Financial Planning & Analysis (FP&A) outsourcing is increasingly being used by leading global firms to provide a competitive advantage while others are using the opportunity to uncover additional savings by leveraging a wide range of service delivery options and process improvements to reduce costs and generate additional value.

Introduction
In the past two decades, we have found that CFOs of large global companies have grown increasingly comfortable outsourcing transactional elements of their finance function; however, many remain apprehensive about outsourcing more complex, Financial Planning & Analysis (FP&A) processes. Nevertheless, some leading companies are exploring FP&A outsourcing as a means to develop a competitive advantage by reducing costs and increasing efficiency amongst a traditionally high cost, skill intensive set of finance activities.

While there are additional complexities associated with outsourcing FP&A, vendors have worked diligently to develop capabilities and tools to make FP&A outsourcing a viable option. FP&A typically requires more judgment and finance experience than other functions and, therefore can provide significant potential for savings from automation, centralisation, standardisation and outsourcing. Additionally, many of these processes are judgment based, requiring a close working relationship with business users and corporate leadership. Vendors are focusing on developed, highly educated offshore talent with significant functional knowledge and experience in FP&A to support these offerings with marquee clients.

FP&A outsourcing is becoming the next process to outsource for many companies on the leading edge. We expect that over the next few years, FP&A outsourcing will become an increasingly standard offering in the marketplace, as companies seek to achieve additional savings, improve capabilities and reduce cycle times.

This research is based on recent interviews conducted with leading FP&A Outsourcing vendors and Deloitte’s observations from supporting clients. We will explore current vendor offerings, profile two companies’ experiences with FP&A outsourcing and highlight several important factors to consider when evaluating FP&A opportunities at your company.
The argument

Specific FP&A activities are increasingly being outsourced

Financial Planning & Analysis processes are commonly a level of complexity higher than the traditional, transactional outsourcing candidate processes. Generally, FP&A activities can be broken down into four categories:

• **Planning**: Finance is typically heavily involved in building company strategic plans due to its proximity to financial data that drive planning decisions. These activities typically include:
  
  – **Budgeting**: Financial Analysts are typically heavily involved in both building budgets for business units and support functions, as well as monitoring expenditures on an ongoing basis.
  
  – **Forecasting**: Forecasting of future financial performance based on external market variables (inflation, foreign exchange, economic growth, etc.). Business forecasts are critical inputs into both budgets and strategic plans.

• **Management Reporting**: The creation and updating of management reports is one of the more time consuming and high touch tasks within the finance organisation and is thus a key driver of cost.

• **Decision Support and Controls**: While there is no list of activities that comprehensively defines decision support, it generally refers to financial analyses that are performed to provide guidance on business decisions (e.g. pricing analysis, M&A analysis, activity-based costing and ad-hoc financial modeling).

• **Specialised Experience**: These activities commonly include specialised services such as actuarial analysis, risk management and specific classes of asset management, such as real estate.

While many FP&A activities are candidates for outsourcing, CFOs generally prefer to retain Strategic Planning, since they generally don’t want to lose a seat at the strategy table. Certain Decision Support activities that require customised analysis stemming from close proximity to, and knowledge of, the business are also strong retain candidates, such as Tax Policy and Acquisitions and Divestitures. However, budgeting, planning, and management reporting are seeing increased outsourcing activity which can often be centralised and standardised, using both process and technology solutions, while reducing traditionally high costs and resource-intensive, long cycle times.

**Outsourcing FP&A activities can support substantial operational savings**

While there are some risks to outsourcing FP&A activities, the benefits that some companies have gained are significant. FP&A is typically a large cost centre due to the decentralisation, customised nature of these processes and the traditionally high cost of experienced labor. However, outsourcing vendors seek to streamline the redundancy through process standardisation and centralisation. If done effectively, the number of FTEs required to perform various FP&A tasks may be significantly reduced.

Additionally, the decentralised nature of FP&A functions, with Analysts working in close proximity to the business means that many companies are not optimising their cost footprint. Labor arbitrage through centralising headcount in low cost locations continues to be a meaningful source for cost savings.

