



*High performance. Delivered.*

Business Process Outsourcing

Now is the time to outsource  
Finance and Accounting to enable  
high performance

• Consulting • Technology • Outsourcing



# Finance and accounting outsourcing is a tool for surviving today and building for tomorrow

Early in 2009, the global financial crisis was continuing unabated. However, now it's mid-2009 and the economic picture is still not pretty but a few pinpricks of light are appearing: Several large corporations reported profitable quarters. Investment activity is picking up slightly, and governmental stimulus packages are showing some signs of effectiveness. A sure way to miss out on improvements, however, is through inaction. Studies show the greatest changes in companies' relative position within their industries occur in times of economic turbulence, not calm. As a result, simply weathering the storm is not enough.

In our research and work with clients around the world, Accenture has seen firsthand the struggles many companies have finding answers in difficult economic times. Even companies in the ranks of high-performance businesses are affected by the current downturn.

After outsourcing its finance operations, an international leisure travel company reduced its finance operation cost base by \$290 million (30 percent) in just 16 months. A more recent expansion of services to utilize the Accenture Global Delivery Network resulted in an additional 30 percent saving.

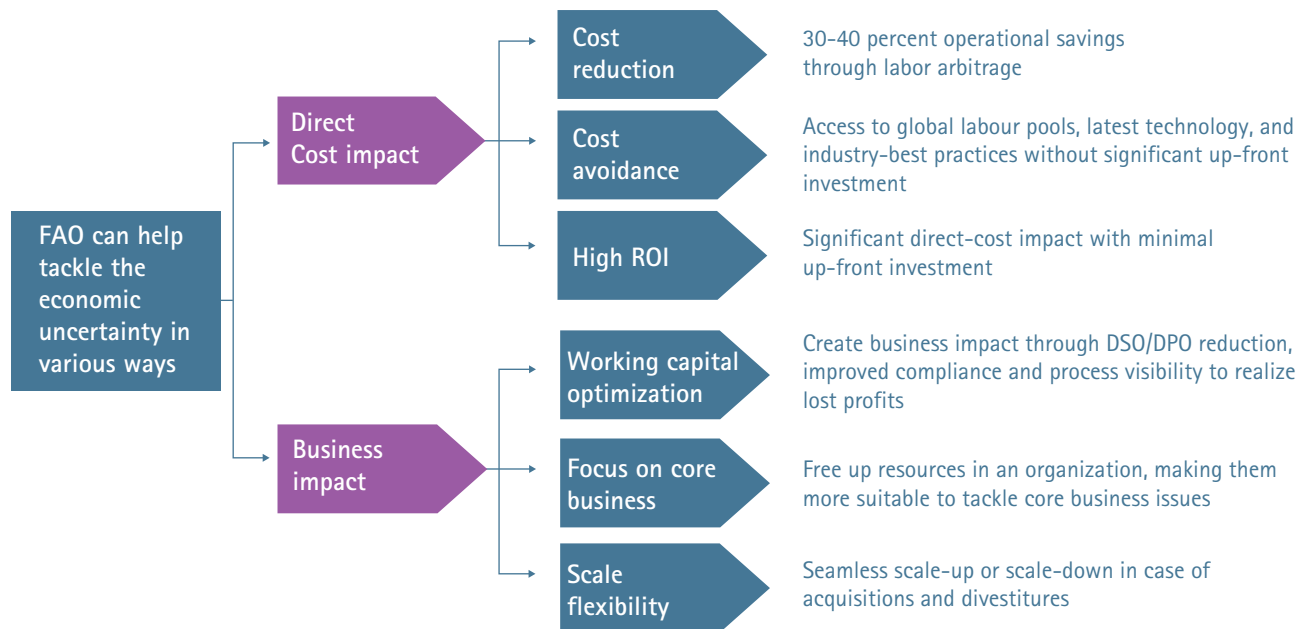
---

Companies that have made and acted on astute choices in the past are likely to be better positioned to weather the downturn and to emerge stronger than ever. Therefore preparedness—honing capabilities that will spark new sales, new markets and new profits when the economic rays of light grow brighter—is essential.

In today's economic environment, more than ever companies are looking to outsource their back-office functions to provide a direct and immediate response to their business challenges. Most companies know that outsourcing is an effective way to reduce costs. One of the key drivers for the growth in finance and accounting outsourcing of 22 percent annually is still direct cost reduction, with cost savings of 30 percent and higher possible<sup>1</sup>. Statistics like these explain why finance and accounting outsourcing is a good strategy for tough times.

1. © Copyright Everest Research Institute. Source: Advancing the Finance and Accounting Outsourcing Value Proposition: Moving Closer to Realizing Business Benefits, 2008.

