

# Evaluating the organisation and operation of accenture



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The aim of this discussion is to profile Accenture and highlight the key contingencies that influence the organisation and operation of this professional services firm. Having worked in the UK practice for 5 years and the much smaller practice in Nigeria for 14+ years, my analysis will look at the firm globally and highlight any peculiarities that relate to size. The operating model of the firm, however, creates a consistency across all of its offices that give a truly global feel regardless of location.

I shall start by providing a broad overview, highlighting key facts and figures about the firm and the various geographies in which it operates. Following, the firm's business model will be described in the context of the key concepts learnt in this module, focusing on its strategic intents and core pillars which enable repeated achievement of those intents possible with its current organisational structure.

Then, I shall examine the key contingencies that influence how Accenture is organised and discuss the “ fit” or how aligned the organisation and operations of the firm are with these contingencies and the other contingency factors that come to play.

To conclude, a summary of critical points and recommendations for improvement shall be given.

## **Overview of Accenture**

Accenture is a professional services firm. Its internal-website[1]describes the firm as ‘ a global management consulting, technology services and outsourcing company that combines unparalleled experience and comprehensive capabilities across all industries to help its clients become

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high-performance businesses and governments'. Operating in 200+ cities in 52 countries with over 170, 000 staff, Accenture serves clients in 120+ countries. In the fiscal year ending August 31, 2009, net revenues stood at over US\$21. 50 billion (Accenture Annual Report 2009).

(ibid; 3) Accenture prides itself on its ability to use industry knowledge and technology trends to develop solutions to help its clients around the world enter new markets, increase revenues in existing markets, improve operational performance and deliver their products and services more effectively and efficiently.

The roots of the firm date back more than half a century ago. However, the name Accenture did not exist until October 2000 when the company, then known as Andersen Consulting, was required to rename itself by January 1, 2001 as part of a historic arbitration ruling that severed all ties with its parent company Arthur Andersen and the umbrella organisation Andersen Worldwide (Anon, 2005: vi).

## **How Accenture is Organised**

In line with Weber's 3 types of organisation cited in Organisational Behaviour (OB) (Anon, 2008: 13), Accenture is a 'rational legal organisation' with a four dimensional matrix structure, each dimension primarily organised as a hierarchy. Fig. 1 below graphically depicts the structure as a traditional hierarchical organogram but it is important to highlight that it is 'organic' in how it actually operates. Mullins (2010: 594) and OB (Anon, 2008: 25) citing Burns and Stalker. The professional hierarchy is a flat structure with just four levels: Analyst, Consultant, Manager and Director.

Fig 1: Accenture Organisation Structure [ Source: Accenture Intranet 2010[2]]

Accenture's website[3]describes the four dimensions: Operating Groups (OG), Growth Platforms (GP), Geographies, and Corporate Functions (CF). Accenture delivers its services and solutions through five OGs that enable its professionals to develop deep understanding of industry evolution, business issues, and applicable technologies to allow the firm to serve each client's industry with exceptional insight. There are three growth platforms. The Management Consulting, Technology GP and the Business Process Outsourcing GP focus on building world-class skills and capabilities of Accenture people, while also developing knowledge capital and offerings that facilitate the accelerating growth agenda of the firm. (ibid) The third dimension, Geographies, divides Accenture employees operating out of 52 countries into three distinct geographic regions of responsibility: the Americas, Asia-Pacific, and Europe, the Middle East and Africa (EMEA). Management of the GPs, OGs and support functions are also along geographic lines. The fourth dimension, Corporate Functions, covers support functions like Business Performance, CIO Organisation, Geographic Services, Finance, Human Capital & Diversity, Human Resources, Legal, Marketing & Communications, Quality, Commercial & Contract Management, and Strategy & Corporate Development.

