

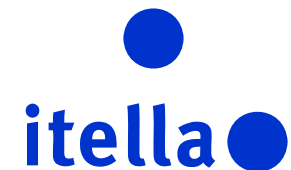


# Trends and the outsourcing of financial activities

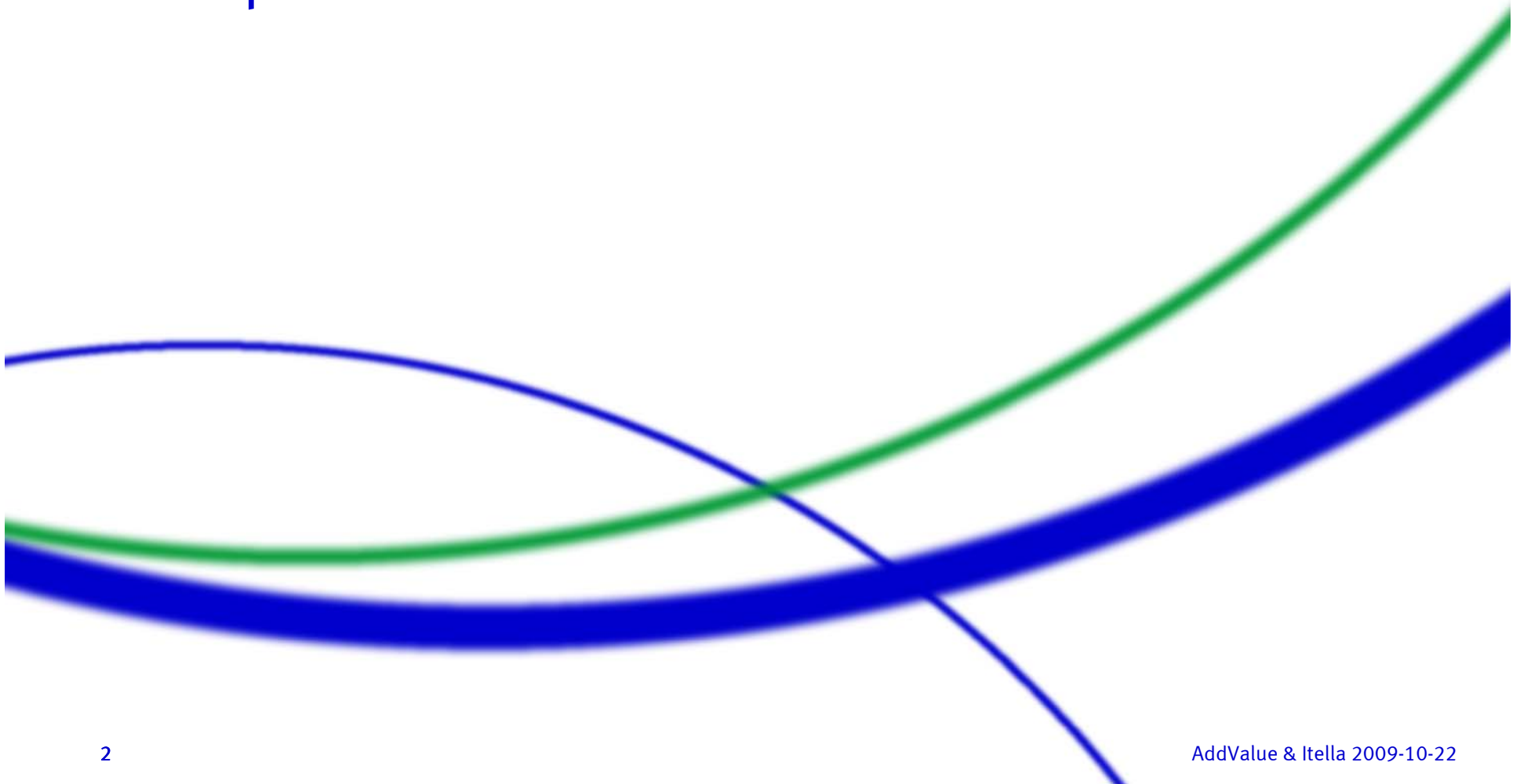
Quantitative study – Summary report

Kari Elkelä, Itella Oyj  
Pekka Törrönen, AddValue Oy

**Research series - Tutkimussarja 37/2009**  
**2009-10-22**



# 1. Objectives of study and implementation



# Objectives of study and implementation

## Aims

- to determine outsourcing levels of financial processes and future outsourcing needs for the financial management of companies, along with their outsourcing prerequisites

## Target group

- CEOs and CFOs of companies with over 200 employees and a turnover of over €10m

## Implementation

- Quantitative pilot study conducted with individuals using a theme interview approach
- The quantitative data consisted of 124 telephone interviews in which 26% were CEOs and 74% were responsible for CFO tasks
- The analysis and the report were compiled by AddValue and Itella

