



NCACPA

THE POWER OF OUTSOURCING



TABLE OF CONTENTS

MEET THE SPEAKERS	3
INTERNAL & EXTERNAL MARKET FACTORS	4
OUTSOURCING: A GROWING SOLUTION	5
BENEFITS TO AN OUTSOURCING SOLUTION	6
CONSIDERATIONS FOR OUTSOURCING	7
HIGH-IMPACT OUTSOURCED FUNCTIONS	8
PRIMARY OUTSOURCING MODELS	9
TRANSITIONING TO AN OUTSOURCING SOLUTION	10
SUCCESS STORIES	11
Q&A	14

MEET THE SPEAKERS



JOHN HOZIK

CO-MANAGING PARTNER, MANAGED SERVICES

John Hozik leads Vaco's Managed Services Practice, specializing in Accounting and Finance, where he oversees all aspects of strategy and delivery to address the complex challenges that impact the strategic discussions of executive management. He has extensive experience working with large international publicly traded companies that are undergoing transactions and/or transitions where speed to solution is the driver. Prior to joining MorganFranklin, John worked in KPMG's Commercial Audit Practice leading the audits of SEC registrants across multiple industries.



REAGAN MULLINS

CO-MANAGING PARTNER, MANAGED SERVICES

Reagan is the Co-Managing Partner of Vaco's Managed Services practice, where she focuses specifically on building customized solutions for clients to address complex challenges in the areas of Accounting and Finance. She has built teams of six to 600 resources to support Operational Accounting, FP&A, Collections and Payroll, across various domestic and international locations. Reagan has been with Vaco for 15 years; she began her career in accounting and is passionate about providing the highest quality solutions to Vaco's clients.



INTERNAL & EXTERNAL MARKET FACTORS

EXTERNAL

1. Constraints on Talent
2. Economic Uncertainty
3. Increased Reliance on Data

INTERNAL

1. Tight budgets
2. Rolling Layoffs
3. Small, Resource Constrained Teams
4. High Turnover



OUTSOURCING: A GROWING SOLUTION

What is Outsourcing?

Outsourcing is a model in which a company hires a third party to perform tasks, handle operations or provide services for the company. Outsourced services often encompass customer support, IT services, accounting, supply chain planning, and more.

- By 2027, the business process outsourcing (BPO) market will be valued at more than \$400 billion
- Finance & Accounting BPO is targeted to exceed \$100B by 2032



*Source: https://whatsthebigdata.com/outsourcing-statistics/#google_vignette



BENEFITS TO AN OUTSOURCING SOLUTION



Cost Savings

- Reduce overhead costs (salaries, benefits, training)
- Scalable services (up or down)



Access to Expertise

- Leverage specialized skills and knowledge
- Stay compliant with regulatory changes



Ability to Focus on Core Business

- Free up internal resources
- Enhance strategic planning and decision-making

CONSIDERATIONS FOR OUTSOURCING



When To Consider Outsourcing

- Transitions and/or transactions that require high quality resources at scale for a set period
- Resourcing challenges and turnover
- Focus on cost savings
- Need for flexibility and scalability
- Access to specialized resources
- Poor performance and experience with current outsourced providers

HIGH-IMPACT OUTSOURCED FUNCTIONS

FINANCE & ACCOUNTING

- Transaction accounting
- Treasury accounting
- Administrative accounting tasks
- Inventory & fixed assets
- Payroll

- FP&A
- Month-end close
(*journal entries & reconciliations*)
- Financial reporting
- SEC & bank regulatory reporting

- Financial analysis & tax
- Accounts payable & receivable
- Accounting policy & processes
- Consolidations

TECHNOLOGY & DATA



GOVERNANCE, RISK & COMPLIANCE



DIGITAL CONTENT



IDENTIFYING OPTIMAL TARGET LOCATIONS



Desirable Attributes & Work Ethics

1

Time Zone

2

Political Stability

3

Primary Languages

4

Relative Cost

5

Skilled Resource Availability

6

Companies Operating in Country

7



TRANSITIONING TO AN OUTSOURCING SOLUTION



Utilize a phase-based approach to assess your current-state operations and develop a roadmap/plan to transition the services to an outsourcing team.



Quality excellence and cost reduction realized through rationalization of processes, redeployment of FTE resources, and process optimization and automation.



SUCCESS STORY - OPTIMIZING FINANCIAL OPERATIONS

CHALLENGE

A \$3.5 billion global events leader faced significant challenges in its financial operations, driven by high turnover and a shortage of finance and accounting talent in the U.S.

- Fell 90 days behind on payments.
- Spent \$1.6M annually with third-party collections agencies.

SOLUTION

- 2 nearshore accounts payable professionals to address 90-day backlog.
- 5 accounts payable professionals to improve payables.
- 7 accounts receivable specialists to improve receivables and revenue recognition.
- Placed a professional to document processes and SOPs to help sustain effective operations.

