

# International Accounting: GBS Evaluation and Design

A GBS Case Study



ScottMadden was engaged to evaluate and design a global business services (GBS) model for international accounting and finance functions of a Fortune 20 telecommunications company with more than \$100 billion in revenues, more than 180,000 employees, and customers in more than 150 countries. As a component of its overall global strategy, the company had launched a strategic initiative focused on streamlining its finance and accounting support in order to reduce costs, increase efficiency, and standardize policies and processes. To increase focus on end-to-end processes, it named global process owners across major financial processes, including account-to-report (A2R), billing-to-cash (B2C), accounts payable (AP), payroll and commissions, and financial, planning, and analysis (FP&A), and elected to consolidate its core domestic financial activities into one of two locations. While domestic activities within its A2R global process were being largely consolidated into a single location, the company wanted an independent evaluation of its international A2R activities to determine the best model that accounted for the country-specific regulations and requirements.

**S**cottMadden worked with the client to evaluate and design a service delivery model that was in sync with its global strategy, enhanced the delivery of its accounting services, decreased operating costs, and improved internal controls while keeping in mind the unique legal requirements and idiosyncrasies of different countries.

## The Challenge

The client wanted to align global policy and process standardization efforts, co-locate international and domestic activities where feasible, improve a process efficiency, and deliver operational cost savings. Historically, the company had an inconsistent finance model internationally and operated through four distinct regions with varying models and functional footprints. Different regions had disparate processes, including a decentralized audit process for 79 audits leading to costly and inefficient operations. Significant and varying regional responsibilities for non-accounting functions,

such as tax, FP&A, AP, and B2C, and several organized layers added to the overall complexity and inefficiency. Also, regulatory and legal compliance requirements were an integral part of the responsibilities of the international accounting team in several countries. The lack of standardization and burden of non-core responsibilities limited the department's agility, hindered efficient integration, and made it difficult to realize cost savings.

## How We Helped

ScottMadden worked with the client team during three key phases of implementing GBS:

- Assess and Plan: strategic planning, benchmarking, leading practice assessment, project planning
- Design: current state analysis, business case development, service delivery model design, organization design, technology evaluation, implementation planning, functional role alignment, in-country service requirements, outsourcing considerations

### *ScottMadden's Three-Phase Approach*

## Assess and Plan

During the Assess and Plan phase, ScottMadden assisted the client in determining the strategy and value proposition for GBS. This phase provided a baseline measurement of costs, productivity, business drivers, and customer satisfaction, compared the company's performance to industry peers, and provided a foundation for the Design and Build phases. Specific steps and activities are shown below:

### Strategic Planning

- Articulated overall objectives for international accounting GBS
- Developed future state vision and strategy for international accounting GBS
- Designed international accounting operating model to support future state vision
- Determined phasing of work necessary to achieve future state vision

### Benchmarking

- Compiled profile of current functions
- Allocated headcount and costs to each function
- Collected labor costs and allocated across functions
- Analyzed current productivity and costs to relevant industry metrics
- Compared customer satisfaction to internal perception of service delivery

### Leading Practice Assessment

- Collected transactional data for work activities and conducted interviews to gain context
- Summarized current practices
- Compiled relevant leading practices and identified gaps with current practices
- Determined improvement opportunities and options for future state operating model

### Project Planning

- Developed project schedule for Design and Build phases
- Determined project team structure
- Developed and disseminated necessary communications

The results of this phase provided the justification to proceed with the design and implementation of international accounting GBS.

## Design

During the Design phase, ScottMadden worked with the client to determine the detailed future state infrastructure, quantify benefits of GBS, and develop the operating model. The project team organized separate work streams, as outlined below. ScottMadden assisted with each work stream throughout the Design phase.

