Smarter Order To Cash Processes
Taming Complexity To Unlock Value Across The Enterprise

How Process Science, Advanced Analytics, And Focused Technology Reshape Today’s Operations And Help Enterprises Outcompete
Uncovering Secrets Of The Intelligent Enterprise

12 Ways To Improve Working Capital, Today
Accounts Receivable (AR) performance has been deteriorating for two-thirds of the largest companies in America, with more than $1 trillion locked up in working capital, the equivalent of 7% of revenue. Here are 12 practical ways to improve Order to Pay (OTC) processes and increase available working capital.

The Advantages Of Customer Self-Service For B2B Businesses
Keeping up with the expectations of the "wired" generation has altered how businesses interact with each other. EIPP and eInvoicing have become increasingly important tools, but businesses should not take a "build it and they will come" approach to adoption.

Selling Direct To Pharmacy: How To Prepare Your Order To Cash Function For A New Sales Model
Ready or not, change has arrived for the pharmaceutical industry. The direct to pharmacy (DTP) business model is attracting many top companies, but before you leap into DTP, take a long moment to consider and plan for the effect such a change will have on your financial processes, particularly OTC.

The Key To Overcoming The New Normal: Better Performance Driven By Better Financial Intelligence
To succeed in the new marketplace, businesses need real-time data and the ability to interpret it. And just in time, new technology is tossing boring old reports and frustrating systems right out the window.

Client Success Stories

Case Study: OTC Transformational Redesign Delivers Positive ROI Of €1.8 Million In Profit And €3.5 Million In Cash Flow For Major Biopharmaceutical Company
This company wanted an end-to-end Order to Cash (OTC) assessment of its European export entities and U.S. operations. Genpact's Smart Enterprise Processes (SEPSM) assessment resulted in €1.8 million increased profit annually and €3.5 million additional cash flow impact for our client.

Case Study: Smarter Billing Processes For Global Package Carrier Improve Cash Flow By Raising Import Billing Accuracy To 99.02%
This company experienced a high error rate in billing for import shipments, which impacted customer relationships and lengthened Days Sales Outstanding (DSO). By centralizing and standardizing the import billing processes, Genpact increased import shipment billing accuracy to 99.02% and greatly improved cash flow.

Case Study: Smart Enterprise Processes (SEP²) Diagnostics Delivers Tighter Compliance And Identifies AUD$11.7 Million In Impact For Global Pharma Company
Genpact's Six Sigma-driven SEP² assessment identified AUD$5–6 million in cash flow and up to AUD$5.7 million in EBIT impact attainable by implementing best practices and process improvements to overcome Order to Pay (OTC) process deficiencies that were expanding payment cycles and degrading cash flow.

Case Study: Increasing Deductions Recovery Produces US$4 Million Annual EBIT Savings
Genpact's solution for a major pharmaceutical company focused on improving revenue dilution and reducing the turnaround time for identifying invalid deductions. Cycle time improved 75% and collections by 113%, generating $4 million in annual EBIT savings.

Case Study: US$41 Million Of Cash Flow Released In One Year By Reducing Past Due Invoices By 50%
With three different ERP systems, manual, non-standard Accounts Receivable (AR) processes, and inefficient collections and dispute management, this major engineering automation company had built up a significant AR backlog, with a high number and value of disputes. Genpact's solution redesigned the entire collections process, automated much of the workflow, and established clear dispute management and an escalation matrix of issues for tighter control and greater insight into the overall process, producing 50% reduction in the number of past due invoices and releasing $41 million in cash flow in just one year.
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Introduction
How To Make Your OTC Processes Smarter

Order to Cash (OTC) is the lifeblood of all companies, but the growing complexity of global business complicates the end-to-end OTC process. At this moment, some 7–12% of combined revenue in working capital is “stuck” somewhere in inefficient OTC processes at top global organizations. That is US$1–2 trillion not being used to further business objectives.

That is not the case for intelligent enterprises. Progressive CFOs understand that significant value is waiting to be released through more effective OTC processes. Genpact’s proprietary process management framework, Smart Enterprise Processes (SEPSM), helps these organizations build efficient and effective operating models that drive improved cash flow, reduce revenue dilution, increase customer satisfaction, and lower the cost of operations across the entire company.

Our experience with OTC has enabled us to produce a set of process and industry insights that pinpoint where organizations typically lose value, and to compile detailed, operational leading practices that let us quickly focus on specific process areas and achieve maximum business impact.

Smart processes drive higher business impact

SEPSM’s granular, scientific approach provides the critical, comprehensive view of enterprise processes needed for OTC excellence. It breaks down barriers between process silos and links business activities from end to end of the value chain, transforming ordinary processes into smart processes. Leveraging Genpact’s deep knowledge of more than 3,000 processes and our database of over 200 million transactions, SEPSM maps each OTC process to provide a detailed taxonomy of its activities, key performance indicators (KPIs), and drivers, and analyzes performance against industry best-in-class. We then incorporate leading operational practices, focused technology applications, analytics, process reengineering, and an optimized operating model to achieve each client’s business goals.

Within OTC, SEPSM delves deep into key sub-processes such as master data management, order management and fulfillment, invoicing, collections, accounts receivable, cash applications, deductions, and dispute management. SEPSM also integrates important OTC processes such as demand forecasting and other planning functions.

SEPSM provides a holistic, very granular framework for managing business processes
Deep analytics focus effort, creating higher returns

While many enterprises possess volumes of data on their customers, most do not convert that data into actionable business intelligence that is integrated with process delivery. For instance, most companies spend 25% of their effort on collecting from self-payers; best-in-class businesses spend less than 5%. They identify self-payers and treat them differently, focusing their resources on truly problematic accounts.

SEP™’s advanced statistical transfer functions measure how performance levels for KPIs affect overall business outcomes, enabling a focus on improving the right metrics—those that will produce maximum impact on the business outcomes. For example, our analysis of accounts receivable data and collections practices for an aviation industry client found variable payment patterns within customer accounts from various global regions, which contributed to high Days to Pay (42.3 days). The client’s collections team was also using a uniform collections strategy for all customers. After evaluating customer payment patterns, we revamped the collections strategy to address both collections and dispute management. This reduced Days to Pay by 4.4 days for $113 million in cash flow impact.

Targeted technologies deliver ROI faster

Rather than improving discrete portions of processes or depending on long-term technology upgrades, SEP™ makes intelligent use of both proprietary and third-party bolt-on technology tools that can be deployed quickly to support simpler and more effective processes across an enterprise. These include SaaS-based cloud technology solutions such as Genpact eBilling and Akritiv Order to Cash. Such end-to-end solutions integrate multiple legacy systems into universally accessible platforms and create user-friendly, standardized processes that shorten cycle times and improve accuracy. Smarter technologies support the effective use of detailed, real-time analytics that are critical to reducing DSO and driving more effective collections efforts, better order management, and more efficient cash applications.

Our integrated combination of process, analytics, and technology helps our clients become more competitive across their enterprises. Operating models that are optimized for more efficient, more effective service produce greater working capital, lower service costs, and highly satisfied customers.

Our experience is at your fingertips

Our proven transformation framework is built on Genpact’s 15 years of experience in providing end-to-end finance and accounting (F&A) services—and doing it so well that we are recognized as an industry leader in business process optimization. Our solutions leverage the world’s largest F&A practice organization, delivering services from 17 service centers in 32 countries.

To help senior finance executives in their journey toward true OTC transformation, we have created this compendium of case studies and white papers, which illustrates how ordinary OTC processes can be converted into smart processes that deliver value to the entire enterprise. We hope that you find it useful as you go about creating the global OTC process of the future.
Accounts Receivable (AR) performance has been deteriorating for two-thirds of the largest companies in America. Over $1 trillion is locked up in working capital, the equivalent of 7% of revenue. In the United States alone, the largest 1,000 companies could release between $200 billion to $500 billion in AR working capital. However, the time it takes to convert receivables into cash, as measured by Days to Pay (DTP), has increased 10% on average.

The gap between the best- and worst-performing companies, as measured by AR as a percentage of revenue, also continues to widen. As a result, financial stakeholders view the overall decrease in working capital as a key performance risk.

Recognizing—and fixing—causes of working capital becoming “stuck” in the AR cycle should be at the top of any CFO’s agenda.

**AR issues present themselves in various forms**

- Delays in getting invoices to clients
- Large numbers of unresolved small-balance transactions
- Lengthy dispute resolution cycles: typically more than 60 days past the due date
- Reactive issue management combined with insufficient communication across the portfolio
- Inconsistent information between the involved parties: Collections, Sales, and Customers
- Disproportionate effort given to research as opposed to action
- Inability to capture key decision metrics and identify risks

**When analyzed further, these challenges can be traced to several root causes**

- Multiple and incompatible ERP systems
- Decentralized, informal, and manual processes coupled with high volumes of transactions
- Inaccurate invoices, causing excessive disputes and collection delays
- Lack of critical information necessary to identify key metrics, issues, risks, and actions
- Resource constraints that result in the lack of necessary staff to support growth
Leveraging new Order to Cash (OTC) automation applications, combined with improved processes, can transform companies from laggards to best-in-class. Here are 12 practical ways to improve OTC processes and increase available working capital.

