

## The 4C model – managing operational conflicts and avoiding Fraud

The 4C model has been specifically devised to focus on the efficiency and effectiveness of operations.

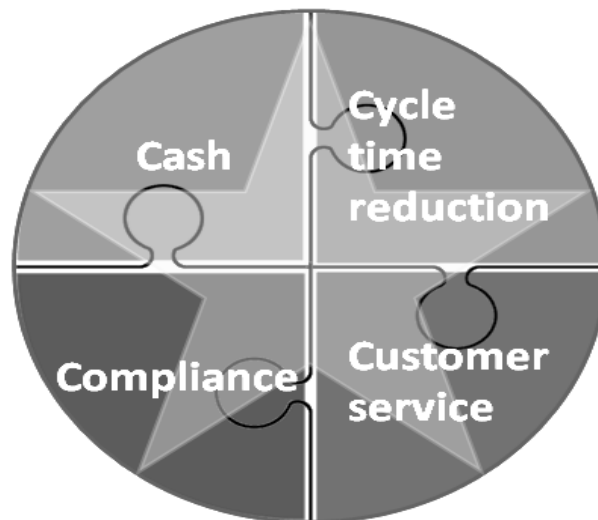
There are four main operational drivers that need to be kept in balance .

These are : cash, compliance, cycle time and customer service.

Operational risks , operational tensions, conflicts and possible fraud can occur when they are not in balance.

However ,world class standards of operation and control can be attained when they are.

The model can be tailored to the need of any individual , team, or organisation and also links quite easily into personal and company objectives, and also into balanced scorecards.

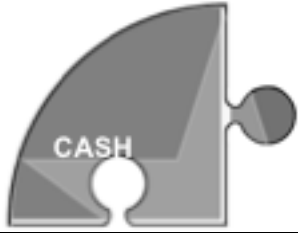


Compliance and cash are concerned with 'what' is required, whilst cycle time and customer service focus on 'how' it should be carried out.

The focus of the 4C model is on understanding the effect that each of the parameters has on the other three. The wrong focus within one aspect can affect all the others negatively and bring about service problems, but the correct emphasis can bring about positive results in all areas and so improve performance and mitigate if not avoids malpractices.

## 1.1 Cash

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Emphasis on	Impact on	Wrong emphasis leads to negative outcomes	Right emphasis leads to positive outcomes
	Compliance	Compliance controls are omitted	Compliance controls are built into the process
	Cycle time	Slow delivery of services	Activities are speeded up as there are less defects and errors
	Customer service	Complaints on the quality of service	Compliments on the quality of service


Cash relates to both costs and income. The initial model was focused on costs but shared services can make a significant contribution to cash.

Focusing on cash can mean benefits arising from:

- Increased cash flow from receivables
- Lower transaction costs
- Lower cost of transferring activities into shared services
- Greater volume of outputs with the same or lower resources
- Reducing the investment costs of setting up shared services

Cost and cash will be a significant focus in shared service operations.

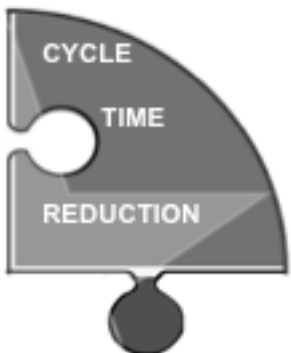
## 1.2 Compliance

Emphasis on	Impact on	Wrong emphasis leads to negative outcomes	Right emphasis leads to positive outcomes
	Cash	Costs too much to implement and administer	Costs are reduced as there are fewer problems
	Cycle time	Too many rules and slows the process down	Rules are embedded early in the end-to-end process.
	Customer Service	Customer frustration and confusion	Customers understand what is required of them

Compliance involves keeping to the rules. There are a number of different compliance obligations facing shared services.

Type of rule	Example
Legislation	Each country will have its own mandatory legislative requirements In some instance national requirements will impact shared service overseas operations Fraud and money laundering are the potential risks / consequences of non-compliance
Tax Laws	For example, the correct application of VAT (value added tax)
Company policy (set at a board level)	May require segregation of duties on key process. For example, those who set up suppliers on the system must be different personnel from those who pay them
Functional procedures (set by relevant board member for their function)	Delegation protocols – i.e. payments below a certain level may be authorised by a junior manager, but payments for higher amounts will need approval from more senior management
Shared service procedures	Specific procedures to be followed in carrying out particular operations or activities
Desk top procedures	Very detailed instructions possible at keystroke or screen level

### 1.3 Cycle time

Emphasis on	Impact on	Wrong emphasis leads to negative outcomes	Right emphasis leads to positive outcomes
	Cash	Costs too much to implement	The costs to run the process are reduced
	Compliance	Quick work-arounds can cause compliance failures	Less complexity will support an understanding of the rules
	Customer Service	Insufficient time spent with the customer, creating dissatisfaction	Customers like quick service

Cycle time can be defined as the length it takes to start and complete an activity successfully. In today’s business environment doing things more quickly can bring about both efficiency and effectiveness improvements and potentially create competitive organisational advantage.

Examples of improved cycle time within some end-to-end processes are tabulated below.


End to end process	Example of reducing cycle times	Business impact.
Purchase to pay (from placing an order for a good or service to paying the supplier invoice)	Processing invoices within one week (in keeping with the SLA) changed to within one day of receipt	Better cash flow forecasting. Up to date information on the ledgers when suppliers call
Customer to cash (from taking an order to receiving the cash payment)	Reducing the number of days, a debt owed to the organisation is outstanding from 30 to 20 days	Positive cash flow impact Fewer bad debt write-offs
Account to report (from basic accounting records to full management accounts)	Reducing closure of accounts from five days to one day	Board meetings can be brought forward and up to date information are made available
Hire to retire	Offer letters going out from an SLA of 2 weeks to a day after interview	Enhanced reputation and less likelihood of a good candidate deciding to join another organisation
IT helpdesk	Time to answer phone calls from 2 minutes wait to 3 rings	Better customer reaction and fewer dropped calls

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## 1.4 Customer service

Emphasis on	Impact on	Wrong emphasis leads to negative outcomes	Right emphasis leads to positive outcomes
	Cash	Costs too much	Costs are optimised and benefits can be shared with the customer
	Compliance	Rules are broken to please the customer	Rules are built to support the customer
	Cycle time	Too much time spent with the customer	The balance of self service and support is optimised

Customer service for shared services can relate to both internal and external stakeholders. Improving customer service was dealt with in Chapter 3 and all those features can be applied in the 4C model.

## 1.5 Measures of success

The ultimate objectives for the 4C model would be that:

- Cash – revenues are maximised and cost is zero
- Compliance – all rules are met and adhered to
- Cycle time reduction – service is immediate
- Customer service- all stakeholders are advocates and promote the service

However, in practice this cannot be achieved and the concept is based on balancing the 4Cs across all aspects of any operational activity.

Balance and optimisation is the key to successful adoption of the model.