

MOLSON COORS: A MIXED MODEL FOR FINANCE TRANSFORMATION

Case Study

For Current Members of Hackett Process Advisory Programs

Adapted from a Hackett FSS Process Advisory Program webcast presented by Gary Walker, Global Director, Shared Services, Molson Coors



Formed through the 2005 merger of Coors Brewing Company (founded in 1873) and Molson Brewing Company (founded in 1763), Molson Coors had 2007 sales of \$6.1 billion from its operations in North America, the UK, the Caribbean and Asia. Headquartered in Denver and Montreal, it is the world's fifth-largest brewer by volume and has 11,000 employees and 11 breweries worldwide. The company's portfolio includes more than 40 brands, including Molson Canadian, Coors Light and Carling.

GARY WALKER

*Global Director, Shared Services
Molson Coors*



Mr. Walker has more than 20 years of experience in finance and accounting, with particular expertise in shared services development, process review and design, evaluation of internal controls, financial systems implementation, GAAP and compliance with SEC regulations. As Global Director, Shared Services for Molson Coors Brewing Company, his primary responsibilities are to develop, implement and manage all relevant activities, processes and organizations involved with global finance shared services. Before joining Coors in 2001, he held a number of management roles in finance and accounting in a range of industries.

EXECUTIVE SUMMARY

Following its merger in 2005, Molson Coors began an ambitious, broad-based performance improvement strategy as part of its effort to become a world-class company. The three-year effort culminated in a blended sourcing model that mixed an in-house shared services organization and far-shore, near-shore and specialized HP BPO partnerships.

Such models are becoming more common, especially as finance SSOs increasingly emphasize higher-value decision support and analytical activities, and automate, eliminate or outsource transaction processing work.

BACKGROUND: MERGER-DRIVEN CHANGE

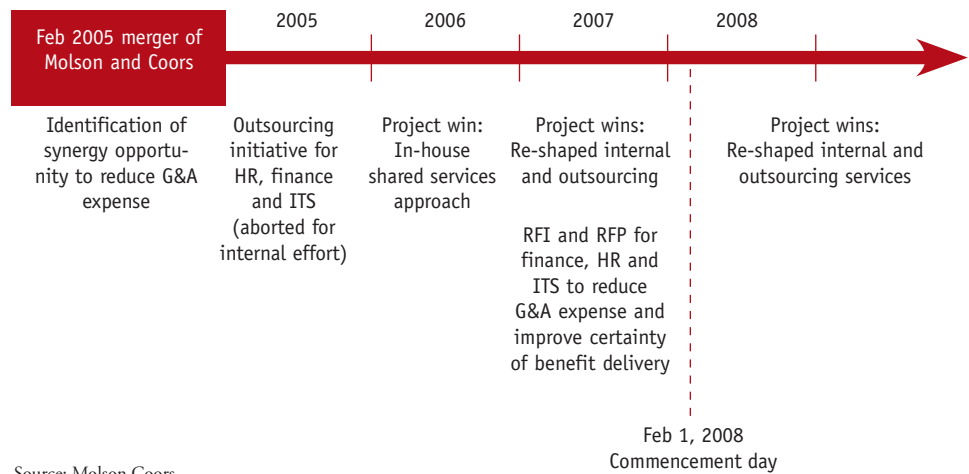
During the first decade of the 21st century, consolidation has been a constant theme in the highly competitive global brewing industry. In 2005, Molson, Canada's leading brewing company, merged with the third-largest American brewery, Coors, to form the industry's fifth-largest beer maker. To further strengthen its American operations, in 2008, Molson Coors entered into a joint-venture (JV) agreement with South Africa-based SABMiller. The JV, known as Miller Coors and headquartered in Chicago, made sense in part because of complementary geographical strengths between the two companies.

As with many mergers and JVs, increased efficiency in critical back-office functions, including finance and accounting, was critical to unlocking the full value of the deal. "The case for change was our recognition that, to achieve our goal of becoming a world-class beer company, we would need to build and strengthen our capabilities," said Gary Walker, Global Director, Shared Services, Molson Coors. "We would see real synergy by reducing G&A expenses and boosting performance in finance."