Accenture reflects Buchanan and Huczynski's (2010: 87) view on organisation in the systems theory mode, with its component dimensions strongly interdependent and tightly coupled in the daily functioning of the firm. The " equifinal" nature of the work in the firm makes it nearly <https://assignbuster.com/evaluating-the-organisation-and-operation-of-accenture/>

impossible to do a detailed job description for an Accenture professional, except perhaps for the most general of attributes. The firm is 'structured to enable staff provide specialised solutions problems on a client-by-client basis'. DeLong, Gabarro and Lees (2007: 51). Each Client team is a quasi-self-managed work group (Mullins 2010: 361).

While the fundamental of Accenture's organisation has remained the same, its geographic groupings and naming have changed as the firm has grown and as regional offices outgrow each other in relevance and size. New services lines are continually being added, while existing ones are merged as new markets emerge, mature and die off or become highly commoditised. In this way, Accenture is very similar to a living organism in the way it constantly renews and reorganises itself around 'changing market conditions' and the times in which it exists and operates. Linstead, Fulop and Lilley (2004: 141).

## **Core Pillars of Accenture**

The firm's brand, internal operations and success in serving clients is deeply rooted in its very strong culture. OB (Anon, 2008: 61) cites Peter and Waterman's argument that 'strong' culture lies behind many of the eight prescriptions on practices of 'excellent' companies as derived from their research. This is very true in Accenture, and its leadership makes significant efforts to continually communicate the firm's culture, core values, and norms at every opportunity.

The official history book of Accenture "Values. Driven. Leadership"(Anon, 2005: 176) highlights the fact that practices in the firm have long been

guided by fairly consistent sets of values and beliefs directly attributable to its founder, Arthur Andersen, more than half a century ago. However, as part of the firm's strategic planning process in 1991, tagged Horizon 2000, the then CEO George Shaheen felt it was important to spell out these values which “ form the foundation that supports our mission and vision”. One decade later, the core values have endured with only very superficial changes. Accenture’s website professes that since its inception, it has been driven by a set of enduring core values that guide the firm’s decision making, as well as its interactions with clients and staff. These core values are: Stewardship, Best People, Client Value Creation, One Global Network, Respect for the Individual, and Integrity.[4]

No offence is taken more seriously than a violation of any of the six core values. “ Career-limiting” and “ career-terminating” behaviours are common terms within Accenture, with a violation of the core values a definite career terminating act.

One of the key success factors for Accenture is its dedication to staff development. Accenture is often labelled as one of the best training grounds for professionals. This is best demonstrated by its investment in a training facility specifically converted to train all Accenture personnel worldwide. Located in a sleepy village called St. Charles, an hour’s drive from Chicago, a trip to the facility is a rite of passage for newly-hired consultants in Accenture. Among many other things, the 3-week experience enables the new hires to absorb the history, culture and core values of the firm, through stories and personal experiences shared by Partners and colleagues, and encourages them to network early on in their careers with their peers. These <https://assignbuster.com/evaluating-the-organisation-and-operation-of-accenture/>

networks are crucial as they are the same ones that new hires work with on projects or call upon for help as they serve clients.

While the Core Values of the firm have scarcely changed, the mission and vision statements have been recast once in the last 2 decades. From the Accenture Website[5], the current mission and vision statement reads:

“ Mission: To help our clients become high-performance businesses and governments.

Vision: To become one of the world’s leading companies, bringing innovations to improve the way the world works and lives.”

To complete the discussion of the core pillars of the firm, it is important to mention its Code of Business Ethics. This is not a complete dossier of policies of the firm, but more of a “ synthesis of the key policies and principles that should govern all employees’ conduct” in dealing with clients, colleagues, the public and assets of the firm. Accenture insists on employees periodically certifying their compliance with the Code of Business Ethics by completing mandatory trainings and responding to firm-wide Surveys. Accenture-Website[6]