### Current State Analysis

- Compiled profile of current processes, work activities, and technology used
- Allocated headcount and costs to each product and service
- Analyzed time activity data for current processes and activities
- Collected volume metrics to assess current productivity

### Business Case Development

- Created baseline implementation timeline
- Estimated future state staffing and evaluated future labor cost structures by region
- Assessed third-party provider fees and external audit fees
- Assessed one-time implementation costs and impact of future model on travel and expenses
- Assessed range of potential implementation results

### Service Delivery Model Design

- Mapped services into appropriate delivery channels and determined location strategy
- Developed service delivery summary responsibilities for international accounting
- Identified supporting tools and technologies

### Organization Design

- Validated organization and positions determined in service delivery model design
- Updated staffing from business case
- Developed position responsibilities and competencies while ensuring alignment with domestic strategy and structure
- Developed detailed job descriptions

- Build: project management, policy and process redesign, performance metrics and service level agreements (SLAs), change management and communications

ScottMadden combined its proven methodology, leading practices repository, tools, templates, and its collaborative approach to develop a solution that was customized to the client's business requirements.

## Results

With ScottMadden's help, the company successfully designed a GBS operating model based on leading practices. As a result, the company will realize the following benefits:

- Harmonized policies and processes enable consistent and accurate service delivery and leverage scale
- The new organization, which is structured based on the type of work performed, provides international service hubs and career paths for employees
- A robust metrics and reporting framework give greater

visibility of performance

- Standard processes, performed in consolidated service centers with in-country presence on an as-needed basis, provide simplified internal and external auditing processes
- Defined functional accountabilities provide greater visibility to compliance risk and ensure implementation of proactive mitigation strategies by subject matter experts
- Supporting technologies provide greater automation, increased efficiencies, and accessible self-service
- The new delivery model increases the agility of the company by streamlining processes required to integrate newly acquired companies

The new GBS model will improve the company's competitive position and is projected to save millions of dollars annually. Additional benefits include improved levels of service, stronger controls, and a platform to accommodate future growth.

### Technology Evaluation

- Validated specific technologies to support service delivery model
- Identified feasible technological enhancements

### Implementation Planning

- Determined implementation phasing options and recommended best-fit phasing
- Developed high-level implementation plan for the GBS model
- Developed implementation team structure
- Defined project team roles and responsibilities by position

### Functional Role Alignment

- Developed model to identify services to be transitioned outside of international accounting and recommended approach on how services should be provided
- Identified customized strategy for aligning non-core accounting services to respective functional groups
- Identified roles and responsibilities for functional groups in international organization and developed implementation plans for transition of non-core services
- Compiled profile of current processes, work activities, and technology used
- Conducted current state analysis of international FP&A by allocating headcount and analyzing time activity data for current processes to help inform future state strategy

### In-Country Service Requirements

- Determined legal and statutory in-country requirements for accounting functions
- Analyzed, selected, and prioritized other key criteria, including maintenance of tax nexus, business operating complexity, language and cultural differences, etc.
- Developed scenarios from aggressive to conservative and recommended approach

### Outsourcing Considerations

- Developed a framework for outsourced accounting model, including identification of criteria for outsourcing consideration
- Identified priority countries to move from outsourcing to insourcing for U.S. GAAP accounting

## Build

In the Build phase, ScottMadden provided ongoing project and change management support required for the pre-implementation planning of the future state operating model. As in the Design phase, separate work streams were identified. Key work activities are listed below:

### Project Management

- Maintained integrated project plans and status reports
- Planned agendas for all meetings and project managed follow-up of action items
- Oversaw the quality of key deliverables
- Helped resolve issues and monitored project risks
- Prepared stakeholder presentations, including executive report-outs

### Policy and Process Redesign

- Prioritized accounting processes to be harmonized and identified 23 work streams for process alignment
- Provided project management and subject matter expertise for all work streams
- Facilitated process alignment workshops and webinars for all work streams with participation from all geographic locations
- Provided input and guidance for all work streams to ensure quality and content for high-level aligned processes and prepared deliverables on an as-needed basis

### Performance Metrics and SLAs

- Identified accounting metrics and measures used to manage quality, cost, and performance
- Introduced SLAs as part of the future state design and identified functional groups for implementing SLAs

### Change Management and Communications

- Identified impacted employee/customer groups and drafted communications for them
- Coordinated the change management process and specific activities with corporate change management initiatives
- Conducted regular meetings with stakeholders to monitor project perception

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404.814.0020



[scottmadden.com](http://scottmadden.com)



[info@scottmadden.com](mailto:info@scottmadden.com)