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Case Study:
CONSUMER, INDUSTRIAL & TECHNOLOGY

MERIDIAN ENERGY GAINS BETTER CONTROL BY LETTING MORE GO

MERIDIAN ENERGY

When New Zealand's largest electricity generator, Meridian Energy, was established from the Electricity Corporation of New Zealand in April 1999, the organisation made a bold decision. The newly formed state-owned enterprise took a conscious step to develop relationships with a range of key partners and look at areas across the business that it could restructure or establish to retain the focus on its core activity of generating and retailing electricity.

One of these areas was the financial management function, which was effectively being built from scratch. The challenge for Meridian was to identify a way to best manage these functions, while retaining control the important financial processes and required service levels.



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Neil Cochrane, Chief Financial Officer, Meridian Energy

WANTED: A PARTNER WITH CREDIBILITY AND CAPABILITY

Rather than take the traditional approach of establishing an internal capability, Meridian sought a partnership to enable the complete outsourcing of all financial management. A competitive tendering process was undertaken and BearingPoint was appointed as the partner. Neil Cochrane, chief financial officer at Meridian, said the decision to work with BearingPoint was made because of the unique nature of the approach and the organization's credibility. “What we were looking to do was so unique we had to ensure the chosen partner had the right credibility behind its organisation, as well as the reputation and capability to undertake this significant project. BearingPoint was that partner.”



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The benefits of the arrangement for Meridian allow the company to stay focused on its business while letting BearingPoint handle the issues related to managing staff, says Keith Robbins, managing director at BearingPoint.

“One of our greatest challenges was finding an organisation that we could work intimately with, that had values aligned with our own, that could understand what our business requires and have the appropriate measures and processes,” he says.

In addition, Cochrane said BearingPoint was able to offer Meridian quick and easy access to new developments and standards through its international network.

This groundbreaking approach to outsourcing financial management functions and processes had not previously been done in New Zealand and was seen by many at the time as out of the ordinary for the industry. However, Cochrane said that complete outsourcing was a move that has really paid off for the organisation.

“It’s often felt that outsourcing is a function only reserved for IT-related industries, but this is a real example of how it can work effectively throughout an organisation.

“We were concerned right at the beginning of the process about losing control of our financial processes,” he says. “What we’ve found is that, to an

extent, outsourcing these processes actually gives you a greater degree of control.”

Under the contract, BearingPoint now handles all of Meridian’s day-to-day financial management, including purchasing, accounts payable, payroll processing, project accounting, fixed assets and financial reporting. Keith Robbins, BearingPoint managing director, said the benefits of the arrangement for Meridian allow the company to stay focused on its business while letting BearingPoint handle the issues related to managing staff.

“In terms of remaining output-focused, not having to worry about staffing aspects such as recruitment, training or putting its resources in the right places, Meridian is able to keep its organisation lean and focus on its core business of generating and retailing electricity,” he says.

As part of Meridian’s overall Financial Management Information System, PeopleSoft was implemented as the central financial application, along with a number of interfaces to enable connection to a variety of major business applications.

ENSURING A SMOOTH TRANSITION

Since BearingPoint has been working with Meridian on financial outsourcing, Meridian has heralded two major benefits of the partnership:

- Maintain focus on core business activities while retaining control of its financial processes
- Providing quick and easy access to financial expertise and the latest developments around the world through BearingPoint’s international network

“One of the advantages of building this outsourcing approach from scratch was that it was easier to get acceptance internally and to change any existing mindsets,” Cochrane says. “BearingPoint helped make this a smooth process so we could easily come to grips with what our new system requirements were and how they would best work.”

BETTER SERVICE THROUGH CONSTANT IMPROVEMENTS

BearingPoint’s Robbins said that during the first three years of the agreement, BearingPoint and Meridian worked hard to “bed down”

After awarding the initial contract in 1999, Meridian has now renewed this for another three years in a deal that is worth \$3.1 million over the period, a move that Keith Robbins, BearingPoint managing director, said the company is extremely pleased with.

the processes and integrate them into the organisation's legacy systems, while looking for continual service improvements.

"Throughout the initial agreement period we've continually looked at how to improve our service and at aspects of the agreement that could be managed better," says Robbins. "These are now incorporated into the next three years of our relationship and will give Meridian clearer, more defined service levels."

One of the key learnings from the first three years was that a shift was necessary from monitoring and measuring inputs to measuring and managing outcomes. This has been achieved in the second term of the agreement through a change in focus to outcomes as the measure of the service levels rather than inputs. This change has meant new service levels that relate to an outcomes focus, as well as a new risk/reward aspect to the relationship and a review of the base remuneration component.

"An example of this change was the accounts payable function, which was previously measured by the sheer number of invoices processed and the speed of processing," says Robbins. "Now the measure is related to outcomes by meeting Meridian's business needs in terms of quality levels it requires; for example, no complaints from suppliers regarding BearingPoint's management of accounts payable. How we deliver this is our challenge."

After awarding the initial contract in 1999, Meridian has now renewed the contract for another three years in a deal worth \$3.1 million over the period, a move Robbins says BearingPoint is extremely pleased with.

"The agreement renewal demonstrates the success and pay-off that Meridian has experienced through taking this unique approach," he says. "We are looking forward to growing together to continue to refine the agreement and use it to demonstrate to other organisations just how they can benefit from thinking outside the norm."



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BearingPoint is a leading global business advisor and systems integrator. Our experienced professionals help organisations around the world set direction to reach their goals and create enterprise value. By aligning their business processes and information systems, we empower our clients with the right business solutions to gain competitive leadership advantage—delivering measurable results in an accelerated time frame. To learn more, contact us at +09 355 9000 or visit our Web site at www.bearingpoint.com.