Deloitte.

Insight and trends in the Nordic market

Finance and accounting business process outsourcing

April 2015

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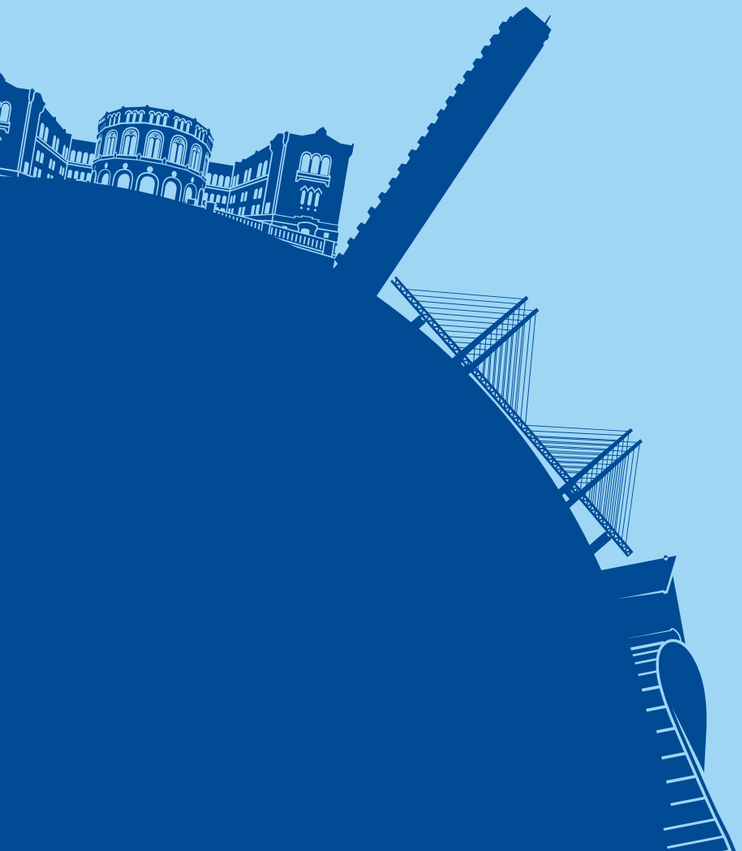

Welcome

Outsourcing of finance and accounting in the Nordic market has seen a significant growth in recent years, and growth is likely to continue in the years to come. The relationships between customers and providers are, although, not without challenges

My thoughts

Dorthe Harding Keilberg
SSC & BPO Advisory Lead
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Welcome

We are proud to welcome you to this Nordic finance and accounting business process outsourcing research (F&A BPO).

On the following pages we will share with you the current thinking and future expectations to F&A BPO of 45 senior finance executives from some of the largest companies across the Nordic market.

The purpose of the interviews and this research is to uncover insights that could be valuable across industries and countries for companies already outsourcing, companies considering outsourcing, as well as companies who currently have no plans of outsourcing but who want to better understand the opportunities and implications. I hope that you find the study relevant to your own situation and welcome your feedback and comments.

Outsourcing is on the rise

During the last four years, F&A BPO has experienced a significant increase of nearly 400% across the Nordic market. As indicated by the senior finance executives interviewed, this growth is likely to continue in the years to come. Although F&A BPO has increased, it is not without challenges and there are still issues to be resolved in the relationships between customers and providers. BPO providers seeking to compete successfully should focus on improving their transformation and best practice capabilities. A price-led strategy will still allow providers to buy market share or establish a foothold in the Nordic market. Differentiating on transformation and best practice capabilities, however, seems to be key once a competitive price level has been reached. It is Deloitte's view that daily success in F&A BPO contracts is closely linked to getting started the right way. A clear view on why the company embarks on outsourcing and what benefits the company expects is key to selecting the right provider and establishing a contract focused on delivering the required business outcomes.

Not all relationships, however, get off to a good start. Improving BPO provider relationships once they have gone wrong is difficult. These days, BPO providers are very experienced with multiple contracts in operation. Customers, on the other hand, are often embarking on the outsourcing journey with no experience within the company. You can easily say this is an uneven relationship from the start. So how does one get the best outcome from their outsourcing contract and relationship? The good news is that we see many relationships working as hoped and expected. Generally, these successful relationships are a result of having realistic expectations – from both the customer and the provider side – during the initial BPO provider selection phase, as well as generating a comprehensive contract which clearly outlines expectations and a mutual agreement to work in partnership with one another.

You cannot outsource problems or accountability

Effective outsourcing is an ongoing process, not a one-time effort. It requires active involvement and continuous effort and attention from both parties, including at the senior executive level. We recommend creating a vendor management function to own the contract and provide a central point of accountability for service in order to drive continuous improvement initiatives across the partnership. The best relationships are characterised by collaboration, transparency and trust and much less by a comprehensive contract. These attributes help both parties navigate the inevitable twists and turns that crop up and can, in the optimal circumstances, turn issues into opportunities for improvements.

Executive summary

Finance leaders in the Nordics are positive towards further outsourcing…

Deloitte Consulting interviewed finance leaders of some of the largest companies in the Nordics in order to examine the landscape, approaches and trends concerning outsourcing. The 45 different finance leaders interviewed represent all major industries in Denmark, Finland, Norway and Sweden. They also represent all levels from the decision makers of outsourcing through vendor selection decision to considerations on how and when to outsource.

Outsourcing deals are not only for the largest companies

There are currently 28 F&A BPO deals across the Nordic countries, with Sweden leading the way with 11 contracts followed by Denmark with 7. There are a few very large F&A BPO deals in the Nordic markets but the most common deal size is below 100 FTE, clearly showing that BPO is not only for large companies.

The leading supplier is Accenture with 9 deals, followed by Capgemini (7) and Cognizant (5).

Growing market

The market for outsourcing is on the rise. The number of outsourcing contracts has risen fourfold during the last 4 years. Looking ahead, there are no signs of this outsourcing trend stopping.

Of the finance leaders interviewed more than half of the companies either had outsourced or were considering outsourcing. When determining the right service delivery model within finance, outsourcing is an important option for those organisations. Then looking at companies that have already outsourced, three-quarters said that they were looking to increase outsourcing scope.

Outsourcing is still about lower cost

While it is clear that lower cost is the main driver this is only the threshold expectation and there are real anticipations of getting access to best practice from the outsourcing providers, whether in process, technology or other areas like staff management and continuous improvement.

The finance leaders interviewed are looking to go beyond initial labour arbitrage savings and are looking for a transformational partner. To achieve improvements in efficiency, realise a lower cost level and continuously reduce costs, significant investment is required. The expectation is that outsource providers are experts at this and have a lot of the infrastructure set up to tap into.

Imbalanced relationship

A clear obstacle to outsourcing success is the lack of experience of managing the outsourcing relationship where the provider is an experienced and skilled operator but where the customer is often new to the situation. The companies interviewed state that they simply do not have the experience of managing an outsourcing provider or would have invested more in this, if they could do it again. Connected to this is that business process outsourcing is often a new way of operating within the companies and, therefore, there are challenges in getting internal approval. This together with the fear of lack of flexibility and poor quality are the main obstacles to outsourcing.