1. **Good information systems:** Most AR issues arise because ERP systems do not support highly efficient OTC workflow and are difficult to operate and even harder to adapt to business needs. A targeted system specifically designed to aggregate AR information across multiple sources provides the workbench and critical toolsets to the teams responsible for converting cash, resolving disputes, assigning, and rating risk credit, tasking daily activity, and delivering improved working capital results.

2. **Precise AR measurement:** The complexities surrounding deductions, disputes, short-pays, broken promises, parent-child hierarchies, second- and third-party billings, progress payments, billable versus non-billable, and complex payment terms can make it difficult to determine the total amount of outstanding receivables. A system specifically designed to aggregate AR information provides detailed insight into exactly how much AR is collectable today, in 30 days, and in 60 days, and who is responsible for the action. Single-source reporting also ensures that these critical calculations and assignments take seconds to complete, not hours, days, or weeks.

3. **Be AR proactive:** To generate as many payments as possible at or very near term, it is critical to contact customers well before term with multiple reminders to ensure that there are no invoice issues, that the Terms and Conditions (T&Cs) are right, Freight and Tax are correct, etc. One day of pre-term prevention is worth six to eight weeks of dispute resolution. Avoiding post-term disputes by communicating with customers prior to term date provides a 30–40:1 advantage. Companies need to exploit this every day.

4. **AR touches:** One of the most important aspects of converting AR working capital is increased AR “touches.” Most companies touch only 40–50% of their receivables-carrying client base each 30-day cycle. If systems are not designed for touching every receivables customer every 30-day cycle with a scalable, systematic, and proactive workflow, companies will have a hard time ensuring that processes are delivering the desired results to 100% of the AR portfolio.

5. **Insightful action:** AR calculations need to be accurate for each business unit, sales region, and product division, and accessible in seconds by collection teams interacting with Payables departments in order to effect more first-call resolutions. The system needs to guide collectors and resolvers to initiate timely actions based on customer performance metrics. Every missing piece of data reduces effectiveness in assigning tasks, executing workflow, and tracking group and individual productivity, ultimately impeding the release of strategic working capital tied up in OTC processes.

6. **Payment behavior:** It is essential to track customer payment behavior, as it reflects both risk levels and your ability to convert cash more effectively. Events such as broken promises and material deductions should generate electronic red flags and trigger appropriate escalations and required sign-offs. Set automated tracking to watch for delays of any kind and flag accounts whose patterns are deteriorating. Call these customers and initiate strategic partnering discussions about their status. Seek an equitable solution that meets everyone’s needs and builds critical rapport with Payables departments.

7. **Invoice disputes:** Are these increasing in absolute terms or as a percentage of overall receivables with any client? It’s important to understand the root causes driving deductions in order to prevent repetition, improve process quality, and stop revenue leakage. This allows systematic workflow design and measurement of resolution cycles for every dispute type and each resolver. Finance, Sales, Services, Marketing, and Product Development can then deploy upstream measures for preventing many deductions and their costly ripple effect on working capital.

8. **Overcome the 80/20 rule:** Typically, companies are constrained by resource availability to focus only on the 20–30% of their receivables that generate 70–80% of their sales revenue. Systems that enable you to cover 100% of your AR portfolio, every 30 days, provide huge advantages. AR-focused automation facilitates touching 100% of receivables-carrying customers every month while providing dynamically segmented account treatments, intelligent activity tasking and workflow, and scalable, replicable processes that effect a greater impact on overall working capital.

9. **Crystal-clear communications:** During proactive, pre-term communication with customers, ask if the invoices were received, if they are clear and accurate, consistent with contract terms, and reflect sales specials or promotions the customer believes they should receive. Also, ask whether three-way matching requirements have been met and if the invoice has been approved to pay. If not, identify problems such as credit terms or discount entitlements that are preventing timely payments and record them for future reporting and root-cause analytics. Shorten DTP by confirming that credit terms, conditions, and timing are understood before the payment term is reached.
10. **Do not be DPO fodder**: Customers may try to optimize their working capital by practicing Days Payable Outstanding (DPO) optimization methodologies—a euphemism for slow-pay. Automated visibility into the customer’s changing payment trends keeps you ahead of the payment curve by letting you proactively communicate with customers and become one of the exceptions (preferred payee) to their standard DPO payment strategy.

11. **When revenues are down**: Even in declining revenue cycles, companies can improve working capital and liquidity with good processes supported by information systems that deliver actionable data on a timely and automatic basis. Improving the value and productivity of staff resources, especially if business is flat or declining, releases needed cash to operations. Automation empowers staff with tools that help them improve available cash in any situation.

12. **Bonuses tied to working capital**: A sharp and well-oiled OTC team is a tremendous asset, but few Credit and Collections teams are actually incentivized to improve key working capital metrics such as DSO, DTP, and DPO. Review historical averages to obtain a baseline for these cyclical metrics. Set a goal and reward the individuals, teams, and departments that unlock critical working capital trapped in current OTC processes. Reward creativity and inspire exceptional contributions from others in the process.

With an effective combination of technology and process, substantial impact can be achieved.

### Leading hospitality company

<table>
<thead>
<tr>
<th>Issues</th>
<th>Business impact achieved</th>
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<tbody>
<tr>
<td>• Delays in getting bill to the client</td>
<td>• $60 million working capital improvements</td>
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<tr>
<td>• Non-standardized process across properties</td>
<td>• 60% increase in labor productivity</td>
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<tr>
<td>• Lack of metrics to drive process improvements</td>
<td>• Collection cycle time reduced by 32%</td>
</tr>
<tr>
<td>• High rate of disputes (85%) holding up millions of dollars of cash in AR</td>
<td>• Invoice creation cycle time reduced by 75%</td>
</tr>
<tr>
<td>• Excess full-time equivalents (FTEs) involved in AR processing and upstream areas</td>
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### Global electronics distributor

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<thead>
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<th>Issues</th>
<th>Business impact achieved</th>
</tr>
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<tbody>
<tr>
<td>• Large volume of small-balance accounts and unaddressed disputes aging past 90 days</td>
<td>• 5-day DSO reduction</td>
</tr>
<tr>
<td>• Lack of system tools to risk-segment AR portfolio and enable automated treatments</td>
<td>• Bad debt reserve expense reduced 50%</td>
</tr>
<tr>
<td>• Limited communications between Sales and Credit regarding customer credit and AR activity</td>
<td>• 360° view of customers between Sales and Finance</td>
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### Major insurance claims processor

<table>
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<th>Issues</th>
<th>Business impact achieved</th>
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<tbody>
<tr>
<td>• Lacked visibility into DSO drivers and AR exposure indicators</td>
<td>• 11-day DSO reduction in &lt;2 quarters</td>
</tr>
<tr>
<td>• Patchwork of manual tools (Excel, Outlook, etc.) and “tribal knowledge” to facilitate collections</td>
<td>• &gt;90-day transactions reduced by more than 38%</td>
</tr>
<tr>
<td>• No system to enable a focused, standardized, and sustained collection and dispute strategy across operational centers</td>
<td>• 100% coverage of portfolio</td>
</tr>
<tr>
<td></td>
<td>• On-demand analytics of customer activity and staff performance</td>
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</table>
Significant AR dilution risk in past-due AR and disputed invoices
Manual efforts to prioritize account portfolio that could not scale to accommodate growth
Limited visibility and access to actionable data
80% research and 20% action

7-day DSO reduction in two quarters
>90-day transactions reduced by more than 20%
47% increase in dispute claim recovery
On-demand analytics of customer activity and staff performance

Do not get trapped in the “We cannot do that any time soon” pushback from your technical support teams. Innovative and cost-effective technologies and Software-as-a-Service (SaaS) solutions are available that are specifically designed to improve working capital metrics, Accounts Receivable, and liquidity—not three years from now, but today. Your Finance team, your stakeholders, and your customers will all be better off for the change.

Major oil and gas corporation

<table>
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<th>Issues</th>
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<tbody>
<tr>
<td>• Significant AR dilution risk in past-due AR and disputed invoices</td>
<td>• 7-day DSO reduction in two quarters</td>
</tr>
<tr>
<td>• Manual efforts to prioritize account portfolio that could not scale to accommodate growth</td>
<td>• &gt;90-day transactions reduced by more than 20%</td>
</tr>
<tr>
<td>• Limited visibility and access to actionable data</td>
<td>• 47% increase in dispute claim recovery</td>
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<td>• 80% research and 20% action</td>
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About the author

Bradley Palmer is part of the Akritiv Finance and Accounting Software-as-a-Service (SaaS) Practice at Genpact, a global leader in business process and technology management, responsible for solutions associated with improving Order to Cash (OTC), Credit Risk, Procure to Pay (P2P), Electronic Invoice Presentment and Payment (EIPP) and Record to Report (R2R). Bradley has over 30 years’ experience in business software and technology in the finance and accounting segment. He holds a Bachelor of Science degree in Business Economics from the University of California. For more information visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
The Advantages of Customer Self-Service for B2B Businesses

Tanya Johnson
Vice President - Finance and Accounting Engineering and Services

Perhaps never in the history of commerce have businesses been required to adapt so fast to changing conditions as those driven by the introduction of the Internet. Of the world’s seven billion inhabitants, over 2.4 billion use the Internet.¹ Conditioned by the convenience of social networking, online shopping, and instant access to information of every conceivable kind, the “wired” generation expects the business world to keep up, in the form of tools consumers can use to manage interactions with the businesses they patronize. That individual expectation crosses over into business-to-business interactions, putting pressure on IT departments to provide instant resolution of billing/payment or other customer/supplier issues so that their clients can meet end-customer demands.