IN SEARCH OF OPTIMAL SOURCING

Walker and other leaders of Molson Coors G&A functions explored several different sourcing models (**Fig. 1**). Immediately after the merger, the company considered an outsourcing program for G&A that was replaced by a new strategy to expand the existing US-based shared services center to support global operations. The WINS (Worldwide Integrated Network Services) program, as this 2006 initiative was

FIG. 1 Molson Coors' journey to G&A transformation



Source: Molson Coors

called, was designed to sharpen the company's competitiveness through increased standardization and efficiency in IT, human resources and finance. Further, the company was committed to developing its in-house talent – another reason it sought to develop its own in-house shared services operation (SSO).

But WINS was soon modified. "There was concern that internal SSCs weren't being implemented quickly enough to generate the synergy and value Wall Street expected from the merger," explained Walker.

As a result, in early 2008, plans were again reshaped to incorporate more business process outsourcing (BPO) into the SSO implementation. "The combination of outsourcing and shared services was the best way to reduce G&A costs to the greatest extent and realize the performance benefits," added Walker.

CRAFTING THE PLAN

Key components for the Molson Coors transformation plan included standardization of business processes and IT systems across the enterprise, as well as a reduction in the number of resources dedicated to operating divisions. "Previously, we had different finance, HR and IT processes for operations in Canada, the US and UK, and for the corporate office," said Walker. "But, in the future, we will be much more standardized, and reliant on our SSCs and outsourcing partner to support these functions."

Once it set the strategy, the company developed and distributed a request for proposals covering finance, HR and IT services to a number of top outsourcing providers. The detailed evaluation criteria included solution and service quality, architecture, pricing, speed, risk and scope. Additional intangibles, such as operating style, cultural fit and the "confidence factor," were also taken into account.

In early 2008, HP BPO, the business process outsourcing unit of Hewlett-Packard, was chosen as the lead provider of services. "It was the combination of

cultural fit, references and HP’s strong pricing strategy that led us to choose them as our main outsourcing partner,” said Walker.

The solution is structured to mix far-shore, near-shore and specialized HP BPO managed delivery centers in the following locations:

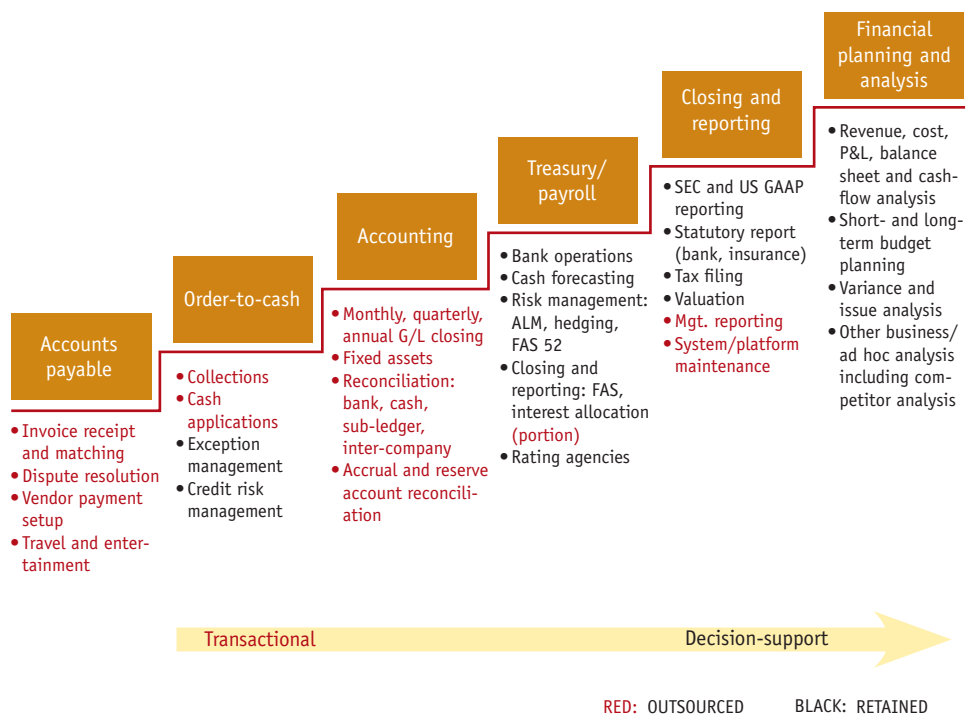
- **Kirkland, Canada:** HR, finance
- **Toronto:** IT
- **San José, Costa Rica:** HR, IT
- **Puerto Rico:** finance
- **Chennai, India:** finance, IT
- **Wroclaw, Poland:** HR

With a single, common delivery process and toolset used in all these locations, Molson Coors has the standardization it requires, but also the flexibility to meet its language requirements, support the unique needs of different operating units and offer 24/7 global productivity. “Our blended model means the right work is handled at the right location at the right time,” Walker said.

