

BEFORE AND AFTER

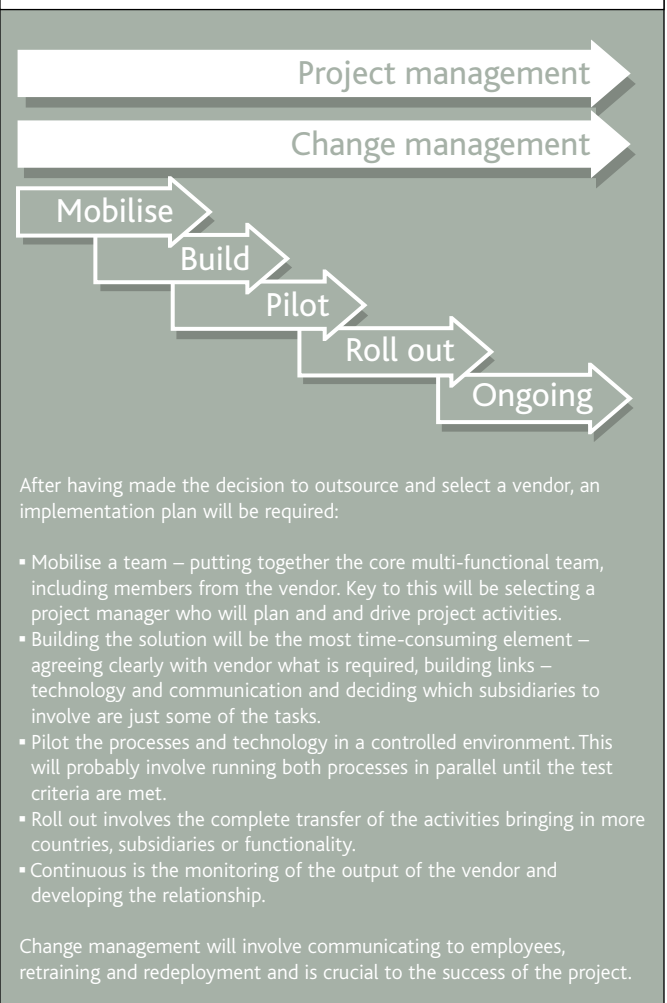
BHAV UBHI-HULL OF CITIBANK CONSIDERS THE ISSUES THAT MUST BE TAKEN INTO ACCOUNT BEFORE OUTSOURCING, WHILE **JOHN FULTON** OF COCA-COLA HELLENIC BOTTLING CO TAKES US THROUGH THE DECISION-MAKING PROCESS.

Although quite new to the services industry, outsourcing has been effectively applied in the manufacturing field for decades. Reasons for manufacturing outsourcing can vary. Someone else can do the job for less because of their scale – the process required might need special equipment or skills – or it can simply help cope with fluctuations in the business cycle. Does all this sound familiar? Loss of control, disruption of staff and hidden costs – these are some of the thoughts that might occur to a treasurer when first contemplating outsourcing. However, lessons learned from the shopfloor can be readily applied to the treasury front and back office. In this article, we will look at outsourcing from two different views. Citibank’s Bhav Ubhi-Hull explores the practical issues that should be considered prior to outsourcing while John Fulton, the Group Treasurer of Coca-Cola Hellenic Bottling Co, goes through the thought process he went through when deciding to outsource their treasury activities.

DON'T LET FEAR OF LOSS OF CONTROL BLUR YOUR THINKING. A common worry about outsourcing is the potential for losing control of quality and timing. Although important to remember for setting service agreements with your vendor, do not allow this to stop you from initiating your strategy. Outsourcing is such a hot topic for many CEOs looking to improve bottom-line figures that it deserves careful consideration of how it may or may not assist you in treasury. Take a critical look at your front and back office activities. What is so specialised or so standardised that it belongs in someone else’s factory?

UNDERSTAND YOUR COSTS. It is easy to dismiss outsourcing on the basis that it is ‘too expensive’. Before you can evaluate whether it will be financially viable it is important to understand what is required to do the job in-house. This sounds relatively simplistic, but to put cost, time and resourcing to activities requires in-depth analysis of the actual – not documented – processes and the people involved in them. Initiate the evaluation early – it will give you valuable insight into the extent you want to outsource and the price you would be willing to pay. Even if you decide not to outsource, you will better understand the state of your processes, policies and procedures.

FIGURE 1
KEY ELEMENTS TO THE IMPLEMENTATION OF OUTSOURCING.



CHOOSE YOUR TEAM CAREFULLY. Tempting though it may be to have a team almost entirely from treasury or accounting to investigate the benefits of outsourcing – be wary. These people may find it difficult to be impartial when they or their colleagues are likely to be affected. It is not necessary to have a thorough understanding of treasury processes to be able to analyse them – in fact, your manufacturing engineers or operations people will have useful skills in the area of workflows and optimisation.