### **What are the relevant contingencies in Accenture?**

In my 19 years at the firm, I have observed several changes influenced by both internal and external contingencies. Mullins (2010: 586), in explaining the ‘ Contingency theory’, suggested that “ situational factors account for variations in the structure of ... organisations”. DeLong, Gabarro and Lees (2007: 141) and Morgan (2006: 42, 49) agree with this, quoting work done

by Professor Paul Lawrence, and Jay Lorsch concluded that there is “ no single ‘ right way’ to organise... The more aligned a [firm’s organisation] is with its strategic positioning, the more effectively it will execute its strategy... and perform in its markets and financially” [emphasis mine]. This therefore suggests that as relevant contingencies evolve, the continued success of a firm directly correlates to how well it is able to change and adapt its organisation and operations. (Mullins 2010: 587)

The way Accenture is organised and operates is influenced by several key contingencies including the following:

The kind of work we do and the products we sell influence how we are organised. Business and technology consulting services involve working for defined lengths of time to solve specific client problems, in small to medium size teams. During these periods, an employee’s daily existence in the organisation is defined by the project structure and his interaction is primarily with his project team members. His allegiance is to his team and his reward is determined by his performance within that team. When that project ends, he moves onto a new project with new people, facing new challenges. Typically, project engagements are high pressure, knowledge-based, with tight deadlines, and never the same as the prior task. As such strong work ethics that are consistent across staff and a strong, shared culture is crucial, formal control is much less required as McGregor’s Theory Y applies to a high degree. Linstead, Fulop and Lilley (2004: 329) citing McGregor (1960: 47-8).



Market maturity is an external contingency that also affects organisation in local offices. Typically, the distinction between operating group and growth platform in geographies with less developed markets and often smaller offices is blurred. We often find a much more fluid movement of people across these distinctions and people will often play several roles, even in support functions.

Correspondingly, the size of each practice affects the organisation in the local office. The smaller the client portfolio, numbers of staff, etc., the more collegial the interactions. The project intensity and challenges are fairly similar, but because of the size of the office, the chances of repeat working relationships between staff is much higher, which has a significant impact on the engagement of staff, and the alignment of the local office's strategy and goals with the global goals of the firm. Obviously, the ease of communication in much smaller offices contributes to the collegial feel. The larger practices tend to exhibit more of Fayol's 14 principles and bureaucratic trends in line with Weber's Theories. Linstead, Fulop and Lilley (2004: 130), OB (Anon, 2008: 10-13)

Another key contingency that enables Accenture to organise itself in this way is the kind of people that it attracts. A typical Accenture person is usually highly educated and skilled, honed further by intensive on-the-job and classroom point skill training. Energetic, youthful, highly motivated, and competitive, they are often seeking to be adequately rewarded and recognised. Thus, there is significant amount of self-governance and 'cultural control'. Mullins (2010: 673).

The norms, values and culture of the firm are probably the most important contingency that affects how Accenture is organised and operates.

Accenture devotes a large part of its executive time promoting and safeguarding the firm's culture, norms and values. Sometimes, where the values of the firm conflict with "accepted ways of doing business" in some geographies, this can cause discomfort and potentially affect market penetration and growth rate. Nevertheless, the firm insists and stays true to its core values which over the years, has earned it a high reputation in those markets and affected the kinds of clients that come to it and the calibre of skilled personnel seeking to join it.

Accenture's global mission and vision is a contingency that has affected how it organises around skills, industries and geographies. Although these have changed only once in the last 20 years, essentially, they have remained focused on superior client service and remaining a top brand. This has given the leadership of each local Accenture practice a singular focus on the needs of clients in that geography, while ensuring that the brand quality is jealously guarded.

Accenture is very aggressive in its use of technology internally to digitalise and share knowledge, industrialise its offerings, and make it easier to re-use knowledge capital gathered on projects in one geography in several other geographies, thus driving down its cost of services and improving its margins. It is also a means of managing the typically high attrition rates in the consulting industry. Accenture has also increasingly used technology to support its internal function, challenging the traditional autonomy local

offices had over their support functions and centralising several HR, Financial

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Controls etc. responsibilities to create leaner support structures in the local practices.

