

Client: A well-known mid-market real estate development and construction company based in Vancouver (Canada) with proven expertise in constructing and developing high rise concrete homes. They are one of Canada's most respected development and construction firms and have developed some of the nation's finest communities and urban villages.

Needs: The need to reduce costs, improve process-flows and have flexibility in their staffing levels was the key driver behind outsourcing Accounts Payable (AP) functions. Their current AP process though centralized was a manual, paper-invoice driven payables process. It was characterized by high processing times, non-stream-lined and non-linear work-flows, complex invoice approval process and delays in flow of relevant AP documents (packing slips and purchase orders) from different construction sites.

Why Us: The main reasons for choosing us (based on client feedback) were our robust mid-market AP solution especially the transition plan and our prior experience in handling high-volume AP processes. Additionally our experience in construction accounting for smaller firms was considered favorably. We handled the following processes within AP- three-way matching of AP invoices with packing slips and POs, entry of invoices (along with calculation of some accounting parameters like retainage), vendor reconciliation and reporting. Disbursements continued to be handled by the onshore team.

Challenges: A major challenge to outsourcing the process was the paper-driven and manual nature of the existing AP process. This resulted in skewed work-load and slower processing by the AP team due to delays in receiving paperwork from sites, getting approvals and tracing documents. Additionally there was little existing documentation of the accounting policies such as expense allocation rules, PO matching practices and job cost tracking. Further there some complications intrinsic to construction accounting like handling of commitment contracts and holdbacks in vendor invoices that we had not dealt with in our earlier assignments.

Solution: Our solution followed a multi-pronged approach encompassing extensive process documentation and re-engineering, technology selection for meeting document management and work-flow requirements and training to both onshore and offshore teams. Any outsourcing solution had to address the deficiencies arising due to the manual, paper-driven nature of the process. Further construction accounting of payables involves a close working with field/site managers for invoice approvals, job-costing and expense coding. So the flaws of existing process would have only been exacerbated in the outsourced scenario if the existing process was implemented without major modifications.

We identified a document management cum work-flow software that would automate the approval process, index the scanned images for easy retrieval and export data easily to the AP module of the accounting software (Timberline). However the software needed a significant investment and required new work flows and training of the onshore accounting team and site managers. Key stake-holders wanted a demonstrable proof that

the technological solution would address their needs. A pilot-phase with gradual scaling up of invoices was designed and key performance indicators such as processing speed and accuracy were closely tracked in the modified process.

Training was imparted to the Indian team on multiple fronts-software, construction accounting norms, and specific company practices. The Canadian team received orientation on working in a digital environment (training in working with PDFs, scanning, communication formats, and some document preparation). Extensive process documentation (maps, operating procedures and check-lists) were developed. This was a challenging part due to the lack of existing process documentation. We prepared process documentation covering areas like technical construction accounting concepts like commitment invoices, holdbacks, GST and PST calculations, and allocation of indirect and overhead costs.

In the new process, scanned images of invoices would be acquired by Indian team and matched (three-way) with scanned images of packing slips, POs and rental contracts. Key information pertaining to invoices was entered either from the source document or based on pre-defined rules (these kept evolving as process documentation for the process was constantly being updated).

The initial solution was a completely remote one wherein both images and the software were housed on client server. However this turned out to be a tedious process. So specific types of documents were identified that could be sent to us without any data-security related issues. Tests were done to track times of specific activities comprising the process. These would be followed by discussions between Indian and Canadian team to identify individual steps that could reduce the processing time of these activities.

After some iteration, the right process was found and documented completely. This was then tested in scaled up scenarios. Results were tracked on weekly basis at operations level and on monthly basis at senior level. After about two months of pilot phase, the process was successfully scaled up.

Results:

- Cost savings of 45% seen by the client on an ongoing basis in the outsourced scenario
- The average volume of held invoices in the system (waiting for approvals, coding from managers etc). went down by 50%
- Same day turnaround with 99.7% accuracy levels for a daily processing volume of 125 invoices per full-time employee (FTE)
- Successful handling of complex invoices involving progressive invoicing, commitment invoices and multiple tax codes
- Client is in advanced stage of discussion to migrate other accounting activities to India