Figure 1. The value drivers of finance and accounting outsourcing (FAO) hold particular significance in times of economic uncertainty.



©2009, Everest Global, Inc. Finance & Accounting Outsourcing (FAO) Annual Report: May 2009

**Cost savings** are highly advantageous, but so are a wide variety of other capabilities (Figure 1). Take **improved, more predictable cash flow**—a huge benefit when times and funds are tight. A focus on reducing days sales outstanding (DSO), for example, can have a significant impact on cash flow. Plus, an outsourcing services providers' performance levels are clearly understood, with metrics-based improvements built in to its service level agreements. In a rattled economy, companies benefit immensely from this **higher level of performance and predictability**: They know from month to month what their costs will be, and what specific impacts will result if changes are enacted. When business improves, the exact nature and cost of any added support will be fully known and clearly codified.

Another important consideration is the ability to **make swift, cost-effective changes in capacity**—ratcheting operations up or down as conditions dictate. Like many forms of outsourcing, finance and accounting outsourcing also allows the client organization to **focus more tightly on core capabilities**—behaviors that directly affect business success (profitability, market penetration, competitive advantage, etc.). Outsourcing processes such as finance and accounting makes more funds, time and resources available for (in-house) activities that enhance income and competitive advantage. Working with the service provider, companies also gain access to knowledge, experience and intellectual property, without the need for new investments. Thus they are able invest in tomorrow without increasing cash outlays today.

By improving order-to-cash operations, an international shipping and logistics company reduced DSO by 30 percent over the course of its outsourcing contract—the equivalent of about \$500 million in working capital benefit. And within one year, a global electronics company parlayed a finance and accounting outsourcing relationship into a 19-day improvement in DSO, freeing up approximately \$180 million of working capital.

As shown in Figure 2, finance and accounting outsourcing encompasses a wide variety of finance and accounting processes. Two such processes with significant impact on cash flow and liquidity—and thus prime concerns for companies fighting their way through today's economically challenged environment—are the order-to-cash and procure-to-pay processes.

### Order-to-Cash

The order-to-cash process is an essential component to an organization's success. The ability to effectively receive money from customers in line with payment terms is critical to provide healthy levels of working capital and cash flow. In an outsourced environment, the quality of a company's order-to-cash process can be improved on a number of levels. Most salient, perhaps, is the application of consistent procedures and rigorous service levels. Proven methodologies—standardized across business units, countries, geographies, subsidiaries and even languages—are key to dependable flows of cash and working capital. A second dimension is provided through service providers'

use of leading-edge order-to-cash technology that automates regular transactions and provides awareness and insight to customer accounts that need specific attention. Consider the financial management of DSO; a laser-focus on DSO reduction can deliver measurable improvements both in the short term, through an all encompassing program to collect cash and reduce the overall DSO, and in the long-term through incremental continuous improvements. In addition, integration of the invoice-to-cash back-end process with front-end order and customer management capabilities can deliver further benefits across the complete end-to-end process.

Figure 2. Finance and accounting outsourcing can involve multiple processes.