In finance, outsourced processes are mainly transactional, including invoice management, accounts payable (AP) and travel and expense (T&E) (**Fig. 2**).

A number of record-to-report (R2R) processes for fixed assets, business segment and corporate reporting and cash management are also handled by HP BPO.

FIG. 2 Molson Coors sourcing model



Source: Molson Coors

In-scope order-to-cash (O2C) processes include customer master data management, customer billing, bill-back and rebating, remittance and credit collections.

Molson Coors retains most processes related to decision support, including treasury/payroll, closing and reporting, and financial planning and analysis in-house. In Hackett's experience, this is the typical structure and sequence for organizations managing SSOs and adopting outsourcing, with more decision support capabilities added to the SSO and outsourcing provider as centers and/or BPO relationships mature.

Walker pointed out the importance of responsiveness in customer-facing activity, and how it shaped Molson Coors' sourcing model. "Customer service has to be your number-one priority, no matter where you are or how you're doing shared services," he said. "Even though some processes are now handled in India, the team there is an extension of the Molson Coors finance team. We own the responsibility, but they execute it."

MAKING THE TRANSITION

Molson Coors met a very aggressive timeline in implementing support for three operating units (US, Canada, UK) in just over seven months, with solutions launched in late summer 2008. To pull it off, Walker and his team used a rigorous, phased implementation plan, with detailed work streams to design, build, test and launch in a 30-week cycle. The emphasis was on communication, training, knowledge transfer and business continuity. Walker cites the following as critical considerations in Molson Coors' rapid implementation of BPO:

- **Integration points and business impact:** The transition team identified the specific integration points where the business units would feel the effects of change. They included customer master data setup, procurement, payroll and payroll accounting, audit and controls and order-to-entry processes. Additional hot-button areas for customers included specific procedures in credit and collections, the handling of customer inquiries and the timely processing of T&E claims, where a timely response is critical.
- **Training and knowledge transfer:** Molson Coors ran extensive process workshops with HP BPO staff to understand business requirements and map out the implementation. "It was critical to allow for adequate lead time for training on both sides of the partnership," says Walker. The knowledge transfer is based on a continuous feedback process and follows several predefined steps for preparation, observation, performance measurement and certification. For example, after attending training sessions and watching Molson Coors staff conduct specific tasks, HP BPO workers performed and documented the same tasks. Then, Molson Coors trainers and management would confirm and certify that given processes were ready to transition. Formal sign-off confirmed that each site was ready on day one. The process also featured "reverse knowledge transfer," with HP BPO staff in each location sharing information about their processes. Interestingly, the training disclosed much information

about the cultures of each organization. The considerable cultural differences at each of the Molson Coors operating units, the involvement of offshore locations and the mix of languages were additional challenges to be navigated. “I can’t overstate the importance of a good cultural fit,” said Walker. “You have to understand each other, where your partners are coming from and the value they can bring to the relationship.”

- **Production ramp-up:** A highly detailed production ramp-up plan addressed IT connectivity and access issues. SLA reporting tools and reporting were prepared and onsite Molson Coors mentors were identified. As work was performed, production volumes and accuracy were measured against the plan and feedback provided. SLA results and operational metrics were shared in debriefing sessions and through other channels, with Molson Coors staff ready to consult and troubleshoot. Documentation was modified and staff retrained as necessary.

EARLY RETURNS

Walker says the company expects to realize such benefits as increased process efficiency and effectiveness, and improved data accuracy and availability to facilitate better reporting. “We are focusing on becoming more proactive, innovative and cost-conscious in our delivery of G&A services because that will make us more competitive,” he said.

Perhaps most impressive about Molson Coors’ finance transformation is the speed at which these first implementations were completed – support for three operating units was transferred in less than 30 weeks. “We moved at warp speed,” said Walker. He acknowledges that moving so fast, especially in the US, led to problems in some areas. However, there was a very tight timeline, which he and his team succeeded in meeting. “Because we had a very detailed plan, we were able to meet our timelines and many of our goals,” he added.

