on a recurring annual basis.

The fact that finance and performance management outsourcing arrangements can yield significant savings is a major factor with communications and high-tech companies struggling with low

margins. Another company, a large global telecommunications provider, found itself needing to maximize its cash during the global economic downturn. Lacking in-house capabilities to improve cash flow management and reduce working capital requirements, the company chose an outsourcing arrangement as a more cost-efficient solution. The strategy has paid off, quite literally, with a considerable increase in incremental cash collected (\$150 million in the first year) and a more than \$100 million reduction in delinquent receivables.

For some of our communications and high-tech clients, a co-sourcing arrangement is a way to reap many of the benefits of finance outsourcing, while maintaining needed control over certain processes and high-risk functions such as strategic finance processes, policy setting and governance. These co-sourcing arrangements are also being used to support Sarbanes-Oxley compliance.

#### **Conclusion: A whole that is greater than the sum of the parts**

The outsourcing and co-sourcing arrangements being pursued by the above companies support the general findings of the Accenture study of finance outsourcing. Companies can enjoy increased rigor in their relevant finance processes, and leverage the experience of an outsourcing partner to stay ahead of the curve in the complex areas of financial reporting, governance, compliance and performance management tools. The scope of the finance and performance management outsourcing arrangements touches upon the major components of our holistic enterprise performance management framework. By working closely with an outsourcing partner across all dimensions of that framework, communications and high-tech companies are demonstrating that one plus one can sometimes equal more than two.

#### **Author**

Troy Barton is a partner with Accenture who leads the Communication and High-Tech Finance and Performance Management group. Mr. Barton spent more than 11 years in industry before joining Accenture. For the past 10 years, Mr. Barton has worked with Communications and High-Tech companies in finance and accounting, performance management and revenue assurance.

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