4D CONTACT

Cash Collection

Shared Service Implementation

How to successfully move your cash collection to an inhouse or outsourced shared service provider.

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About the author

Director of outsourced credit management solutions providers Barratt Smith and Brown and 4D Contact, and a share-holder in fintech order-to-cash company Invevo, Mark has over 30 years of experience supporting clients to successfully centralise their cash collection in a shared service facility.

Introduction

Looking to reduce costs and improve efficiency many businesses look to combine their finance operaons into a shared service centre, place their non-core business functions with an outsourced business process provider (BPO) or ulize a combinaon of the two.

Whether servicing multiple operations in one territory or managing processes for multiple markets across the globe, internal or external shared service centres can help organisations reduce costs and deliver a consistent, high service standard across their finance functions.

Cash collection is one of the finance functions which can see huge benefits from centralisation. Highly process driven, it is a function for which technological transformation has been proven to deliver significant improvements in the efficiency and effectiveness of cash collection.

As technology is one of the greatest drivers and enablers of centralisation it is unsurprisingly that invoice-to-cash, alongside accounts payable, are often the first areas business look to combine in a shared service centre.

However, whilst there is plenty of evidence that shared service centres result in financial savings and an improvement in service delivery, for many companies the gains they predicted fail to materialise.

An article by Financial Management magazine highlighted how:

A survey of 250 companies by the Shared Services & Outsourcing Network and the Hacke Group found that half of the companies surveyed expected 20% savings from establishing a shared service centre, but only 38% actually achieved it. Barely one-third overall managed savings of more than 20% [1]

It is unsurprising then that with hindsight many businesses would have chosen to do things differently. In this eBook we look at what are some of the common challenges businesses have experienced when centralising their cash collection and how they can be can overcome.

[1] https://www.fm-magazine.com/news/2012/jan/sharedservices.html

What you'll learn in this guide

Benefits of cash collection centralisation

Invoice-to-cash is one of the finance functions which can see huge benefits from centralisation. These include:

1

Cost efficiencies

Consolidating multiple smaller teams into one allows the business to leverage economies of scale and avoid the duplication of effort.

2

Improved flexibility / scalability

Smaller, leaner individual collections teams can often struggle to service peaks potentially leading to increased DSO and ageing ledgers. Centralisation enables the flexibility to allocate resource when and where it is most needed to deliver overall business goals. This can help dramatically improve the overall efficiency and effectiveness of your collections process.

3

Process optimisation

Standardisation of collections processes and investment in collections software solutions within a shared service centre will deliver consistency in results as well as improve the efficiency and effectiveness of the businesses overall collections process. Fragmented teams create the possibility of variable levels of process delivery and it can be difficult to identify and amend the endemic issues within each teams process.

4

Greater potential to build and maintain successful teams

Whilst centralisation can improve the efficiency and effectiveness of your collections process, it can also create an environment in which to nurture and build your collections teams. A larger team can provide employees with training and career opportunities – this can enable the business to foster and maintain talent providing both stability and reducing costs from recruitment.

5 Greater controls

Centralisation provides the opportunity to review your overall business needs and goals and build the right processes to deliver them. This can prevent loan wolf decisions which might not fit with the company's overall vision as well as enabling better visibility of how individual markets are truly performing.

6 Improved reporting and analytics

A key advantage of shared services is their ability to deliver the data reporting and analytics which enable the business to make data informed decisions. Effective reporting amongst order-to-cash can also help identify and resolve upstream issues which might be inhibiting business growth.

What are the key considerations when centralising cash collection in an inhouse or outsourced shared service?

Investing in a shared service centre or moving your cash collection to an outsourced business process partner does not automatically guarantee cost efficiencies and an improvement in the quality-of-service delivery.

Considering the gains can be so substantial, it is surprising how many businesses find that they fail to secure the results they had anticipated.

As with any business transformation project, success will ultimately be contingent on the strength of your transformation plan – from concept, through delivery to embedding change, the development of a realistic and actionable project roadmap will be critical to success.

