

# WHY RELATIONSHIP MATTERS IN DELIVERING RESULTS TO CFOS

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## Executive Summary

The role of the CFO has been transformed with today's top finance executives managing a broad set of responsibilities that span financial and strategic decision making. According to numerous surveys of CFOs across a wide set of industry segments, CFOs remain responsible for reporting past financial performance but are also taking a leading role in defining where the business is going and how fast it can get there. As a CFO and Senior Treasury Officer, my role typified this expectation by managing taxation, treasury, and risk management departments, providing insight and analysis to CEOs and other senior leaders, and representing the organization and its strategic goals to external stakeholders.

No doubt you have experienced this directly by helping guide your organization to take a more strategic role in contributing to the company's overall success. Rather than being seen solely as "the numbers guys," you and your team have likely taken an increased role in strategic planning, new product introductions, and market expansion decisions.

How can you navigate this expanded role and exceed expectations? A key tool many CFOs have chosen to achieve this more fulfilling role is by adopting a partnership with a Finance & Accounting outsourcing (FAO) expert. Similar to the BPO engagement model, an FAO partnership allows CFOs to focus on strategic objectives while trusting many of their day-to-day processes to their partner.

According to a recent report from the Everest Group, the global multi-process FAO market grew at 10% and reached an ACV of \$4.3 billion. Part of this growth can be attributed to managing costs. No matter what the company size or industry, cost pressures never end for CFOs. Given this fact, cost reduction has typically been used as the trigger for initiating an FAO contract. Yet, CFOs have grown more sophisticated because of access to better technology and systems, increased service levels, and better control on operating expenses, allowing them to seek benefits beyond cost. In fact, much of the FAO market growth comes from contract extensions and new ones. Cost reduction has become table stakes as companies of all sizes seek fresh ideas and new ways to update and streamline F&A operations.

To deliver more strategic value, FAO services have also expanded from basic transactional operations to strategic functions. Risk Management &

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**Thesis statement:** CFOs have recognized the benefits of F&A outsourcing including cost, control, technology but real key to achieving your goals lies in a strong, trusted relationship.

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Compliance and Analytics are just two areas savvy CFOs are exploring with outsourcing partners.

In response, outsourcing options have continued to increase. The top three outsourcing providers have seen their share drop nearly 20% over the past ten years according to the Everest Group study as new providers have entered the market and built up a list of satisfied customers.

So what elements and benefits should you look for when initiating or expanding an outsourcing contract? The real key to achieving your goals will come not only from working with a provider who delivers on cost, control, and technological benefits but from one who creates an unparalleled trusted, flexible relationship with you, acting as a true member of your team.

## Today's Top Challenges for CFOs

Although many signs point to an improving economy, CFOs continue to deal with some intense issues. Talking one-on-one with CFOs across the globe representing numerous industry segments, SPi Global sees five key challenges confronting CFOs today.

**1. Lack of accurate & timely information.** Due to mergers, acquisitions, budget cuts, and other factors, many companies face the challenge of making decisions with inaccurate information. Worse yet, the inability to gather information in a timely manner could result in missed opportunities. In today's competitive marketplace, this can cost companies plenty – market share losses, tarnished image, or poor financial performance to name a few. With CFOs taking a more strategic role, it is essential that their organizations be able to provide accurate and timely information.

Outdated systems and processes are typically at the center of this challenge. But dedicating time and resources to audit and adjust systems and processes takes away from managing other critical day-to-day functions. By working with the right FAO provider, you can alter this situation and put your organization on a course to deliver accurate, timely information. Knowing the CFO organization can be trusted to bring the information needed for key decision-making will also increase your contribution to the organization.

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### CFO Challenges

- a. Accurate & timely information
  - b. Inadequate business intelligence
  - c. Staffing shortages
  - d. Limited, weak analytics
  - e. Broken, outdated processes
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**2. Inadequate business intelligence.** Closely connected to accurate and timely information is the challenge of inadequate business intelligence. Product managers looking to identify specific customers for short term promotions, sales leaders seeking to better understand non-productive accounts, and Management seeking detailed cash flows are just a few examples where inadequate intelligence can hamper business growth.