Just as ATMs and online banking have overtaken face-to-face interaction with a teller, self-service portals and web-based technologies such as Electronic Invoice Presentation and Payment (EIPP) and eInvoicing have become increasingly important tools. Companies are now leveraging these tools to retain ever more sophisticated customers and suppliers and to lower the overall cost of accounting operations. However, even with increased acceptance of online services, businesses should not take a “build it and they will come” approach to EIPP or eInvoicing implementation. Actively encouraging widespread customer adoption of such tools remains a critical factor in deriving maximum benefit from these cost-saving technologies.

Meeting customer expectations with EIPP/eInvoicing

As Facebook, Twitter, and the millions of emails sent daily have proven in spectacular fashion, the advantage of the Internet Age is the ability to connect people—and businesses—at many levels, instantaneously, and at low cost. Paper invoices and call-center resolution cost 2–50 times as much as self-service resolution and electronic invoicing.

¹Internet World Stats (www.Internetworldstats.com), June 2012

Table: Comparison of Paper and Electronic Invoice Processing Costs

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<tr>
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<th>Paper</th>
<th>Electronic</th>
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<tbody>
<tr>
<td><strong>Invoice Issuer</strong></td>
<td>$5.00</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Payment</strong></td>
<td>$0.64</td>
<td>$0.51</td>
</tr>
<tr>
<td><strong>Remittance &amp; Cash</strong></td>
<td>$5.77</td>
<td>$3.85</td>
</tr>
<tr>
<td><strong>Mgmt.</strong></td>
<td>$2.82</td>
<td>$1.03</td>
</tr>
<tr>
<td><strong>Invoice Recipient</strong></td>
<td>$1.41</td>
<td>$3.85</td>
</tr>
<tr>
<td><strong>Receive</strong></td>
<td>$3.13</td>
<td>$2.56</td>
</tr>
<tr>
<td><strong>Codify</strong></td>
<td>$5.13</td>
<td>$2.56</td>
</tr>
<tr>
<td><strong>Validate &amp; Match</strong></td>
<td>$6.15</td>
<td>$1.03</td>
</tr>
<tr>
<td><strong>Dispute Mgmt.</strong></td>
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Source: Billentis, 2013
In addition, failure to capitalize on the growing acceptance of Internet technologies to manage or enhance all aspects of the customer/supplier relationship is to disregard the powerful influence of the web. The Internet provides distinct advantages in speed, cost, and interaction over “snail mail” and paper invoices that require manual handling at multiple stages of the Order to Cash (OTC) and Procure to Pay (P2P) processes. With each “touch,” the chance of error increases and time is added to the cycle, delaying payment, affecting cash flow, and decreasing efficiency. At the same time, paper invoices are inaccessible to customer service representatives attempting to answer questions from unhappy customers or suppliers. This negatively impacts revenue through the loss of customer loyalty and goodwill, and potentially eliminates a buyer’s ability to capitalize on opportunities to positively impact working capital.

EIPP is a web-based technology that automates and streamlines the business process through self-service, thereby shortening the time it takes to collect on invoices—a metric measured as Days Sales Outstanding (DSO). Reducing DSO improves cash flow as well as the customer experience and cuts the cost of customer support. EIPP allows businesses to manage vendor and customer relationships in ways that increase efficiency, provide wider and faster access to information, and reduce time, labor hours, and money spent on the entire OTC process.

**EIPP enhances customer retention**

Aside from the very real reduction in the cost of ink and paper for hard-copy invoices and postage costs, EIPP offers customers choices that encourage loyalty. In Genpact’s experience, customer retention is one of the biggest drivers of overall business impact, no matter the type of process improvement. Implementing EIPP to meet customer expectations of convenience, speed, and easy management of their business transactions can be a key factor in preventing customers from taking their business to a company that does offer the customer experience they want.

Genpact’s experience with a particular client demonstrates this point very well. Faced with customer rebellion over multiple invoices for various services provided by several business lines, the client instituted Genpact’s EIPP solution. EIPP produced a single, integrated invoice for all services, easily tracked by the particular asset that accumulated the charges. This proved to be a “win-win” for both the client and its customers. The business was able to eliminate hundreds of thousands of manually-produced paper invoices, reduce errors, and lower costs. The client’s customers were able to instantly track assets with higher maintenance costs, helping them to reduce their own operating expenses. By capitalizing on the flexibility EIPP offers in creating customized invoices, this business gained a competitive advantage over rivals still invoicing by business line, and won a great deal of customer goodwill and continuing revenue.

**Companies that use EIPP/eInvoicing offer their customers choices that encourage loyalty and extend relationships.**

Similar benefits can be seen in the P2P process with the use of web-based technology such as eInvoicing to automate key steps in the invoice cycle. Implementing eInvoicing can improve productivity exponentially via auto-matching and posting of invoices directly into the ERP without manual intervention or approval. Companies also gain instant access to invoice and query status through the self-service portals.

**Winning customer acceptance**

There are few technical obstacles for most companies in implementing a web-based invoicing system. Modern business is nearly 100% “wired,” with reliable access to the Internet at speeds conducive to online transactions. Devices ranging from PCs to smartphones allow customers ready access to their accounts. Larger companies, especially those juggling millions of dollars in costs and hundreds of thousands of invoices per year, have every incentive to shift to a more efficient system now that technology supports it.

Inevitably, however, not all businesses (or their customers) will be equally accepting of a shift to EIPP/eInvoicing. Worries regarding data security, a reluctance to budget for the required technology, or resistance to changing well-established procedures can all make senior managers hesitate. Certain steps can be taken, however, to encourage customer and supplier participation that ultimately will bring significant advantage to both the biller or supplier and the payer.

**Know the needs of your customer**

No two customers are the same when it comes to business needs. Why, therefore, assume that all customers or suppliers will embrace or reject EIPP/eInvoicing for the same reasons?

Before implementing EIPP/eInvoicing, understand each customer’s current approach as well as their use of and comfort level with Internet technologies. Older companies with a stable workforce may offer greater resistance to changing long-established processes, demand specialized invoices, or prove
uncomfortable with giving up paper invoices to rely entirely on an electronic system that could become unavailable at inconvenient times.

Adapting your own EIPP/eInvoicing system to address customer preferences can greatly improve adoption rates.

Fortunately, EIPP and elinking provide a great deal of flexibility in addressing concerns such as creating invoices that provide a branded look or that incorporate information of specific value. Overall, surveys conducted with customers have shown that the EIPP features of interest to customers fall into two general categories:

- Features that streamline reconciliation (the process of receiving, approving, and paying an invoice)
- Features that improve access to billing data such as supporting documents and scanned images of checks or invoices

Adapting your own EIPP system to address customer preferences in these areas can greatly improve adoption rates. Likewise, understanding how customers view the advantages of EIPP will provide insight into their readiness to adopt it or do business with a supplier who does. Companies that see value in EIPP are more likely to select business partners that invoice using EIPP over those with more cumbersome systems.

For elinking, features that are flexible and enable suppliers to easily enter their non-PO or PO-based invoice and attain up-to-date information on inquiries or the status of transactions are critical to a company's willingness to use a new system.

Focus on internal adoption first

"Eat what you sell" is especially apt with regard to EIPP/elinking adoption. Companies should successfully implement EIPP/elinking internally and ensure all personnel are comfortable with it before attempting to persuade vendors and customers to get on board. Because EIPP/elinking provides visibility into invoicing from end to end, sales and customer service representatives can readily answer questions without referring customers to busy billing or payment department personnel. This quick response is an easy way to gain customer and supplier goodwill. Incentivizing employees to learn and use the system by providing cash incentives to enroll customers and suppliers is a good way to serve the overall goal of increased efficiency and reduced cycle times.

Constantly raise EIPP/elinking awareness with customers

Each time a customer contacts the business with a question is an opportunity to promote the use of self-service portals for obtaining answers. Understand how your customers and business partners resolve their own billing issues, whether that is via a call center, the sales representative, or email. You can encourage adoption of self-service electronic invoicing by providing appropriate reminders at every contact point. These include on-hold messages to raise awareness of alternate, self-service means of obtaining answers, scripts for customer service representatives to use after successfully resolving the customer's issue by telephone, or auto-responder acknowledgements to emails.

Actual EIPP Implementation Results (Large Retail Chain)

| Performance: | Raised to best-in-class |
| Costs: | 20% via customer self-service |
| Call Center Volume: | 35% |
| Invoice Volume: | 20% |

Customers using electronic self-service pay 20 days faster

Source: Genpact

Make it easy to use

Modern customers have become conditioned to speed and ease of use in online transactions because businesses have learned the painful lesson that complexity drives people away. Efforts to encourage use of EIPP/elinking should include making it as simple as possible to enroll in the system and obtain useful information from it. Ensure that current and relevant information is readily available regarding billing data. Customers have no incentive to use the system if they cannot access the information they need to resolve their questions or complete their transactions.

