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CGE&Y: OUTSOURCING WORKS FOR FINANCE & ACCOUNTING

World Energy interviews Bob Pryor, president, Outsourcing Services North America at Cap Gemini Ernst & Young

Based in Dallas, Bob Pryor is responsible for all aspects of the business, including sales & marketing, service delivery, human resources, risk management, finance and administration. Bob also serves as chief operating officer for Cap Gemini America, Inc. and is a member of the firm's Executive Committee.

World Energy: Energy companies are always looking for new ways to improve their operating efficiency, but historically they've been cautious about adapting new business operation strategies, especially those where the loss of control is an issue. Is outsourcing without a loss of control possible, especially as it relates to finance and accounting?

Bob Pryor: Historical attitudes are changing, especially toward business process outsourcing. There is growing realization – and an increasing body of empirical evidence – that more complex business processes can be effectively and profitably outsourced. Seeing results that speak for themselves, firms are now willing to look at outsourcing their entire HR and finance functions.

World Energy: Can you be more specific about how outsourcing is moving into finance and accounting?

Bob Pryor: Companies are becoming more willing to shed non-core business functions, so advanced finance and accounting functions like management reporting and statutory reporting are now fair game for outsourcing. Of course, complete process improvements are still likely outsourcing candidates as well. But long-term, the transaction portion of F&A is going to become commoditized, just as IT infrastructure was.

World Energy: But how does this commoditization process occur without companies losing control?

Bob Pryor: That's where close communication and partnering come in. The trend is for companies to form close partnerships with their service providers. They want their partners to provide not only a choice of location for the outsourcing processes, but more input regarding new capabilities and the correct technology. In a mutual decision-making arrangement, companies and their providers jointly look at the potential risks of adopting new technology and how they should share capabilities, technology and even unknown risks.

World Energy: Let's talk money for a minute. The general impression of outsourcing is that it simply cuts costs. Is that your view?

Bob Pryor: Not at all. While outsourcing can cut costs by as much as 30 percent, it's so much more. A good outsourcing arrangement with a qualified partner essentially shares business risks, ensuring that, for instance, technology is beneficially refreshed when appropriate. It mitigates companies' constant need to make large investment decisions.

World Energy: In the past, business process outsourcing was only appropriate for big companies. Why would a small or mid-size company, say an independent oil producer, look at outsourcing?

Bob Pryor: To gain flexibility and competitive advantage. Small or mid-size companies might not benefit much from shared service centers, but they will find that BPO allows them to compete more quickly with larger companies.





They can scale up their operations more quickly – and with less capital investment – than is possible when all their bulk transaction and mid-layer financial and HR processes stay in house.

World Energy: Could you give an example or two?

Bob Pryor: Sure. In the utility sector, let's look at the outsourcing benefits for Hydro One, a transmission and distribution company in Ontario, Canada, that serves some 1.2 million customers. The deal includes enterprise technology services, infrastructure management, applications management and support. The business process management agreement includes finance and accounting, payroll, customer care and supply management services. With those taken care of, Hydro One has focused on its core business of building and maintaining the electrical network. At the same time, they're enjoying cost savings in the outsourced functions through economies of scale.

World Energy: Are there any benefits for Hydro One's customers?

Bob Pryor: Well, of course, lower costs keep rates at a minimum. But let's look at customer convenience. Cap Gemini Ernst & Young implemented a speech recognition solution as part of the customer care component of the contract. Hydro One's customers can obtain account information, enter their meter reading or report a power outage using the speech recognition system. The daily percentage of calls successfully completed using the software has increased between 5 and 10 percent.

World Energy: Speaking of lowering costs, one of the hottest topics today is offshore outsourcing. Where do you stand on this issue?

Bob Pryor: Well, it's a mistake to move processes offshore based on cost alone, without paying attention to service quality or leveraging technology. Companies need to consider several solutions when they decide to outsource, including dedicated service centers and joint ventures. Otherwise, they will fail to realize the true potential of offshore outsourcing.

World Energy: Can offshore outsourcing work for multinational energy companies?

Bob Pryor: In a lot of ways, the multinational energy companies have been on the cutting edge of offshore outsourcing, due to the fact that the natural resources are scattered around the world. CGE&Y recommends an outsourcing model that blends onshore, nearshore and/or offshore capabilities, tailored and coordinated to meet a company's specific goals.

World Energy: That sounds very complex.

Bob Pryor: There's a lot to it. In fact, the effort we've put into our outsourcing model for multinational energy companies has resulted in a proprietary product we call Rightshore™.

World Energy: How does it work?

Bob Pryor: Take a multinational company that's looking for cost savings, but wants to retain that element of control we discussed earlier. Rightshore™ helps design the right approach considering the company's appetite for change, risk portfolio and business imperatives for cost reduction and process improvement. The solution might include the company choosing to locate a portion of its finance and accounting components onshore, such as highly specific analytical work. Within the outsourcing framework, though, it also moves the actual transaction processing work offshore to China, where the labor cost is significantly lower. The key is to design the right approach considering the company's appetite for change, risk portfolio and their business imperatives for cost reduction and process improvement.

Further information about Cap Gemini Ernst & Young can be obtained from:

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