## 2. Focus of financial management

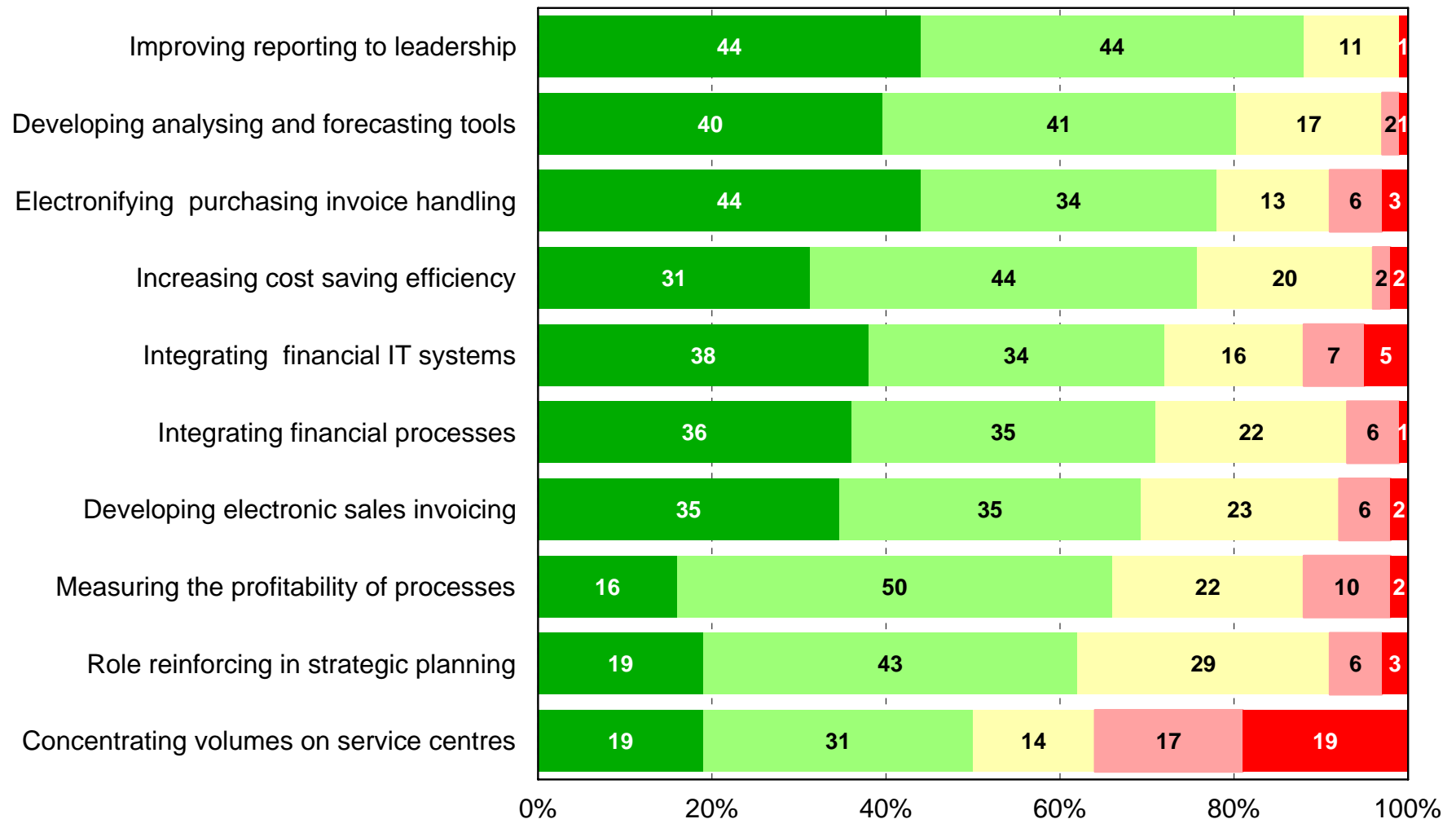


## Focus of financial management

- The most important targets for development concern improvements in reporting to management and in tools for forecasting; the electronification of purchasing invoices and improving cost effectiveness are also felt to be essential
- The opinions of CEOs and CFOs differ respecting the relative importance of different targets
- The most important targets for CFOs are the integration of the IT systems and processes of financial management, electronification of purchasing invoices and the strengthening of the role of financial management in strategic planning—that is, these are not considered so important by CEOs
- The scarcity of resources for development usually presents a further challenge