Being able to supply the necessary business intelligence means fixing or adding new systems and processes. You may need to develop closer relationships with other organizations across the company to recognize their business needs in order to proactively build-in collection and dissemination of the right intelligence. An FAO relationship can help you fill this business intelligence gap by handling routine transactional operations. By trusting your provider to handle Procure to Pay functions such as supply chain and accounts payable as well as Order to Cash functions such as accounts receivable, order management, and credit control, you can focus internal resources on participating in new product introduction or strategic planning teams. Or conversely, you may have recently streamlined transactional operations and want to continue to apply internal resources here while leveraging an outsourcer to develop customized business intelligence processes and analytics. An open, trusted relationship with your provider, will ensure the right resources are applied to the right projects.

**3. Staffing deficiencies and shortages.** Doing more with less is a common challenge heard from CFOs. And a recent study from the Corporate Executive Board, a subscription-based research and consulting organization with corporate clients of all sizes and shapes, recently completed a study of finance managers at over seventy global companies and confirmed not only the talent shortage but the lack of appropriate skills and behaviors by finance team members. Researchers grouped all the skills and behaviors into five areas of competency and characterized staffers as learners, doers, persuaders, strategists and builders. Results showed that surprisingly staff fell short on even the basic functional capabilities – those skills needed to perform what CFOs consider table stakes. So you can understand that scores for persuading and strategic thinking were even lower. How can you hope to obtain or keep a strategic role with such staffing deficiencies?

And for specific areas such as Compliance and Risk Management, many CFOs feel they are at war to fill this talent gap. New regulations and heightened regulatory oversight are driving a flood of hiring at all levels with compliance- and controls-related skills, especially in highly regulated industries.

Staffing challenges can be overcome by applying an FAO provider with strong basic skills as well as training programs that can bring the necessary learning to existing staff. Ensuring your partner has an experienced, highly-efficient staff with relevant industry or country specific nomenclature knowledge can help your organization overcome these staffing issues. Additionally, providers bring a constant stream of talent to apply when and where needed. They also remove your burden of training or retraining staff on key competencies and knowledge of ever-changing regulations.

**4. Limited, weak analytics.** Digital transformation presents a tremendous challenge to most companies and can be an irresistible catalyst for change. Study after study shows evidence of the digital data tsunami and its impact on businesses and organizations of every shape and size. Companies have implemented a flurry of new, innovative social media and mobile apps, content marketing and data analytics tools, and cloud-based services. Marketing, sales, research and development, purchasing, human resources and finance departments have all been “digitized” in some way, whether deploying a new app to interface directly with customers or suppliers, accessing third-party content, or procuring on-demand resources for special projects. But harnessing the mountain of data demands better analytics. The ability to analyze customer order or payment information to harvest intelligence for specific campaigns or a new product launch is a challenge worth tackling.

Additionally, there is a link between the expanding need for compliance resources and the increased focus on compliance monitoring and testing and the need to improve data analytics and reporting. Boards, regulators and investors are increasingly demanding that CFOs and their compliance officers they are in control, are thinking about emerging issues and have the tools and metrics in place to mitigate risk. Once again, a qualified FAO can deliver immediate benefits by strengthening your analytics capabilities. And by leveraging the resources of an FAO provider who understands your

specific business problems and industry oriented issues, you can put this data tsunami to work to provide unique insights that translate into positive financial results and contribute to achieving corporate business objectives.

**5. Broken, over-engineered and outdated processes.** Recent CFO conferences and one-on-one discussions continue to highlight the on-going challenge associated with broken or outdated processes. An oversimplification of the problem, but not that far from the truth, is that the annual budgeting process is so broken that, rather than fixing it, an organization should abandon doing it! This is, of course, outrageous advice to those of you immersed in tradition. Simplifying and standardizing F&A processes is a key component of well-run companies, and by imparting solid F&A processes companies can achieve a range of good outcomes—such as more intelligence, more service and more cash. By simplifying F&A processes, companies have found they can reduce cycle times to close the books, and they can develop better benchmark and baseline financial processes to help meet ever changing regulatory requirements.