As Michael Ryan, leading UK finance transformation specialist states:

In our experience strategy must always come first. We work with the CFO to define a clear vision and the transformation strategy to deliver it. The strategy sets the business case priories in terms of producvity, cost, service delivery and culture.

The key areas which should be considered when building your cash collection centralisation plan include:

1 Recruiting the right transformation team

Executing transformation projects requires a specific skill set and, however great your existing team, it is highly unlikely that anyone will have all the necessary skills and experience to deliver a transformation project. Whether you choose to outsource to a consulting agency or bring expertise in-house, it is critical to have the right team with the right skills in place.

Consultants that specialise in transformation projects will have the distance and experience to see beyond the today, to the future potential and then the vision to outline the journey to get there.

Accessing the right expertise can help your business avoid common pitfalls and ensure you achieve your business objectives quickly and cost efficiently.

2 Establishing measurable objectives tied to overall business goals

As with any business transformation project, ensuring you are clear about what you want to achieve and establish how you are going to achieve it is critical. Concrete, measurable objectives create the framework which enables the business to achieve longer-term, more vision-based business goals such as growth. Without objectives to create actionable structure, change projects will invariably cost more in time, money and resource and are ultimately unlikely to be successful.

Whilst cost savings are often the driving objective for order-to-cash centralisation, the other potential benefits such as greater controls, employee development and flexibility and scalability should also be identified at this stage. Whilst one objective may seem imperative at the outset, it is surprising how some of the other secondary objectives deliver the greatest business wins.

3 Ensuring your processes are optimised

Companies which have grown rapidly through business expansion or acquisition can often find themselves with processes which are held together with band aids. It is hard for any team which is working at full tilt in the business to find the time or the objectively to work on it.

Centralisation provides the opportunity to review your overall business needs and goals and build the right processes to deliver them. Getting this piece right will be critical to the success of your centralised shared service centre's cash collection. Ultimately, if the process isn't right, nor will the results be.

4 Harnessing the right technology

Central to building effective processes is the ability to make data-based decisions on how to optimise your collections activity. Unfortunately, most ERP solutions are still distinctly inadequate in terms of credit and collections functionality. You may have a module in your system today, but do collectors still need to manage data in vast excel spreadsheets?

Critical to successful centralisation, and indeed often one of the key drivers for it, is the implementation of a collections software solution. Collating all information on your customers payment patterns and behaviours into a centralised data warehouse, these software solutions enable touch of button data analytics and reporting to help you:

1. **Enhance customer experience**

    - Use access to real-time, one view, reporting on individual customers credit position to enable informed and accurate customer communication across all areas of the business.

    - Build customer confidence and relationships through clarity and consistency of all contact with the company.

2. **Improve efficiency and effectiveness**

    - Automation of repetitive tasks and the creation of intelligent customer communication workflows will ensure your team know when, where and how to give a nudge that deliver results.

3. **Balance opportunity and risk**

    - Reviewing real-time reporting on customer credit status versus historic payment data can help identify and avoid any credit risks. The same data can also be used to identify and exploit potential sales opportunities through the provision of extended credit to customers with a good payment history.

4. **Enable continuous process optimisation**

    - Comprehensive reporting and analytics help businesses understand the effectiveness of their current collection strategies and make data-based decisions on how to improve them.

5 Implementation of change

You can establish ground-breaking processes and invest millions of the pounds in the most advanced AI driven collections software solution but if you fail to engage your employees, you will fail to deliver results. Both those working within the shared service centre, and those now utilising it as a resource, need to be onboard with the strategy you agreed within the planning stage.

Key to successful implementation will be identifying change managers who will be focused on empowering their employees to take the necessary steps to achieve the goals of the initiative. As well as celebrating any wins, they should also try to anticipate any potential roadblocks and mitigate them once identified. Throughout the implementation process is will be critical to remind team members of the organization's vision and why

Success will be defined and measured differently by every organisation as it should be tied to each company's overall business goals. If your company's overall objective is to deliver best in class customer service to improve customer retention, then any wins in this area such as a reduction in the number or improvement in the speed of resolution of disputes will be of equal importance and the financial metrics such as reduction in ageing buckets and DSO.

