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Evaluating BPO Services for Finance and Accounting

BEST PRACTICES AND CONSIDERATIONS

Wage inflation and high prices are proving to be persistent issues.

CFOs are navigating numerous macroeconomic factors that are squeezing margins, including elevated financing costs due to high interest rates, increased freight costs related to geopolitical conflicts, and unpredictable consumer behavior. Amidst these challenges, concerns about personnel and technology costs, as well as weaker demand, remain prevalent.

3.9%
Increase in wages for trailing twelve months ending September 2024[1]

4.1%
Unemployment rate in December 2024[1]

30%
EBITDA margin compression will occur by 2027[2]

CFOs are under increasing pressure to reduce operating costs and improve efficiency.

They are tasked with finding solutions that balance cost optimization with service quality enhancement. Often, they resort to increasing headcount or investing in technology to achieve these objectives.

Consider a BPO

It is essential to evaluate the merits and potential returns of engaging a third-party BPO (business process outsourcing) provider that offers technology solutions, processes, and full-time employees. While BPO providers may not be suitable for every situation, they should be seriously considered as a solution because their business model is based on investing in process execution.

~40%
of finance organizations consolidate to a single outsourcing provider

77%
of finance leaders cite operational flexibility as a reason for outsourcing

66%
of finance leaders cite access to better technology as a reason for outsourcing

1. U.S. Bureau of Labor Statistics 2. Gartner

Weighing Sourcing Models

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BPO providers offer solutions that can help finance organizations reduce costs and increase efficiency.

Whether a company opts for a center of excellence (internally owned and focused on higher value-added services), a shared services center (internally owned in a low-cost location, focused on tactical operations and routine transactional activities), or a third-party BPO provider, the sourcing model must enable the company to concentrate on its core competencies and align with its strategic goals and objectives.

RETAINED

Shared services center or center of excellence

- ✓ Complete control over end-to-end processes
- ✓ Develop talent with institutional knowledge
- ✓ Organizational buy-in
- X Longer lead time to start operations
- X High initial investments required
- X High ongoing recruiting and retention efforts
- X Costly to scale up or down, if required

OUTSOURCED

BPO provider

- ✓ Enables company to focus on core competencies
- ✓ Immediate solutions and rapid transformation
- ✓ Low investment risk
- ✓ Flexible and often multilingual labor pool
- ✓ Seamless ability to adjust size based on needs
- ✓ Predictable and predetermined costs
- ✓ Offer built-in technology and process automation
- X Limited control over certain processes
- X Accountability for service quality resides externally
- X Risk of communication bottlenecks

✓ BENEFIT X DRAWBACK/ RISK

Each model offers benefits and has drawbacks.

Factors such as the type and complexity of finance and accounting activities involved, the technology investment needed to achieve optimal efficiency, the cost of labor in local offices versus offshore, and associated risks, among others, must all be considered.

How we support BPO selection

OPERATING MODEL DESIGN

- Conduct activity analysis
- Define roles and responsibilities
- Document current state and determine future state processes
- Develop cost savings targets

BUSINESS CASE DEVELOPMENT

- Define rationale to retain vs. outsource
- Model transition costs and headcount impacts
- Identify quantitative and qualitative benefits
- Communicate case for change

BPO PROVIDER DUE DILIGENCE

- Manage due diligence process
- Develop scorecard to assess and compare provider capabilities
- Design script for BPO demos
- Conduct pricing analysis

BUSINESS REQUIREMENTS DOCUMENTATION

- Document finance and accounting process requirements
- Define process handoffs and controls
- Develop vendor/organizational fit observations

BPO ACTIVATION

- Develop RFP to be shares with BPO vendors
- Establish desired service-level agreements with BPO vendors
- Develop and align organization on governance model and processes

BPO TRANSITION

- Implement service-level agreements with BPO vendors
- Formalize commucations cadence
- Implement new roles & responsibilities with respective training
- Report on performance and quality

OTHER SERVICES

Finance Resiliency

Increase efficiency and effectiveness of Finance; improve business partnering; drive initiatives across people, processes, and technology; automate key processes; decrease costs

Liquidity Management

Improve working capital and liquidity with dynamic financial models and scenario analyses

FP&A

Provide transparency and visibility; deliver insights; leverage advanced analytics to drive decision-making

Transaction Support

Structured integration and subject-matter expertise to drive process

Accounting

Remediate accounting; streamline the close; manage risk profile

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AnkuraOCFO@ankura.com