Dynamic market of outsourcing providers

Generally, the finance leaders asked were only able to mention two to three F&A BPO providers by name. Accenture is the most frequent mentioned followed by Capgemini.

… and are looking for cost savings but also for a transformation partner

Looking at both the providers who have recently won contracts and the providers mentioned by the finance leaders interviewed from companies considering outsourcing, one can see a shift where global players like Accenture and Capgemini are challenged by new entrants with an Indian heritage.

Leading BPO providers deliver transformational partnership

While we have seen that lower cost is the main driver for outsourcing, with 78% of respondents listing this as the main driver, it is only viewed as basic requirement, not something that will make them a leader.

The market determines who the leaders are based on a number of other parameters. These include size and number of contracts. Senior finance leaders are also looking for a transformational partner which is the most important aspect outside of number of contracts and size of contracts.

In becoming a leader in the Nordic market it is helpful to have a Nordic reference but, from the interviews conducted, it is clear that many of the large Nordic companies view themselves as truly global players. The providers ability to show relevant industry credentials, experience and expertise is as important as specifically demonstrating Nordic geographical credentials.

Some finance leaders argued that they would be interested in choosing a global provider that is looking to establish themselves in the Nordic market. Being the first contract in the Nordics for a global BPO provider could, in fact, be an advantage as the BPO provider would need to secure success in service delivery to use the first contract as a credential to win other new contracts. At the same time, finance leaders also expected a better price from new entrants.

Captive solution still preferred but hybrid model on the rise

Most companies still prefer a captive solution, with three-quarters of the respondents stating so. It should be noted, however, that the respondents were forced to take a stance in this question. In reality, many respondents did highlight that a combination of captive and outsourcing approach were the preferred model. Interestingly, both companies using a captive and an outsourcing model said that it was easier to drive transformation in their chosen model. The main reason for the captive solution was to have better direct control of finance operations.

Companies outsourcing are tested

The journey has been harder than expected and finance leaders would have spent more time on transition and more time on the vendor selection processes like RFP, vendor presentations and contracting.

As the majority of the F&A BPO contracts in the Nordic market are relatively new, it is not surprising that there are issues as the set-up matures. These include poor service quality, high attrition and vendor management.

Continuously reassessing the model to optimise benefits

A large part, 40%, of the companies currently outsourcing are also looking at how they can optimise the balance between retained and outsourced activities. They make smaller adjustments by moving further scope out and also sometimes taking specific activities back. Despite challenges, 70% of the companies currently outsourcing are looking to increase outsourcing to reap the same benefits across a larger scope.

About our research

During February 2015 we interviewed 45 senior finance executives across the Nordic region

Deloitte Consulting interviewed executives in some of the largest companies in the Nordics in order to examine the landscape, approaches, trends and knowledge concerning outsourcing. The study resulted in 45 unique respondents representing different industry sectors. Among the respondents were both single-country companies and multinational companies.

Industry

The participants represent 30 different sectors across the Technology, Media, Telecom, Consumer Products, Industrial Products, Professional services, Health care, Life sciences, Financial services, Retail, Energy, Resources and public sectors.
More than two-thirds of the respondents were from two industries: Consumer & industrial products and Professional services

Position

One finance leader from each participating company was interviewed. The four different positions of the respondents interviewed is shown in the graph.
In our experience, the leaders from each group often play distinct roles in the decision making process on outsourcing. The CFO and Head of finance levels will often focus on the topic of "why outsource" to decide on whether outsourcing is a viable option for their company. The Head of finance and finance operations levels will focus on "who" and vendor selection decisions. Finally, Head of finance operations and SSC/BPO development will focus on "how and when". Each of the levels of respondents are key to the outsourcing decision process.

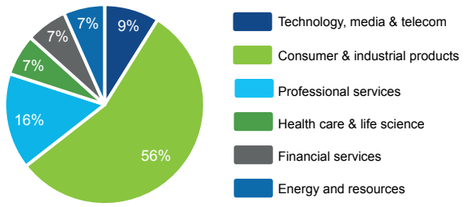
Size

A significant proportion of the largest companies in the Nordic region have participated in this research. The average respondent generated $8 billion of revenue. The largest group of respondents (38%), however, were found in the interval between $1 - $5 billion. More than 93% of the respondents had a revenue greater than $1 billion. The Swedish respondents had the largest average revenue of $9.8 billion.

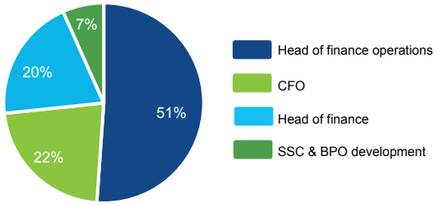
Country

This was a truly Nordic study with a very good cross country representation from Denmark, Finland, Sweden, and Norway. Denmark is the country with the highest number of respondents, followed by Finland.

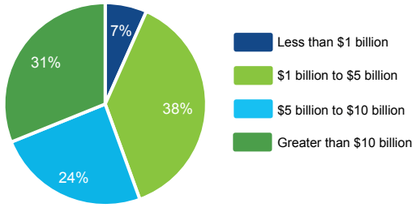
Organisations primary industry sector



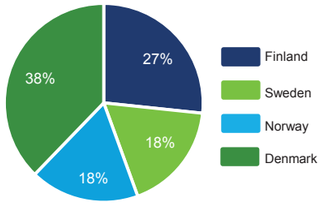
Respondent position



Revenue



Respondents by country



Current contract overview

Current contract overview

A wide spectrum of companies across varying industries outsource and a few providers have gained market momentum

Deals and contract size

Analysing the 28 Nordic F&A BPO contracts, that we in Deloitte are aware of, Sweden is the country that has come furthest in adopting outsourcing, followed closely by the other 3 countries. Sweden also leads in regard to size of the contracts, where the average number of full-time equivalent (FTE) outsourcers per contract is a third larger than Norway and double the size of Denmark, who on average has the smallest contract size.

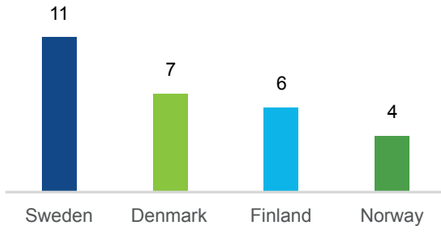
Nearly half of the deals are signed by companies within the consumer & industrial products industry, but there are contracts signed across six industries, which shows that outsourcing is a relevant topic for most companies.

There are a few very large F&A BPO deals in the Nordic markets but the most common deal size is below 100 FTE. This fact clearly shows that BPO is not only for large companies.

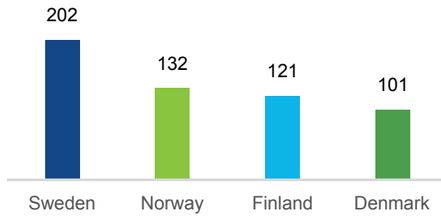
BPO Providers

The market is dominated by four players, where Accenture is the leader. Capgemini, Cognizant and Genpact are in close pursuit landing several of their contracts in the past two years. There are also a few of the other global players working to get their share of the Nordic market.