It is important that any targets set are both realistic and achievable within the agreed timeframe and establish regular monitoring and reporting to understand progress. This will not only be critical to maintaining moral and momentum but also enable any tweaks and adjustments to be made to strategies, systems, and processes to ensure overall goals can be met.

6 Establish what good looks like

When setting your objectives from consolidating your cash collection in a shared service centre or BPO provider it is critical to understand what success looks like and the parameters for measuring it. It can be tempting to rely on bench-marketing against competitors or industry standards to set goals and targets, but if their business goals are different from yours or they are 5 years down the line on their business process centralization journey these targets will not reflect your businesses unique needs.

7 Reassessment and re-evaluation

It is important to remember that excellence is a journey rather than a destination. The only constant is change itself and as you embark on your cash collection shared service journey it is key to keep re-evaluating whether your original roadmap is still appropriate and on target to meet your overall business objectives.

Common pitfalls when moving cash collection to an inhouse or outsourced shared service provider

Whilst the gains can be significant, the actual process of transitioning your order to cash to a shared service model is no small undertaking. Any business restructuring project takes time and resource, and it is not uncommon whilst on the transformation journey to feel that more issues have been created than the project will potentially resolve.

Even the best laid plans will always have some gaps or last-minute changes which need to be resolved. However, it is surprising how many businesses actually make the same simple mistakes – ones which can have serious consequences, but which can be easily avoided. We have outlined seven of these below.

1

Failing to establish process for measuring success

Businesses make the decision to move their cash collection to a shared service or outsourced partner for many reasons; as part an overall business restructuring and transformation plan, to optimizing efficiency as well as the ever-popular driver of reducing costs.

However, whilst these goals and objectives are usually clearly outlined during the planning stages, it is not uncommon for business to fail to establish the process by which they will measure to what extent they have been achieved. And unless success can be easily demonstrated, it is very easy for a shared service or outsourcing project to be wrongly perceived to be failing.

Key to demonstrating success is agreeing your KPI's at the planning stage and measuring them across your cash collection function prior to making the transition to the shared service or outsourced partner. Commonly used metrics include one or a combination of those outlined below:

- Cost to serve
- DSO
- Collector Effective Index (CEI)
- Right Party Contacts (RPC) rate
- Percentage of Outbound Calls Resulting in Promise to Pay (PTP)
- Bad debt expense / percentage of sales
- Percentage of revenue / total value of in ageing buckets

Without securing a baseline understanding of these metrics prior to making the shared service / outsourcing move it will be impossible to demonstrate any wins achieved. It is therefore important to conduct a thorough audit of your historic processes within each of the individual units you are centralising so the effectiveness of your new shared service can be bench-marked against them. This will also be critical to identifying any inconsistencies in the delivery of your shared service centre for the individual businesses units and allow you to make process adjustments to ensure all your customers are serviced effectively.

2 Moving over inefficient processes

When looking to rebuild a process elsewhere, it is crucial for the business to identify all the individual pieces which make up the process and map how they fit together prior to making the move. Most business processes have grown organically, and this can often lead to knowledge being in employee's heads rather than in documentation.

The process of documentation provides a key opportunity to review the success of existing processes and identify any areas for improvement. If you simply replicate processes which are inefficient within your new internal or external shared service centre you will not see the results you desire.

It is critical at the planning stage that every piece of the process puzzle is reviewed and you:

- Identify and remove any unnecessary or obsolete actions
- Utilise automation to streamline workflows and ensure accuracy and consistency
- Explore any opportunities for process adaptions to improve efficiency

It is important to get this review right and try to ensure that the credit and collections processes you initially employ within your new shared service centre are optimized. However, it is equally important to remember that process optimization is a journey not a destination. Business needs and requirements change, and processes will have to flex to meet these new priorities. An understanding that processes will need to be continually reviewed and an outline of how and when this will occur must to be built into your shared service strategic plan.