Mergers and acquisitions have also contributed to broken and outdated processes. Integrating processes across two or more companies, who may have been competitors, can be a painstaking process that drains time and resources. And without proper maintenance and update plans in place, processes can be obsolete within months. Adding to the challenge, many processes are also disconnected from key strategic planning timelines or insensitive to critical customer intelligence or changes in product/customer mix. A qualified FAO offers strong, relevant processes and controls that are flexible and pertinent to your business. By offering end-to-end F&A solutions, you can tap into the processes that demand immediate attention such as Treasury Management, Cost Accounting or Tax and Regulatory Reporting.

## The Best Fit for your Organization: A Partnership 1st Mentality

So how do you ensure you select the best partner to overcome these and other challenges you're facing?

Cost reduction is a given. Whether you are a small-to-mid sized company or large multi-national, your FAO partner must deliver unequivocal savings. With a common ERP, in-house developed IT tools and process fixes, a touchless, paperless procurement process can also be adopted by selecting the right partner. Even a simple outsourcing contract encompassing basic process fixes and analytics can provide saving anywhere from 50-70%. Additionally, smaller companies with fewer than fifty people in accounts payable or procure to pay functions may find it difficult to achieve the cost economies seen by larger companies. By selecting a specialized provider who offers individual and end-to-end F&A solutions, you can extend services according to your needs and timeline.

A recent report from the Association of Chartered Certified Accountants (ACCA) found that companies using F&A outsourcing are concerned they will reduce costs but lose control. But usually, in-house staff do not go through the same rigor and performance standard as of the outsourced partner. As companies realize cost advantages, they should see that quality is rising because benchmarks are being applied to their performance. If you do not experience increased control, it's time to consider a new provider.

More and more, companies are looking for value added and end-to-end F&A capabilities. According to a recent study from the industry analyst firm Ovum as well as our own experience, companies are moving up the value chain, beyond cost, in the types of F&A functions they are willing to outsource. Powerful analytics can help a company better understand their spending through the entire supply chain in order to control budgets and standardize procedures company-wide. Internal auditing, budgeting, XBRL tagging and reporting are some of the value added functions that innovative CFOs are implementing. Figure 1 shows our suggested approach to moving up the value chain to create a strategic minded financial team within the CFO organization.

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The Philippines Advantage –  
cost, talent, experience,  
cultural affinity

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Figure 1



Small to mid-sized companies who are leaders in their industry should look for an FAO partner who can apply their existing industry knowledge or existing outsourcing contracts to extend the relationship to F&A functions. This provides a “jump start” to the common understanding of the business goals and other C-Suite executives looking to change their relationship with your CFO team. Transition time is key. Deep knowledge of your business via existing client relationships can shorten the time to adoption and delivery of tangible results.

To augment analytics capabilities and overcome related challenges, a top notch FAO provider can provide dashboards, bridges and workarounds as well as linking reports that raise the level of reporting and analytics to help make the CFO organization an invaluable asset across the business. Rather than traditional transaction based models, competitive providers are now offering a more flexible model. For example, in most Accounts Payable models, providers and processes call for a number of specific items or steps to complete prior to payment. A successful partnership mentality is based on a solid consultative approach of ‘flexibility’ that drives & delivers additional feedback on trends, type of spend; and, other details not typically available on processes and payments. This flexibility is cornerstone to building a trusted, value added relationship.

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**SPI Solution and Its Unique Client Relationship**

Business knowledge and flexibility as the keys to a successful client/supplier relationship (expanding experience, business knowledge gained from CRM & Content Solutions to F&A as well as flexible engagement model)

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The most important consideration, in selecting the right FAO partner, is the transition approach. Many providers have locked their transition approach to one that “standardizes all processes then implements.” This approach is fine in many instances. But for many companies, a more flexible approach that mixes “fix then shift” and “shift then fix” may yield better results. CFOs can leverage these smaller accomplishments and link together a series of positive changes that deliver seamless changes over time. Take the time to assess the transition approach being recommended by your provider to ensure the approach matches your philosophy and company culture.

