Efficiency – An overview

What is Efficiency?

Efficiency

Efficiency in terms of finance means the level of performance of tasks both with regards to the turnaround time and how cost-effective it is by using simple and streamlined processes leveraging latest technology, consolidation cutting non-value-added activities and by utilizing shared services and outsourcing.

Efficiency includes:

- Corporate Reporting
- Accounts Payable
- Accounts Receivable
- General Accounting

Our service offerings include:

- Advisory on Shared Services
- Outsourcing Advisory
- Design, Execute and Transfer
- Provisioning Outsourcing Services
- Record to Report Optimization

Corporate Reporting

What is Good Corporate Reporting?

Good corporate reporting means providing all the required information to external investor population that helps them understand how good and sustainable the underlying operational performance is. This includes both financial and non-financial or contextual details or information and also provides a historical and futuristic orientation.

Characteristics of Good Practice:

- Corporate reporting offers a better information (not meaning just more information) while offering more transparency
- Clear alliance between the decided strategy, the actions taken by management, and the performance as per the information that is reported
- Corporate responsibility is an important objective of the reporting aimed at major strategic challenges for the business and also all its stakeholders
- Quantified data supporting the qualitative statements that were made
- Relevant Metrics must exemplify the performance against peers
- Detailing and consistency particularly in segment reporting helps in making effective comparisons
- External reporting in a way mirrors the internal data set utilized by the management
- Finance function always works in close collaboration with the investor relations function
- Corporate reporting is quite automated, accessible in an easy manner and is available to the relevant people

Accounts Payable (Inc. Travel and Entertainment Accounting)

What is Accounts Payable?

Accounts payable (AP) management is an important business process by which a company handles its payable commitments effectively.

AP transaction processing of various tasks in finance takes up a lot of time and effort on the part of the finance team. Several organizations following best practices have a key objective of decreasing their time spent on tasks that are mechanical or do not add much value by replacing it with EPI and EFT technology, thus freeing up resources who can focus on more value-added tasks.

Characteristics of Good Practice:

- Consistent and streamlined processes executed using various automation technologies (for example, EIP and EFT) that would interface directly with their ERP systems
- Consolidation, in places where above economies of scale are present, of activities related to back-office processing into proper shared service centers or outsource the functions to third-party providers with an aim of cost-saving and ensuring that the processes are operated by focused teams
- High-efficiency processes targeting best practice benchmarks particularly for capacity and the precision of transaction processing
- Completely integrated method of doing working capital management within the organization
- Proactively managing the payment timings by ensuring open line of communication and also negotiation so as to enhance the company's cash flow
- Payables management handled as an integrated process
- Travel expenses are processed quickly, and well-organized authorization procedures are in place
- Fraud prevention and also detection processes are in place
- AP experts move their focus from transactions-oriented processes to higher value-adding tasks like relationship building with suppliers

Accounts Receivable, Credit and Collections

What is Accounts Receivable?

To define Accounts Receivable (AR), it is the amount of money that is owed to the business by the people who buy their goods and services on credit terms. The AR process' effectiveness is imperative to a thriving enterprise's healthy balance of cash flow and its working capital.

Characteristics of Good Practice:

- Standardized processes are executed by using various automation technologies to handle remittance and wherever applicable, for interfacing directly with their ERP systems
- Consolidation, especially in cases where above economies of scale are present, of activities related to back-office processing into proper shared service centers or outsource the functions to third-party providers with an aim of cost-saving and ensuring that the processes are operated by focused teams
- High-efficiency processes targeting best practice benchmarks particularly for capacity and the precision of transaction processing
- Receivables handled as an integrated and cross-organizational set of related activities or functions
- Customer-focused approach to guarantee prompt payments (for example, constant improvement in the order fulfillment process)
- Proper dispute management process has been put in place
- The receivables performance is reported officially to the Finance function and managed
- Customer credit ratings are maintained well
- Controls are automated with needed independent overrides which enable enforcing the required credit terms and limits
- Support credit and other sales initiatives for teaching the customers about various payment issues

General Accounting

What is General Accounting?

To define general accounting, it's the process used for reconciling, consolidating and also reporting fall the financial information from time to time. In addition, it involves making sure the soundness and consistency throughout in the charts of accounts, management of reporting of general ledger database or the consolidation structure and also journal processing.