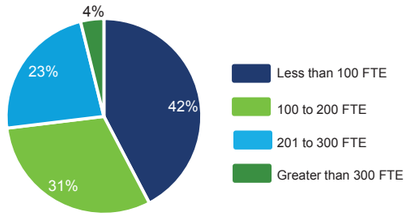
Number of deals per country



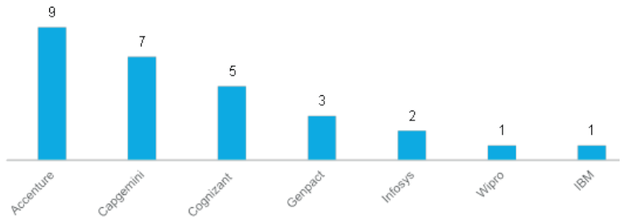
Average FTE outsourced per contract



FTE contract size



Contracts per BPO provider



BPO on the rise and likely to continue

Signed BPO contracts

The market for outsourcing is on the rise, which is clearly seen in the graph below where the number of contracts signed since 2005 has risen by 1350%. Especially in the last 4 years, the extent of outsourcing has increased significantly, by 386%. Looking ahead, there is no signs of this outsourcing trend stopping.

Processes outsourced

Almost all the companies who outsource chose to outsource account payable and account receivable, while four out of five companies have outsourced record-to-report. Only a third outsource other F&A functions. Outsourcing of other processes is fairly new and has been on the rise since 2011.

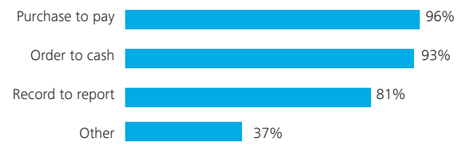
Geographic coverage

In two-thirds of the cases the outsourcing arrangements cover finance operations on either a European or global basis, equally split between the two. In less than a fifth of the deals, the coverage is purely the home country and the remaining deals are Nordic scope.

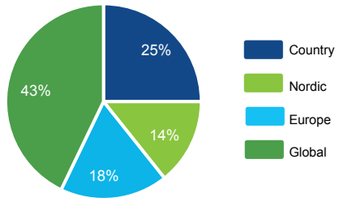
Outsourcing delivery location

There is a clear trend concerning the outsourcing location, which shows that India is the preferred location when it comes to outsourcing contracts. In around half of the cases this is done without a near shore location. Looking at Eastern Europe, the Czech Republic and Poland are preferred. In almost all the cases, however, this is done using a dual sourcing strategy with India where Eastern Europe works as a near shore location. One-sixth of the of contracts include three or more locations.

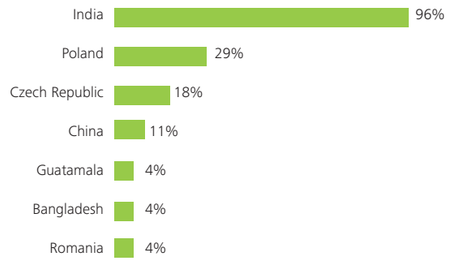
Processes outsourced



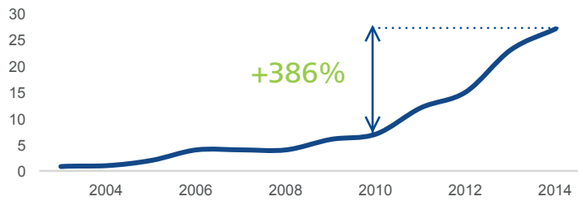
Geographical coverage



Outsourcing delivery location



Signed BPO contracts



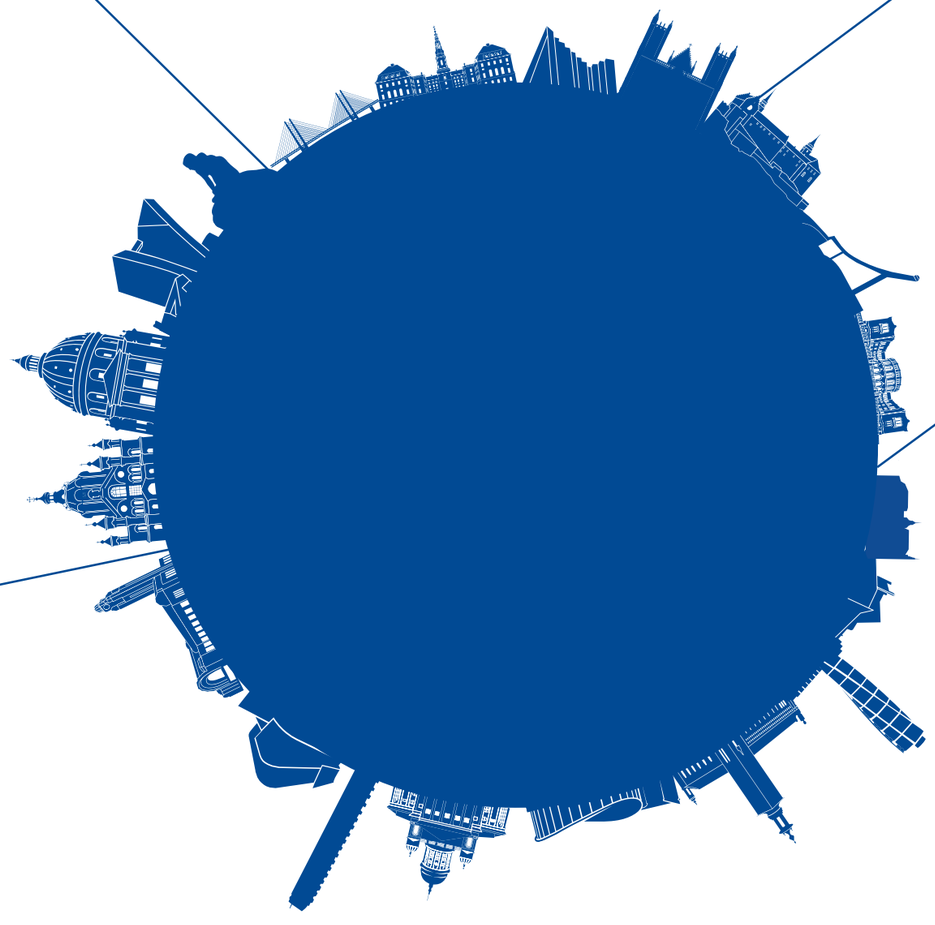
Current contract overview

Denmark

Coop	Provided by	Accenture
TDC	Provided by	Accenture
Velux	Provided by	Accenture
Danfoss	Provided by	Capgmini
ISS	Provided by	Cognizant
Tryg	Provided by	Cognizant
Egmont	Provided by	Genpact

Finland

Stora Enso	Provided by	Capgemini
Cargotec	Provided by	Capgemini
UPM	Provided by	Genpact
Sanoma	Provided by	Genpact
Pöyry	Provided by	Infosys
Outokumpu	Provided by	Wipro