IMPACT

- **Removal of third-party collections agency**, reducing collection costs by 89%.
- Decreased accounts payable ticket volume by 90%.
- Reduced accounts payable headcount by four professionals due to the efficiencies gained.
- Achieved the lowest organizational day sales outstanding in a decade.
- **Reduced operational accounting turnover by 25%.**



SUCCESS STORY - AUTOMATED INVOICING

CHALLENGE

A leader in Artificial Intelligence (AI) networking solutions sought a vendor to **improve its finance and billing processes** for its customers and employees.

SOLUTION

- 24/7 processing of invoices, using bots.
- **Automated accounts receivable** through customer billing processes, including purchase order download through invoice creation in the customer portal.
- **Automated invoice upload** initiated each time a new order was delivered, using robotic process automation.

IMPACT

- Reducing the need for additional resources to complete manual billing tasks and customer service inquiries.
- Significantly enhancing the accuracy and timeliness of invoice processing.
- Immediately accelerating the company's cash flow by 7% (two days) across the business.



SUCCESS STORY - ACCOUNTING AUTOMATION

CHALLENGE

A large American manufacturer of industrial tools.

Executed about 1,500 journal entries on the first and second days of the monthly close, which resulted in excess overtime, labor costs and employee dissatisfaction.

SOLUTION

We developed the automation capabilities utilizing robotic process automation and artificial intelligence/machine learning bots to:

- Prepare general ledger entries and trial balances.
- Download transaction data from the source system sub-ledger.
- Book debit and credit entries in the general ledger.
- Download credit and debit total entries for each account.
- Prepare and adjust entries, as necessary.
- Upload post-closing trail balance and adjust entries into the general ledger.

IMPACT

- \$3.4 million in annual savings.
- 75% reduction in month-end processing time.
- Improved employee satisfaction and retention.



Q&A



Appendix

HIGH-IMPACT OUTSOURCED FUNCTIONS

FINANCE & ACCOUNTING

- Transaction accounting
- Treasury accounting
- Administrative accounting tasks
- Inventory & fixed assets
- Financial analysis & tax
- Accounts payable & receivable
- Accounting policy & processes
- Consolidations
- Payroll
- FP&A
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TECHNOLOGY & DATA



GOVERNANCE, RISK & COMPLIANCE



DIGITAL CONTENT



HIGH-IMPACT OUTSOURCED FUNCTIONS

TECHNOLOGY & DATA



GOVERNANCE, RISK & COMPLIANCE



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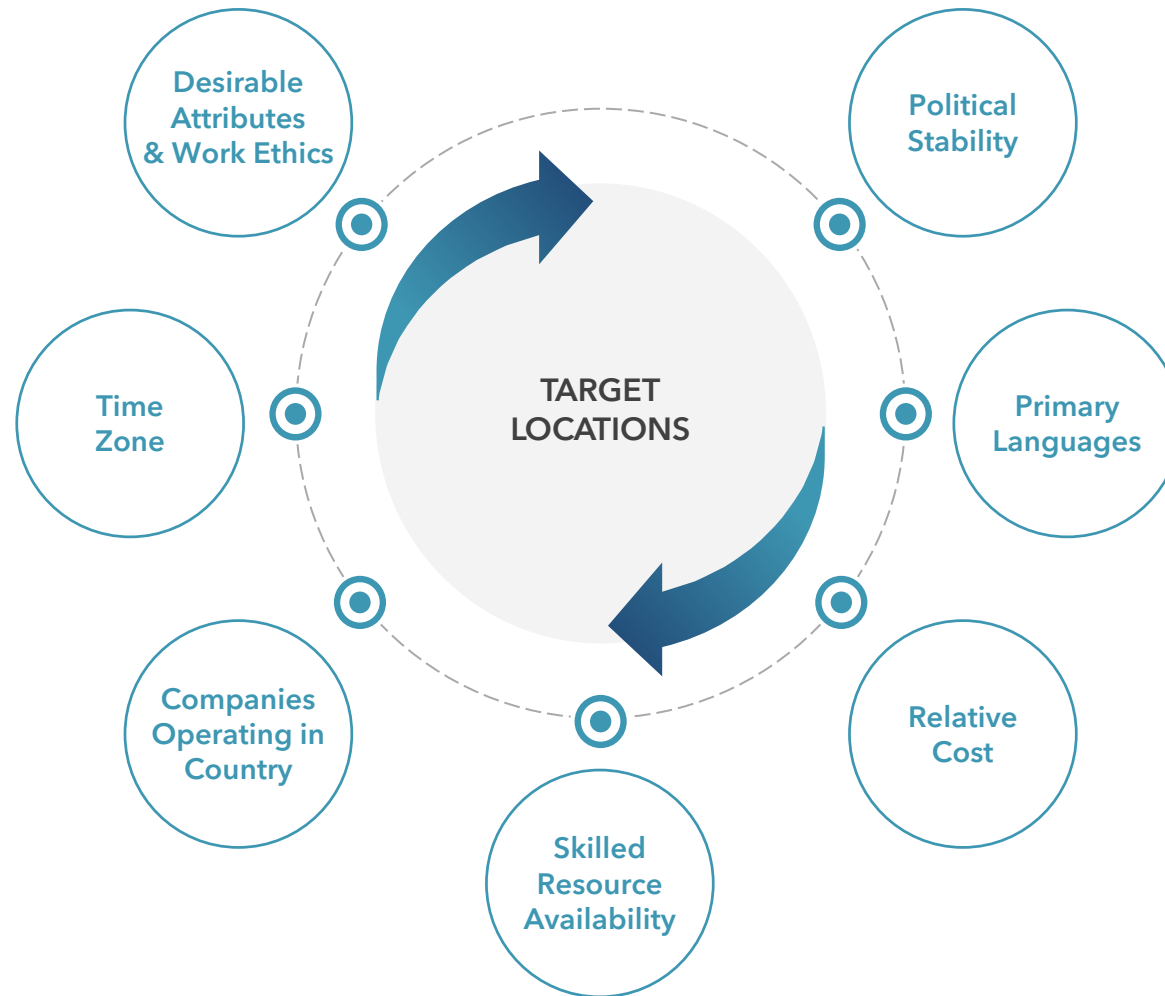