Economic forces have also had a significant impact on how the firm's organisation has changed with time. During the high growth periods of the '90s, Accenture had double-digit growth year-on-year, recruiting staff all year round. Several contractors were independently hired for projects and paid out of project margins. These resources were never on Accenture's headcount, but were seen as Accenture resources by clients. However, with the meltdown, contracting was banned and almost all contract staff released. OB (Anon 2008: 39) citing Atkinson (1984) and Clegg (1990) stated that this 'numerical flexibility' makes it possible for firms like Accenture to react swiftly to the meltdown. However, it was not enough. As the recession deepened, each office was mandated to release upwards of 10% of its workforce and to freeze promotions for one year across all levels. Then, as the recession further worsened, the firm had to release over 7% of its Partners.

The tightening of regulatory controls, especially in the aftermath of Accenture becoming a publicly-quoted company, significantly altered the way the firm was organised and how it operated internally. Several elements of financial reporting were automated and the underlying technology was changed from home-grown software FS90 to SAP financials. This change facilitated more centralised control over reporting and monitoring of accounts payable and accounts receivable, which in turn, put more pressure on project teams to be more financially disciplined in the collection of fees and the tracking of project statuses. Invariably, senior executives found <https://assignbuster.com/evaluating-the-organisation-and-operation-of-accenture/>

themselves spending significantly more time managing project financials at the expense of serving client and managing the people.

## **Contingency Alignment in Accenture**

In the heat of the recession in August of 2008, in its FY08 Annual Report, Accenture celebrated three things. These were very strong financial performance at 19% US-dollar growth (earnings per share growing 35%), approximately US\$1 billion investment in specialised skill and capability training of its people, and the recognition of Accenture as one of the “World’s Most Ethical Companies” by Ethisphere Institute (Accenture Annual Report 2008: 3). The following year, the firm remained consistent in the above three areas despite the deepening of the recession, outperforming the market and many of its traditional peers (Accenture Annual Report 2009: 3).

The ability to produce and maintain this sort of performance in the face of deep recession is an indication that there is significant degree of fit between the key contingencies and the organisation and operation of the firm to achieve its corporate strategy, goals and vision.

Given the need for offices to be able to respond to the needs of both local and international clients operating within the constraints of the environment, it is important that each practice has a good degree of autonomy to organise itself to serve its clients and conceptualise solutions to the challenges they face. Given the fact that the typical Accenture employee is a self motivated, driven, highly skilled, and creative professional suggests the need for an organic structure that allows leaders to emerge in teams, as opposed to a top down, highly bureaucratic, multilayer organisation. This

also speaks to the kind of work Accenture's clients bring to the firm since every project is unique and past experience cannot always be used as a prescription for the approach on new projects. In these contingencies, Accenture has achieved very good degrees of fit and alignment. The high-skill environment and ever-changing client needs make continuous training crucial to maintaining the above alignment.

The core values of the firm are very much in congruence with its mission and vision statements, and together, they corroborate the overall strategy of the firm. There is great alignment and fit of these core values to the overall driving force required of employees to realise the firm's corporate strategy. Most importantly, they are the 'glue' that hold the firm together, especially since most of the "controlling and managing" of Accenture's employees occur at team level, which at best are temporary and highly organic structures. Essentially, the firm's staffs are self-regulating and highly influenced by the organisation's culture. And as the leadership of the firm expends enormous time and effort in driving home this culture, it is instructive that the Ethisphere Institute recognised this too.

The above alignment of contingencies is also a reflection of the firm's history as a partnership and the fact that it is a firm only just beginning to evolve into a publicly-quoted company. Herein lays its struggle with some of the other contingencies.

