

Finding Focus

How Non-Core Activities Are Blurring Your Strategic Vision

A Checklist For Identifying Core & Non-Core Activities

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What's Really Core to Your Organization?

As companies cautiously manoeuvre their way through hard economic times, CXOs are tasked with identifying and leveraging the activities that deliver brand differentiation, a competitive edge and undeniable value to the firm.

Core competencies are central to operations, whereas non-core activities are considered incidental, peripheral, or, sometimes, an expensive distraction.

Core Activities...

Are Strategic
Improve Customer Value
Drive Profits

Non-Core Activities...

Are Part of Day-to-Day Tactics
Do Not Add Value
Are Not a Profit Centre

For decades, enterprise companies have been divesting themselves of non-core activities and operations to be able to focus on activities that support the organisation's core business strategy and its strategic vision. For example, it's common, and often preferred, for companies to outsource their shipping duties to large third-party logistic companies, rather than invest in a fleet of trucks and the inherent costs of running the fleet efficiently.

More and more, company leaders are casting a hard look at their end-to-end processes to evaluate what is best kept in-house and what an outside provider can handle more efficiently and cost-effectively. One of the areas for consideration is the Finance and Accounting Department.

Finance & Accounting (F&A): The Processes Defined

The Everest Group's Research Practice, an independent research and analysis organisation, defines these accounting processes in the following manner:

Procure-to-Pay: Procure-to-Pay process is an integrated end-to-end process that includes support, day-to-day purchasing, catalog, accounts payable, T&E processing, spend analysis, business analytics, reporting, audit, and compliance management.

Order-to-Cash: Order-to-Cash process is an end-to-end process that includes order management and billing, dispute and deduction management, accounts receivable, aging and collections, and business analytics and reporting.

Record-to-Report: Record-to-Report process is an end-to-end process that includes regulatory compliance, financial analysis and reporting, budgeting and forecasting, internal audit, fixed-asset accounting, tax compliance and general accounting.

Procure-to-pay	Order-to-Cash		Record-to-Report	
<ul style="list-style-type: none"> • Customer set-up and maintenance • Order processing • Customer invoicing • Lock box management and cash applications • Credit and collections • Customer inquiries • Period and year-end closing • Reporting 	<ul style="list-style-type: none"> • Vendor management • Purchasing • Invoice and payment processing • Travel and expense reimbursement • Speciality payment requests • P-card administration • Vendor inquiries • Period and year-end closing • Reporting 	<ul style="list-style-type: none"> • Master set-up and maintenance • Calculation and posting of depreciation • Capital budgeting support • Job/project costing • Administration of capital approval process • Period and year-end closing • Reporting 	<ul style="list-style-type: none"> • Journal entry processing • Account and bank reconciliations • Fiscal period and year-end general ledger closing • Consolidations/eliminations • Budgeting • Treasury services • Cost accounting • Payroll accounting 	<ul style="list-style-type: none"> • Financial statement generation • Project reporting • KPI reporting • Management reporting • Financial planning • Financial analysis

How To Determine Non-Core F&A Activities

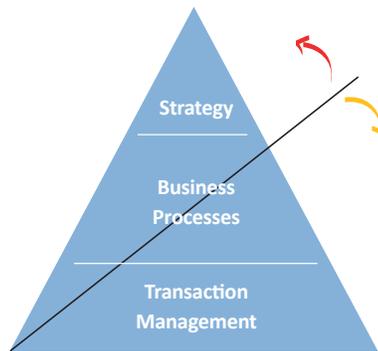
Non-Core Activities, Defined:

Non-core activities are services and business functions that do not add to the company’s value proposition to its customers. From a Finance and Accounting perspective, common non-core activities often include functions like accounts payable, collections, transaction processing, billing and records management.

One way to assess your core functions is to start by examining the features of each process. Review whether the process is rules-based, does it demand key business judgment, is it dependent on the stage of the process maturity, the systems used, proximity to the business and language requirements.