CONSIDERATIONS FOR OUTSOURCING

WHEN TO CONSIDER OUTSOURCING

- Transitions and/or transactions that require high quality resources at scale for a set period
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IDENTIFYING OPTIMAL TARGET LOCATIONS



IDENTIFYING OPTIMAL TARGET LOCATIONS

Desirable Attributes & Work Ethics

Political Stability

Skilled Resource Availability

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Primary Languages

Companies Operating in Country

Relative Cost



SUCCESS STORY - ACCOUNTING AUTOMATION

Challenge	Solution	Results
<p>A large American manufacturer of industrial tools executed about 1,500 journal entries on the first and second days of the monthly close, which resulted in excess overtime, labor costs and employee dissatisfaction.</p>	<p>We developed the automation capabilities utilizing robotic process automation and artificial intelligence/machine learning bots to:</p> <ul style="list-style-type: none">▪ Prepare general ledger entries and trial balances.▪ Download transaction data from the source system sub-ledger.▪ Book debit and credit entries in the general ledger.▪ Download credit and debit total entries for each account.▪ Prepare and adjust entries, as necessary.▪ Upload post-closing trail balance and adjust entries into the general ledger.	<ul style="list-style-type: none">▪ \$3.4 million in annual savings.▪ 75% reduction in month-end processing time.▪ Improved employee satisfaction and retention.



SUCCESS STORY

Accounting Automation

Challenge

A large American manufacturer of industrial tools

executed about 1,500 journal entries on the first and second days of the monthly close, which resulted in excess overtime, labor costs and employee dissatisfaction.

Solution

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Results

- \$3.4 million in annual savings.
- 75% reduction in month-end processing time.
- Improved employee satisfaction and retention.



OUTSOURCING INTEGRATION PLAN EXAMPLE

We utilize a **phase-based approach** to assess your current-state operations and develop a roadmap/plan to transition the services to our offshoring team. Below is a sample high-level overview of our phase-based approach. A closer look at phases 1-4 is provided on the following two pages.

1. PERFORM ASSESSMENT	2. DESIGN OPERATING MODEL	3. DEVELOP IMPLEMENTATION ROADMAP	4. PLAN & EXECUTE TRANSITION	5. STABILIZE	6. ENABLE AUTOMATION & OPTIMIZATION
<p>Enable view into current state for in-scope process areas focused on:</p> <ul style="list-style-type: none"> Understand current team structures, FTEs, skillsets, span of control and operating model Evaluate tasks - what are they, how are they performed, identify opportunities for improvement Draft potential future state operating models and estimated efficiencies to be achieved Develop level of effort estimate for transition and long-term run rates 	<p>Using inputs of the current state assessment, design a future state delivery model, e.g.:</p> <ul style="list-style-type: none"> Prioritize opportunities for efficiencies (in tasks or delivery models) Determine service model (co-source, outsource, etc.) Develop transition approach Refine cost efficiency model (arbitrage, process efficiencies, automation, etc.) 	<p>Develop a detailed implementation roadmap including:</p> <ul style="list-style-type: none"> End-to-end timelines Draft, negotiate, and sign partner contract(s) including SLAs Identify and lock down leadership team (both internal and external) Inventory all documentation and starting points Build onboarding guides, knowledge repository and training Align on roles, team structures, and allocations 	<p>Begin transition execution:</p> <ul style="list-style-type: none"> Finalize training and ramp-up plans Ramp-up staffing/onboarding Conduct team training Execute shadowing and reverse shadowing with two-way feedback Begin parallel runs Develop SLA monitoring processes Formalize and execute sign-off processes 	<p>Following a successful transition, stabilize and set post-go-live priorities, including:</p> <ul style="list-style-type: none"> Implement robust monitoring process (SLAs) Regularly review and analyze performance metrics to identify and address issues proactively Establish a process for collecting feedback from team and stakeholders Update knowledge repository Facilitate knowledge transfer and cross training sessions 	<p>Develop and execute future optimization of process tasks, SOPs, activities through process redesign, process automation, and rationalization that have the potential to result in further reductions to FTE level of effort.</p>

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