In the process of accounting for various inter-company transactions, the team has to maintain accounts, settle balances and then reconcile those balances on a monthly basis, and handle the process of closing their books and GAAPs that are used in case of statutory financial reporting.

Characteristics of Good Practice:

- Consistent chart of accounts which has clear descriptions
- Comprehensible guidelines and generally-used process for inter-company transactions
- Least possible manual processing of journals
- Cost accounting handled by using a consistent technology platform
- Standardized and automated expense capture
- A fully-integrated fixed asset systems which includes data dealing with tax, revaluation and leased assets and a properly managed central repository containing all intangible assets
- In-depth know-how of the closing process and timelines
- Strong association among the group and its operating units which enables them to meet the deadlines

- Automated reporting that is easily accessible and is available to all the relevant people
- Financial closing is done on time and/or a virtual closing process has been put in place
- Only some re-allocations or amendments are needed and are performed on time during the month end
- GAAPs have been aligned with various finance systems which are flexible enough to report as per different GAAPs, in case required
- The policy and procedures manual are up-to-date and is easily available. It provides clear guidelines on application of GAAP-compliant accounting policies and external reporting needs. Besides definitions, it includes examples and details of ownership of major financial and non-financial metrics

Our Services

Advisory on Shared Services

Do you have a question whether your sourcing strategy has delivered the projected advantages?

Shared Services assist you in consolidating all the usual, corporate organizational processes and functions in departments and agencies. This enables in enhancing efficiency, effectiveness and also in reducing the costs of service delivery. It typically refers to the delivery of a service by one department of a firm called Shared Services Centre (SSC), where that particular service had earlier been found in multiple parts of the group or organization. We, at IMC, have collaborated with various clients to help them assess, design and then set up their Shared Service Centers.

With our well-thought of methodology, we are able to deal with several challenges that come up at different milestones in the SSC lifecycle. The main focus on transformation and benefits management is the reason for the accomplishment of the Shared Services journey.

Our Services

- Design the business case to support the setting up of an SSC
- Substantiate the scope of the services which the SSC will be providing, define the management and support infrastructure that the SSC would need, and then create a concrete model of the optimized processes that would be relocated to the SSC
- Do the transition of the processes and the SSC staff and then work to stabilize it till the 'Go –live' criteria are met successfully
- Set up a management team, decide a city and office space and infrastructure; then, build the required interfaces and arrange the data for migration; accordingly, fire and train the workforce
- Once a steady state has been reached, execute a constant improvement program which ensures that standard of service meets or exceeds the expectations that are set out

Value Add

- Clear demarcation of roles and responsibilities
- Higher consistency in terms of information, resulting in enhanced analysis and decision-making process
- Defined standards for all process streams such as input, processing, and output
- Formation of management for internal customers and supplier relationship
- Concentration on core operations in different business verticals
- Streamlined processes and reporting
- Achieved performance production and control with SLAs

Advisory on Outsourcing Services

- If you are doubtful whether you are ready to face the challenges and needs of the dynamic outsourcing stages, then our experts in the domain of performance and process improvement can assist your company to outsource some functions such as IT, HR and F&A in an apt manner.
- We, at IMC, can collaborate with you to blend various elements that steer efficiencies for your outsourcing engagements
- Our multi-vertical team includes of strategic sourcing and SMEs in taxation, customs issues, regulatory, transfer pricing, HR, IT, governance, financial modeling, controls and risk management. We guide our clients and then offer them tailor-made practical solutions as per their operational and strategic goals

Outsourcing Lifecycle – Its Various Stages and Typical Challenges

1. **Developing the Strategy**

   Project type – Due to certain business objectives, for example, a need to enhance the performance or get ahead of the competitors, reduce the current costs etc., the company is thinking of outsourcing
   Typical challenges – Make sure to define a suitable solution which is an amalgamation of the sourcing options, which align with the company's business objectives

2. **Setting out for Optimization and Transformation**

   Project type - The company's outsourcing contract is troubled
   Typical challenges – Tackle issues such as weak supplier relationships, poor performance as per SLAs, fraud, cost overruns, execution of the correct governance model, etc.