Encourage adoption through active marketing

Before customers can participate in the supplier's or payer's new EIPP/elinking system, they must first be made aware it exists. Plan to actively market your new EIPP/elinking system to customers as part of your implementation strategy. Effective ways to raise awareness and encourage participation include discounts, offers made on invoice envelopes, customer training sessions, and notices on customer portals and corporate websites. These should be accompanied by clear directions and easy, click-through enrollment from the portal. In addition, helping customers train their personnel to use the new system can help ensure that they see benefits rather than obstacles to adoption.

Companies must actively market EIPP/elinking internally and externally to achieve full acceptance and maximum return.
Efficiency adds up to revenue

During hundreds of customer engagements, Genpact has seen the dramatic and positive business impact of shortening cycle times and improving efficiencies. EIPP/eInvoicing provides a powerful tool for reducing DSO and improving working capital by automating the process, eliminating manual touch points where errors occur, and providing speedier resolution of billing errors and customer questions. For one company, implementing EIPP provided $2.5 million in initial annual savings that grew to $25 million per year, with another $1.5 million per year in postage savings. The EIPP initiative was touted by the company’s CFO as “our highest ROI project of the year.”

Cost reduction is only one component of the benefits gained by implementing EIPP/eInvoicing, however. As technology continues to advance and provide more and easier access to information, it raises expectations among customers that can never be lowered short of some catastrophic failure of the entire Internet. With the pressure on to have answers to any customer question at employees’ fingertips, businesses may find that implementing tools such as EIPP/eInvoicing is not as much a matter of choice as of survival. In highly competitive environments, vendors may find themselves shut out of contracts because their customers no longer want to deal with paper. Customers may demand self-service portals rather than require incentives to use them.

“Our highest ROI project of the year”

In either case, both the biller and the payer will benefit from the flexibility, cost savings, and comprehensive approach to invoice management offered by EIPP/eInvoicing.

### Actual EIPP Implementation Results (Major Insurance Company)

<table>
<thead>
<tr>
<th>Category</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Costs:</td>
<td>75%</td>
</tr>
<tr>
<td>Savings:</td>
<td>$12–15 million from consolidated billing</td>
</tr>
<tr>
<td>DSO:</td>
<td>4 Days</td>
</tr>
<tr>
<td>Adoption Rate:</td>
<td>85%</td>
</tr>
</tbody>
</table>

More than 100,000 invoices processed electronically per month

Source: Genpact

About the author

Tanya Johnson is a 25-year veteran of the Enterprise Software and Cloud Computing industry, specializing in developing and delivering high-volume, highly scalable applications and solutions that have enabled top Fortune 500 companies like Dell, Penske, and MasterCard to transform the way they do business. Products she has been responsible for have won numerous industry awards for innovation.

Tanya’s expertise in highly scalable distributed end-user applications led to the development of Oracle’s first enterprise-wide end-user solutions. As Vice President, F&A Engineering and Services at Genpact, Tanya is responsible for the development and delivery of Akritiv’s Order to Cash, Procure to Pay, and Record to Report Software-as-a-Service solutions. Tanya holds an MS in Statistics and BS in Mathematics.

For more information visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
Selling Direct To Pharmacy: How To Prepare Your Order To Cash Function For A New Sales Model

Dipanjan Das
Assistant Vice President - Order to Cash Practice

Ready or not, change has arrived for the pharmaceutical industry, driven by the dramatic increase in competition and the proliferating regulatory climate. Established, comfortable processes used for years with a few large wholesalers must now accommodate hundreds or thousands of new customers, usually pharmacies. The direct to pharmacy (DTP) business model is attracting many top companies, but before you leap into DTP, take a long moment to consider and plan for the effect such a change will have on your financial processes, particularly Order to Cash (OTC). Companies that fail this basic step will inevitably struggle to realize benefits from the transformation.

Shifting from the traditional wholesale model affects the entire end-to-end process of ordering, billing, and shipping products. Of all the emerging distribution models—classical wholesale, direct to pharmacy (DTP), and restricted wholesale—the direct to pharmacy model offers the greatest advantages in terms of controlling how the product is sold and building the company’s brand. However, selling to thousands of pharmacies is quite different from selling to a few wholesalers, and most pharmaceutical companies’ OTC processes are not configured to handle this change. Creativity and foresight in addressing the basics will alleviate the majority of challenges encountered by companies that have made this transition and prepare your organization for the new business world facing Pharma. A summary of the type of challenges to be realized across the end-to-end OTC process is presented in the graphic below.

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### Key Impact Areas in Order to Cash and KPIs to Measure

<table>
<thead>
<tr>
<th>KPIs to Measure</th>
<th>Less than 1,000 to 15,000+ customers</th>
<th>Few high-value orders to many small-value orders</th>
<th>Few high-value invoices to many small-value invoices</th>
<th>Model changes from B2B to B2C</th>
<th>Accounts Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT impact: Revenue leakage/dilution</td>
<td>1. More control on price (positive impact) 2. Control on parallel trade (positive impact)</td>
<td>No significant impact on EBIT</td>
<td>No significant impact on EBIT</td>
<td>Higher risk exposure to bad debt</td>
<td></td>
</tr>
</tbody>
</table>
The impact of change on OTC

The OTC function, which encompasses master data management, order taking and fulfillment, invoicing, and Accounts Receivable (AR) processes, is directly impacted when a sales model changes. Shifting to the DTP model creates the potential for confusion, unhappy customers, and suddenly overwhelming your staff with the increased volume of transactions. To avoid these outcomes, four critical processes must be addressed:

Master data must be accurate and accessible

The DTP model may boost your customer base from fewer than 1,000 to 15,000 customers or more. You will need efficient mechanisms for assessing credit, handling customer inquiries, and updating customer information, and you may have to rethink your credit terms.

For example, the most efficient means of signing up new pharmacies and hospitals is with a dedicated customer service portal where customers can provide their own information directly. To overcome the issue of assessing creditworthiness, establish a team of customer service agents and credit review analysts during this initial period. Many pharmacies may not have a credit history available for review. In some cases, you may need to consider less lenient payment terms for these smaller customers to address an increased debt risk.

Interestingly, many of these “new” pharmacies might already be set up in your ERP through contracts with your wholesalers. Now you will be selling to them directly, so you will need additional information such as license data, ship-to addresses, payment terms, and billing details. The self-service portal provides additional benefit in making that information easily accessible to both you and your customers. The portal also increases the accuracy of the data and helps to keep it more readily updated.

The ability to manage customer service well becomes critical to customer retention in the DTP model. With the new, larger customer base, your organization will be fielding 2 – 5 times the number of calls you handled under the wholesaler model. You cannot afford poor customer service that may drive away business, so consider setting up a dedicated call center or leveraging a Logistics Service Provider (LSP) to manage the increased volume. An LSP model provides more advantages in this regard than a restricted wholesale model; however, pharmaceutical manufacturers must realize that for the pharmacies this new model is disruptive. Instead of calling one wholesaler, they now need to interact with many wholesalers or LSPs.

Order management becomes critical

With DTP, your organization will no longer be handling a few large orders from a few large customers, but thousands of smaller orders from many customers. In the top five markets in Europe, the overall volume is expected to increase from 703 million to 97.9 billion transactions per year in the absence of full-line wholesalers. In markets where a DTP model has already been implemented, failure to deliver urgent orders and stock-outs have been the most critical complaints from pharmacies. A lean and efficient order management system is, therefore, crucial.

Most drug manufacturers are accustomed to receiving those few large orders per month via electronic data interchange (EDI), which may not work with all of your new customers. You must now be prepared to receive orders by email, fax, or online portal. Here again, careful planning and a willingness to rethink current processes and systems can actually boost efficiency and effectiveness in your customer service despite the increased volumes. A correctly designed technology interface can automatically validate and process the bulk of these orders, speeding delivery and cutting costs.

Some Pharma companies shifting to a DTP model leverage outside expertise by turning management of their supply chains over to an LSP. Some have completely outsourced or sold their distribution centers (DCs). Tight integration between the manufacturer's and the LSP's order management and supply chain visibility platforms is required to build an efficient order management system. Managing the LSP relationship is also important and begins with selecting the right LSP. Start by evaluating their experience with the DTP model. Most service providers have dedicated DTP product and service offerings and have made significant investments to enter this market. You must also assess the provider's technology capabilities, such as visibility tools and web communication methods. Look at transportation performance and warehouse and distribution management capabilities as well.

Invoicing becomes a business of volumes

As with orders, the shift to DTP with its greatly increased billing volumes may stress your current invoicing processes. This is therefore an ideal time to assess your current billing processes and payment technologies to achieve even greater year-on-year return on your transformation investment. While most Big Pharma manufacturers and other business-to-business (B2B) enterprises use EDI as the prevalent model for billing and chargebacks, pharmacies or hospitals might not have such platforms or prefer physical invoices. Most small to medium businesses prefer to view and pay bills online. It is smart policy, therefore, to ask during the initial phase of signing up pharmacies if they would be interested in electronic billing (not EDI). If the response is good, consider setting up an electronic invoice presentment and payment (EIPP) platform. This offers the triple advantage of paperless billing at lower cost (Billentis estimates that EIPP can cut the average cost per invoice for issuers by 57%1), online payment with lower risk of bad debt, and higher customer satisfaction. If you find yourself forced

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1 E-Invoicing / E-Billing: The Catalyst for AR/AP Automation, Bruno Koch, Billentis, April 12, 2013
to set up a shop for invoice printing and shipping, consider outsourcing this function to a provider.