Norway

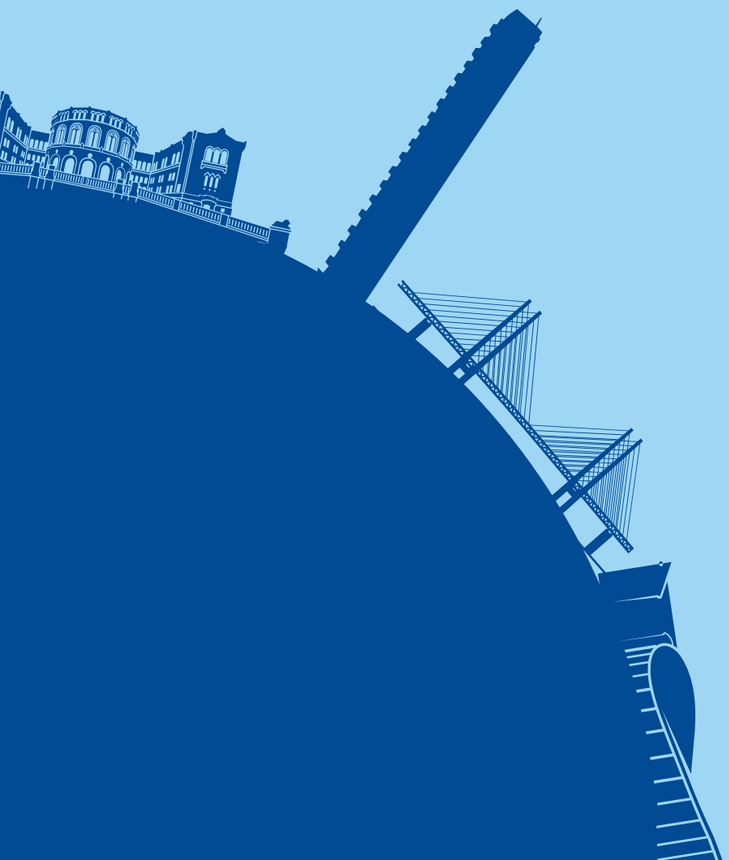
Statoil	Provided by	Accenture
Telenor	Provided by	Accenture
Yara	Provided by	Accenture
Posten	Provided by	Visma Services

Sweden

Coop	Provided by	Accenture
SAS	Provided by	Accenture
SSAB	Provided by	Accenture
Sandvik	Provided by	Capgemini
Scania	Provided by	Capgemini
SKF	Provided by	Capgemini
Tetra Pak	Provided by	Capgemini
Postnord	Provided by	Cognizant
Volvo	Provided by	Cognizant
Manpower	Provided by	IBM
Atlas Copco	Provided by	Infosys

* Overview compiled based on Deloitte insight and information gained during February-March 2015. BPO providers listed in alphabetical order and only includes outsourcing deals that fulfil the following criteria 1) F&A BPO only, not where finance is a small part of other BPO 2) contracts larger than 50 FTEs 3) scope covers volume transactions not niche/compliance outsourcing nor parts of processes like scanning 4) include global vendors and not purely regionally focused vendors 5) functional scope is finance and accounting and does not include e.g. payroll.

Market insight and outlook



> I assume very few companies have a pure captive strategy and rather a hybrid sourcing model

Vice President – shared services

Market insight and outlook

Companies want more than lower cost

Appetite for outsourcing

When determining the right service delivery model within finance, outsourcing is an important option for the largest organisations in the Nordic region.

Just over half of the companies asked were either currently outsourcing or considering outsourcing. There is a significant increase in outsourcing activities as compared to four years ago.

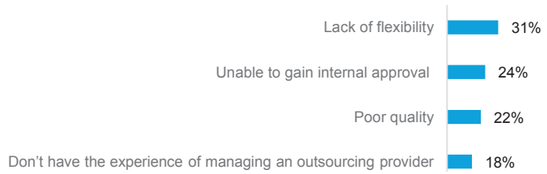
The day when the only relevant option to existing dispersed organisations, was a captive (in house shared service centre) and where the scope and location of the captive centre were the key considerations is now gone. Increasingly, companies are, as demonstrated in the interviews, considering more complex scenarios where some parts of the scope are outsourced and some are retained in a captive shared service centre or centre of excellence.

Outsourcing drivers

While it is clear that lower cost is the main driver, many respondents also stressed that this was only the threshold expectation and that there were real expectations of getting access to best practice, whether that was process, technology or other areas like staff management and continuous improvement.

Main drivers for outsourcing

Main obstacles for outsourcing



The companies in this study are all of a size that would allow them sufficient economies of scale to set up captive centres in any low cost location. However, it would mean a need to manage in and need to understand what it takes to be successful in the potentially new location, therefore taking on higher associated risks. This would still only give initial labour arbitrage benefits. The responses indicated that companies are looking for lower costs than this. To sustain that savings, companies would need to invest in technology, continuous improvement capability, technology implementation experience, learning and development to train and develop unskilled work force and gain the operational resource management to deliver the reduced costs. This is where it becomes attractive to tap into the outsourcers for their set up and experience.

Obstacles to outsourcing

One clear obstacle to outsourcing is the lack of experience of managing the outsourcing relationship. There is a clear imbalance in the relationship where the provider is an experienced and skilled operator but where the customer is often new to the situation. The companies simply do not have the experience of managing an outsourcing provider. Connected to this is that business process outsourcing is often a new idea to the companies and therefore there are challenges in getting internal approval.
This together with the fear of lack of flexibility and poor quality are the main obstacles to outsourcing.

While cost reduction is the key driver in outsourcing considerations, it very seldom is the primary selection criteria for a service provider. The role of technology is not very important at the moment but the situation will change in the near future

My thoughts
Markus Kaihoniemi
SSC & BPO Advisory Lead
Deloitte Finland

The key driver is cost reduction

86% of the interviewed companies already outsourcing Finance and Accounting say that the key driver was cost reduction. Cost is the main driver and outsourcing is not chosen when it is more expensive than in-house delivery. Nevertheless, the interviewees also listed other drivers as important.

Outsourcing can provide the flexible capacity that a rapidly growing – or declining – business may need to keep pace with changing demand.

In many cases, outsourcing is also a much quicker way of putting a centralised F&A organisation in place to achieve the aspired efficiency level than developing an in-house capability from scratch.

Off-shoring is also a sensitive topic and outsourcing to a provider can be a politically acceptable way of achieving the same result.

Main selection criteria is not cost

While cost reduction is the main driver when considering outsourcing, price is not the most important selection criteria when choosing the right service provider.

Interviewed companies emphasised that the ability to understand and respond to client business requirements is a very important factor and affects service provider selection. BPO providers' ability to drive a transformational agenda and to identify improvement opportunities by bringing in new solutions during the negotiation phase were also highlighted. Presenting an off the shelf solution is not enough to succeed in the competition. 37% of the interviewed companies wanted access to best practice processes they wouldn't perhaps get without outsourcing.

In many interviews cultural fit was also listed as a differentiator between BPO providers and as a determining selection criteria. The service provider selection is easier to make if the culture and governance models match between the partners.

Only 16% of the interviewed companies listed access to best practice technology as a driver for outsourcing but this may change in the near future.

