



A **xerox**  Company

Increased Control Through Outsourcing: Measuring the Effectiveness of Finance and Accounting Solutions

February 18, 2009

Jim Becker



Increased Control Through Outsourcing

With the global economy in flux, consumer spending down and an expected slow recovery in the offing, today's chief financial officers and controllers are faced with a significant challenge. They have to find a way to reduce operating costs and ensure adequate cash flow, all while positioning their companies to emerge from this crisis with the stability to capitalize when the market recovers.

Although outsourcing was originally used as a means to increase service levels and reduce costs in the customer service and information technology arenas, smart companies are now embracing this model for a variety of finance and accounting (F&A) functions. Today, highly trained professionals in both near-shore and offshore locations effectively process everything from accounts payable and receivable to credit collection and cash application. The obvious benefit is cost reduction, but that's only part of the story. With the right outsourcing partner, companies can realize a more streamlined, automated operation that actually gives them more control of their F&A information than if they continued to handle it in-house.

How is this possible? Let's explore the various opportunities in detail.

Standardized, Streamlined Approach

The majority of internal finance and accounting operations have evolved over the years, creating a system with dozens of disparate applications that function as standalone entities. Order-to-cash is calculated using Excel spreadsheets. Automation is lacking. Manual entry, and the subsequent human error, is high. Even in the most seasoned departments, there's typically no real documented workflow. Information is conveyed through monthly reports; processes through sticky notes. Many times, entire functions come to a screeching halt when a specific employee is sick or goes on vacation. Things get done – but perhaps not with the level of efficiency a thriving company needs.

The more volatile the economy becomes, the greater the need for cohesive accounting practices with more-frequent, proactive reporting structures. A well-oiled outsourcing arrangement can provide just that. Old systems put companies in the position of reacting after the fact. An automation-driven, standardized workflow enables company executives to see where they are, financially, on a daily basis. Increasing efficiency in the area of collections, for example, can work to reduce day sales outstanding (DSO), the average number of days taken to collect revenue after the sale is made. Translation: an automated, streamlined F&A operation can not only reduce costs and align with company goals, but it can also bring cash into the company more quickly.

True Accountability, Alerts and Reporting

Partnering with an outsourcing leader provides something else an in-house department simply cannot – measured, contractual accountability determined by pre-established service level agreements (SLAs). This benefit is particularly significant in the finance and accounting arena, where an increase in aging or DSO can have a crushing impact on cash flow.

When they engage in an F&A outsourcing arrangement, it's critical that companies seek out a provider with a proactive system that not only monitors service level agreements but also identifies any potential problems before they become serious issues. Instead of using time-consuming, manual SLA reporting, ACS has learned that the optimum solutions automate the process, enabling providers to continuously align services with business goals and objectives. This critical step evolves the process from basic systems management to true business services management.

For example, ACS employs an SLA management tool that provides near-real-time dashboards and reporting that not only monitor performance, but also enables root-stream problem analysis. Let's assume a company is experiencing an increase in aging, a fact it traditionally sees on an end-of-month report. With an automated system, not only can this situation be noted much sooner, but executives can also easily drill down to see the actual accounts that are driving this number higher. In some cases, an increased average days to pay can indicate those accounts are in peril. By automating the process, customer company executives can see a potential problem and take action before those accounts become defaults.

Increased Control Through Outsourcing

At the same time, these reports and alerts quickly warn on-site managers of potential issues so they can review the situation and make the appropriate corrections before performance is negatively impacted. For example, if the account has 10 collectors who are charged with making 50 outbound calls per day, a standard report might show that on a specific Wednesday, only 480 calls were made, instead of the required 500. More effective is the automated reporting that enables the operations manager to drill down to identify which employees did not make quota and find out why.

This same type of reporting is automated daily to reflect performance on disputes by division, days sales outstanding, payables and every other SLA metric. Presented as a top-line view with the capacity to quickly click down to details, the report ensures the customer stays informed at the level he or she needs and the operation continues to meet performance levels. Other reports can include those tracking customer behavior, days to pay, or any other metrics for which the raw data are available.

Similarly, alerts can be set to trigger more-rapid responses on critical issues. Again, the idea is to mitigate the problem before it grows, without having to wait until the end of the month to find out that a problem existed at all.

This type of reporting is particularly key in engagements where some of the finance and accounting functions are delivered from an offshore location, while others, such as writing checks or disbursing funds, are maintained in-country. This near-real-time open information exchange enables these two entities to work as efficiently, or more so, than they would if based in the same locale. It also makes overall operations far more transparent, in contrast to the typically opaque or black-box inner workings of many companies. This is a critical issue for senior- and C-level executives who seek not simply to cut costs, but to find rational and systematic approaches for reshaping their organizations in these tough economic times.

Scorecards are automatically tracked to the predefined SLA and can be set to record both the contractual and optimum service levels. In addition to ensuring the outsourcing provider is meeting contractual expectations, this comprehensive data can also be used to chart trends so that the organization can further improve processes and improve costs.

A big difference between a more automated or a manual approach to SLA governance is simply time. Creating a weekly cash-applied report, a weekly aging report and a static aging report can take up to 58 person-hours to generate. Instead of navigating through Excel, creating pivot tables, creating formulas, running queries and the like, these reports can be set up with SLA creation, with ready availability around the clock.

Solid Governance Through Automation

With today's volatile economy, both saving money and managing corporate finances become more critical than ever before. Companies seeking outsourcing solutions should look at more than capacity and cost. They should demand a cohesive, timely reporting structure that provides a daily view of their financial positions. Proactive alerts prevent financial management from falling into a reactive mode, at a time when cash is king and vigilant monitoring is critical to ongoing corporate stability.

It's an era where there is no room – and no need – for surprises, if the right tools are in place.

You can learn more about us at www.acs-inc.com.

About the Author

Jim Becker is solution architect for the ACS Finance and Accounting group, specializing in order-to-cash transformation and process improvements. Prior to joining ACS, Jim was at Office Depot for 13 years developing solutions for collections, cash application, credit and billing.