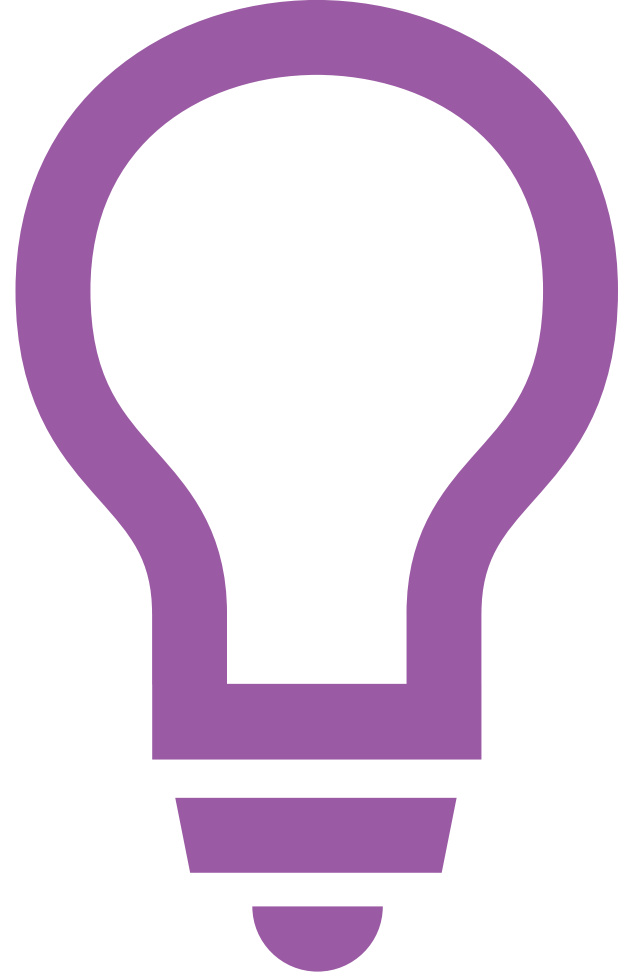
**Procure-to-Pay**

An efficient procure-to-pay process that is closely monitored with clear service level agreements and key performance indicators provides the opportunity for companies to increase cash available by optimizing their management of the procure-to-pay process. This can mean negotiating with vendors to put in place early-payment discounts and realizing these discounts by paying participating vendors within the specified terms. Savings achieved through early-payment discounts can be significant—a large technology company generated savings of more than \$10 million in its last financial year.

An effective procure-to-pay process can also prevent erroneous payments, as well as identify previously made incorrect payments, by using advanced technology for monitoring purchasing and payables transactions. Companies save by recovering payments made in error, by reducing the number of flawed payments made in the future, and by flagging and remediating exceptions more quickly. This doesn't mean just spotting payment errors, it also means finding and eliminating vendor errors, such as quoting incorrect prices and not giving full allowances and discounts.

A global electronics manufacturer outsourced its finance operations and subsequently improved payment timeliness from 50 percent to 87 percent. Transaction compliance technology identified more than \$1.5 million in duplicate and erroneous payments for a pharmaceutical company in its first few months of operation.

# Savings now. More savings plus growth later



At the moment, the signs of recovery are small. However, growth is coming, and research shows that companies committed to high performance will be better prepared than most. One reason is that, according to Accenture research, high-performance businesses work harder during tough times to build capabilities for the pending good times—for example, by outsourcing back-office functions such as finance and accounting.

In the short term, when cost savings are often paramount, a finance BPO program can deliver to those companies a cost-effective, integrated, global, back-office environment with consistent processes, optimal transparency, and an improved control environment. Down the road, growth will likely resume for most companies—either organically through higher sales or inorganically through mergers and acquisitions.

However, both kinds of growth are best accompanied by the kind of innovative approaches to cost containment and finance process management that outsourcing makes possible. The advantages that finance BPO brings to sales and market (organic) growth include stable cash flow; standardized, predictable operations; smooth, results-focused increases in scale; and the ability to rapidly ramp up capabilities in newly penetrated markets. For companies supplementing organic growth with mergers and acquisitions, finance BPO can be key to rationalizing the redundancies that often accompany the union of two or more companies. Similar to organic growth, benefits in M&A speak directly to smooth increases in scale and scope—a far cleaner path for outsourced finance operations to tread.

With the assistance of an outsourcing services provider, an international leisure travel company completed post-merger integration of essential back-office processes and IT systems in less than five months. The organization expects the effort to save more than €200 million.

# Improved control environment and better transparency

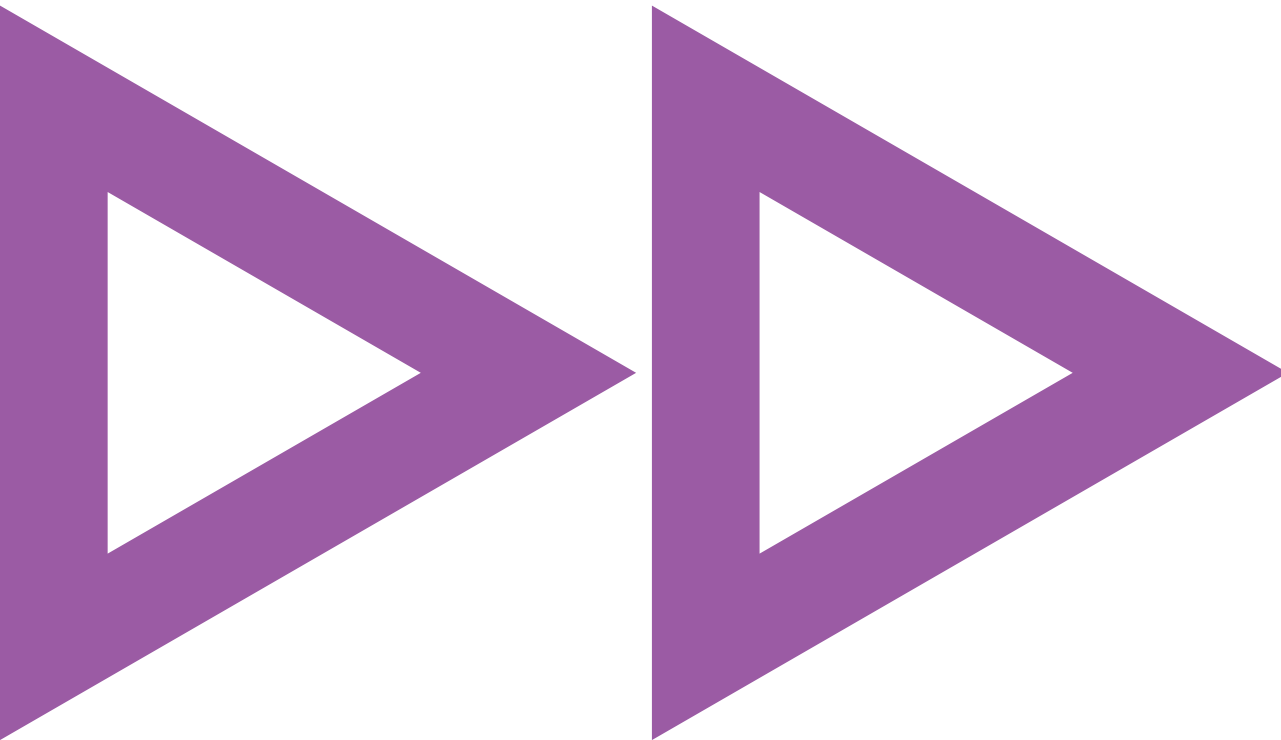
Aside from the tangible financial benefits of finance and accounting outsourcing, improvements to the control environment are also often realized. Finance and accounting outsourcing has not only helped organizations to feel confident in their financial data—thus helping managers make better decisions—it has also served as the basis by which organizations can accurately gauge their overall business performance and the performance of their workforces. Further, when it comes to the control environment, many potential outsourcing clients fear a loss of control after outsourcing. However, Accenture research and actual client experiences indicate that companies that outsource see distinct improvements in their control