## The priorities of financial management development

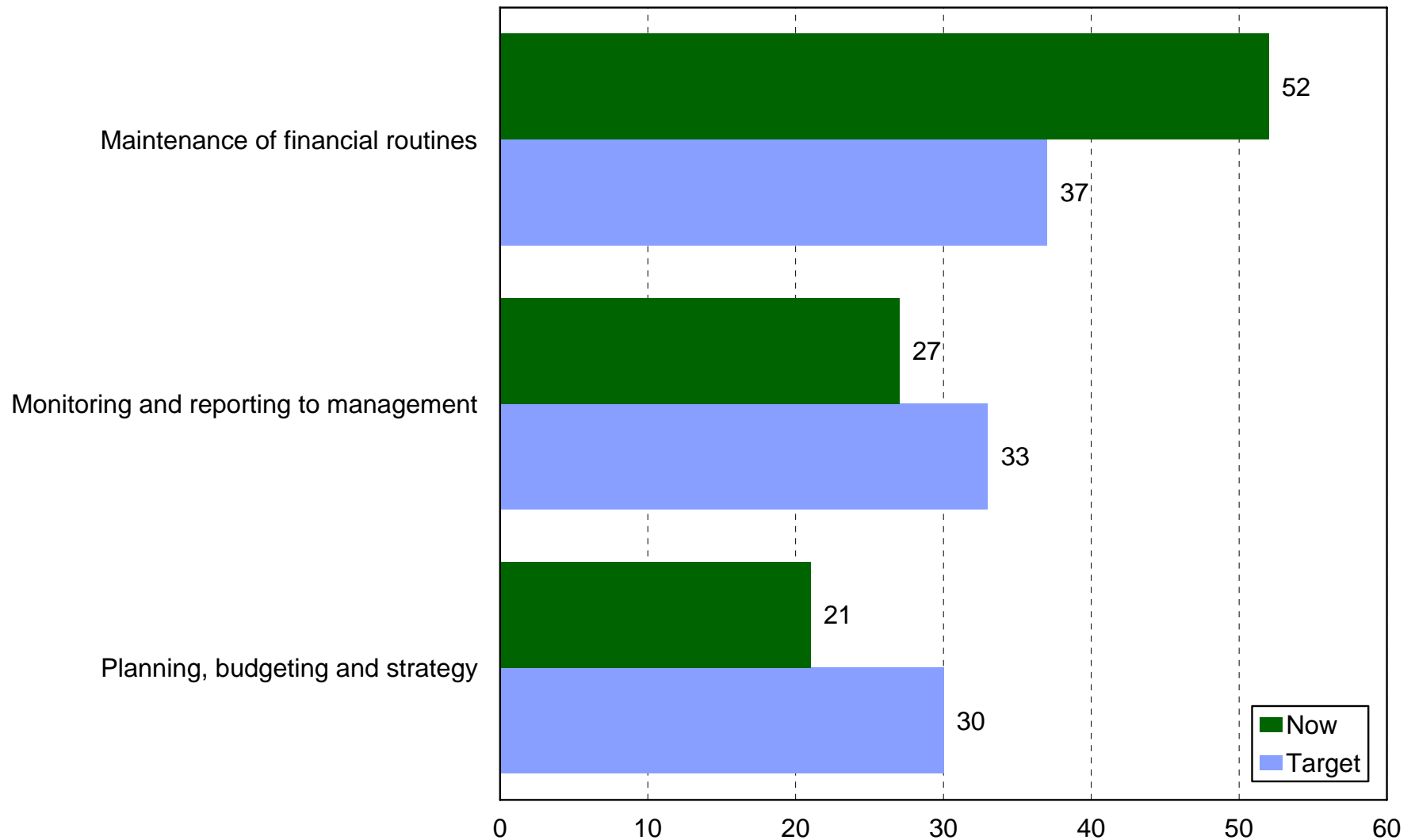
■ Very important   
 ■ Important   
 ■ Rather important   
 ■ Less important   
 ■ Unimportant



# The prerequisites for financial development

- At present half of the working hours in financial management are spent on routine maintenance
- The target for financial management should be a little more than one-third of the time spent on routine tasks
- The hope is to devote more time to monitoring the profitability of organisational activities and reporting to management along with planning, budgeting, strategic planning and creating the prerequisites for implementing already approved strategy—especially do CEOs desire that more time can be allocated to tasks related to strategy and planning
- It is clear that development of financial management has remained the task of the financial department and financial management service centre—the participation of the business operations management and outside experts is only occasional
- Financial management experts only spend a little over one-fifth of their working hours on development-related matters