However, if you manage invoicing under DTP, you will end up with many invoices of considerably smaller amounts, making billing a business of volumes. Keep in mind as you design your new system that the complexity of the process flows into the next OTC process of collections and AR.

**AR needs smarter strategies**

Collecting 70–80% of your AR from five or six wholesalers is a relatively easy process. Collecting from hundreds or thousands of customers is more complex, but need not be daunting.

Analytics, better processes, and supporting technologies are all key to high returns in managing high-volume AR. An analytics-based tiered collection strategy is one of the most effective means of focusing effort and efficiently using available resources. Analytics peer deep into your historical data to understand how much each customer contributes to Days Sales Outstanding (DSO). Under DTP, pharmacies will be less wary of order blockages, which means manufacturers have fewer means to force timely payments. Segmenting your customers based on payment behavior allows you to focus on high-risk accounts.

However, segmentation alone is not enough; a technology platform that can perform much of the initial filtering for low-risk customers enhances customer goodwill and maximizes resources. A letter process such as auto-dunning for this customer segment allows your collection managers to allocate high-risk accounts to collection agents. An intelligent technology solution, especially one created specifically for AR, such as Genpact’s cloud-hosted Akritiv platform, efficiently manages the higher volume of invoices and collections activities, aggregating all your emails, notes, and promise-to-pay dates in one place and creating task lists to help collection agents take action when it is most needed.

Minimize risk up front by converting as many high-risk pharmacies as you can to a direct debit model. The EIPP platform discussed earlier can reduce the risk of non-payment by putting the pharmacy’s billing and dispute data in one place. Pharmacies can pay the whole invoice or specific line items through the online portal. Be wary of early payment discount models to further incentivize payment, however. In most instances, making a business case for them is difficult in such a distributed revenue model.

**A smart approach yields competitive advantage**

Changing to the DTP model offers attractive advantages to companies focused on growth. Enough Big Pharma companies have taken the leap for us to evaluate the challenges and understand some nuances of the transition that will make it easier for others to follow. Options for companies thinking of converting their business model to DTP include:

- Converting an existing wholesale customer into a service provider that manages shipping and distribution
- Engaging an experienced third-party provider to optimize processes for the broader customer base and the expanded service and compliance requirements
- Leveraging provider or third-party bolt-on tools and technology platforms that will best integrate with existing systems and provide capabilities for data management, customer service, and supply chain visibility
- Centralizing or decentralizing back office operations to address local language requirements and regulatory and compliance needs, etc.

Whatever the transition strategy or final delivery model, Pharma companies must first understand and address the impact on every OTC function before moving ahead. Those companies that do not prepare their OTC processes for the higher transaction volumes and more diverse customer base risk losing customer confidence and trust, which will affect long-term revenue.

The next white paper in this series will delve deeper into the process-level nuances of OTC changes under the direct to pharmacy model.
About the author

Dipanjan Das is Assistant Vice President in the Order to Cash (OTC) practice at Genpact. He has more than 12 years of process/IT consulting and reengineering experience within order management and AR in various industries, including Automotive, Pharmaceutical, CPG, Transportation, and Manufacturing. Das leads Genpact’s Order to Cash consulting practice, and is responsible for all OTC transformation projects and knowledge management. He understands IT as well as the business process side of OTC. In his past roles, Das has led several multimillion-dollar business transformation programs. Results delivered by his team in working capital improvements include improving DSO by 20% and reducing unapplied cash by up to US$90 million. Das is Six Sigma Green Belt-certified and holds a Bachelor of Chemical Engineering degree from Jadavpur University in India.

For more information visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
To succeed in the new marketplace, businesses need real-time data and the ability to interpret it. And just in time, new technology is tossing boring old reports and frustrating systems right out the window.

It is not uncommon to think of finance operations as part of the back-office. Stakeholders regularly get excited about sales forecasts and revenue trends but rarely get as animated about Days Sales Outstanding (DSO) behavior, working capital forecasts and credit risk exposures. Unlike revenue forecasts, finance reports have been inherently complex, difficult to distill, and challenging to action without delving into third-order details.

However, new technologies are opening a new window into the world of finance, and they are coming to market at a time when margin pressures are increasing, capital markets are in deep shock and global liquidity continues to be a large concern.

Forward-looking CFOs are catalyzing new ways to manage and run the business, driven off dynamic and easy-to-distill actionable views of it. And for good measure, an organization’s ability to respond quickly and decisively is becoming fundamental to corporate performance. Agility comes from insights – which are too often locked up in data across multiple automation systems strung around the enterprise.

Behind this movement, two key trends are converging and driving the adoption of new software tools now becoming increasingly popular in corporations across the globe. First, cloud computing platform technology has matured to the point that it is now mainstream. It has fundamentally lowered the barriers to scale and made new solutions instantly horizontal and global for enterprise customers.

The other trend is the increasing “consumerization” of enterprise software. The ease of use and flexibility that we are accustomed to with personal consumer applications has now come through to the enterprise. The option of viewing core operational metrics in a tablet-optimized, interactive, and rich multimedia application with an almost addictive user interface is fast replacing the traditional world of reviewing Excel files off a projector. These trends impact how organizations view their technology deployments.

The quest to uncover hidden trends

Today, new cloud computing-based applications are re-aggregating the intelligence that was lost when business processes were chunked off and neatly folded into pre-packaged software worlds such as ERP, CRM, and HRO. In reality, business processes do not fold into clean parcels that can be hyphenated off into different containers.
An Order to Cash (OTC) process, for instance, spans CRM to ERP to 3PL to RMS. Dynamic credit analysis at order time can drive bad debt reduction at collections. Predictive analytics of payment performance can help identify high-risk customers. Days Past Due (DPD) modeling can drive more accurate cash forecasting and, in turn, working capital optimization. In each of these cases, the data exists—but is invariably locked away across different and multiple applications such as CRM, ERP, Excel, and Outlook.

In the past, trying to pull all this information together in a meaningful fashion was challenging. To start, the multi-application data spread and the cascading-stack depth of data creates a noise-to-signal ratio problem and, without the right application, make it difficult to find the proverbial needle in the haystack. In addition, root cause analysis of systemic issues does not follow pre-set and previously known paths. Static representations of enterprise data are useless. An interactive application is needed that dynamically responds to the changing queries of the user as they uncover hidden trends and seek new intelligence.

**Solutions that tie relevant data together**

Another problem comes from consumer applications that have changed the baseline for user interfaces. We want and expect an insanely intuitive, deeply addictive interface that allows users to click through to the right information nuggets without having to undergo week-long training classes. For corporate IT teams, the prospect of yet another deeply embedded, maintenance-intensive, complex-implementation, on-premise software is not exactly welcome. What is needed is a nimble, flexible Software-as-a-Service (SaaS) solution that is easy to onboard, inexpensive to run, and does not require a systems-down upgrade every nine months.

All of this is possible with nimble cloud computing-based applications for finance. Progressive CFOs are moving beyond ERP and the associated segmented data streams to agile, low-IT footprint applications that can tie the relevant data together, distill key actionable intelligence, and drive proactive workflow.

In the OTC world, corporations automatically track six-month rolling averages on payment performance by accounts across business units (and ERP). They use that intelligence and other data like standard deviation in past payment behavior to develop more accurate cash forecasting and drive better business decisions. Entire Accounts Receivable (AR) portfolios are being broken up into risk-based segments based on intelligence and risk criteria distilled real-time from the data spread across enterprise systems. As a result, AR departments now utilize customer treatment strategies for each segment—and for the first time are interacting in new ways with entirely different customers, reducing revenue leakage, decreasing DSO, and optimizing working capital performance.

The timing couldn’t be better. The first wave of large ERP-centric automations is nearly complete across global corporations. The low-hanging fruit is mostly off the tree. That clears the path to the next layer of value drivers. The focus is shifting from pure automation to leveraging the significant amount of data that now exists in a corporation’s various automation systems, and distilling actionable insights that can drive increases in shareholder value. More and more organizations are turning to new cloud computing-based technologies, and it is changing the face of the finance function.

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**About the author**

Sanjay Srivastava is the CEO of Akritiv Technologies, a Genpact company. He founded several successful IT companies, including Aceva Technologies (acquired by SunGuard), Corosoft (acquired by BMC Software), and Network24 Communications (later merged with Akamai Technologies).

Sanjay received executive education from the Kellogg School of Management at Northwestern University, graduated from the University of Minnesota’s Carlson School of Management, and earned his undergraduate degree from the Indian Institute of Technology.

For more information visit http://www.genpact.com/akritiv
In a conscious move toward becoming a more intelligent enterprise, a global biopharmaceutical company wanted an end-to-end Order to Cash (OTC) assessment of its European export entities and U.S. operations to help the OTC process become a value-add business partner within the company. In a competitive bid process, they chose Genpact’s proven Smart Enterprise Processes (SEP℠) methodology for its logical, holistic approach and process-level granularity. A six-week end-to-end assessment provided transparency into the entire OTC function and resulted in €1.8 million increased profit annually and €3.5 million additional cash flow impact for our client.