As a publicly-quoted company, the need for stricter controls and more rigorous reporting and predictability of future performance has put a lot of strain on the fit of some of the contingencies. The implementation of some of

the new technologies in the support functions while having helped to drive down cost and make the business more profitable, has also resulted in a tendency to reverse some of the autonomy local practices enjoyed and to centralise several decisions, e. g. organisation and manning levels of support functions and the frequency of reporting of some key performance indices. Where manning levels of support functions are computed as a percentage of personnel in each local office, it neglects the fact that there is a minimum requirement regardless of how small the office is. Coupled with increased reporting needs even though the new technology makes things easier, it still creates an unstable support function especially in the much smaller offices and regions. This also leads to Partners (now called Directors) spending a lot more time on administration, instead of using that time with the client developing new business or with the staff, impacting skills and knowledge. Delong, Gabarro and Lees (2007: 53)

Leading from the firm going public, comes the challenge of aligning its core values of best people and extensive investment in training, with the need to release a sizeable portion of the workforce right in the middle of the recession in order to balance the books. Some have argued that as a partnership, the recent staff lay-off should not have happened, at least not to that degree and certainly not to Partners. This has caused a significant amount of strain within the firm and exacerbated the misalignment of the response to a crisis in a publicly-quoted firm with the loyalty, collegiality, partner mindset core values that the firm has sought to embed in its employees.

## Summary

To conclude, a common theme that has run through my presentation is the ‘strong’ culture in Accenture. It pervades the firm’s strategy, the kinds of people it recruits, how it operates, how it measures results, and how it organises itself to achieve its objectives. This culture is anchored in its six core values, which each executive persistently communicates and demonstrates to clients and staff. The firm strongly believes that when each employee inculcates and acts in accordance with these values, there will be strong alignment with the firm’s business strategy, and the organic organisation will perform at its best. This is aptly captured in the Accenture Annual Report (2005: 15) which states:

“ the organisational qualities intrinsic to [our] high performance comprise what we call ‘ performance anatomy’. This building block which touches decisions about business models, incentives and values, underlies the obligation that all employees have to personify the company’s mission in their daily work’

(ibid) It goes on to say that the six core values shape the culture and define the character of the firm:

“ we see a direct correlation between the embodiment of these values and the ultimate success of our business strategy”

This demands a high degree of stewardship, trust and loyalty from employees and bodes well for a partnership. However, the recent recession has greatly tested this trust. The recent spate of layoffs from the firm, especially of Partners, may well have served the short-term purpose of <https://assignbuster.com/evaluating-the-organisation-and-operation-of-accenture/>

satisfying Wall Street and 'delivering the numbers'. However, the impact on long-term performance of the firm may be negative and take years to reverse. The firm therefore needs to make a very concerted effort to re-recruit the hearts of the 'B performer', not necessarily the top-performer, who perhaps feel less threatened by the retrenchment. DeLong, Gabarro and Lees (2007: 172)

The "performance anatomy" of professionals in the firm is in direct conflict with centralised decision-making on operational issues. Lorsch & Tierney (2002: 123). Nevertheless, the fact that the firm has now become a publicly-quoted company makes it more necessary to instil fiscal discipline compared with traditional partnerships. Accenture needs to critically relook its current drift towards over-centralisation with the resulting reduction in flexibility, as this will have a significant impact on the future overall performance of the firm.

Finally, Accenture needs to address the high attrition rate and internal tension resulting from the recent layoffs. Lorsch & Tierney (2002: 123) postulates 'a firm may well be generating solid financial results at the same time that it's losing its most talented professionals... and its future'. 'Culture can emerge as the defining competitive advantage'. Lorsch & Tierney (2002: 153). Strong Cultures bind together organisations during difficult times. Lorsch & Tierney (2002: 158), The 'shared values, shared believes, shared meaning, shared understanding and shared sense making' is the biggest competitive advantage Accenture's heritage bestows on it. Morgan (2006: 134). Accenture must strategically rally it's professionals around its cultural



core to secure its future irrespective of how it is chooses to be organised.

Lorsch & Tierney (2002: 153).