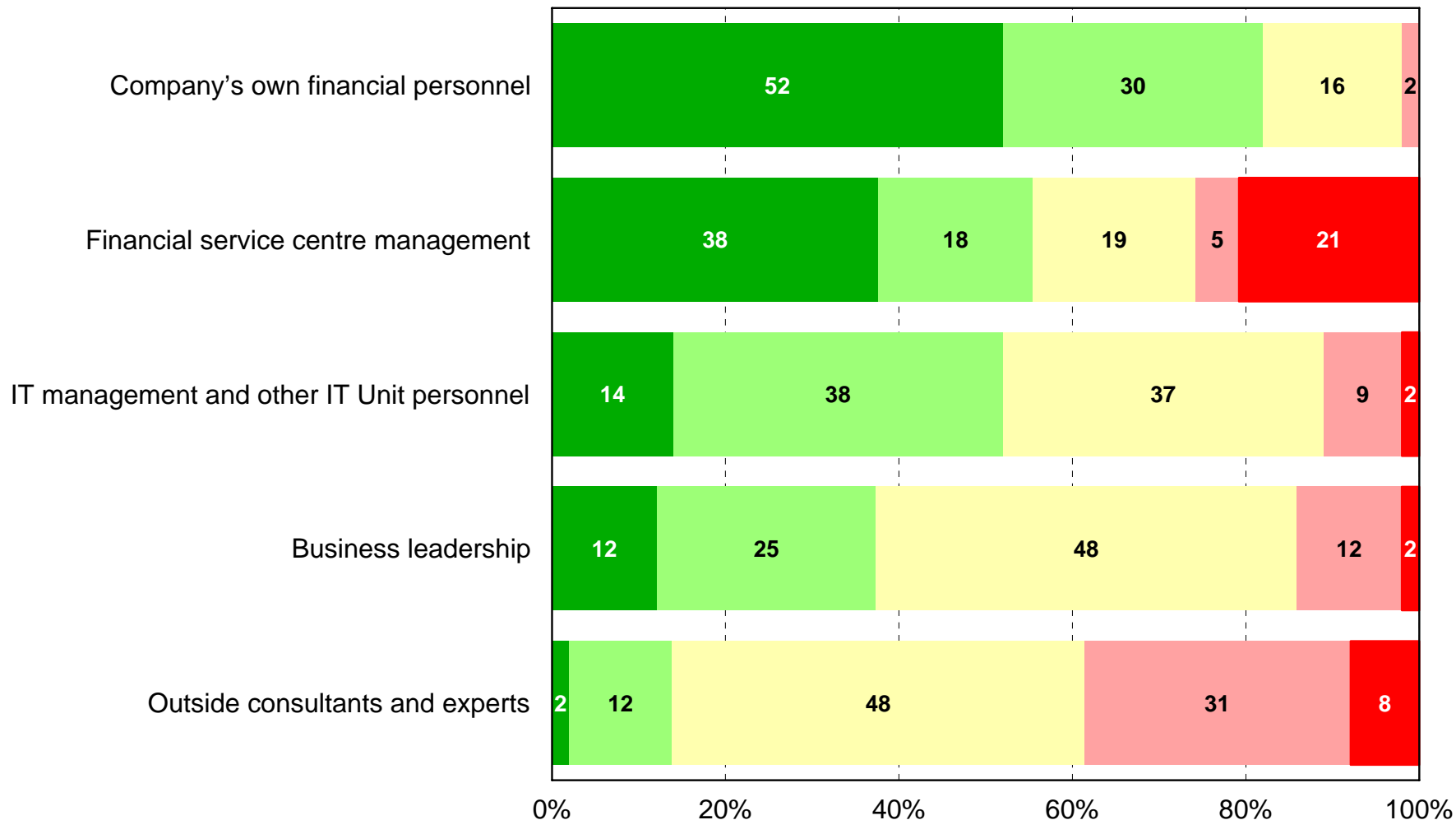
## Division of work time in financial administration now and target (%)