3 Over focus on cost reduction

There is the reason the phrase "your mess for less" is used when businesses move to a shared service centre. With reducing costs a key priority for many businesses, it is not surprising that this can be a key driver for the decision to consolidate financial processes with a BPO or shared service centre. No business wants to pay unnecessarily high costs to service secondary functions and the cost efficiencies of shared service centres are well evidenced.

However, whilst cost reduction will always be a key win from consolidation, if it is the only metric used to measure success, the business will put the effectiveness of its cash collection and ultimately the long-term health of the business at risk. It is critical that optimising the overall efficiency and effectiveness of your order to cash processes are equally prioritized.

4 Expecting too much too soon

In any business transformation project it is important to understand from the outset that during the transition period there is likely be no change in performance and potentially a short dip. There will always be teething issues to resolve before everything is operating as planned. To avoid any chance of the project being considered a failure before it has got started, it is critical senior management and front staff understand that deployment is one stop on the road, not the final destination.

5 Not having the correct human resource in place to manage transition period

Transitioning to a new way of working takes time and resource and it is important to ensure that you have the correct human resource in place to effectively manage the transition. If some of your existing teams are going to make the move with you to your new shared service centre it is unlikely they will have the capacity to effectively support the business through the change period without some additional support.

Outsourcing can be a valuable tool at this period to help miminise any negative impact on your cash collection results during the transition period. A white-labelled credit control service can provide much needed breathing space to enable your inhouse credit-control team to effectively transition to the new way of working. Whilst, outsourcing ageing ledgers to a third-party debt collection agency will ensure you avoid beleaguering your new shared service centre with inherited issues from the outset.

This highlights how critical it is to secure a comprehensive overview of all the order-to-cash functions you are planning to combine in your shared service centre within the planning period. Without an understanding of how each team in currently performing it will be impossible to put the right contingencies in place to manage the transition period.

6 Settling for less than optimum efficiency

If your historic cash collection process were fragmented, highly manual with significant variances in the service levels achieved within individual markets, it is very easy to experience quick, demonstratable wins within your shared service or BPO project. This can lead to opportunities for further process Improvements going unexplored.

It is at this point that those all-important metrics for measuring success come into play and the role of benchmarking versus competitors and industry standards becomes more meaningful as you look to explore the possible. If you have concerns whether your team / processes and delivering optimal results, using a third-party receivables management supplier to provide a champion challenger can be an effective strategy. With two teams working alongside each other process and performance issues can be swiftly identified and resolved.

To ensure you maintain consistent service levels for all your territories, it can help have an outsourced partner on hand to help fill any gaps or service peaks. The right partner will be ready to provide flexible and scalable support in key areas at short notice. They can also offer a solution to deal with smaller markets, with specific language needs, that it is impossible to manage cost-effectively inhouse.

The impact of difficulties recruiting and maintaining staff is outlined in the following case study from Allergan Plc. Whilst they had successfully centralised their EMEA credit and collections function within their shared service centre in Westport, Ireland – ongoing issues with recruitment were leading to inconsistencies within the results achieved for some territories.

7 Difficulty recruiting and maintaining appropriate staffing levels

Often placed in areas where strong competition for staff, recruiting talent with specific skill sets such as language capabilities can prove challenging. High demand can not only make recruiting potential employees difficult but also drive-up salary costs and impact the cost-to-serve of your service centre.

Case Study: **Global Pharmaceutical**

Background

Global pharmaceutical company Allergan acquires, develops, manufactures, and markets brand name drugs and medical devices in the areas of medical aesthetics, eye care, central nervous system, and gastroenterology. The company is the maker of Botox and a world renown supplier of breast implants.

Allergan operate a Shared Service Facility from Westport, Ireland which provides a range of customer services and commercial support activities to the EMEA region. Credit-control for all EMEA territories is handled from this office, with the debt collection piece for all markets outsourced to an external agency.

The Problem

In 2018, a review of the effectiveness of their existing process highlighted there were inconsistencies in the levels of success achieved by territory - both by their internal credit-control team as well as the incumbent external debt collection agency.

