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SPEAKER:	NUALA DENT
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SPEAKER:

Our final speaker for this afternoon and the congress is Nuala Dent. She is a senior manager for Matrix on Board.

Nuala's bio is on page 24 of the conference program. She will be speaking on efficiency gains, innovative use on shared accounting services...please welcome Nuala.

NUALA DENT:

Hi. Can everyone hear me?

Thanks for sticking around until the very end of the conference today. I was wondering whether people would still be here. I will take you through our take on efficient use of shared financial and accounting services.

The first thing about Matrix on Board. In the mid-1990s, there was a change in the government approach for funding for non-profits. There was type funding and reporting requirements. The founders of Matrix knew that there was limited in-house capabilities to meet those new reporting requirements. They saw an opportunity in the market for an outsourced financial management service. Matrix was born.

The word 'matrix' comes from the Latin word for 'womb'. We see our mission as building the capability and capacity of non-profit organisations and social enterprises. We do this by providing back office support in areas of financial and organisational management, as well as training and support to our clients to build their internal capacity.

Our approach is collaborative. We work with clients to improve efficiency so that organisations can run smoothly. They can focus on service delivery.

Another definition of 'matrix', as defined by the Oxford dictionary... sorry... 'The cultural, social or political environment in which something develops'.

There are changes in the sector. I would like to talk about them.

As Bruce summarised, core funding arrangements have been inadequate and unsustainable. There is support for a reform through federal government parties.

The first one is the FaHCSIA project - it will give families of children with a disability an extra \$6000 of funding over two years for them to choose how they will use that money. It is available for sight and hearing impairment, cerebral palsy, Down syndrome... the proposed National Disability Insurance Scheme, which has been the focus of the last two days, looks likely to commence in 2014. It should create \$6 billion annually - consumers will find their own choice of provider.

I know this has been gone through a lot in the last couple of days. This is a recount. There is likely to be a charity regulator. This would add to the compliance requirements.

These funding schemes fund money to consumers. I want to talk about the impact of this significant change.

We have got consumers shopping around for services, a possible increase in brokerage services. Also, improved information channels such as web-based service. We are imagining consumers, once given the choice of how to spend their money, will shop around in a similar way as they do with eBay or Amazon. The technology allows consumers to rate the service and people can choose what they want to use.

It is not new. It is already happening in the UK. I think Deb Watson is presenting in a concurrent session, a tool they are using to help consumers negotiate their way through the service providers. It means disability service providers need to position themselves and be ready for those consumers when they come. We have talked about setting a price for the service, being able to tell people what the quality of the service and the skill level of the service you are providing, and the location of the services. It requires a change to the way service providers think about themselves and present themselves to the consumer, so the consumer might choose them over a similar service.

Consumer decision-making will be driven by choice. The service provider needs to consider what efficiencies they can make to improve their service offering, whether it be outsourcing, rationalisation, collaboration...

Organisations will be joined up. I think of the collaboration required to meet consumer demand.

Research by PricewaterhouseCoopers indicates that the greatest efficiencies can be made through back office functions. It allows corporations to focus on their core products and services. The number one risk is the inefficient use of resources.

I guess while many people join not-for-profits or social services with altruistic interests, they might not have the skill required.

There are people with insufficient skills, it can be hard replacing people when they are on leave, et cetera. One option then is to look at how outsourcing can mitigate risk. If we think about this decision to outsource, we have a product or service we would like to deliver and we need to think about the work we would need to do to deliver it. Also, what resources we need to deliver that service. Of these, which ones do we keep in-house and which ones do we outsource if we don't have the resources in-house to do it?

I found a model for prioritising work by Mark Rhodes, the Strategy by Design. He used the example of Nike who outsource the making of the product. That is their critical, competitive edge. The next differentiation is the enabling work. It is the work that enables the competitive work to happen. Toyota makes cars but the thing that makes them different is that they make them on demand, so their competitive enabling work is the systems that allow them to work in that way. The third level of work is the business essential work. This must be done to stay in business. It is the work that customers don't always value. Even if it is done at a world-class level it doesn't always create sustainable competitive advantage. This is the kind of work best suited to being outsourced if outsourcing is an option that an organisation is looking at.