## 2015: Time to Act

Many companies have already reaped the benefits associated with F&A outsourcing. Europe has seen a tremendous growth in outsourcing contracts. And small and mid-sized companies with vertical industry specialization are also contracting with outsourcing providers.

FAO provider relationships can be more stringently managed than in-house resources with clear metrics and service-level achievements. Contracts should build in continuous improvement plans for year over year benefits.

In the end, just like a marriage, ensuring your provider truly understands and respects you leads to a long, trusted relationship. Be sure you look for the following:

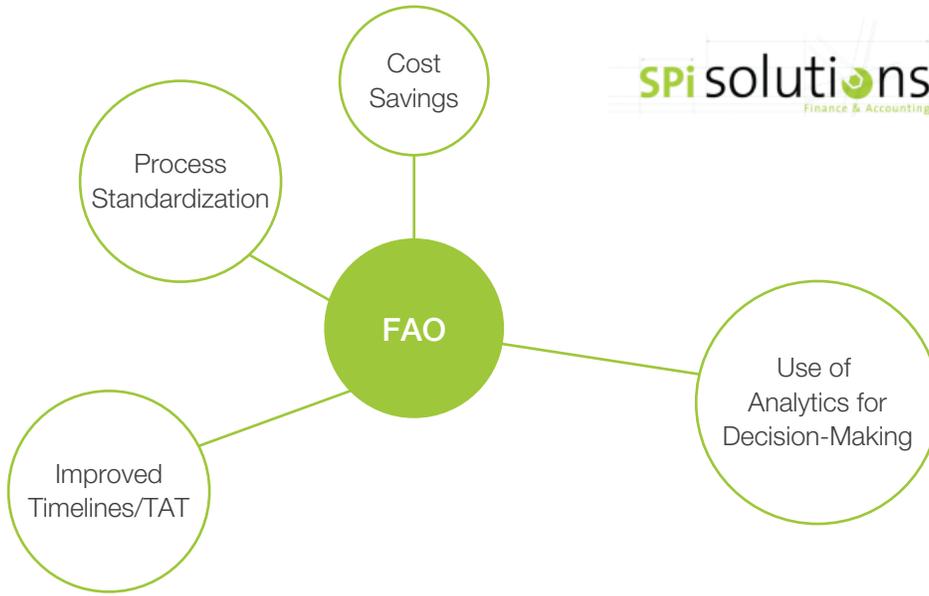
- Significant cost benefit with process improvements
- Common culture and strong industry knowledge
- Provider that allows you to start slow and move with the chain (pluck low lying fruits first)
- Services that go beyond the ordinary; make the outsource provider make you look good

SPi Global has successfully implemented a solution for a large UK based consulting organization that provides XML BPO common reporting to satisfy electronic filing requirements. Using its Asia-based facility that specializes in tagging and tracking, the client has been able to focus its resources on more strategic business problems. We have built our practice and reputation on creating this unparalleled service for all of our clients, allowing you to focus on your core competencies and strategic value while we manage all or part of your F&A functions.

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**Call to Action:** Initiate consultation to explore how your organization can benefit from a relationship with SPi Global.

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Sources:

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Key F&A Processes	F&A Models			
	Offshore Outsource	Onshore/Nearshore Outsource	Offshore Captive	Retain In-House
Accounts Payable	●	○	○	
Payroll	●	○	○	
Travel and Expense	●	○	○	
Accounts Receivable	●	○	○	
General Accounting	●	○	○	
Fixed Asset Accounting	●	○	○	
F&A IT Support	●	○	○	
Noncritical Account Collections	●	○	○	
Critical (Strategic) Account Collections			○	●
Financial Planning and Analysis	○	○	○	●
Corporate Controller				●
Treasury Operations				●
External Audit				●
Tax				●

● State of the Market    ○ Additional Possible Delivery Model

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