3. **Maturing in Optimization or Transformation**

   Project type - An outsourced set up is in place but has to be assessed because of the change in market conditions, management, or due to the requirement of improving performance etc.
   Typical challenges - Enhance service delivery, supplier management system or find out why the originally-defined advantages of sourcing are not turning into reality.

4. **Review and Renegotiation**

   Project type - The company has outsourced; however, the contract is going to expire
   Typical challenges - Determine if re-negotiation is to be done, contract needs to be terminated, or the company needs to continue outsourcing the service delivery

Our Services

- Gauge the business drivers to conduct the outsourcing initiative
- Perform an assessment of the services portfolio by utilizing the process candidacy framework
- Design and float RFI/RFP to a group of known service providers
- Assess the responses from service providers and then benchmark them against industry standards
- Assist in negotiations and doing contract structuring
- Align your interests to create a partnership model along with the service providers
- Supervise and track the transition
- Design reporting and tracking systems to handle ongoing operations

Value Add

- A well-aligned outsourcing strategy with the company's overall strategy
- Defined parameters for engagement that are measurable against the company's business needs
- Best efforts put in by the clients and service providers, which are drawn by structured and clear evaluation process
- Mutually-beneficial collaborations that are spurred by outcomes rather than inputs
- On-time closure of transition activities and then achieving a steady state
- Clear vision of the status of the outsourcing partnership to demonstrate to the senior management

Record to Report Optimization

If you are confused whether you get the true picture behind your numbers and if your reports are on time, then you might think about Record to Report Optimization.

- Statutory and management reporting is one of the main responsibilities of the finance function
- The statutory reporting is typically done on a quarterly or annual basis; however, management reporting is usually more frequent
- In case of management reporting, the information and analysis are much deeper and higher and also very context-specific
- Organizations who are following best practices, try to make sure that their reporting is on time and there is least duplication of effort while making statutory and management reports and these reports only get one conclusion or version of the truth
- To achieve this end, they assume reporting processes which are automated, quicker and transparent

The Closing Process involves:

- Conducting account reconciliations
- Performing intercompany accounting
- Adjustments of material
- Closing the ledgers

The Reporting Process involves:

- Making management reports
- Preparing financial statements and related information

Transaction process and data involves:

- Accounts Payable
- Accounts Receivable
- Treasury/Cash mgmt.
- Payroll
- Technical inputs e.g. production estimates
- Reserves
- Accruals

The Audit Process involves:

- The external auditors need to complete the procedures of audit
- The audit accounts are then submitted to the group finance

Our Services

- Work closely with the finance stakeholders to evaluate the 'As-Is' process and then outline a 'To-Be' strategy at a high-level
- Conduct an in-depth assessment to detect the bottlenecks present in the closing process. Then, design solutions to streamline the closing and reporting processes
- Perform programs that implement defined solutions, including new processes or system changes
- Ascertain constant improvement processes to improve the report quality

Value Add

- Quicker, easier book closing and reporting processes
- Simplified reporting procedures that help in meeting the expectations of stakeholders
- Closing and Reporting procedures become:
    - faster
    - more dependable
    - more transparent
    - more gainful
    - more trustworthy evaluation of risks of financial reporting and the strength of associated controls

Case Study

Design and implementation of Shared Services

Client Issue and Challenge

Client was involved in manufacturing process, installation and then maintenance of wind turbines. The group was categorized into 13 firms.

- All 13 divisions/groups used differing accounting processes
- Level of efficiency displayed by the F&A team varied
- Resources with similar skills were redundant across firms
- Challenges and delay in consolidating accounts

Our Approach

- Understanding the company and the accounting processes
- Creating micro-level ‘As-Is’ process maps
- Designing and documenting all the standardized processes for all the groups
- Creating standard operating procedure (SOP) for all the seven process verticals in the 13 companies/groups
- Designing organization structure and manage change management that includes training
- Provide assistance in creation of a document management system
- Creation of strategic and operational dashboards

The Delivered Value

- F&A Shared Services was developed for five companies
- Standardized processes were created, based on some best practices
- Designed well-defined SOP
- Organization structure was flattened even further
- Objective performance measures were taken and capability to benchmark various verticals enhanced
- Huge cost savings were expected when the business grows

For more information contact us at **bc@intuitconsultancy.com**