## Participation in financial administration development

■ Continually 
 ■ Fairly regularly 
 ■ Now and again 
 ■ Infrequently 
 ■ Never



### 3. Attitudes towards outsourcing

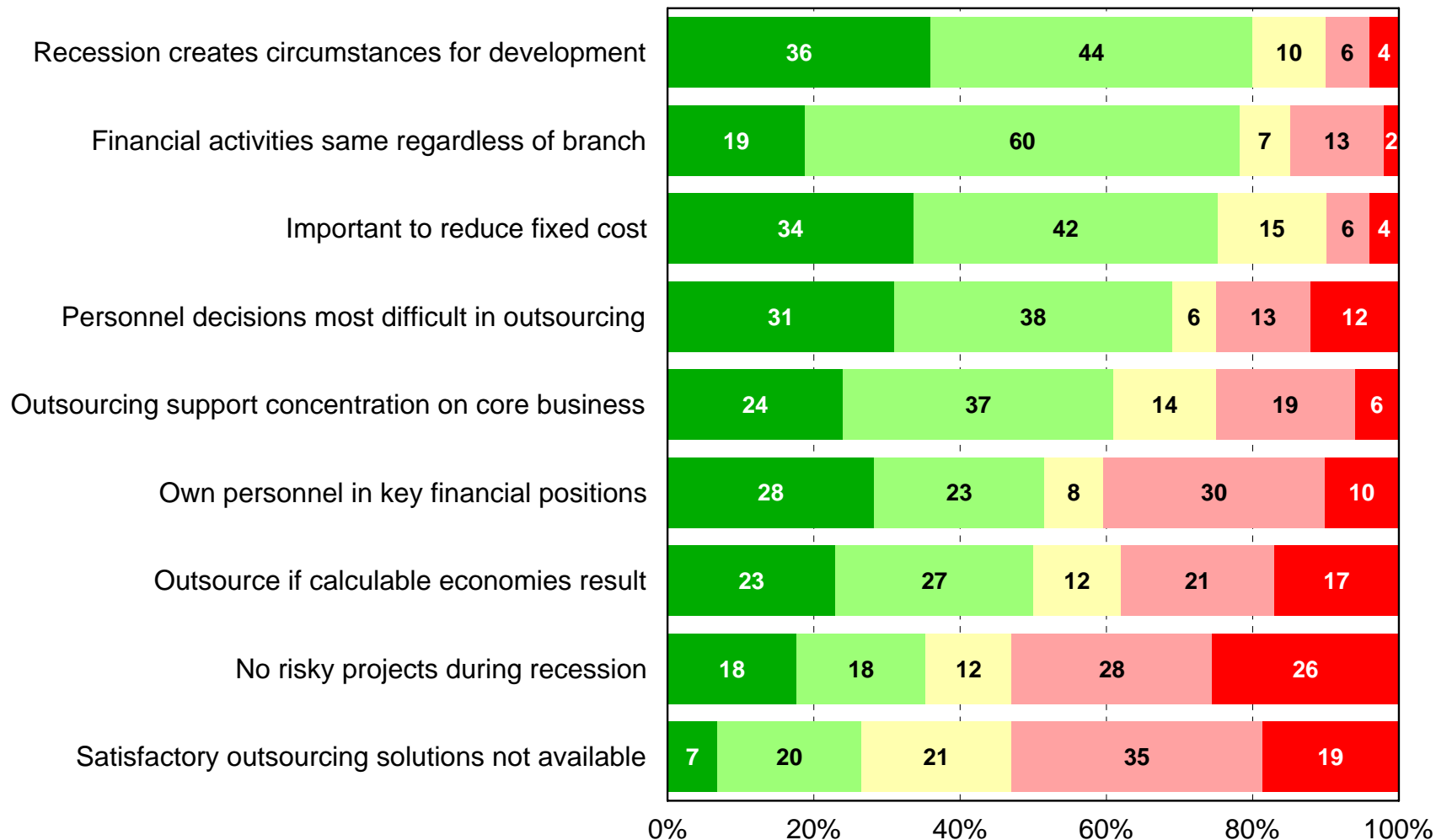


## Attitudes towards outsourcing

- The recession increases rather than diminishes interest in outsourcing
- Organisations consider that during a recession there are excellent opportunities for financial management development investment
- Further, it is felt that it is important to reduce fixed costs and that outsourcing supportive tasks will enable the company to better concentrate on its core activities
- CEOs are much more sceptical than CFOs as to whether the market can offer satisfactory outsourcing solutions
- CFOs, on the other hand, are more worried about personnel issues related to outsourcing

## Attitudes towards outsourcing financial activities

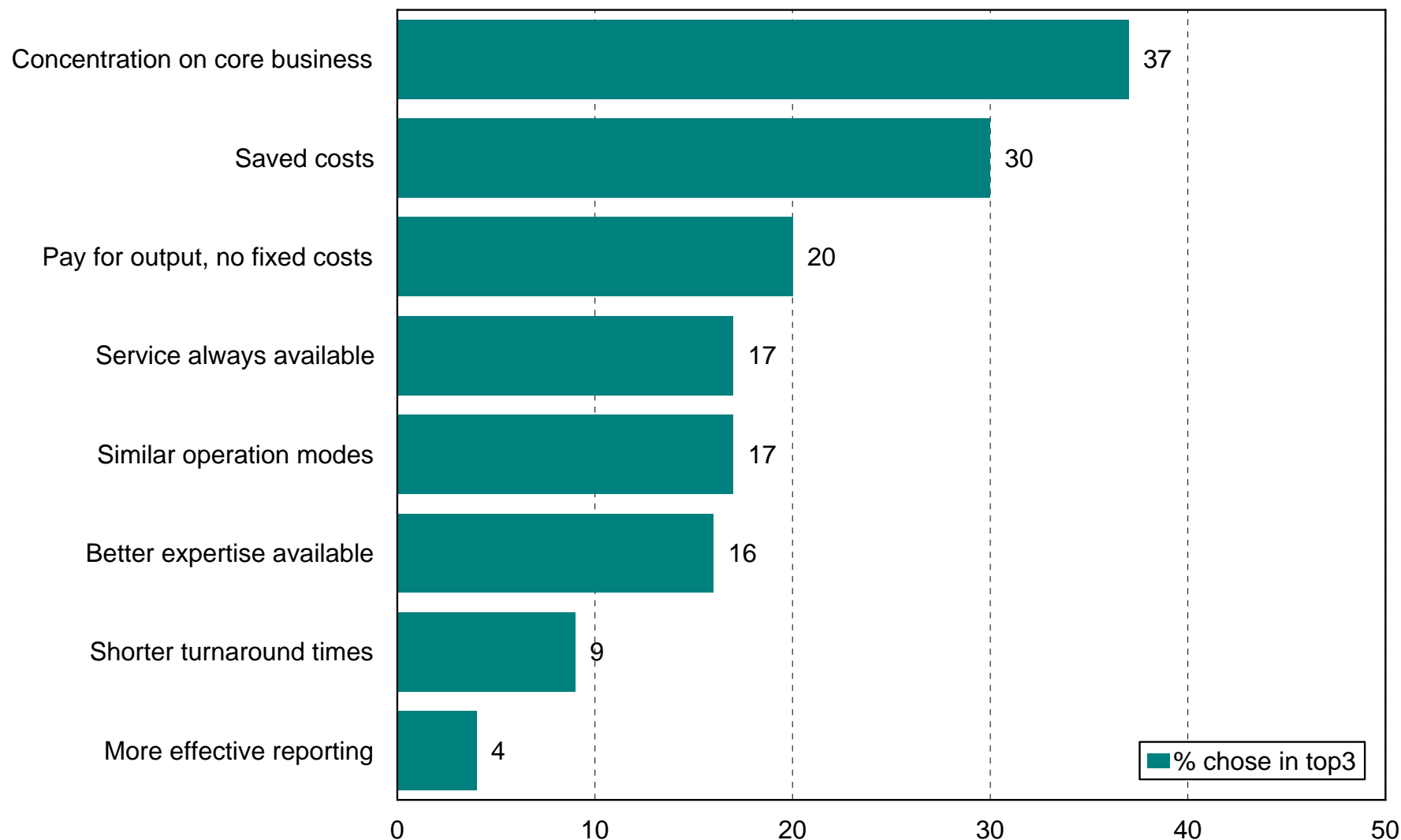
■ Fully agree 
 ■ Partly agree 
 ■ Not agree or disagree 
 ■ Partly disagree 
 ■ Fully disagree