Typically Retained

- Decision Making Authority
- Acceptance and Approval
- Risk Management
- Proximity to Business
- Vision
- Strategy
- Policy Setting



Typically Outsourced

- Routine & Process Driven
- Rules Based
- Can't Be Automated
- Data Mining

Value Added Non-Core Activities

- Research
- Analytics
- Knowledge Driven

Process

Your F&A functions may be non-core if:

- The F&A processes in the company are routine.
- The policies, rules or even chart of accounts could be simplified and made routine.
- The process could be automated with access to new technologies not available in-house, and technology investment is unlikely given other priorities.
- The process cannot be eliminated or automated, however, the cost per transaction could be reduced if outsourced.
- The process does not require higher-level skills such as analysis and evaluation.
- The process is not aligned with the company's vision.
- The function does not affect policy setting.
- Outsourcing allows us to better benchmark our processes and improve KPIs
- Our ability to focus on activities that deliver value is improved by removing this function.

People

Your F&A functions may be non-core if:

- By outsourcing the task it enables the company's F&A staff to undertake more core and strategic functions.
- Cyclical peaks and valleys govern the company's F&A functions.
- Flexible resourcing models would benefit the company during peak/lean periods to rid the company of additional temporary HR needs.
- Staffing levels are currently set for high-season, or low season.
- There are underutilised resources in the low periods.
- The company needs access to talent to scale up or scale down when required.
- Access to skills and talent that do not exist in-house is needed and may be difficult to retain.
- By outsourcing, the company is able to remove position redundancies.
- You need to minimise labour costs?

Technology

Your F&A functions may be non-core if:

- Outsourcing acts as a gateway to better technologies than those you can afford in-house.
- This access to technology improves communication and reduces silos.
- You can reduce costs and efficiencies by harnessing this technology.
- The technology allows the company to increase its controls and compliance.
- The technology improves the accuracy of reports and decision-making information.

The Process	Core	Non-Core
Procure-to-Pay		
Customer set-up and maintenance	<input type="checkbox"/>	<input type="checkbox"/>
Order processing	<input type="checkbox"/>	<input type="checkbox"/>
Customer invoicing	<input type="checkbox"/>	<input type="checkbox"/>
Lock box management and cash applications	<input type="checkbox"/>	<input type="checkbox"/>
Credit and collections	<input type="checkbox"/>	<input type="checkbox"/>
Customer inquiries	<input type="checkbox"/>	<input type="checkbox"/>
Period and year-end closing	<input type="checkbox"/>	<input type="checkbox"/>
Reporting	<input type="checkbox"/>	<input type="checkbox"/>
Order-to-Cash		
Vendor management	<input type="checkbox"/>	<input type="checkbox"/>
Purchasing	<input type="checkbox"/>	<input type="checkbox"/>
Invoice and payment processing	<input type="checkbox"/>	<input type="checkbox"/>
Travel and expense reimbursement	<input type="checkbox"/>	<input type="checkbox"/>
Specialty payment requests	<input type="checkbox"/>	<input type="checkbox"/>
P-card administration	<input type="checkbox"/>	<input type="checkbox"/>
Vendor inquiries	<input type="checkbox"/>	<input type="checkbox"/>
Period and year-end closing	<input type="checkbox"/>	<input type="checkbox"/>
Reporting	<input type="checkbox"/>	<input type="checkbox"/>
Record-to-Report		
Master set-up and maintenance	<input type="checkbox"/>	<input type="checkbox"/>
Calculation and posting of depreciation	<input type="checkbox"/>	<input type="checkbox"/>
Capital budgeting support	<input type="checkbox"/>	<input type="checkbox"/>
Job/project costing	<input type="checkbox"/>	<input type="checkbox"/>
Administration of capital approval process	<input type="checkbox"/>	<input type="checkbox"/>
Period and year-end closing	<input type="checkbox"/>	<input type="checkbox"/>

The Process	Core	Non-Core
Reporting	<input type="checkbox"/>	<input type="checkbox"/>
Journal entry processing	<input type="checkbox"/>	<input type="checkbox"/>
Account and bank reconciliations	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal period and year-end general ledger closing	<input type="checkbox"/>	<input type="checkbox"/>
Consolidations/eliminations	<input type="checkbox"/>	<input type="checkbox"/>
Budgeting	<input type="checkbox"/>	<input type="checkbox"/>
Treasury services	<input type="checkbox"/>	<input type="checkbox"/>
Cost accounting	<input type="checkbox"/>	<input type="checkbox"/>
Payroll accounting	<input type="checkbox"/>	<input type="checkbox"/>
Financial statement generation	<input type="checkbox"/>	<input type="checkbox"/>
Project reporting	<input type="checkbox"/>	<input type="checkbox"/>
KPI reporting	<input type="checkbox"/>	<input type="checkbox"/>
Management reporting	<input type="checkbox"/>	<input type="checkbox"/>
Financial planning	<input type="checkbox"/>	<input type="checkbox"/>
Financial analysis	<input type="checkbox"/>	<input type="checkbox"/>