**Business challenge**

This major biopharmaceutical company sells products to third-party customers such as wholesalers, private and public hospitals, pharmacies, and other pharma manufacturing companies located mainly in Eastern Europe, based on royalties, and delivers export orders to international clients. The client used different distribution models across the different countries:

- **Pull Strategy:** Actual customer orders specifically requested from the client’s manufacturing units
- **Push Strategy:** Third-Party Logistics (3PL) ownership model: Products manufactured and sent to 3PLs based on historical sales and forecast
Push Strategy: Client ownership model: Products manufactured and sent to 3PLs without change in ownership. Invoicing and collections responsibility lay with the client, but activity was managed by the 3PL. These models were implemented using fragmented systems, tools, and structures. The overall organization was decentralized, with local accountability down to the functional level and no end-to-end visibility into the OTC process.

In addition, the European OTC processes for third-party customers did not consistently include or apply critical best practices across different entities. A further lack of analytics resulted in undefined business strategies, while manual processing created long turnaround times.

In the U.S., the processes were highly automated, but gaps in master data creation and dispute management threatened customer satisfaction, compliance, and cash and cost optimization.

Although the client embraced end-to-end business process management, they needed to better understand their OTC function in order to support Finance’s global contribution to the enterprise’s goals. The client’s overall objective was to deliver tangible, sustainable benefits to the enterprise on key business outcomes such as cash flow, customer satisfaction, profit, and compliance.

Genpact approach

Genpact’s goal is to help our clients become more innovative, better able to adapt to challenges, and more globally effective—what we call an intelligent enterprise. For this client, we used our SEPSM framework to conduct a thorough analysis of their OTC operations and create an overall improvement roadmap. We used this granular methodology to thoroughly diagnose the end-to-end OTC process and identify opportunities for improvement such as:

- Processes were decentralized and there was a lack of enabling technologies such as workflow
- There was no visibility into key metrics in cash application, such as unapplied cash and payment optimization
- Key metrics to manage and measure backlogs in contracts were not implemented
- SAP features that could have driven more process efficiency were not fully implemented

This successful European assessment convinced the client of Genpact’s capabilities. The client then requested a U.S. assessment to understand improvement opportunities within its Gross to Net accrual and processing activities.

Genpact’s recommendation

Genpact presented detailed process and technology recommendations that formed a comprehensive OTC transformation roadmap, along with a detailed prioritization and implementation plan:

- Recommended a template for the OTC cycle to improve key metrics such as Days Sales Outstanding (DSO), dilution, compliance, and customer satisfaction

Order to Cash transformational redesign

<table>
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<tbody>
<tr>
<td>€3.5 Million</td>
<td>€1.8 Million</td>
<td>€200K</td>
</tr>
<tr>
<td>Cash flow improvement</td>
<td>Profit impact</td>
<td>Net incremental cost</td>
</tr>
<tr>
<td>Export business</td>
<td>U.S. business</td>
<td><strong>Payback = 5 months</strong></td>
</tr>
</tbody>
</table>
• Designed a centralized, standardized, and automated process across export businesses instead of the current five entities managed in five different ways
• Implemented metrics for performance benchmarking and management across OTC, including backlog metrics for contracts and new metrics for SAP/Business Intelligence
• Conducted statistical modeling on multiple linear regression variables in 8–10 major revenue debit types to reduce variation and “true-up” adjustments
• Increased visibility into unapplied cash and payment method optimization
• Implemented SAP usage enhancements for better order management, billing, cash application, claims management, and dispute resolution processes

Genpact’s holistic strategy for addressing process gaps and improving end-to-end performance resulted in a phased implementation of the recommendations based on priority for all business units across this client’s U.S. and European export business.

**Business impact delivered**

The client’s goal of making OTC a value driver for the enterprise is well underway. Benefits derived from the dual European and U.S. assessments thus far include:

• Increased annual profit of €1.8 million
• Cash flow impact of €3.5 million
• 11% savings from improved cash flow
• 6% efficiency savings
• Better controllership and visibility

Genpact powers a more intelligent enterprise through process. Our combination of smart analytics, processes, and technologies helps our clients become not just more efficient but also more effective in serving customers, driving higher customer satisfaction, and growth.
For more information, contact isabelle.cole@genpact.com and visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
CASE STUDY

**Smarter Billing Processes For Global Package Carrier Improve Cash Flow By Raising Import Billing Accuracy To 99.02%**

**Client**
Global package carrier

**Industry**
Transportation and Logistics

**Business need addressed**
DSO improvement through billing accuracy to shorten payment times, reduce disputes, and increase cash flow

**Genpact solution**
Conducted root cause analysis and implemented smart processes to increase accuracy, shorten the payment cycle, and reduce billing exceptions

**Business impact**
- Standardized and centralized processes
- Raised import shipment billing accuracy from 97.20% to 99.02%
- Shortened payment cycle times: Import DSO decreased from 51.9 to 45 days
- Reduced monthly import re-bills from 24% to 3%
- Improved customer satisfaction

One of the world’s largest express delivery and global package carriers experienced a high error rate in billing for import shipments, which was impacting customer relationships and lengthening Days Sales Outstanding (DSO). By converting the client’s non-centralized, non-standard import billing processes to “smart” processes, Genpact raised import shipment billing accuracy to 99.02% and greatly reduced the time spent by the company and its customers settling disputes, which increased customer satisfaction. The increased accuracy shortened average payment times from 51.9 days to 45 for greatly improved cash flow.

**Business challenge**
Ineffective processes were among the biggest contributors to this client’s challenge. An incomplete account list used for import matching and incorrect customer profiles made it difficult to match shipments to accounts. Inaccurate shipment information in the system could not be changed by processors. So much manual work and difficulties in backing up or sharing knowledge across teams contributed to high error rates and long payment cycles. In one month alone, 227 of 8,127 import shipments were billed to the wrong account. Seventeen different staffs were responsible for handling import billing adjustments to freight and/or duty charges for each error. Much time was being spent on non-value-added activities such as settling billing issues, with consequent low customer satisfaction and sub-optimal DSO performance.
Genpact approach

Genpact uses a combination of smarter processes, detailed analytics, and innovative technologies to transform the organization into an intelligent enterprise. This engagement began with a root cause analysis to understand the current billing process and the underlying gaps. The analysis revealed:

- An incomplete account list was used for import matching, making it difficult to match shipments to accounts
- Incorrect customer profiles in the system meant shipments could not be matched to correct accounts
- Incorrect shipment information could not be changed in the system by processors
- Human matching errors led to billing mistakes

Once the analysis was complete, Genpact worked closely with the client to:

- Reengineer processes to eliminate gaps and drive improvement
- Standardize processes and set up data source controls for better matching of invoices to accounts and greater accuracy
- Centralize processing in a single location to facilitate handling

Genpact solution

Genpact believes an intelligent enterprise is measured by its global effectiveness, ability to adapt to change, and innovative approach to problems. We leveraged our proprietary Smart Enterprise Processes (SEPSM) methodology, built on our long heritage of Six Sigma, to analyze and eliminate the problems in the client's import billing processes. Our solution centered on the following:

**Account matching**

Matching import shipment information to customer accounts was key to understanding the client's billing process. Genpact first collected:

- The volume of total import Billing Adjustments (BAs)
- Import re-billed BA Volume and the volume of re-billed BAs
- Incorrect shipment information could not be changed in the system by processors
- Human matching errors led to billing mistakes

Identify Variation for High BA Volume

Sources

Re-bill

System Issue

- Inaccurate data could not be changed by processors

Method Issue

- Manual, inefficient processes
- No auto-matching of shipments to accounts

People Issue

- 17 different staffs handling each error
- Human errors contributed to billing mistakes
- Difficult to back up or share information across teams

Material Issue

- Incorrect customer profiles
- Incomplete account list
- Inaccurate shipment data

Process reengineering

Genpact reengineered the client's process for greater accuracy and effectiveness:

- Prepared and maintained an updated, complete account list allowing matching of all credit limit import shipments to credit limit accounts
- Incorrect customer profiles were confirmed with the customer and updated in the system

caused by matching errors

- Online matched shipment volumes
- Reasons shipments were billed to the wrong account
• Incorrect accounts designated by shippers as the receiving account were deleted and matched to the proper account

**Process standardization and consolidation**

• Established standardized process flow for the import matching process

• Consolidated operations in a single location

• Set up data source controls to update the credit account list daily and summarize the abbreviated company name list

• Established process controls such as weekly analysis of BA re-bills

After implementing the new processes, the percentage of the import billing re-bill adjustment volume decreased from 24% to 3% compared to the total billing adjustment volume. The downstream business impact resulted in a seven-day improvement in DSO within the financial year.

**Business impact delivered**

Our deep Finance and Accounting (F&A) domain skills, excellent customer and team management, and the entire end-to-end concept were credited for the success of this project.

