



GENERATING FINANCE AND ACCOUNTING IMPACT



The 10 keys to optimizing a finance operating model

As companies go global to remain competitive, Finance and Accounting (F&A) is going borderless, presenting a host of new challenges for CFOs who are already stretched for time, staff, skills, and budget. Cost reduction, combined with strategic insights in support of decision-makers across the organization, have become key drivers of transformation. Achieving these goals requires an F&A organization that has been consciously built to address multiple dimensions of F&A operations. In our experience, the optimum F&A operating model encompasses ten critical levers of effectiveness that span the four broad categories of F&A operations: The corporate center, planning and managing the business, operations, and specialty services such as treasury, tax, reporting, and audits.

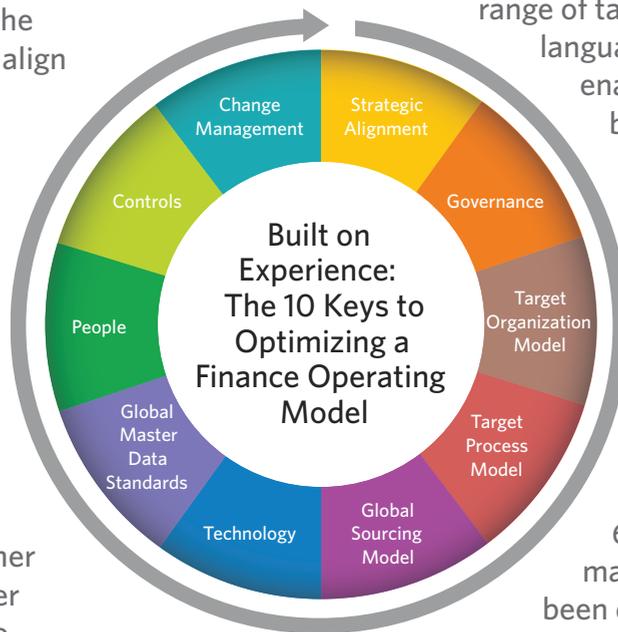
You need a multi-dimensional approach

For most companies, it is no longer possible to achieve the desired cost and productivity goals through a single initiative, such as increasing headcount, partnering with a provider, or investing in new technologies. In over fifteen years of helping over 100 global F&A organizations transform, we have noted that maximum productivity and effective performance in each F&A category depends on the degree of maturity in ten underlying dimensions:

- 1. Strategic alignment:** CFOs must align their F&A operating model strategy to company and business strategies in order to direct F&A investments and attention toward top corporate priorities. Doing this annually ensures that F&A is always aligned to your company’s long-term plans. You should differentiate between core and non-core operations and decide what can be centralized. Centralizing operations as a single program can help you avoid the costs of developing non-critical capabilities.
- 2. Governance:** From the CFO on down to every team member, the governance model must align strategic objectives to measurable, trackable goals. This drives accountability, not only for the larger objectives, but for effectiveness and people management within each F&A function. Creating scorecards for process performance, control issues, retention, customer satisfaction, and manager strength is a good way to understand where your organization is strong and where changes are needed.
- 3. Target organization model:** Your new F&A organization is most effective when it integrates end-to-end global processes such

as Order to Cash (OTC) across functions sales, fulfillment, etc. Top companies consolidate transactional activities and standardize processes globally, reducing reliance on key individuals and improving support to the whole organization. A Global Business Services (GBS) program can accommodate regional operations while still centralizing governance and leveraging external services.

- 4. Target process model:** A piecemeal approach to improvement will not yield the sort of operating model that helps you outcompete. Effective F&A process models support the full cycle of operations by addressing change with an end-to-end focus. You must understand how F&A processes are linked across the enterprise in order to eliminate gaps that create delays and revenue leakage. SLAs and goals should foster collaboration rather than competition, and global processes work best when managed by global process owners from end to end.
- 5. Global leverage:** Increasingly, the experience gained in outsourcing F&A activities is driving new operating models. Not only can external sourcing accommodate a wide range of talent, local knowledge, and language needs; it also increasingly enables F&A functions to be broken into components and standardized across business units. Determining which activities are “core” and which are “non-core” will help you determine the optimal mix of in-house and external resources for delivering services effectively.
- 6. Technology:** In the past, many F&A organizations have been disappointed in the results of large technology implementations and now take a much harder look at how to maximize what they have before upgrading their IT assets. New cloud-based applications and ERP enhancements built specifically for F&A offer attractive alternatives to capital



investments in technology. These include end-to-end technology suites like Genpact's Akritiv tool, which provides a single modular platform for managing global AP, AR, and OTC functions.

7. **Global master data standards:** Mismanaged master data has a huge effect on everything from relationship management to order fulfillment and billing. A global program for creating and managing master data sets enforces global standards that eliminate many problems before they can occur.
8. **People:** You need people who can get the job done, whether those skills reside in-house or with a provider. All F&A staff must not only be well trained in the required processes, but also open to learning new ones; otherwise, your new operating model may continue to struggle along with old methodologies.
9. **Controls:** New markets and proliferating regulations bring increasing risk. To mitigate risk without decreasing productivity requires CFOs to strike a fine balance in their control structures between stifling process agility and overly lax supervision. Top companies focus on effective monitoring structures

and automated controls that provide proof of compliance as well as more effective controls.

10. **Change in management:** Change provides opportunity. Rather than dread it, CFOs should embrace it as a means of acquiring savvy new talent and technologies that make everyone's job easier in the long run. This requires a focus on developing the mechanisms that make change easier and foster smooth interaction and implementation.

These ten levers are so effective in optimizing the F&A operating model that every business looking to transform F&A should assess its own organization against them. Keep in mind your company's unique corporate culture, operational maturity, and the relative importance of each F&A function to the business, as all of these factors impact each dimension to a greater or lesser degree. Modern F&A organizations must be structured to address the needs of the new economy. This ten-dimensional approach reduces cost, increases productivity, and helps you build the optimal organization model for your particular business.

*This point of view is based on **Achieving the optimum target operating model for finance**, published in *BusinessFinance* on September 4, 2013.*

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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 (SEPSM) 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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