

Accenture Australian Business Agenda 2008 Video Series



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Finance & Performance Management

Finance outsourcing

Michael Pain

Hello and welcome to the Australia Business Agenda 2008 Video Series, a series of interviews with senior executives within Accenture's Australian Management Consulting and Integrated Markets practice. The Series tackles some of the key challenges facing organisations operating in Australia today.

In recent years the CFOs of the world's leading companies have shown an increasing appetite for information on business process outsourcing. They recognise that high performing businesses use a financial strategy to differentiate themselves and achieve superior results.

In this edition of the Australia Business Agenda 2008 Video Series, Cara Morton, the Australian Lead for Accenture's Finance and Performance Management practice, argues that finance and accounting outsourcing can provide a real catalyst for business transformation. Finance outsourcing not only brings scaleable expertise, it also transforms operations, bringing very significant business-wide benefits while allowing organisations to concentrate on strategic priorities.

Question

Why are Australian companies outsourcing their finance function?

Cara Morton

Particularly today in Australia where we are seeing a huge competition for finance-skilled individuals, organisations are seeing finance outsourcing as a way to free up some capacity and be able to use that capacity in other areas they are looking to fill, such as capabilities like enterprise performance management.

Question

Is there a trend toward finance outsourcing?

Cara Morton

Australia was a bit slower than other parts of the globe to take off in outsourcing, but now we are following global trends such as financial services are leading the way. Currently three of the four top Australian banks have moved part of their finance operations to India, be that either in a fully outsourced capacity or where they have set up their own shared service operations in India.

Question

How does that compare internationally?

Cara Morton

One international trend which has not yet caught on so much in Australia is where large, Fast Moving Consumer Goods (FMCG) products type companies are moving (or have moved) activities such as accounts receivable, accounts payable, general ledger processing to offshore locations such as China, India, Bratislava or Prague. In Australia we are not seeing this so much from product-type companies.

Question

What are the challenges associated with outsourcing?

Cara Morton

The number one challenge in outsourcing is if companies do not have a clear case for change, a value proposition, established internally for employees and externally to the market. We have seen some organisations start down the outsourcing path, even on a very small scale, and then receive bad publicity because they have not articulated what their long term agenda is and how the outsourcing agenda fits within it.

Question

Are there risks associated with finance outsourcing?

Cara Morton

Actually I'd like to flip that question around and say how outsourcing can reduce the risks that companies have today. Our labour shortage is a good example. When I interviewed Australian CFOs recently the number one issue they cited as facing is a shortage of finance skilled professionals. So organisations are looking to outsource basic, non-core transactions that are not going to be differentiator in their organisation. They have got contracts in place around things like accounts receivable, accounts payable, general ledger – very transactional processes. They then pay a service provider for these transactions, for which they are guaranteed service delivery. That then provides capacity to be able to respond to the more challenging issues they have day to day in the organisation.

Question

Where does outsourcing relate to finance transformation?

Cara Morton

Interestingly, more recently we are seeing that in a finance transformation space CFOs do not necessarily have the large investment capability given to them up front. So outsourcing is being used as a lever at the front end of a finance transformation programme, to free up capacity and funds. This can then be reinvested into a new technology platform, or a finance workforce transformation program in order to build the skills and capabilities round things like enterprise performance management.

Question

How do organisations execute an outsourcing strategy?

Cara Morton

The first thing you need to consider is: what is the vision for your company and what is the strategic agenda of your company over the next three to five years, because there needs to be a compelling reason for why outsourcing is on the agenda. If it is a lever that is going to get the company to where it needs to be, you can then think about what within the finance function could fit into this outsourcing agenda. Then you can question what a core capability to your company is and what is non-core. The core capabilities you do not want to outsource; they are the ones that differentiate you from your peers in the marketplace. Non-core, in the financial services industry, could include such things as accounts payable, journal processing. These things are not going to give one bank a competitive advantage over another. So they are the types of activities that could be outsourced.

Question

What are the benefits of outsourcing?

Cara Morton

When I talk to CFOs, there are as many interested in shared services as there are in outsourcing. A few years ago there was talk that no-one would be

creating their own shared service centre, but that is not the case. In fact one of our largest resource companies in Australia is going to be creating their own shared service centre from scratch offshore, so shared services is still very much a hot topic.

If you look at the differences between shared service and outsourcing, it really depends on what you are trying to achieve. A lot of companies need to go straight to outsourcing because they do not have the investment to put into a shared service centre. You need to invest a certain amount to set them up. You also need to be able to wait for payback period, which is traditionally three to four years in a shared service centre whereas with outsourcing your payback period can be as little as 12 months, depending on the size of the outsource. You also need to think about long term investments. If you go outsource over shared servicing, you have the technology of the outsource provider, plus access to global leading practices and global tools at your fingertips, which you can take leverage of and use in your company also.

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