environment. These improvements are often realized due to processes being more clearly defined and documented—leading to greater clarity and transparency than prior to outsourcing. This is especially true of multicountry outsourcing programs where one set of global processes applied to all countries in-scope leads to a much simpler control environment without unpleasant surprises!

As the finance and accounting outsourcing market matures business analytics is also coming to the fore. Increasingly clients are outsourcing these more value-added activities and benefiting from more valuable insight at a lower cost into their financial operations.

A telecoms company that outsourced its finance reporting, planning and analysis activities is using outsourcing in a unique way. The company now enjoys outstanding finance performance levels, lower costs and stronger metrics as well as clearer worldwide visibility into the activities of its financial operations.

# Finance and accounting outsourcing and high performance



Accenture has conducted extensive research into high performance: the traits and behaviors of the roughly 10 percent of companies that consistently outperform their industry peers. One notable finding is that measurably superior finance organizations are present at seven out of 10 businesses associated with high performance. A related behavior that frequently is shared by companies committed to high performance is outsourcing finance and accounting operations. This should not be surprising, since finance and accounting outsourcing helps companies' finance functions to focus on more-strategic priorities instead of day-to-day processing—often for less cost than what the company previously was expending. What's more, outsourcing services providers often provide their clients

with stronger governance, more-clearly-defined management controls, higher efficiency, optimized reporting, streamlined finance processes and new opportunities for continuous improvement. Finance and accounting outsourcing is a significant way to help an organization journey down the path to high performance.

In good or bad economic times, an experienced finance and accounting outsourcing services provider can be a lifeline and a conduit to a stronger future. With a global delivery network; significant scope and scale potential; an established infrastructure and tried-and-true process models; and broad industry expertise, a finance and accounting outsourcing services provider could be just what the doctor of economics ordered.

# Delivering high performance to a global technology company

After years of rapid expansion, a global technology company found itself running vast global operations that were supported by a fragmented finance and procurement organization. An internal assessment of its international finance operations uncovered: fragmented back-office processes; inconsistent use of shared services; subsidiary accounting functions distributed across multiple countries; varying procurement business models; and systems that had reached maturity.

The company established a finance and procurement BPO initiative to align and standardize its finance and procurement functions around consistent global processes. The initiative realized benefits in just a few months, among them:

- The design and implementation of standardized processes across close to 100 countries in 18 months
- An improved control environment, predictability of operational costs, and a 35 percent run-rate reduction

- Negotiated savings of 35 percent on the cost of purchased goods
- In the last financial year savings of more than \$10m have been achieved through securing early payment discounts.
- The savings and the benefit through procurement that accrues to the company generated a payback of their business case in less than six months.

Copyright © 2011 Accenture  
All rights reserved.

Accenture, its logo, and  
High Performance Delivered  
are trademarks of Accenture.

## **About Accenture**

Accenture is a global management consulting, technology services and outsourcing company, with more than 215,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is [www.accenture.com](http://www.accenture.com).