FINDING FOCUS

Identifying non-core activities enables CXOs to look at the end-to-end processes, and examine the functions and activities that really add value to the company.

Many times, a “crawl, walk, run” approach can be a strategic entryway into an outsourcing journey. Companies that are cautious about outsourcing may want to look at areas, like FP&A that are less transformational. These areas offer less touchpoints into the organisation, and the result is staff augmentation rather than “outsourcing.”

Outsourcing non-core functions goes well past cost benefits, which can be significant, delivering an array of benefits including:

- The most effective use of personnel
- Less day-to-day tactics, and more strategy
- More controls and quality assurance
- Access to reliable talent
- Access to skills and technologies not available in-house
- Process standardization and optimization

This shift facilitates a transformation from peripheral distractions and a drain on resources to a highly focused organisation that is positioned for growth. This renewed vision on core competencies is the difference between industry leaders that can build market share, respond quickly to opportunities and move ahead of competitors, and industry laggards that stagnate.

FOR MORE INFORMATION

CONTACT

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Dario leads our business development organisation for our Global Finance & Accounting Practice. Since joining Sutherland in 2009, he has held executive positions in our Business Transformation and within our Technology Vertical. He has over 20 years in the outsourcing industry in multiple management roles ranging from transition management and operations, account management, and a sales leader. He has held management and executive positions at such firms as IBM, AT&T, ACS (now Xerox Business Services), and Perot Systems. His leadership duties have had he and his team work with both large, global enterprises and increasingly more SMB clientele. His industry experience predominantly includes manufacturing, software and services, travel/hospitality/logistics, healthcare and Life Sciences.

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Simon is a member of the Association of Chartered Management Accountants (ACMA) with 18 years of experience in improving business and finance team performance. He has worked in a number of blue-chip companies including ABB, Accenture, PricewaterhouseCoopers and Hewlett Packard. Simon leads the design and implementation of back-office solutions across the European Region for Sutherland. He has a proven track record of designing and delivering shared service solutions and managing complex global projects. Simon's experience spans across continuous improvement, finance and accounting, procurement, sourcing and IT management. The depth and breadth of his experience enables him to combine people, process and technology to design optimised and customised outsourcing solutions.

SUTHERLAND FINANCE & ACCOUNTING OUTSOURCING SERVICES – A PRACTICAL OVERVIEW

Structure

- Globally distributed delivery capacity and domain capability
- The Deloitte-established Tulsa FAO Centre of Excellence has been servicing clients since 1995
- Strategic global locations designed to satisfy SSAE 16 standards and Sarbanes-Oxley requirements

Capability

- Full suite of FAO services – transaction processing to financial and management reporting
- Integrated Analytics to support Collections, Financial Planning and Analysis functions
- Onshore, offshore and hybrid solutions tailored to meet client-specific needs

Expertise

- Dedicated team experienced in business transformation, process optimisation and transition services
- Expertise in utilising existing client applications and/or SGS-hosted ERP systems
- Robust set of add-on technologies supported by in-house application Management team

Flexibility

- Custom-crafted Pricing and Commercial Structure aligned to client needs and objectives
- Output/Outcome Based Pricing and No Termination penalties



About Sutherland Global Services

Established in 1986, Sutherland offers an integrated portfolio of analytics-driven back-office and customer facing solutions that support the entire customer lifecycle. It is one of the largest, independent BPO companies in the world serving global leaders in major industry verticals. Headquartered in Rochester NY, Sutherland employs over 30,000 professionals and has 35 operations centers in the United States, China, Philippines, India, UAE, Egypt, Bulgaria, UK, Canada, Mexico, Colombia, and Jamaica.

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