• Improved import shipment billing accuracy from 97.20% to 99.02%

• Standardized and centralized processes

• Raised customer satisfaction

• Shortened payment cycle times: Import DSO decreased from 51.9 days to 45 in the first year

• Increased productivity in billing generation and payment collection

Powered by Genpact’s smarter processes, the benefits delivered throughout this project led to the client expanding the scope of the engagement to include F&A processes in all their APAC countries.
For more information, contact isabelle.cole@genpact.com
and visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
CASE STUDY

Smart Enterprise Processes (SEP℠) Diagnostics Delivers Tighter Compliance And Identifies AUD$11.7 Million In Impact For Global Pharma Company

Client
Global pharmaceuticals and medical devices company

Industry
Life Sciences

Business need addressed
Assess and optimize Order to Cash (OTC) processes to improve payment cycles and cash flow

Genpact solution
Used Smart Enterprise Processes (SEP℠) framework to benchmark client operations against industry best-in-class and recommend improvements

Business impact
Genpact identified improvement opportunities that would provide the following impact:

- AUD$5–6 million cash flow impact
- AUD$4.7–5.7 million EBIT
- Identified and standardized OTC metrics across global processes
- Tightened compliance with contract terms

A global pharmaceutical and medical devices company needed a granular look at their Order to Cash (OTC) processes to identify deficiencies that were expanding payment cycles and degrading cash flow. The company asked Genpact for an assessment of their current processes and technologies, process redesign, and detailed recommendations for improving their OTC process to best-in-class. Using our Six Sigma-driven Smart Enterprise Processes (SEP℠) framework, we identified AUD$5–6 million in cash flow and up to AUD$5.7 million in EBIT impact that could be attained from implementing best practices and process improvements.

Business challenge
The client ran a test diagnostic on their Australian division, where sub-optimal order management and fulfillment processes caused slowdowns that encouraged out-of-compliance workarounds. Orders received in the last week of the month were usually not shipped and billed in the same month because fulfillment times were standardized at nine days—the longest delivery time for any point in Australia. To incentivize customers to place orders a week earlier, they were often given extended credit terms that were not in the contracted terms of sale. More than AUD$6.2 million of Accounts Receivable (AR) in the first quarter of 2012 had extended terms averaging 38 days beyond the maximum window of 60 days.

The company's process for validating chargebacks was inefficient as well, with many steps and manual touch points. Most chargebacks were
claimed as deductions, which affected cash flow. In cases where the chargeback proved to be invalid, the company had to try and collect the deduction back from its customers.

This client needed an effective means of rationalizing payment terms with optimized warehouse and transport lead times, standardized processes for master data setup, a more stringent and efficient chargeback validation process aided by tools and defined standard operating procedures (SOPs), and more robust metrics and performance tracking across the OTC value chain.

Genpact approach

Genpact’s SEP™ methodology, built on our 15-year Lean Six Sigma heritage, uses smarter processes, analytics, and technologies to link business metrics to better outcomes. Our detailed assessment of the client’s OTC processes identified process gaps and made recommendations for improvement. We focused on process variability, metrics, best practices, and compliance in order to improve process effectiveness, bring additional cash flow to the business, and produce cost savings that would impact P&L.

Genpact solution

Genpact manages OTC for nine out of the top 10 pharmaceutical companies worldwide and thus has proven hands-on expertise in Pharma financial processes. The client was impressed by our ability to deliver a granular assessment of end-to-end OTC processes and sub-processes by drilling deep into an enormous amount of historical data. We went back 12 months to determine why 30% of invoices were out of compliance with pricing and payment terms.

In a five-week study, our team worked closely with the client to evaluate and redesign their end-to-end OTC processes. This included recommending best practices we have used successfully while managing delivery for other top Pharma companies. Our goal was to help the client standardize and automate processes, eliminate silos, provide better end-to-end workflow and compliance, and negotiate better terms with their customers.

Genpact’s in-house SolutionXchange platform helps Genpact consultants source experts in local markets and industries when needed. We leveraged the expertise of local Finance executives in the Australian pharmaceutical market to understand challenges faced by other organizations and what they have done about common pain points such as extended payment terms.

Our recommendations focused on three critical areas.

AR process redesign
- Implement workflow tools for process transparency and control

Benchmarking client process performance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Best-in-class</th>
<th>Median</th>
<th>Client</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSO</td>
<td>36</td>
<td>42</td>
<td>77</td>
</tr>
<tr>
<td>Higher than median by more than 50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past due %</td>
<td>2.1%</td>
<td>7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Closer to best-in-class*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% invoices paid in full the first time</td>
<td>90%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td>Unapplied cash as a % of AR</td>
<td>1%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Bad debt to sales %</td>
<td>0.02%</td>
<td>0.13%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Close to best-in-class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto cash hit rate</td>
<td>90%</td>
<td>75%</td>
<td>0.0%</td>
</tr>
<tr>
<td>No auto cash</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Has to be looked at in combination with DSO.
• Reengineer the order fulfillment process and reduce standard lead times
• Define and implement an effectiveness dashboard across the OTC value chain
• Identify and track key performance indicators for ongoing analysis of process health

Payment term rationalization
• Automate current manual processes
• Change payment terms to market standard: The client believed that all their regional competitors used 30-day end-of-month credit terms, but our local market experts found that most use shorter terms, like “net 30”
• Reevaluate and modify the approval policy and limits for payment term extensions on individual invoices
• Create a cross-functional team of Purchasing, Finance, and Inventory Management specialists to increase understanding of and traction with wholesalers

Chargeback process redesign
With 85% of the client’s business based on the wholesale model, the evaluation identified potential gains of AUD$4–5 million if the client were to:
• Turn the chargeback process into a claim rather than a deduction, reducing both complexity and cost
• Fine-tune the chargeback validation process, including implementing batch control/item level tracking and requesting visibility into same from their customers to catch duplicate chargebacks

The client is currently implementing Genpact’s recommendations and testing the end-to-end process improvements in Australia.

Business impact delivered
Genpact’s Smart Enterprise Processes (SEP℠) drove this diagnostic and allowed us to holistically evaluate the client’s end-to-end OTC process and identify opportunities for:
• AUD$5–6 million cash flow impact
• AUD$4.7–5.7 million EBIT impact
• Best usage for new SAP modules
• Identification and standardization of OTC metrics across global processes

By identifying the critical levers that must be addressed to produce the desired business impact, SEP℠ laid the foundation for this intelligent enterprise to take its entire OTC process to best-in-class.
For more information, contact
isabelle.cole@genpact.com
and visit
CASE STUDY

Increasing Deductions Recovery Produces US$4 Million Annual EBIT Savings

Client
Fortune 500 global pharmaceutical major

Industry
Manufacturing

Business need
To decrease revenue dilution and cut the lengthy processing time needed to identify invalid deductions

Genpact solution
Implemented proprietary Genpact solution to analyze client’s existing processes, recommend and implement changes, and effect a cultural change that allowed the client to maximize sales and collections

Business impact
- Reduced AR balances by 35%, from $20 million to $13 million
- Increased recovery of invalid deductions by $4 million
- Reduced median resolution time by 75%, from 48 days to 12
- Raised recovery rate by 12%

Genpact’s solution for a major pharmaceutical company focused on improving revenue dilution and reducing the turnaround time needed to identify invalid deductions. By implementing our proprietary framework of smart processes, analytics, and technologies, we improved cycle time by 75% and collections by 113%, generating $4 million in annual EBIT savings.

Business challenge
Prior to partnering with Genpact, this Fortune 500 pharmaceutical company used a process for identifying and collecting invalid deductions that produced an average cycle time of 48 days and a dilution recovery rate of 2%. This led to lower monthly collections, higher revenue dilution, increased Accounts Receivable (AR) dollars, and reduced available working capital for the client.

During the solution development stage of the contract, Genpact observed a high level of open deductions, a large portion of which were substantially aged. The client had no tool for automatically processing the large volume of deductions incurred, and no analytics that could provide insight into the numbers, values, ages, types, or root causes of these deductions. In addition, the client lacked a robust process for quickly identifying deduction types, routing them within the organization to responsible departments, and escalating unresolved issues.

Genpact approach
Genpact transitioned the client’s process and implemented our proprietary AR tool within the first 90 days of the engagement. During the next six months, we:
Implemented a prioritization strategy based on top probable category types

Performed an analysis to differentiate the invalid and collectable deductions (by type and customer) from valid deductions that were promptly credited

Partnered with the client to reengineer processes, so that long waits for trade-related deductions could be avoided

Engaged the client’s sales organization to resolve promotional and trade allowances quickly, enabling greater focus on the collectable deductions

Designing escalation matrices

Deploying a reminder system that incorporates the claim resolution history for faster deductions reviews

This engagement used a performance-based pricing element that provides incentives for both Genpact and the client to invest in resources and increase the recovery of invalid deductions. This resulted in an increase in incremental or “found” money, which is pure profit for the client. Under performance-based pricing, Genpact shares in the value created for its client.

**Business impact delivered**

Genpact strives to provide the highest possible return to our clients from all sources. Our focus is therefore on overall business impact, which is the cumulative effect derived from lowering costs, improving customer relationships, and boosting revenue.

For this client, the business impact came from:

- Reducing AR balances by 35%, from $20 million to $13 million
- Increasing recovery of invalid deductions by $4 million
- Reducing median resolution time by 75%, from 48 to 12 days

The Genpact solution achieved a 75% improvement in cycle time and a 113% increase in collections by:

- Directly boosting business outcomes through the metric of Revenue Dilution, which no other industry provider measures
- Leveraging a proprietary platform solution designed 20 years ago based on this metric
- Working with the client to effect a permanent cultural change by leveraging the new processes

Genpact’s focus on overall business outcome provides a higher overall rate of return. The permanent process improvements achieved for this client have resulted in ongoing savings and enhanced revenue.