Robotics has the potential to be a disruptor in the BPO industry

The primary source for financial benefits in many outsourcing cases have been labour arbitrage. Robotics or autonomics, however, offer a potential solution where technology replaces human resources to perform the routine work. Robotics is a tool or software that is programmed to resolve issues and replicate the same decision making process as humans. The role and importance of technology may increase in the BPO market. Robotics can really impact high volume, rules based work. It can perform these tasks round the clock at a fraction of the current cost without any manual errors. Robotics can completely transform the BPO industry. The BPO providers early adoption of the technology will win market share. Investment requirements in software and capability will increase the benefits of outsourcing as captives will struggle to keep the same innovation pace as outsourcers. So despite Robotics initially posing a threat to the BPO providers, it is more likely to turn out as an opportunity.

Market leaders are facing increased competition and ...

Few providers top of mind

Generally, the finance leaders interviewed were only able to mention 2-3 providers top of mind. As can be expected, the supplier awareness and recognition increases significance for companies that either have outsourced or are considering outsourcing as compared to companies that have no plans to outsource.

Overall Accenture holds a leading position based on both awareness and recognition. Most of the respondents consistently mentioned Accenture first, and then different providers afterwards. There is however some strong local competition where e.g. Visma in Norway has an awareness ranking of above 60%, beating Accenture who is still a close second.

Among companies that either have or are considering outsourcing, Capgemini is moving towards joining Accenture in the "Top of mind" bracket while HCL and Wipro are moving into the "Well known" category, with companies recognising their better awareness.

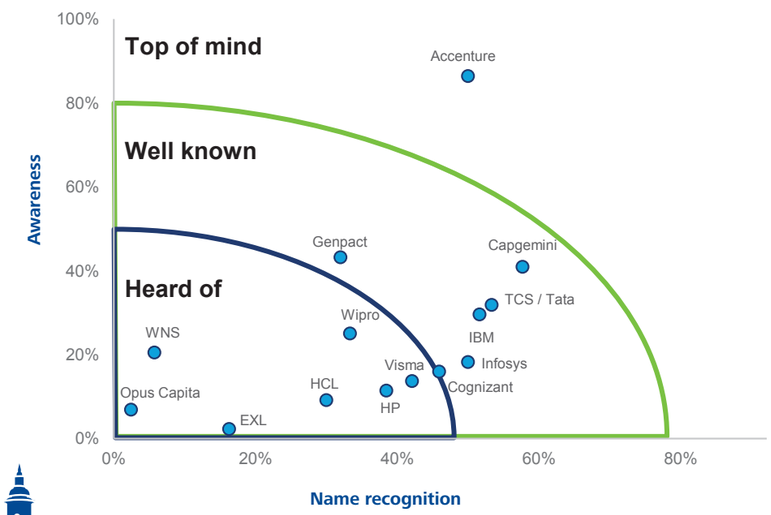
Changing of the guard

Overall there is a natural correlation between those who have won deals within the Nordic region and provider recognition. Additionally, there is a link between having an establishment in the Nordics and recognition. This allows the providers to be close to the market and, therefore, aware of upcoming BPO deals as well as generating market awareness.

Among companies currently outsourcing or considering outsourcing HCL, HP and Tata are "Well known" in the BPO market without, up to now, having won any contracts. This is particularly impressive for Tata as they are not primarily focused on F&A BPO but are generally known for their other businesses. Among the companies considering outsourcing Wipro is a new entrant to the group of "Well known" providers while Visma and HP drops into the "Heard of" category.

Overall this shows a shift where new, and in many cases Indian heritage, providers are gaining ground in terms of market presence on the established providers like Accenture and Capgemini.

Provider awareness and name recognition



... companies want a transformational partner

Size matters but so does a transformational partner

While we have seen that lowering cost is the main driver for outsourcing, with 78% of respondents listing this as a main driver, it is only viewed as basic requirement for outsource providers to deliver, not something that will set them apart as leaders.

The market determines who the leaders are based on a number of parameters. Being a leader is not only driven by size and number of contracts. Senior finance leaders are looking for transformation and that they believe can be achieved either in a captive or outsourced set up. This agenda is also clear when it comes to what companies are looking for from the outsourcing leaders where "Drives a transformational agenda" is the most important aspect outside of number of contracts and size of contracts.

In becoming a leader in the Nordic market it is helpful to have a Nordic reference but, from the interviews conducted, it is clear that many large companies view themselves as truly global players so, therefore, the providers ability to show relevant industry credentials, experience and expertise is more important than simply being able to demonstrate Nordic geographic credentials.

What makes them leaders

Size of contracts globally 52%

45% Number of contracts globally

Drives a transformational agenda 29%

24% Delivery footprint

Number of Nordic contracts 21%

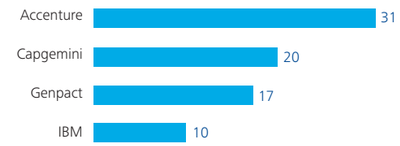
21% Nordic reference

Not everyone wants a leader

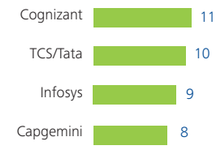
The leaders are correlated with BPO contracts to a degree, however, Cognizant, who is ranked number three in terms of contract count, is only viewed as a contender. This confirms that there are many more drivers when signing a contract. This includes the importance of the contract to the BPO provider (VIP service). Some finance leaders argued that if they choose a smaller global provider or a global provider that is looking to establish themselves in the Nordic market, they would get better service because they are more important to them, as well as receiving a lower price. A few finance leaders argued that being the first contract in the Nordics for a BPO provider in fact could be a competitive advantage.

> Nordic reference is not important, global industry knowledge and references in the same industry is critical
>
> **Vice President – shared services**

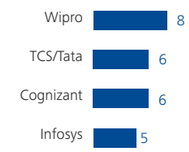
Recognised as Market Leaders



Recognised as Contenders



Recognised as Emerging or Niche

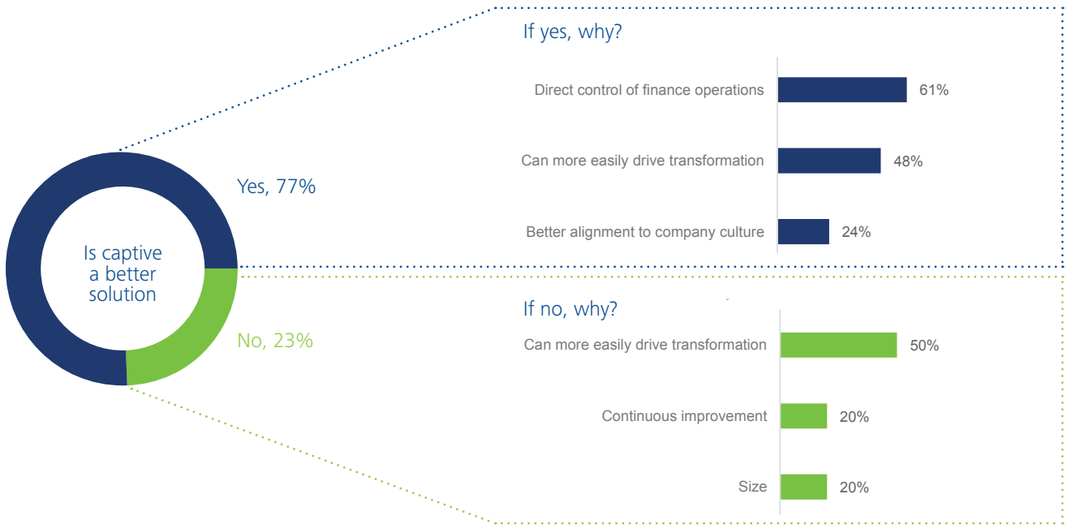


Most companies still prefer a captive service centre

Captive or outsourced? - One size does not fit all
Three-quarters of respondents answered that captive was a better solution. Not surprisingly, 95% of the respondents who have no plans to outsource, answered that captive was their preferred solution. Of the companies that have outsourced, however, almost half of the respondents (47%) still maintained that a captive model was preferable. This shows that the outsourcers have a challenge in demonstrating their winning solution even among their existing customers. There are, of course, many potential reasons for this – respondents often mentioned that many of the outsourcing deals are relatively new and the solution has not have been fully developed yet.