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**Figure 1: Common FP&A process**

| Source: Deloitte Research, IDC |
Lastly, vendors are investing heavily in FP&A as a future revenue growth area. As a result, vendors are placing an increased emphasis on building tools, processes, and methodologies that will differentiate themselves in the marketplace and drive further efficiency. As competition between outsourcing vendors intensifies with new entrants in the FP&A marketplace, we expect that customers will accrue many of the benefits from this increased competition.

**Evaluating FP&A outsourcing can uncover incremental opportunities for savings**

Through the process of evaluating FP&A outsourcing, companies often uncover opportunities for savings from other service delivery options, even if outsourcing isn’t the entire solution. Companies frequently identify broken processes and systems ripe for redesign or improvement. Others are able to realise savings from the full range of service delivery options, including Centres-of-Excellence (CoE), Shared Services Centres (SSC) or a hybrid outsourcing and CoE/SSC framework. These hybrid models commonly outsource more transactional subprocesses, while more complex activities, including management of the outsourced resources, are consolidated in a specialised CoE within a captive Shared Services Centre.

Across large global organisations, FP&A processes are often inconsistently and ineffectively performed, making centralisation and standardisation a significant opportunity to reduce costs. Due to the “embedded in the business” nature of many FP&A organisations, the business is accustomed to customised and ad hoc reporting and analysis, much of which does not add value. While some customised reporting and analysis is typically required to support business decisions, it is important for companies to candidly look inward and eliminate unnecessary ad hoc reporting that does not add value.

With a targeted evaluation of FP&A outsourcing, companies can identify a range of savings opportunities and may form Centres of Excellence (COEs), incorporate select sub-processes in Shared Service Centres or outsource specific activities. All of these potential solutions can reduce costs, improve speed and quality through centralisation, standardisation, and provide savings opportunities. Embarking on an evaluation of FP&A outsourcing can be an effective first step for those looking to embark on a broader FP&A transformation journey.

**Outsourcing vendors are scaling up their FP&A offerings to meet new demand from current and perspective clients**

As the broader F&A outsourcing marketplace matures, vendors have had to invest heavily in capabilities and methodologies to continue to win business, with some 3,000 staff performing these activities with the market-leaders alone…F&A vendors are all looking for their next big growth opportunity and most see FP&A as the most likely candidate. Vendors are investing heavily in capabilities for two reasons:

- **Strong FP&A capabilities** will help vendors grow and protect their largest accounts. The same apprehension that prevents many CFOs from outsourcing FP&A in the first place will drive apprehension around switching vendors. We expect vendor success in outsourcing FP&A to drive longer-term partnerships.

- **Demonstrating a full suite of capabilities** - including both transactional and FP&A, will best position vendors to win incremental business. We expect future deals to become increasingly comprehensive in scope. As the market for transaction-based finance outsourcing matures, it will be increasingly critical for outsourcing vendors to be able to win higher complexity work to meet growth targets. We expect FP&A to be a primary area where vendors will focus to drive incremental services.

**The hardest part is the transition**

Some CFOs may be apprehensive about outsourcing FP&A for good reason. At many large organisations, FP&A processes and technologies vary between business units and geographies. This lack of standardisation makes big bang transitions to 3rd parties difficult, complex and highly time consuming. As such, vendors are seeking to improve the maturity of their transition capabilities to both win the trust of skeptical prospective clients and to be able to deliver on their promises. Depending on the vendor, two primary areas of focus appear to exist:

- **The technology transition** – Working with fragmented management information systems across different business areas and geographies can be extremely difficult for vendors to manage. Many vendors are focusing on technology and tool standardisation as the key to transformation.

- **The knowledge transition** – One of the most common knocks on outsourcing FP&A is that it is difficult to outsource context-based high value work. Some vendors are focusing on the operational transition processes, including knowledge transfer and change management methodologies to quickly up-skill their staff. Many vendors are developing some version of a phased transition approach to maintain business continuity and service quality during the transition.