## Benefits of outsourcing

- Above all, it is thought that outsourcing helps the company concentrate on its own core tasks
- The second most often mentioned benefit was cost savings
- Four benefits share third place
  - performance-related costs
  - service constantly available
  - uniform method of work
  - superior performance
- CEOs and CFOs experience benefits thus
  - CEOs emphasise uniform methods of operation and concentration on core business
  - CFOs stress cost economies and shorter lead-times for processes

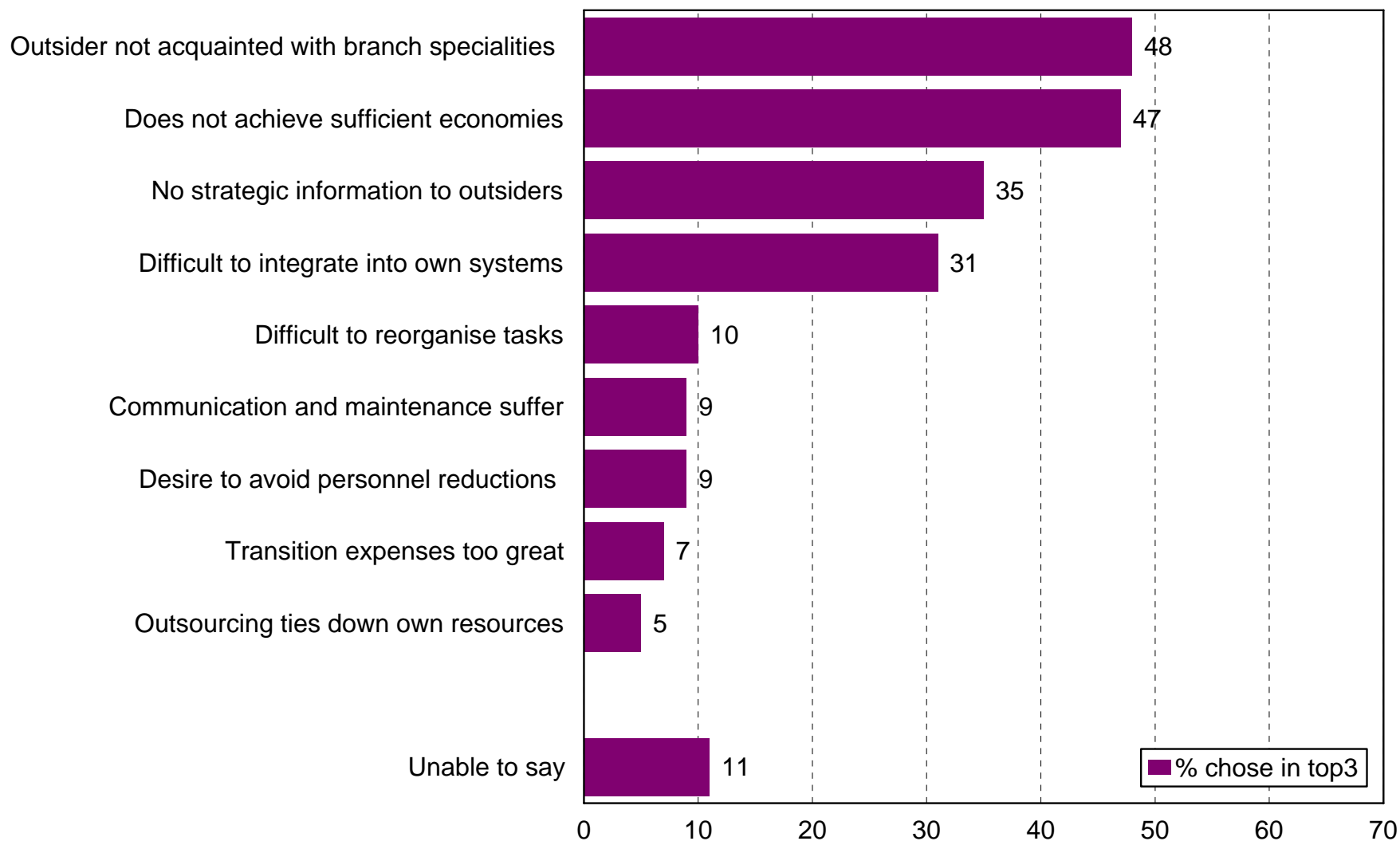
## Most important utilities from outsourcing