It should be noted that the respondents were forced to take a stance in this question.
In reality many respondents did highlight that a combination of captive and outsourcing approaches was the preferred model. Some finance leaders particularly emphasised the required investment to achieve performance in some areas. Particular transactional areas would benefit from tapping into external best practice in terms of management, processes and technology while other more complex business would be better delivered through a captive solution.

Interestingly both respondent groups said that it was easier to drive transformation in their chosen solution (captive or outsourced).
The companies that have outsourced, say that they "Can more easily drive transformation", promote "Continuous improvement" and that it allows them to tap into a size and maturity of operations than they otherwise would. The main reasons companies that have outsourced but still argue that captive is a better solution give, are "Direct control of finance department" and "Can more easily drive transformation".



Are captive solutions the better choice over outsourcing? Or, at what cost do companies want to stay flexible and in control of operations?

My thoughts
Brit Tone Bergman
SSC & BPO Advisory Lead
Deloitte Norway

There is no "one solution fits all" with regards to operating model for finance and accounting deliveries. Several factors influence the preferred operating model and this may change over time.

Both outsourcing and captive models are mature
The outsourcing supplier market has evolved dramatically in the past decade and, today, consists of a variety of suppliers with proven capability. Shared Services is a mature concept and the present generation includes higher value processes and new geographies.

Deloitte surveys* shows that globally there is still significant growth opportunity in both captives and outsourced models. This research of the Nordic market showed that the vast majority of the respondents recognise captive solutions as a better alternative, driven by direct control of the finance operations. But, is this an obstacle great enough to prevent companies from realising potential cost reductions, or is the desire to reduce cost competing with other objectives?

Security and control speak for captive solutions
Captive solutions give flexibility in terms of scope and timing. Although captive solutions underlie business case and different opt-in models, there are no legal constraints tying the companies to the provider. In most cases, there is more flexibility to change the scope of services and timing for transfer in captive solutions than in outsourcing deals.

Another reason for choosing captive solutions is the possibility to transfer more strategic, sensitive and high-end processes. This eases end-to-end process ownership, with greater possibility for continuous improvement and company wide optimisation. This also offers different career paths and the possibility to create a talent pool for finance.

Further, companies have a greater sense of comfort with captive solutions and risk management, especially with regards to sensitive data.

In Deloitte, however, we believe that the price for flexibility may be too high and that the competitive pressure in the market-place and focus on cost reductions will lead to an increase of outsourcing deals in the Nordics.

Proven capabilities by outsourcing providers
The outsourcing market is getting more mature with a variety of suppliers with proven delivery capabilities. The suppliers are driven by efficiency; their experience from serving many customers puts them in the position to identify best practice, they invest in tools and technologies, and they recognise finance and accounting as their core business. This not only allows companies to focus on their core business, it drives transformation and efficiency within finance and accounting in the best BPO deals.

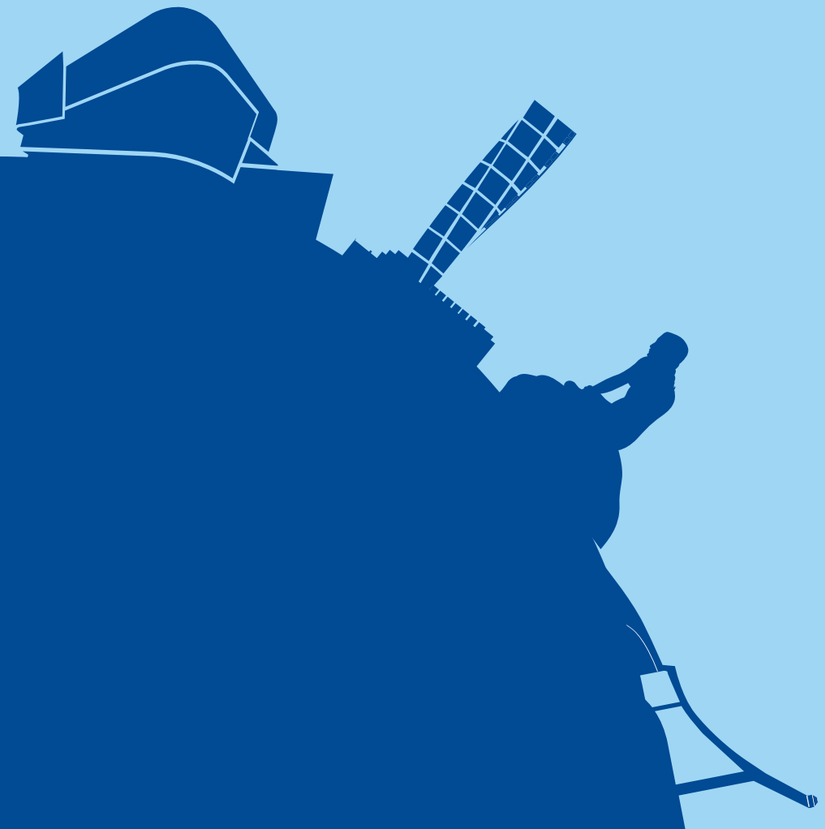
Although some organisations believe they can eliminate the outsourcers margin and business development costs, outsourcers in most cases have the scale and the experience to deliver at lower total cost. Also, in the war for talent, outsourcing providers have a local brand and this is often seen as a competitive advantage to hire and retain staff.

In this Nordic research almost half of the respondents quoted access to best practice as a main driver for outsourcing. Deloitte believes that cost advantages and access to best practice knowledge, tools and technologies not always are available to smaller companies will push more companies to consider outsourcing in the future.

Today, many companies already use a mix of captive solutions and outsourcing providers. The right mix is considered individually - dependent on scale, processes in scope, degree of process and systems standardisation along with local presence and brand.

* Deloitte 2014 Global Outsourcing and Insourcing Survey

Companies currently outsourcing



> Secure resources with experience of outsourcing and invest more in service and vendor management

Head of Global Business Services

Companies currently outsourcing

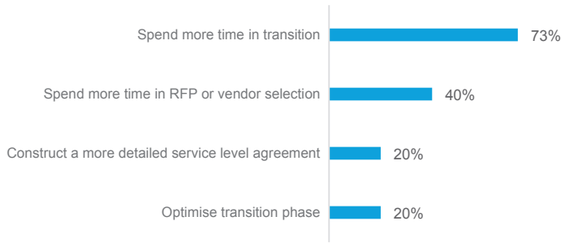
Companies are going for more despite a hard journey but ...