Vendors who clearly define and demonstrate both technology and knowledge transition capabilities are gaining competitive advantage in this business process marketplace.
**Case Study: Global Technology Services Firm Realises the Benefits of Centralisation and Standardisation Through FP&A Outsourcing**

**The situation**
A leading Global Technology Services firm had a large and decentralised global finance organisation nearly double in size of its nearest competitor. A lack of standardised processes and disparate financial systems drove far too much focus on administrative tasks rather than value-added business insight, driving a negative perception of Finance amongst its business partners. Other problems included:

• A lack of a company-wide data strategy.

• No global process standardisation or leadership.

• Disparate financial applications utilised across geographies.

The unfortunate result was that the finance organisation could not provide the timely insight to support critical executive decisions, despite close dependency of senior line management on their decentralised finance partners. The outsourcing vendor was originally brought in primarily to provide transactional support.

**The solution**
The vendor quickly gained the trust of its client and rapidly moved up the value chain to perform FP&A activities including decision support, analytics, and overall business advisory services. The client’s processes were moved to one of the Vendor’s offshore CoE's to facilitate consolidation. The vendor developed a clear strategy for transition, including granular analysis of the individual activities performed by staff, and separated those that were predominantly transactional (i.e. journal entry) from those that were more analytical in nature (planning, forecasting, etc.)

The vendor also worked with the client to implement common data standards, and consolidated the clients retained FP&A processes into a single CoE. This consolidation drove scale and standardisation of the client’s processes. A “back office- front office” delivery model was implemented, whereby the vendor drove standardisation and process automation across all back office work, freeing the front office team to focus predominantly on the CFO’s agenda.

**The benefits**

• Improved business insight—Report standardisation and the introduction of a single monthly management performance metric package.

• Reduction in cycle time—Conversion of legacy ledger queries to a simpler and more efficient format drove a reduction in time spent building reports, and freeing time for analysis.

• Increased forecasting accuracy—Introduction of new processes and forecasting techniques reduced forecast variance by 20-30%.

• Increased productivity—Automation introduced by the vendor resulted in savings of 100+ man days annually.

• Cost Savings—Client achieved finance savings of 10%

**Case Study: Leading Minerals Company Realises Reporting and Analysis Quality Improvement**

**The situation**
A leading global minerals company struggled with the quality of management reporting, due to the proliferation of ad hoc reports that failed to provide timely business insights required for executive decision-making. A particular need was Activity Based Costing models that were used to understand efficiency across multiple business units.

**The solution**
The outsourcing vendor utilised an initial team of 30 people to centralise the reporting function. In doing so, it was able to implement standardised processes to provide real-time reporting. In all, the vendor took over the following processes for the client:

• Information Systems (Balance sheet and related reporting).

• Competitor Analysis (Segmentation, SG&A spend analysis).

• Audit Support (Preparation of financial reports, close package).

• Activity Based Costing (Implementation of ABC model, cost analysis and reporting).
The benefits

- Reduction in turn-around-time of reports from four days to two for over 50% of management reports.
- Automation of 40% of reports.
- Introduction of value-add analytics.
- Improved report accuracy.

*Competitive pressures to reduce costs and improve FP&A performance are key drivers leading companies to evaluate service delivery options*

The real value from the recent uptick in FP&A outsourcing is the benefit companies are able to realise from the process of evaluating outsourcing as an option. Digging into a process, understanding and documenting the real business requirements, pain points, costs and resources required to perform FP&A activities offers firms a chance to take a total transformation approach. When done right, such a transformation can not only increase the bottom line through reduced costs, as we’ve seen, but also support top-line growth with better quality/more effective and faster management information.

While the initial catalyst for evaluating a complex set of business processes like FP&A activities may be solution-driven, i.e., outsourcing, an unbiased analysis can uncover additional opportunities to reduce costs through the full range of service delivery options, including: Shared Services, Centres-of-Excellence, outsourcing or hybrid operating models together with a host of process and systems improvements. All of these potential solutions can help companies to reduce reporting requirements and cycle times, resources costs and requirements, and increase speed-to-market of critical business information to support leadership decision support.

Once considered an untouchable part of the Finance organisation, companies are beginning to realise that there can be significant quality benefits to centralisation and standardisation by leveraging a full range of service delivery options. As such, vendors are playing their part in the outsourcing space by heavily investing in FP&A capabilities.

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