LESSONS LEARNED

Given the size and pace of the transformation effort at Molson Coors, it’s no surprise there were many lessons learned. For instance, Walker believes business stakeholders should have been more involved in assessing the scope and business impact of the transition to outsourcing. The lack of input at the beginning of the project led to inaccurate estimates of headcount affected by the transition, which ultimately required adjustments to the outsourcing agreements.

Similarly, Walker believes it’s essential that auditors and managers of internal controls review the design of outsourced processes as soon as possible. “You’ve got to get them in the ball game early on,” he said. “Otherwise, you’ll find issues and weaknesses later that you’ll have to address.”

Concerns also arose during implementation. Insufficient documentation of standard operating procedures was the most critical issue, according to Walker. “The key to a successful transition is making sure that you document your processes for

the outsourcing provider, because that's what everyone will work from," he said. "You have to take the time to document completely and accurately."

On the technology front, various new electronic tools were implemented, but many employees were slow to adopt them. ERP connectivity also was sub-par at times. To address these issues, the transition team redefined timelines and resource requirements, retooled training programs, and clarified expectations for e-tool adoption and ERP access.

While the knowledge transfer program was well received by the employees who participated, a more formalized process and a more complete knowledge transfer tool kit will strengthen the program, especially in areas like accounts payable, where experienced Molson Coors veterans are turning over work to less-experienced resources in India.

As more processes move offshore, Molson Coors will install senior managers, instead of analysts, in India and other locations for longer periods of time, with the goal of supervising outsourced staff and stabilizing processes as soon as possible. "You need to have your best people on this," said Walker.

STRATEGIC IMPLICATIONS

Lessons learned from the initial transitions have been used to refine plans for subsequent rollouts. In fact, Molson Coors has developed an Integrated Transition Plan for future launches and the outsourcing of additional processes and functions:

- Engaging CXO leadership well in advance of launches to ensure their support and participation in transition processes
- Full documentation of standard operating procedures
- Allocation of appropriate onsite resources for comprehensive review and identification of controls
- More extensive testing of connectivity and integration with ERP systems to ensure proper system access, especially for reporting close periods
- A clearly defined escalation process and communication plan implemented before go-live dates
- Clearly defined roles for interaction and communication with HP BPO representatives
- A comprehensive process scorecard, with accurate metrics such as backlogs, available for all newly outsourced processes

Additionally, Molson Coors' finance and accounting team is looking forward to implementing a clear vision for record-to-report (R2R) enablement that will boost controls and compliance in the closing process. New tools will enable better visibility into overall R2R performance, open issues and variances. Once again, the emphasis is on training, communication and knowledge transfer, with process workshops to outline the capabilities of new HP BPO tools, document new processes and identify future opportunities for improvement.

“Overall, we need to strengthen our change management capabilities,” says Walker. “We need to set expectations during transitions, especially when we go into compression mode, with extremely tight timelines. The learning curve must be clear for both Molson Coors and HP BPO staff.”

Walker’s focus on the strength and quality of the outsourcing relationship is well directed, because the pressure on finance SSOs only increases as they generate value. Process management, performance improvement and service expansion become top priorities as finance SSOs mature. By embracing large-scale outsourcing early on in the transformation of its sourcing model, Molson Coors has made a major step toward its goal of achieving world-class performance levels.

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A Six Sigma Black Belt and certified master trainer, Dr. Weller has a wealth of experience in shared services, accounting and finance. In her current capacity, she responds to client inquiries, researches topical shared services issues, and coordinates conference and client networking events. Before joining The Hackett Group, Dr. Weller was a senior executive in shared services at Pfizer Inc. (formerly Pharmacia and Upjohn) for over 30 years. There, her management responsibilities included general ledger, inter-company, accounts receivable, property, consolidations, reporting, accounts payable, travel and expense, cost and inventory. In addition to her shared services expertise – including accounting and finance integrity and controls – Dr. Weller has managed multiple large-scale merger and system transitions, as well as initiatives in process improvement, activity-based management, and balanced scorecard design and implementation.

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Before joining The Hackett Group, Mr. Barden spent over 10 years working as a director in management consulting firms, where he specialized in leading change within the support functions of global organizations, helping clients deliver both in-house and outsourced shared services. Previously, Mr Barden spent 13 years in the finance functions of multinational firms in the paper and chemical industries based in the UK before becoming CFO of a multinational speciality chemical firm located in the Netherlands.