Companies participating
Deloitte interviewed finance leaders from 15 companies that are currently outsourcing. This represents more than half of the outsourcing deals in the Nordic area.

The journey is harder than expected
Underestimation the effort required during transition is a recurring theme and is also in line with findings in similar surveys*. Increased engagement from top management in the communication and direction regarding the transition as well as increased focus and speed with change management are mentioned as examples.

Some finance leaders would also have invested more in upfront standardisation and would have liked to have a more harmonised end-to-end processes.

What would you do different next time

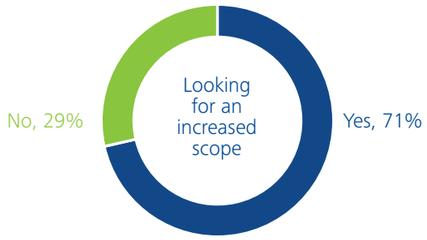


Around 20% of all respondents stated that they did not have prior experience in managing outsourcing providers. This was indicated as a main obstacle to outsourcing, and was also mentioned by companies that have already outsourced. Finance leaders mentioned in the interviews in different manners that, if they could go through the process again, they would have built a stronger vendor management capability.

Despite challenges majority of companies are looking to increase outsourcing
While there are challenges in stabilisation and account management, companies that have outsourced are clearly seeing the benefits. A majority of the companies are looking to increase their outsourced scope.

This increase takes place in multiple dimensions including geography, process and business unit as companies are looking for the same benefits across a larger scope.

The interviews show a situation where the old stagnated finance department set up is much more dynamic among the large Nordic companies and where the finance leaders are continuously re-evaluating the finance service delivery model.

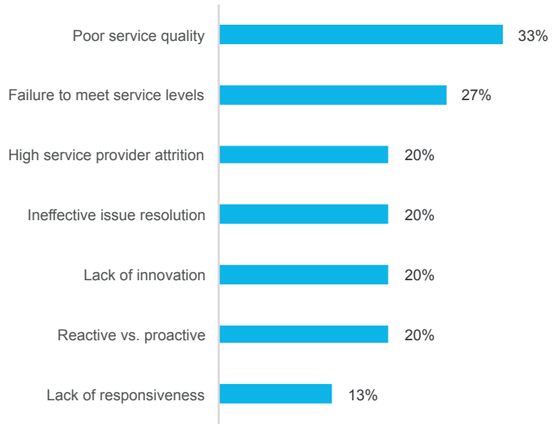


... poor service quality is still facing providers

As the majority of F&A BPO contracts in the Nordic area are relatively new, it is not surprising that there are issues that are encountered as the set up matures.

During our interviews, the finance leaders told us that the stabilisation of quality delivery, transformation to the "new ways of working" and creation of new interface between the delivery centres, local country finance and business controllers still need to be improved before reaching satisfactory levels.

Problems currently faced



Expecting a proactive approach
Outsource providers should note though that this is not enough and that their customers expect account management with a proactive approach and effective issue resolution than currently provided. Further to this, finance leaders are also looking for the providers to leverage their own internal knowledge in the service provision to other clients and apply that to their situations. All of this points to the need for an integrated knowledge sharing across clients at the outsourcing provider.

Providers that can effectively deliver this may have an important competitive advantage going forward. As also shown in this analysis, one of the concerns for the Nordic finance leaders is that their own company's lack of experience in managing outsourcing contracts reduces their effectiveness in improving the experience. Investments in this area may provide improved satisfaction and value to their companies.

> It feels like that once the deal was signed, the outsourcer lost interest in us
> **Vice President, Head of Finance Shared Services BPO**

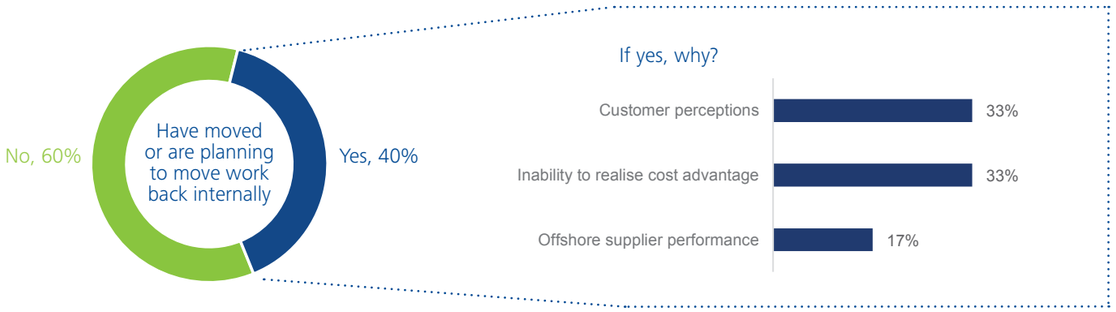
Companies currently outsourcing

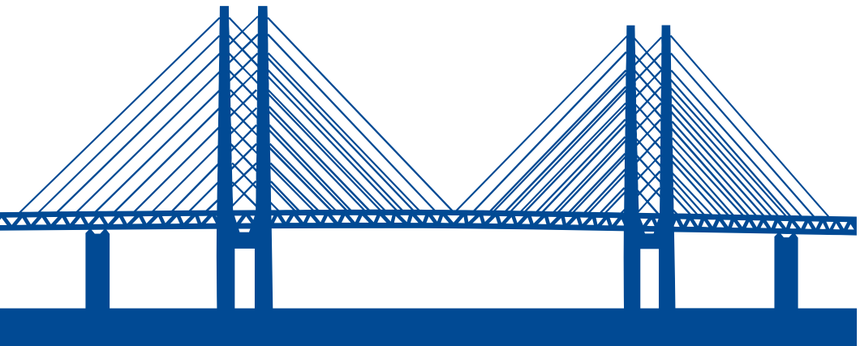
Companies continuously reassess the outsourcing split and rebalancing scope while increasing overall outsourcing

None of the companies interviewed have completely exited a contract
While a relatively large proportion have answered that they are planning to or have moved work back, this is only for part of processes outsourced. An example of this move taken from the interviews with the Nordic finance leaders includes moving the first line of contact back due to cultural challenges while the rest of the outsourced activities in the process remain outsourced.

While the top reason given is poor service quality there is a long string of reasons provided. This includes aligning the service delivery model globally so exiting small local BPO deals align to a global strategy. Other reasons include when end customers are challenging the set-up due service quality, therefore leading to a review of the service delivery model.

Continuously rebalancing scope
There were no senior finance leaders interviewed who indicated that their company has completely moved outsourced services back in house. What is clear is that the large companies are constantly reassessing the finance service delivery model and mix between captive, outsourced and hybrid delivery. This is to secure that the model fits with the overall strategy and delivers the most value for the company including getting maximum value out of outsourcing.





