Streamlining operations and invoice-to-cash management across 25 countries results in savings for major business conglomerate

**Client**
Financial services unit of a major business conglomerate

**Industry**
Financial services

**Business need**
Consolidate operations and streamline invoice-to-cash function across 25 countries to improve effectiveness and efficiency

**Genpact solution**
- Improved cash flows for P&L impact of $650,000
- Unapplied cash decreased from $80 million to just $1.7 million, creating a total P&L impact of $250,000
- Past-due accounts declined from $55 million to $35 million, with a resulting benefit of $300,000
- Total operational cost savings were $1.3 million per year

**Business impact**
- Growth and scalability
- Adaptation and flexibility
- Cash flow and liquidity
Business challenge

Aiming to improve cash flow and liquidity, the financial services unit of a major business conglomerate turned to Genpact to consolidate the company’s operations. The focus was managing the invoice-to-cash cycle, including collections and cash applications. An accounts receivable team in the Netherlands managed this process, covering a multi-country operational and client base across the European Union, the United Kingdom, and the United States.

By streamlining processes, the organization sought to reduce operational costs and improve efficiency and effectiveness. A related goal was to consolidate the operational structure with a scalable operational model for greater agility in a dynamic business environment.

Genpact approach

Working with the accounts receivable team, Genpact developed and initiated a transformation project for invoice-to-cash operations. The project applied a hybrid model to draw upon synergies within the Genpact skills base and the client organization. The Genpact-led team created an enterprise process for collections and cash applications across geographic units. With improved operating margins, the initial target was $2 million in savings from improvements in:

Quality: 1.5x improvement in “First Time Right” process accuracy

Speed: 1.8x improvement in the cycle time for collections and cash reconciliations

Cost: a 40% decrease in operational costs

The scope of the business included serviced assets of $30 billion across 25 countries. Genpact’s implementation of policies, standards, and technology was a transformative program that covered the entire asset base and operational scope. The program accounted for the unique regulatory environment in each geographic area.

Figure 1
**Genpact solution**

Genpact applied its rigorous Six Sigma framework and governance structure to deliver a total business impact of $2.5 million, using a four-tier approach.

1. **Creating the ecosystem**

The Genpact team began the transformation began by creating the ecosystem—a Genpact framework for process excellence—and impact levers (see Figure 1). The team created a diagnostic process health framework to reduce bottlenecks. It included detailed value-stream mapping of each process, along with links to upstream and downstream activities.

Genpact used its Six Sigma and Lean methodology to improve various auxiliary processes and create administrative changes.

An end-to-end study of the business value chain, process gaps, and links identified opportunities for reengineering. These major Six Sigma black-belt efforts required upstream process redesign, including risk-scoring models and improvements in billing and invoicing processes.

Genpact created enterprise-level processes using global benchmarks, insights, and practices refined over 14 years of experience in the order-to-cash discipline. The team helped reorganize, redefine, and recalibrate the client’s operating mechanisms and produce a best-in-class solution.

2. **Project governance structure**

To ensure a seamless flow of delivery objectives and communications, the team established a project governance structure. It encompassed all levels of employees as they engaged with stakeholders. The aim was to establish controllership without impacting the process metrics (see Figure 2).

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**Business outcome**

- **Life time value of client**
- **Client satisfaction**
- **Cost to serve**
- **Reserve ratio**
- **Days sales outstanding**
- **Compliance**

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**Figure 2**

- Overall cycle time to underwrite
- Cost to underwrite (auto + manual)
- Cycle time to complete the client onboarding transaction

- % deals booked v/s application
- Cost to underwrite (auto + manual)
- Booking accuracy

- Funding cycle time
- % auto application – bank booking (client payment application)

- Cost of collection
- Collection efficiency %
- Admin delinquency

- % auto application
- First pass yield %
- Unapplied cash > 30 days
Operations – This element of the structure ties together operations managers from Genpact and the client to execute deliverables and measure improvement.

Management – Operations leaders communicate the organizational goals and design of the project plans; the leaders also manage cultural changes.

Decisions – Strategic business decisions are made at the CXO level for overall business strategy and change management.

3. Mapping process goals to desired project outcomes
Genpact helped create an accounts receivable model to standardize the overall process and measure each discrete step (see Figure 3). The model incorporated Six Sigma methodologies to map transformation projects to the process level. Key project outcome measures included:

- Cost to serve
- Reserve ratios
- Cash flow
- Days sales outstanding (DSO)
- Client satisfaction index

Process improvements were identified by establishing links among outcomes in the following areas:
- Underwriting cycle times
- Automation levels for underwriting and cash application
- Accuracy of transactions
- Administrative delinquency
- Invoicing dispute levels

4. Creating the business impact
The Genpact-led project realized a total annualized value of $2.5 million for the client in several key areas (see Figure 4):
Quality – Unapplied cash decreased from $80 million to just $1.7 million, creating a total P&L impact of $250,000. Past-due accounts declined from $55 million to $35 million, with a resulting benefit of $300,000.

Faster cash flow – Same-day cash recognition improved from 83% to 91%, which yielded a $250,000 business impact. Collection cycles decreased by five days, creating a total gain of $400,000.

Cost of operations – With overall efficiency gains, cash operations headcount decreased by 42 FTEs through process-automation tools, workforce management, and level loading. Total operational cost savings amounted to $1.3 million per year.

Best practices – Genpact helped create a sustainable accounts receivable model that can be replicated in any global accounting operation. Implementing the invoice-to-cash technology suite helped create an innovative Business Process as a Service (BPaaS) model for an accounts receivable operation (see Figure 5).

Business impact

The client made good use of Genpact’s ability to apply business process management expertise and methodology in ways that create value beyond cost savings. The project delivered high-value financial outcomes through productivity gains with consolidated and streamlined operations.
About Genpact

Genpact Limited (NYSE: G) is a global leader in designing, transforming and running business processes and operations, including those that are complex and industry-specific. Our mission is to help clients become more competitive by making their enterprises more intelligent through becoming more adaptive, innovative, globally effective and connected to their own clients. Genpact stands for Generating Impact – visible in tighter cost management as well as better management of risk, regulations and growth for hundreds of long-term clients including more than 100 of the Fortune Global 500. Our approach is distinctive – we offer an unbiased, agile combination of smarter processes, crystallized in our Smart Enterprise Processes (SEP™) proprietary framework, along with analytics and technology, which limits upfront investments and enhances future adaptability. We have global critical mass – over 65,000 employees in 25 countries with key management and corporate offices in New York City – while remaining flexible and collaborative, and a management team that drives client partnerships personally. Our history is unique – behind our single-minded passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for more than 16 years.

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