Analysis of their internal systems and processes highlighted that ongoing recruitment issues were having a significant impact on the results achieved by their internal credit-control team. Allergan was struggling to recruit personnel both at a senior level, and also with the appropriate language capabilities to service all their EMEA markets. Externally, they felt it was time to look for an alternative outsourced debt collection partner who could deliver consistently across all markets.

The 4D Contact Solution

With both issues requiring native language expertise and market specific debt collection experience, Allergan looked to 4D Contact, with their extensive international knowledge base to provide a one-stop solution that would both fill the gaps in the credit-control team and manage the complete debt collection piece.

Allergan utilise an order-to- cash software solution, which has a decision engine for putting activities/actions into collector's diaries. Experienced at working across multiple SaaS platforms, the 4DC credit-control and debt collection teams were integrated into the Allergan order-to-cash software system processes. The 4DC credit-control team provided linguistic support on the Italian and Spanish markets, whilst the system workflow populated the 4DC debt collection team's diaries with any delinquent EAME accounts. The 4DC team log in daily to the software and make the required calls in 20 different languages, averaging 80 calls per collector per day and with an escalation point of 100 lawyers/agents in 120 countries.

Results

International debt collection and native language specialists, the 4D Contact team were able to resolve the inconsistencies in Allergan's credit and collection results, ensuring all territories were receiving an outstanding level of service.

This led to significant improvements in both fiscal and operations metrics as outlined below:

Financial Results	%
BDA reduction	12%
Reduction in 180+ aging buckets	48%

Process Improvements	Key Metrics
Re-eductation of debtors to pay whithin terms	30% reduction in customers entering debt collection Process
Complete visibility of process	All credit control and debt collection activity recorded in Allergan O2C software
% customers contacted	95% reach across customers base versus 32% historically

Conclusion

Businesses have been implementing shared service solutions for their order-to-cash function for many years with the combined objectives of reducing costs, as well as improving service levels and data quality.

Historically the preference was to build dedicated facilities, centralising fragmented systems and process from multiple business units or territories and securing greater control and consistency. However, in recent years there has been a significant shift towards outsourcing either as a holistic solution or as add on support to inhouse shared service facilities.

Whereas ten years ago one in ten companies seriously considered outsourcing, now it's more likely that at least five in ten will at least consider the possibility [2]

Whilst the potential gains are huge, the process of building an independent centralised shared service centre is complex, costly and takes time. Even companies who invest the time and resource in developing and implementing a comprehensive roadmap for the centralisation, can often fail to achieve the results they had anticipated as even identified potential pitfalls can sometimes prove challenging to overcome.

It is therefore unsurprisingly that we are seeing a shift towards outsourcing as a solution. Moving your cash collection to an established outsourced provider will still require detailed process mapping and planning to ensure your outsourced provider can successfully integrate into your inhouse systems and processes. However, once planning is complete and the parameters such as pace, tone and escalation points of collections activity bespoke to your business established, the transition can be completed in weeks rather than months or years.

Whether you make the decision to move your cash collection to a dedicated shared service resource for your business, an outsourced provider or utilise a combination of the two, consideration of the following areas will be critical to the success of your transformation project:

- Clearly defined project scope and objectives
- Detailed mapping and review of existing processes in all units to be combined
- Development of future vision and project roadmap
- Communication and engagement with stakeholders at all levels
- Change management – of both people and the physical transition period
- Establishment of processes to monitor, measure and amend.

[2] Deloitte: Shared Service Handbook – Hit The Road
https://www2.deloitte.com/content/dam/Deloitte/dk/Documents/finance/SSC-Handbook- Hit-the-Road.pdf

4D CONTACT

4D Contact provide outsourced cash collection solutions to support the finance divisions of many global businesses – from white-labelled credit-control, through debt collection to managed legal services. Whether a business is looking for an end-to-end outsourced solution or support withing a specific area, 4D Contact can provide a solution. Leveraging, our extensive experience in credit and collections transformation arena, we specialise in helping businesses identify and overcome issues that can, and will, arise during any transformation of their cash collection function.

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