YOUR VOLUME OF WORK WILL GO UP BEFORE IT GOES DOWN. *Figure 1* outlines the typical activities involved in outsourcing. Expect an increase in demands on management time, as decisions will need to be discussed and made. For example, outsourcing requires careful documentation of the policies and procedures that will be followed and where responsibilities lie. This will begin by mapping each current 'As Is' process then moving towards a 'To Be'. Only then can boundaries be drawn and decisions made as to who will have the authority to initiate and sign off requests.

APPOINT THE RIGHT PROJECT MANAGER. A critical success factor for outsourcing is effective and consistent project management. As shown in *Figure 1*, each phase of the project must be carefully planned and tracked. If you do not have a suitable in-house resource, do not compromise – seek external help.

RECOGNISE AND EMBRACE CHANGE MANAGEMENT. Crucial to the success of outsourcing is change management. The mere mention of the 'O' word can strike fear in the heart of some managers, who imagine their departments being decimated and their responsibilities diminishing. The whole process requires careful communication and discussion – it may be that staff can be redeployed in the business to provide more value-add support. The promise of outsourcing is that your people will have more time to spend acting upon data as opposed to generating it – thereby adding greater long-term value. However, due to the insecurities it may cause, it is best for the pre-decision stage to be kept to a small group to prevent panic. If the outsourcing option is decided upon, a change management programme must be put together – communications, training, human resource activities and so on. How detailed this will be will depend on the level of outsourcing you are aiming for – contracting out accounts receivable activities will have a greater impact than intercompany netting. Again, seek external advice if you do not have the in-house experience.

START SMALL, THINK BIG. Once you begin to work with an outsourcer, the relationship will develop. Everything does not have to be set in stone before you begin to work together – procedures will evolve over time anyway. As you become more comfortable with outsourcing it is highly likely there will be other activities you want to get out of your factory, so choose a vendor who has scalability and can invest in developing technology and their people.

SAUSAGE MACHINES MAKE SAUSAGES NOT CHICKEN PIES! An important point to remember is that when working with a vendor you will lose some of the flexibility you enjoy in your current set up – you cannot ask your vendor to organise your staff Christmas party on the side. Admittedly, this is an exaggeration but the message is that ad hoc requests will not be easily accommodated. Think your contingency or exception plans through carefully then enjoy acting on the data and making strategic decisions as opposed to managing the gathering of it.

□ GOING DOWN THE OUTSOURCING ROAD

John Fulton, Group Treasurer of Coca-Cola Hellenic Bottling Co, shares his thought process in outsourcing to Citibank's Agency Treasury Services.

Coca-Cola-HBC (CCHBC) is Europe's largest and the world's second largest bottler of The Coca-Cola Company's branded products. With a spread of more than 35,000 employees in 26 diverse countries, the company broadly covers territories in the South Eastern, Central and Eastern regions of Europe. The company was formed in August 2000 through the merger of two existing Coca-Cola bottlers, Coca-Cola Beverages plc and Hellenic Bottling Company SA.

The company is listed on the Athens Stock Exchange, with secondary listings in London and Sydney. In mid-2001, it was announced that the treasury function, based in London, would re-locate to Athens.

As a consequence, the decision was also taken to outsource CCHBC Group Treasury and Citibank's Dublin-based Agency Treasury Services were engaged. The decision to outsource was not difficult for a number of reasons. First, and of prime importance, was the inevitable issue of staffing group treasury for the move to Athens – outsourcing has effectively assuaged this concern. The second was the technology issue and how to make better use of purchasing power. The third was a method of being able to take a 'breather' after a tumultuous year and address how group treasury would be able to better interface between supplier (core relationship banks) and customer (country operations) relationships.

To aid in the implementation of outsourcing and to mitigate resource issues, which were inevitable following the Athens announcement, an implementation team was contracted into CCHBC. The contracted team consisted of two people and has relieved the transition process by effectively shielding CCHBC's Group Treasury team as much as possible from ATS contact.

For CCHBC Group Treasury, outsourcing is a solution with near-perfect timing. CCHBC's London base has effectively been thrown up in the air, with process work fully outsourced. The organisation of group treasury will have been restructured and will land looking completely different in a new location – Athens. Costs have been tightly contained and group treasury's effectiveness, I am confident will be even greater.

FENG SHUI YOUR PROCESSES. In order to reap the greatest benefits from outsourcing use the 'evaluation phase' to help streamline and improve your processes. Simply transferring a poor process to someone else is not moving your business forward. Instead grasp the opportunity to improve and learn from your vendor – they will have invested enormously in technology, people and best practice processes. This period of change will allow you to have a clear out - simplify and redesign any inefficient processes.

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