## Obstacles to outsourcing

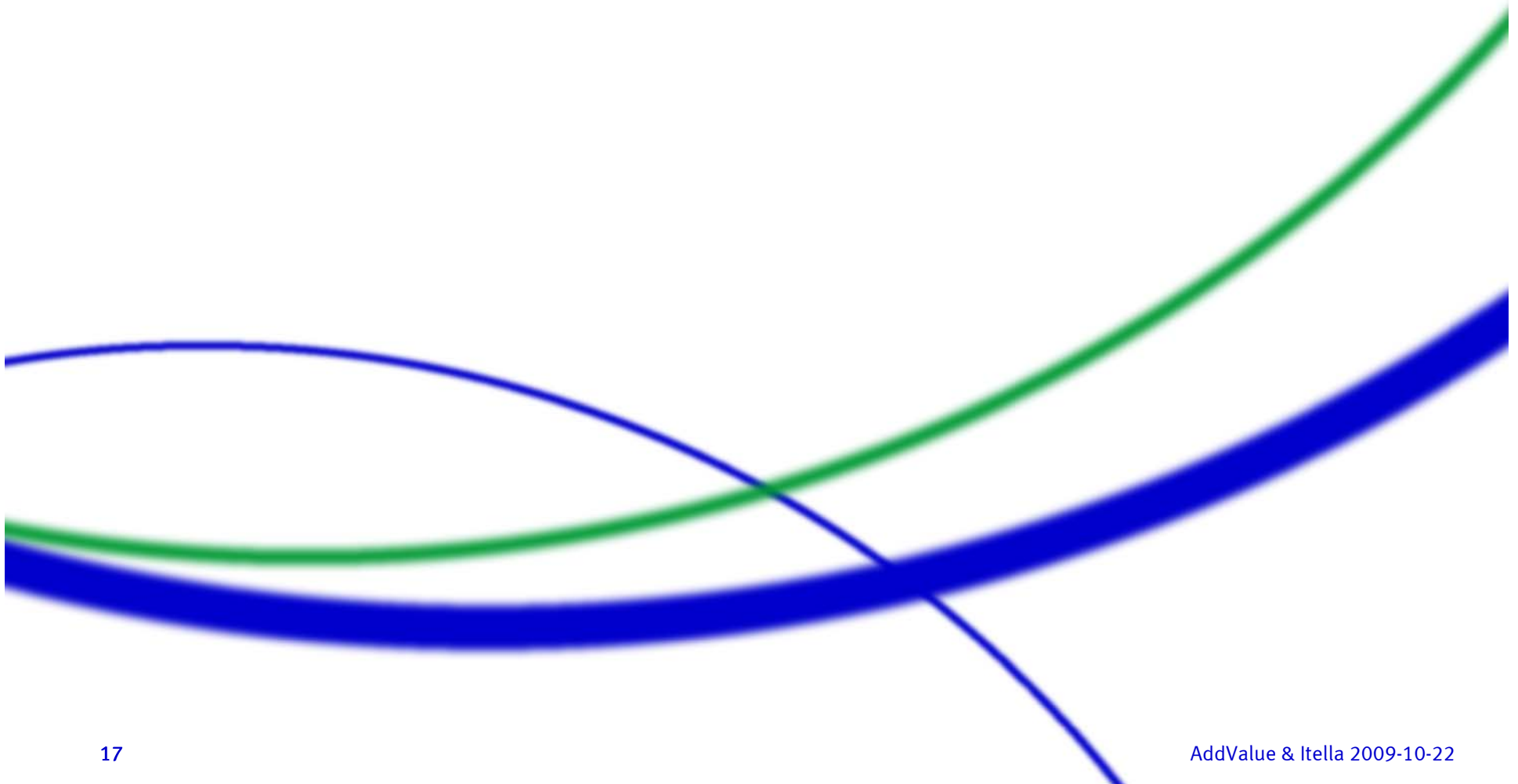
- Very often enterprises doubt the expertise of an outsider in their business area, and whether outsourcing will produce sufficient economies
- For some companies one of the disadvantages of outsourcing was the possibility of surrendering strategic information to outsiders and another the difficulty of integrating the outsourcing company's systems with those of their own organisation
- 34% of CEOs believed that all financial tasks could be outsourced—only 11% of CFOs shared this opinion
- A strong desire was felt to hold onto the controller tasks, as well as reporting and the duties of the chief accountant