**Genpact solution**

Genpact redesigned the deductions process from end to end, employing a “right shore” solution that involved analysts in our USA-based operations center. This team averages 20 years of experience each in recovering deductions from the same major retailers that the client works with. The solution focused on three key areas:

**Deductions evaluation**

- Expediting deductions validation: planned vs. preventable
- Redesigning planned deduction workflow to minimize settlement wait times
- Instituting an agent-level deduction evaluation mechanism to capture the number of claims resolved, accounts touched, and line items worked on a daily and weekly basis

**Resolution strategy**

Genpact analyzed customer claims and payback trends (e.g., propensity to settle) to prioritize resolution and boost the recovery rate. We revamped the invalid claims resolution process by:

- Reprioritizing claims based on customer type and size
- Increasing the follow-up frequency from monthly to weekly
- Customizing modes of communication based on customer responsiveness

**Process automation**

We implemented Genpact’s proprietary AR tool to facilitate ongoing deduction evaluation and resolution by:

- Prioritizing high-yield deductions
- Establishing deduction-specific agent workflows

For more information, contact isabelle.cole@genpact.com and visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
CASE STUDY

US$41 Million Of Cash Flow Released In One Year By Reducing Past Due Invoices By 50%

Client
Engineering automation major

Industry
Automation

Business need
To streamline workflow and immediately reduce an extremely high percentage of past-due invoices

Genpact solution
Analyzed client’s existing processes, identified the root causes of the process disconnect, and implemented changes that created end-to-end business process improvements

Business impact
- Reduced monthly average past-due amount from 13% to 7% (from $6 million to $3.4 million)
- Released $41 million of cash flow
- Saved $3.2 million in interest
- Produced a significant decrease in past-due invoices by buckets
- Increased visibility and reporting

With three different ERP systems, manual non-standard AR processes, and inefficient collections and dispute management, this engineering automation company had built up a significant AR backlog that included a high number of disputed invoices. Genpact’s solution redesigned the entire collections process. We automated much of the workflow, established a clear dispute management approach, and implemented an escalation matrix of issues for tighter control, which provided greater insight into the overall process. Our Six Sigma-driven solution produced a 50% reduction in the number of past-due invoices and led to the release of $41 million in cash flow in just one year.

Business challenge
The client company had built up a significant AR backlog because it lacked workflow tools and a single AR platform capable of handling its industry-specific complexities. This led to a high number and value of disputes. At the time Genpact began operations with this client, the monthly average past-due invoices amounted to 13% of total receivables.

The three ERPs used by the client increased the segmentation of invoices caused by the lack of a collection tool. There was no tracking of disputes, no clear escalation matrix for dispute resolution, and no consolidated reporting capability.
Genpact approach
Genpact began with a root cause analysis to understand the reasons for the client's high AR backlog. In partnership with the client, we then crafted and implemented an end-to-end strategy encompassing:

- Implementing Genpact's proprietary AR management system to standardize and automate workflow
- Creating new, common, and collections strategies
- Partnering with the client to reengineer the dispute management process, which cut down wait times and provided clearer resolution paths
- Creating a means for higher business visibility through better reporting tools

Genpact solution
Genpact conducted an extensive analysis of the client's collections and dispute processes, which revealed that reactive strategies were being used for collections based on past-due invoices at the customer level. Genpact replaced these with proactive strategies based on triggers at the open item level seven days prior to the due date. We implemented a clear escalation matrix for dispute resolution, created a standard reporting framework, and established prioritization strategies based on historic collection rates to speed up payment.

Our approach was three-pronged:

Process standardization
Genpact deployed a common collection strategy and workflow. We:

- Implemented prioritization logic with a focus on top accounts, payment terms enforcement, and customer payment histories
- Established proactive customer contact approaches to ensure timely payments
- Established a credit hold procedure for delinquent accounts

Dispute management
We partnered with our client to avoid wait times for dispute resolution and:

- Established a clear escalation matrix for issues

Set up dispute tracking by reason coding and action owners
- Introduced root cause data analysis and reviews

Reporting and automation
- Implemented Genpact's proprietary, integrated collections and reporting AR platform
- Established strong in-process controls and visual management to support decision-making

Genpact delivered this solution throughout the client's European operational footprint in five languages.

Business impact delivered
Among its other benefits, our solution for this client created better portfolio prioritization based on workflow strategies and auto-generated "to dos" for collectors. It also enhanced reporting capabilities and visibility regarding the collectors' performance, and enabled better back-up planning within the collections team.

The cumulative business impact included:

- Release of $41 million in cash flow
- Decrease in the average monthly past-due amount by approximately 50%, from $6 million to $3.4 million
- $3.2 million in interest savings
- Significant decrease in past-due invoices by buckets
- Increase in visibility and reporting

Genpact’s focus on the overall business outcome provides a higher overall rate of return. The permanent process improvements and cultural changes that we achieve consistently result in ongoing savings and enhanced revenue.

For more information, contact isabelle.cole@genpact.com and visit http://www.genpact.com/home/solutions/finance-accounting/order-to-cash
Genpact Limited (NYSE: G), a global leader in business process management and technology services, leverages the power of smarter processes, smarter analytics, and smarter technology to help its clients drive intelligence across their enterprise. Genpact’s Smart Enterprise Processes (SEP®) framework, its unique science of process combined with deep domain expertise in multiple industry verticals, leads to superior business outcomes. Genpact’s Smart Decision Services deliver valuable business insights to its clients through targeted analytics, reengineering expertise, and advanced risk management. Making technology more intelligent by embedding it with process and data insights, Genpact also offers a wide range of technology services. Driven by a passion for process innovation and operational excellence built on its Lean and Six Sigma DNA and the legacy of serving GE for more than 15 years, the company’s 60,000+ professionals around the globe deliver services to more than 700 clients from a network of 70+ delivery centers across 18 countries, supporting more than 30 languages.

For more information, visit www.genpact.com.
Follow Genpact on Twitter, Facebook, and LinkedIn.

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Genpact: A Global Leader In Business Process Management And Technology Services

Corporate facts

Established: 1997
Headcount: 60,000+
Stock Symbol: NYSE: G
Revenues: $1.9 Bn

Overview

The Company traces its beginnings to 1997, when under the name of GECIS, it was established as an independent business unit of GE Capital. The organization was chartered to provide business process management capabilities that would deliver outstanding efficiencies to all businesses across GE. Genpact became an independent company in 2005 and successfully listed on the NYSE in 2007, trading under the stock symbol G.

An early innovator in the business, Genpact has been responsible for introducing many of the concepts that have given strength to the industry. Genpact was the first to leverage Six Sigma for process transitions, delivering greater process gains to clients. With Smart Enterprise Processes (SEPSM), Genpact is the first to introduce a proven, scientific approach that delivers the benefits of effectiveness in addition to efficiency and focuses on business outcomes versus only looking at transactional results.

Genpact’s approach puts process in the forefront, understanding the value process brings to a company in driving front end results such as customer satisfaction and retention, revenue generation and profitability. The Company couples deep process knowledge and insights with a focused IT approach, targeted analytics and pragmatic engineering to deliver an integrated process solution.

Genpact has built its credentials to support this direction with the single largest pool of dedicated Lean Six Sigma experts in the industry; extensive industry-leading people processes, earning it one of the lowest attrition rates in the industry; the largest global analytics and research services organization; and the technology expertise to enable great processes.
Genpact has a broad portfolio of core enterprise and industry-specific services including:

**Services:**
- Core Business
  - Finance & Accounting
  - Procurement & Supply Chain
  - Collections & Customer Service
  - Human Resource Services
  - Legal Processing
  - IT Services
  - IT Consulting

**Smart Decision Services**
- Analytics & Research
- Risk Management Services
- Reengineering

**Industry Specific Services**
- Banking & Financial Services
- Insurance
- Capital Markets
- Manufacturing
- Energy & Utilities
- Retail & CPG
- Healthcare
- Life Sciences
- Transportation & Logistics
- Media & Entertainment
- Hospitality

Genpact manages over 4500 processes for 700+ clients across a breadth of industries. The Company’s client base is diverse in terms of industry, business size and process need. This diversity serves both the Company and client base in bringing broad, practical process expertise. Genpact’s proven strategy has been to grow with its clients with revenues coming from both new and existing clients. Clients include: AstraZeneca, Cigna, GE, Genworth Financial, GlaxoSmithKline, Heineken, Hyatt, Ironshore, Johnson Controls, Inc., Kimberly-Clark, MassMutual Financial Group, National Australia Bank, Nissan, Staples, Symantec, United Biscuits, Walgreens, Wells Fargo, and Zimmer.

Genpact delivers its services from a global network of 70 centers, spanning 18 countries: Brazil, China, Colombia, Czech Republic, Guatemala, Hungary, India, Japan, Kenya, Mexico, Morocco, Netherlands, Philippines, Poland, Romania, South Africa, UAE and the United States. Genpact’s objective is to service its clients from the locations that best meet their needs, taking into consideration business objectives, cultural considerations, language requirements and cost containment goals. Genpact prides itself in driving seamless delivery and a singular service culture across its operating locations, accomplished through strong people practices and local management.