I just wanted to say again that the number one risk is inefficient use of resources. And that each organisation will have its own specific requirements and ways of dealing with it. Managing risk and looking at comfort levels and inefficiencies. That links with what Sally was talking about with something that might not have much difference to competitive advantages, but there are others that are important to address. Efficiencies might be made through outsourcing.

Some of the benefits of outsourcing work... We divided into two sections. Improve processes and flexibility. I think they are pretty self-evident. Doing things quicker and better - there are cost savings, you might have access to best practice but you might not have the skills internally to deliver. Managing financial risk, if you are outsourcing financial services. And flexibility - you can direct the resources that you have to the areas that you want to direct them to. And you can outsource some of the more business essential things that have to be done to an organisation that can do them for you.

Again, the decision to outsource is completely dependent on the organisation and its circumstances, but any of these factors might influence. The impact, the benefits are - and I know it's hard to read -The

benefits are that you can have confidence in the health of the business and the ongoing ability to provide services, because you are avoiding the risk in outsourcing services that need to be done and free up resources to concentrate on the services. The challenges are managing the transition from internal to external service provision - how will it affect the morale of people within the organisation if you were to outsource something that was previously done in-house? Managing the relationship between the organisation and the provider or contractor. Bryce talked eloquently about having a trust in the partner or provider for it to work effectively. Then defining the scope of the outsourcing service. Both parties need to know what is being delivered, which can help the relationship and lessen any friction about what is being delivered.

I have a couple of case studies. At Matrix on Board we outsource bookkeeping. The company does implantation of policies and procedures and ongoing financial management with an outsourced model of advice.

Efficiencies were created. It affected procurement policy. The figures on this... I'll let you have a look at where the cost savings were. It shows the comparison between former model and the model once they outsourced. This was a special situation when the organisation was particularly inefficient at doing it in-house. For many organisations the change would not be as dramatic. Here, the increase in costs... Sorry, not the increase in cost, but outsourcing provides improvements and cost savings elsewhere in the business.

Since best practice accounting processes were instigated with this organisation, including accounting, consolidation of state accounts and proper documentation of accounts, audit fees have been reduced. This graph shows the decrease in audit costs as well. If we look at the risk mitigation point of view, best practice accounting has led to better quality financial reporting. The flexibility of the contract means the client can increase or decrease the services as they require so they are not locked in to particular staff costs. And they can fix the cost upfront. They have access to qualified accountants, tax agents, financial experts, et cetera. And they have more office space because they don't have the people in-house doing that work.

I have another case study but I'm just checking the time. Almost done. I will just flick through it quickly.

Deciding to outsource - what are the key goals? What are the business issues you're trying to resolve? The financial benefits? These are the questions you would be looking at. Will outsourcing affect morale?

The decision to keep it in house or outsource it makes a huge impact.

At Matrix, we look at different types of responses to clients' needs. Whether they need us to have a bookkeeper in the office one day a week or a cloud accounting service they can upload their information into. Our accountants can check it for them and give them reports. There are all kinds of ways to outsource that business.

In a final closing, we are talking about financial management, how it links with risk management - I would like to finish there.

Thank you for your time.

(Applause)

SPEAKER:

Do we have questions? Please introduce yourself. Any others?

QUESTION FROM FLOOR:

Deciding to outsource is really interesting. I run a small organisation and I could outsource my finance and I could outsource the donor management function, but the one person that does most of those things also does a number of other incidental things. The question that is missing is what is the incidental benefits of having that person or services on board? If my manager didn't purchase the toilet paper, the organisation would stop. It is OK for the government to outsource accounting. The government has a whole lot of accountants that they can chop and change. In small and large organisations, there are incidental functions that become crucial. You can't employ a toilet paper distributor.

SALLY BENNETT:

I agree. Those roles are important. Someone in our Sydney organisation said that they could only afford four hours a week for a bookkeeper and they needed an accountant but they could only afford it for four hours. They couldn't do it so the bookkeeper tried to manage both skills and got into trouble. They had to repay all sorts of money because they weren't compliant. I guess, for any organisation, it is balancing the financial risks to the organisation with the community skills.

SPEAKER:

Last call for questions?

OK, please thank Nuala.

(Applause)

There is no formal closing. I trust you feel you have value in the last couple of days. You will go away with the message of unity and focus that John Della Bosca talked about. Safe travels, I hope you found the two days stimulating.

Good afternoon.

– END OF TRANSCRIPT.