Leveraging lessons learned can provide valuable insight when embarking on the outsourcing journey

My thoughts
Susan Merkell
SSC & BPO Advisory Lead
Deloitte Sweden

Learning from experience
The outsourcing experience inevitably results in a number of lessons learned for organisations to address in future outsourcing initiatives. Based on Deloitte surveys* only 10% of respondents said they would not do anything differently. Recurring themes heard from organisations who have outsourced include that they would dedicate more resources on transition and vendor management as well as ensure that they have "done their homework" prior to entering into an outsourcing relationship.

Doing your homework
The drive to achieve cost benefits as quickly as possible often results in ambitious plans to attain steady state as quickly as possible. At the same time, BPO providers drive for a quick transition in order to achieve margin targets. Several respondents indicated that they would have spent more time on understanding the current state and standardising processes prior to transition. Doing so provides a better understanding of what is required from the BPO provider and facilitates the transfer of knowledge to the provider. Over half of the respondents in a survey* said they would also spend more time on the RFP and vendor selection. Furthermore, organisations would spend more time on assessing and communicating the impact of the outsourcing solution on the retained organisation. Several organisations mentioned the importance of managing the businesses expectations. It is better to be more realistic than optimistic so that the business can understand how they will be impacted by the outsourcing solution.

Underestimating transition
Many organisations also indicate that they would have spent more time on transition if they were to do it all again. More time on transition can be achieved in various ways, for example:
· slowing the pace of transition
· increasing resources participating
· increasing the role and demands on the BPO provider

Vendor Management capability required
Although not as readily mentioned in the Nordics, building a robust vendor management capability is the most common lesson typically learned. Organisations do not normally have the required competencies for managing vendors and try to resolve this with existing resources. There is, however, a significant difference between what is required to manage operations versus the requirements to manage service delivery and the vendor. Strong vendor management is important for organisations in order to manage commonly sited issues associated with vendor management such as: service quality, meeting service levels, issue resolution and continuous improvement initiatives.

In summary, doing your homework as well as increasing resources in transition and vendor management are a few of the lessons learned by organisations who have outsourced Finance and Accounting operations. Heeding to these experiences, and others, can contribute to organisations more readily realizing the benefits of future outsourcing initiatives.

* Deloitte 2014 Global Outsourcing and Insourcing Survey

Companies currently outsourcing

Finance leaders are looking for a real partner that brings best practice and innovation

Providers need to give access to…
Delivering and meeting expectations is only the baseline. Referenced experience and track record is a must. References should prove how the provider brings best practice, whether that be processes and technology or innovation and flexibility to service delivery.

The size of a service provider needs to be right. The size needs to be big enough to have scale, however, some finance leaders also suggested the outsourcer needed to be small enough to ensure each contract is important to the provider so the right focus and service level is delivered to them as the customer. The challenge is for the larger providers to demonstrate this customer partnering in other ways to counter the initial assumption based on size. Requirement for a match between the company's global footprint and the providers reach was also seen as a key consideration.

Nordic presence was emphasised as having key importance, while Nordic references were less so. This is important to support the customer delivery and transformation locally.

…but also needs to be a real partner
Access to best practice, etc. is not enough. Nordic finance leaders are also looking for a partnership that can take them to another level. They expect the BPO provider to partner with them and provide best practice processes and technology as well as the ability to understand the customer's needs and what is required to meet those needs.

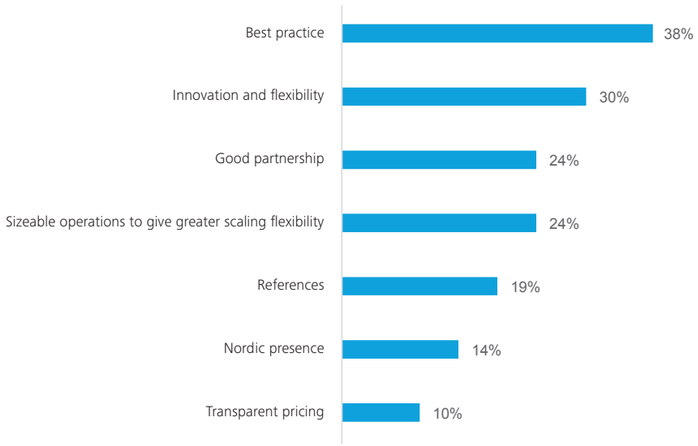
Finance leaders are looking for providers to demonstrate the ability to partner with their customers and drive win-win solutions for both parties. They are looking for providers to deliver end-to-end process knowledge and propose and drive re-engineering. One leader noted that cost efficiency obviously has importance but that it also is highly important that the partner is committed to develop process quality and efficiency.

The Nordic finance leaders are expecting consulting services and capability from their BPO providers to guide and support them with technology and processes improvements.

Leaders are also looking for a real partner that is less willing to just please the customer but rather provide advice on what will bring the company forward and achieve end-to-end transformation. Advice should include what brings business value and innovation and what the next steps could be. "Bread and butter" service delivery performance is, of course, still a must.

Many of the respondents stressed the importance that the BPO provider takes the lead, drives transformation and comes with recommendations for improvement - to be proactive rather than reactive.

Key attributes when looking for an outsourcing partner*



*Including companies currently outsourcing and considering outsourcing

Want to learn more

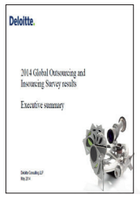
Outsourcing is now expanding, tried and tested also in the Nordics and should be considered as an option or part of a hybrid sourcing model for any service delivery transformation

Companies considering outsourcing should think about the following:

1. Don't just go for a big name - gain market insight to know what providers are a good fit to your company, have a good track record, are hungry for business and can deliver the benefits sought
2. It's an imbalanced relationship - invest in vendor management capability
3. Spend the time required to establish scope, contract and SLA
4. Do not underestimate change and effort required during implementation
5. Great care should be exercised when selecting a partner to ensure cultural fit and benefit realisation

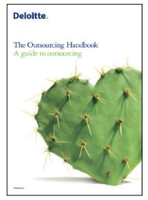
Deloitte offers a host of ways for you to stay on top of the issues and trends facing finance leaders

2015 Global Shared Services Survey - Expansion of shared services is on a sharp climb
Read the key findings of Deloitte's 2015 shared services survey which had representation from more than 300 organizations around the globe and provides data for more than 1,000 shared services centres globally.



2014 global Outsourcing and Insourcing Survey results – Deloitte released a global survey report that explores the strategic goals, methodologies, and outcomes of IT and Business Process outsourcing. The study polled companies from 22 sectors in over 30 countries representing outsourcing buyers, outsourcing vendors, and legal firms, to uncover insights and address challenges that are common across all industries when investigating and undertaking an outsourcing program.

The Deloitte Annual Shared Services, Global Business Services and BPO Conference, 22 – 23 September 2015 in Berlin, Germany
Over the last 17 years, Deloitte's Shared Services, Global Business Services & BPO conference has built up a reputation for being the leading event of its kind in Europe.This year's conference theme will be 'creative destruction – rethink your future'.



The Outsourcing Handbook - A guide to outsourcing. This handbook is a guide to the full lifecycle of an outsourcing deal. It explores some of the key issues, challenges and decisions you may be faced with if you are contemplating outsourcing, of if you are already in an outsourcing relationship.

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