## Most important obstacles to outsourcing





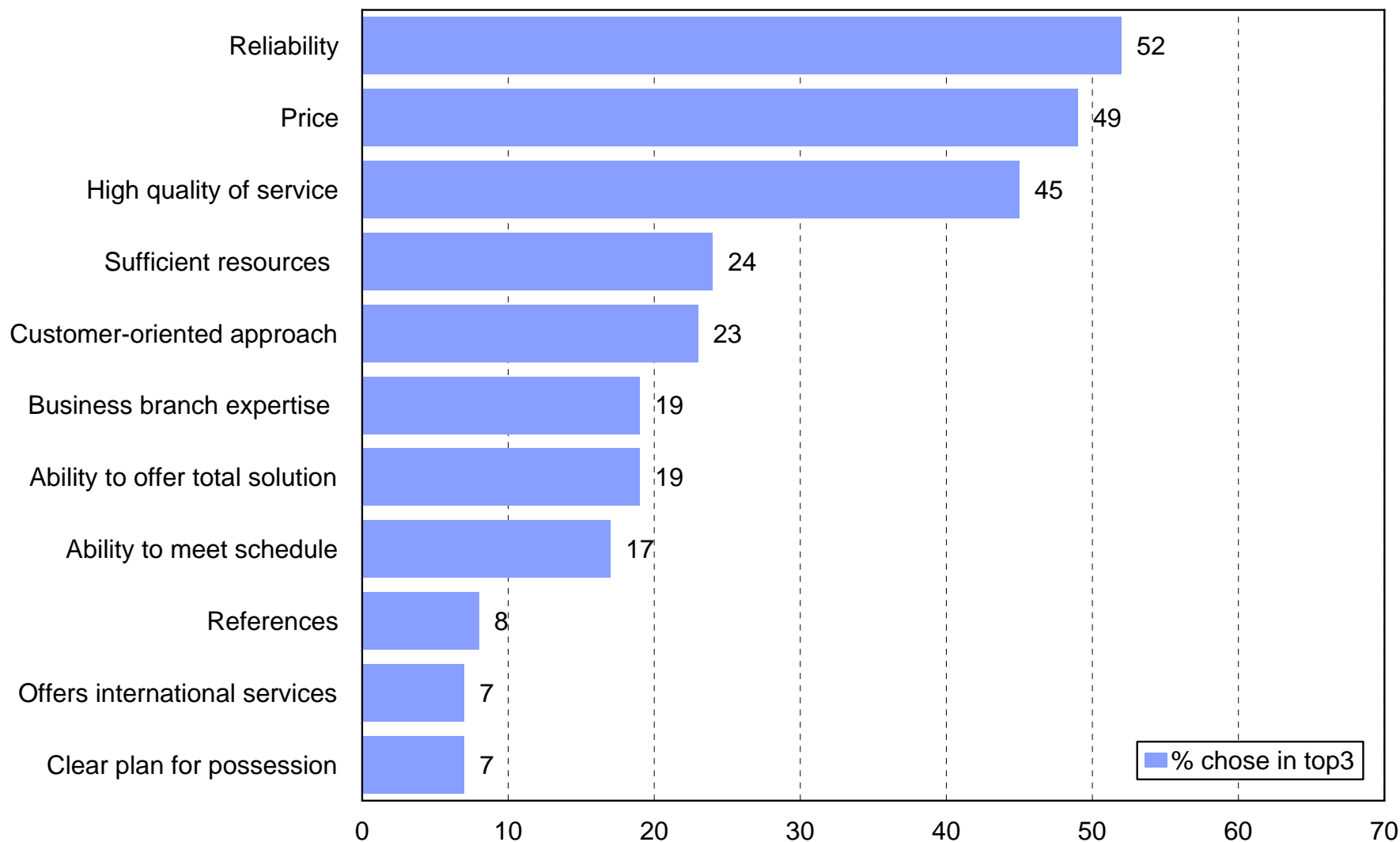
## 4. Choice criteria for outsourcing services



## Selection criteria for outsourcing partner

- The selection criteria emphasise reliability, price and high quality of services
- CEOs' values stressed reliability, quality and comprehensive solution
- CFOs put relatively more emphasis on expertise in specialised tasks

## Choice criteria for outsourcing services



## 5. Summary



## Summary (1/2) Why outsource?

Why outsourcing is attractive:

- Companies are worried that too much time is consumed in financial routines. Instead it is hoped to devote more of the work contribution to development, monitoring profitability and budgeting
- The greatest benefit from outsourcing is considered to be that relocating routine to outsiders affords better possibilities for concentrating on the core tasks of financial management
- Cost savings are considered important, especially now during a recession, although companies are still sceptical about whether they can achieve real economies by outsourcing

Potential outsourcers:

- A prerequisite for willingness to outsource is a greater than average desire to develop the company's financial operations
- Every fourth enterprise with 200-500 employees favours outsourcing, that is, they have the attitudinal prerequisites necessary for implementing outsourcing solutions.

## Summary (2/2): How do the attitudes of CEOs and CFOs differ?

- CEOs are definitely more inclined towards outsourcing financial management than CFOs that have to take into account an important process close to themselves
- 34% of CEOs believe that all tasks related to financial management can be outsourced—only 11% of CFOs share this opinion
- Generally in their attitude towards outsourcing CEOs are not inclined to believe that the market is able to offer suitable outsourcing solutions for financial management—for their part CFOs are worried about the personnel issues
- CEOs expect strategic benefit from outsourcing—CFOs efficiency
- The expectations of CEOs emphasise uniformity of methods and possibility of concentrating on core tasks—for CFOs cost savings and shortening of lead-times of processes take precedent
- CEOs consider the outsourcing of collection an important target—on the other hand, CFOs stress reception, scanning and handling of purchasing invoices
- Doubt about the sufficiency of resulting economies is an obstacle to outsourcing in the view of CEOs—whereas CFOs consider the special characteristics of their own area of activity as the greatest challenge
- The criteria for choice of outsourcing partner is reliability, quality and total solutions for CEOs—for CFOs relatively more financial expertise