

Rhodia makes its move

By Wendy Cooper

Transferring the bulk of its finance and accounting activities to a shared service center in Prague not only significantly reduced related costs at the French-based specialty chemicals maker. It also made the company a leader in business process outsourcing in European chemicals.

Rhodia is one of the world's leading manufacturers of specialty chemicals. Its products are found in industries as diverse as automobiles, health care, apparel, electronics and environmental protection. Listed on exchanges in both Paris and New York, the company boasts a global presence. In 2001, its worldwide sales topped €7 billion. Yet for all its strengths, the French company has not been immune to the persistent slowdown in the chemical industry, a situation that has been aggravated by a heavy debt burden.

Tackling Rhodia's profitability challenges has required some radical restructuring, including no fewer than five change initiatives at group level. One of these change programs, a drive to improve the efficiency of Rhodia's fragmented finance function, has turned out to be the most radical of all.

By transferring the bulk of its finance and accounting processes to a shared service center in Prague, Czech Republic (where those processes are currently being standardized), Rhodia revolutionized an operation that had been scattered across more than 60 locations in 7 European countries.

The transfer, undertaken in partnership with Accenture, which runs the center, is ongoing. But in less than two years, outsourcing has already delivered substantial benefits for Rhodia—among them, a 30 percent reduction in costs. What's more, Rhodia's approach to transforming its finance function has put the company in the forefront of business process outsourcing in European chemicals.

Company profile: Rhodia

(All figures as of FY 2001)

Headquarters: Paris
Chairman & CEO: Jean-Pierre
Tirouflet
Employees: 27,000
Type of business: Chemicals
Sales: €7.2 billion
Net income: €213 million

Source: www.rhodia.com

Rhodia was breaking new ground by deciding to outsource at all; this simply wasn't done in France. Moreover, according to Accenture engagement partner Christian Marchetti, it is also "probably the first European company" to do so on such a scale, in central Europe and on a wholly new, greenfield site.

Prague was, in some respects, a natural choice for Rhodia. The company initially considered creating an internal, pan-European shared service center for its finance function, which would have boosted productivity simply by consolidating the work of the various processing offices. However, any potential benefits would have been severely compromised by the cost of such a change.

"The existing IT landscape was extremely complex," explains Marchetti. "Rhodia's European offices operated with 3 enterprise resource planning systems, which included 8 different SAP platforms and 12 different purchasing systems." Renewing all these systems across multiple countries would have been prohibitively expensive.

Looking east

By early 2000, the prospect of actually outsourcing the finance function to an external provider capable of delivering a comprehensive, integrated solution in a low-cost, well-resourced location was looking increasingly attractive to Paul Van Beveren, Rhodia's change manager for finance. But before he could choose a provider, he needed to decide on the location.

Southern Europe—Lisbon, for example, or Barcelona—might have filled the bill, but "we were not convinced by these places," Van Beveren recalls. Central Europe,

by contrast, was attractive to Rhodia; the company had operations in Poland and an important plant in Slovakia. Consequently, the search was narrowed down to three potential sites: Prague, Kraków and Budapest. Based on a number of criteria, including both cost and quality of resources, Prague quickly emerged as the most attractive of the three.

First, labor costs—some 70 percent of the total cost of any shared service center—were "significantly lower" in the Czech Republic than in Poland, explains Van Beveren. Prague also offered one of the best-educated populations in Europe, if not the world: 88 percent of the Czech labor force, between the ages of 24 and 64, have completed secondary school. Add to this excellent transportation and communications facilities, as well as some of the best values in commercial real estate in Europe, and the Czech capital came out well ahead of its competitors. The fact that Prague is about as close by plane to Paris as, say, Nice is seemed to settle the matter.

But Van Beveren still had to sell the whole idea of outsourcing to Rhodia's management. "Outsourcing is still a very new concept in Europe," he explains. "Many companies fear a loss of control." He need not have worried. Rhodia Chairman and CEO Jean-Pierre Tirouflet "had no preconceived notions" about the outsourcing concept, says Van Beveren. "His attitude was, 'If it can improve profitability and we have the guarantee that it will not affect quality, let's do it.'"

In May 2000, Rhodia's executive committee gave Van Beveren the green light to outsource, and by early July, requests for proposals were circulating among the big

consultancies. At the end of September, Accenture was selected.

According to Van Beveren, Accenture's commitment to Prague was decisive. "They were willing to go to what was a completely greenfield environment," he says. "No one else was."

To be sure, Accenture, which had had a large practice in Prague for more than 10 years, was no stranger to this ancient city at the heart of Europe. Nor was the company a novice in business process outsourcing—far from it. Between having 20 delivery centers worldwide offering finance outsourcing solutions, and its emphasis on using the outsourcing concept as a strategic tool, Accenture was capable of achieving the sort of improvements in information flow and decision making that Rhodia sought. Accenture's shared service center in Nove Butovice, a 65,000-square-meter, four-building business complex to the west of Prague, was almost tailor-made for Rhodia, the center's first client.

So far, the transfer of the company's finance function to the site has been not only remarkably smooth but also surprisingly swift—a tribute to the power of a partnership that Van Beveren likens to a marriage. "If one of you makes a mistake," he says, "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. You can't put that kind of a relationship into a contract—it has to be built on mutual trust."

Indeed, because centralizing processes would involve substantial organizational change for Rhodia, a cooperative relationship was essential. The six-and-a-half-year contract signed by Rhodia and Accenture in March 2001 recognizes

this need for cooperation: It commits Accenture to run the Prague operations and provide finance back-office services to Rhodia subsidiaries in France, the United Kingdom, Germany, Spain, Italy, Switzerland and Slovakia. Accenture is responsible for the "knowledge transfer" process—a key element, for it was assumed that no employees from the existing finance organizations would want to transfer from their home countries, and new personnel, therefore, would have to be recruited and trained.

A question of culture

The project has not been without its challenges, of course, especially in regard to these social aspects. The first wave of the transfer, which went live in July 2001 and involved UK finance, went relatively smoothly. But the second wave, in November 2001, which involved consolidating activities from France, Switzerland and Slovakia, was considerably more problematic.

"It's a question of cultural differences," Van Beveren explains. "In France, a proposal is a starting point for negotiations; people always need to discuss, to argue." As a result, he says, valuable time was lost in completing staffing arrangements, and "knowledge gaps" arose because there simply weren't enough new recruits in Prague to do the job properly.

Van Beveren insists, however, that "even in difficult situations, we had things under control." What's more, Accenture's rather novel approach—moving Rhodia's existing systems to Prague and then working on standardizing them, rather than standardizing first and trying to transfer the new, common system—has greatly facilitated the overall process. The project is not yet complete;

additional transitions involving Germany are scheduled for later this year. But more than 150 people are now delivering back-office services from the Prague center to Rhodia subsidiaries in five European countries.

The contract between Accenture and Rhodia is flexible enough to permit the "scaling up" of the current service to include just about every aspect of the finance function, as well as the addition of other support services. Van Beveren acknowledges that being able to share fixed costs with other center users would further reduce Rhodia's costs. "Once everything is stabilized, we can probably extend the scope," he muses.

Right now, however, he is focused on ensuring that Rhodia's existing partnership with Accenture works effectively. "We're still working on how to have the ideal organization within the shared service center to capture all the complexity of Rhodia," he says. And that will take time. ■

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