In 2010, many clients in our Finance and Accounting (F&A) practice came to us with the same request, “Can you tell us where our finance function stands when compared to those in our industry, or others? How do our process efficiencies stack up against those who are best-in-class?”

Infosys BPO was perfectly poised to answer these questions in a quantifiable manner. With 40 F&A engagements at large enterprises across industries, we had visibility into varied processes, and sometimes, even the entire F&A value chain. What followed next was an extensive benchmarking study of F&A operations, processes and functions — 2,000 questions, digging into 250 RFPs, referencing benchmarks published by analysts, and thousands of man-hours of scrutiny. The result? An industry-leading repository of over 610 F&A benchmarking metrics: 155 business metrics, 35 cost metrics and 420 process metrics.

A realistic way to plot the current state of F&A functions. A compass to draft a roadmap towards top-tier operational and business performance.

Infosys BPO’s benchmarks are as detailed as it gets: the benchmarks factor differences across industries, technologies, process designs, skillsets, process design, client dependencies. They are also normalized for constraints (e.g. legacy vs. ERP, geographies, languages). Today, many of our clients are leveraging these benchmarks to realize best-in-class operations, and most importantly: to realize business value they can actually measure. Infosys BPO has now taken these 610 metrics to the market — F&A benchmarking is now available as a service offering.
In the world of outsourcing and consulting, ‘best-in-class’ and ‘benchmarks’ are terms that are thrown around loosely. Often, such benchmarks do exist in the form of metrics published by industry analysts, and efficiency-based frameworks that’s shown to clients by outsourcing providers.

But some of these metrics often have shortcomings:
• Typically, metrics are based on a small sample size of processes and process steps
• Such metrics make for an ‘apples-to-oranges’ comparison — for example, the ‘productivity in invoice processing’ of a smaller communications company is often benchmarked against that of a large manufacturing enterprise
• Do not provide a way to map process metrics to business metrics
• Do not identify the underlying reasons or rationale for current performance
• When used as the basis for defining SLAs, incomplete metrics are dangerous, often setting the stage for a decline in performance
• The metrics cannot be used to develop a sustainable roadmap for realizing business value

Addressing all the above shortcomings was a key focus for Infosys BPO when we invested in a detailed finance and accounting (F&A) benchmarking study in 2011. We decided that our benchmarks should be detailed enough for us to tell any CFO whether their finance function was average, a laggard, or best-in-class. Another imperative we decided on from the get-go: the benchmarks shouldn’t be limited to process metrics; they should also include a significant number of business metrics — with a clear line of sight and correlation between continuous process improvements and business outcomes.

Best-in-class benchmarks: 
*What every CFO wants, but seldom gets*

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Comprehensive, intuitive, transformative: 
*Infosys BPO’s approach to F&A benchmarking*

Infosys BPO identified four overarching processes in Finance and Accounting (F&A) for the benchmarking study: Procure to Pay (PTP), Order to Cash (OTC), Record to Report (RTR), Financial Planning and Analysis (FP&A). Each of these processes along with each process step would be analyzed across over 40 engagements at Infosys BPO across industries — Manufacturing, Financial services and Insurance; Communications, Media and Entertainment; Energy and Utilities; Healthcare; Retail, Consumer goods and logistics.

Some of the differentiators of Infosys BPO’s study include:

**Internal and external benchmarking**

The benchmarks don’t just compare process / business performance with other companies at Infosys BPO. Metrics are also compared with external benchmarks published by industry analysts. This is reflected in the fact that we have an ‘Infosys BPO Average’ and ‘External Averages’ to identify:

**What it means to different stakeholders:**

**For the F&A practice / clients:**
• A wide range of Process / Business metrics covered — including quality, cost, productivity, process cycle time, straight through pass, automation, standardization, process effectiveness, efficiency, business value
• A data bank which contains various analytical insights into the operations in terms of metrics, best practices, capabilities etc., compiled based on questions and discussions with CFO/Financial professionals of various companies / prospective clients. This also ensures that the board room talk resonate with what one gets to see on the operations floor

**For the Operations / Clients:**
• Roll out a ‘Benchmarking Scorecard’ for the operations — with the improvement journey and the projects to be implemented to reach best-in-class performance; review and track this scorecard at regular intervals during business meetings with clients
• Integrate the benchmarks with Infosys’ Business Value Realization (BVR) Framework. Infosys has a BVR framework drawn for the clients (explained in detail in page #6) as part of continuous improvement and business value add. The output of the benchmarks exercise acts as a critical input for the Business Value Realization Framework rolled out to the clients

**For the Business / Clients:**
• Provides a framework for realistic negotiation of Service Levels as it is based on live data from operations
Bottom line and Top line opportunities:
*Infosys BPO’s benchmarks cover process, business and cost metrics*

As a result of the benchmarking study, Infosys has benchmarked over 155 business metrics, 35 cost metrics, and 420 process metrics.

### Process metrics
These metrics are related to a process or sub process and the improvement of the metric will result only in improvement of the process.

**Examples**
- **Processing accuracy**
  - Percentage of invoices / journal entries processed accurately
  - Percentage of receipts applied without errors
- **Timeline adherence**
  - Number of invoices processed within timelines
  - Percentage of entries passed within defined timelines
  - Percentage of receipts applied within given time
- **Productivity**
  - Number of invoices per AP FTE
  - Number of journal entries processed per FTE
  - Number of receipts applied per FTE

### Business metrics
These metrics are driven through a policy or are driven by the nature of the business of the client, and impact the business of the client.

**Examples**
- On-time payment of invoices
- DPO – days payables outstanding
- Early payment discount
- On-time closure of books
- Number of days taken to close books
- Percentage of automated journal entries
- Percentage of automated intercompany reconciliations
- DSO – days sales outstanding
- Percentage of past-due invoices
- Ageing of past-due invoices

### Cost metrics
This metric outputs the cost of a particular process or a transaction.

**Examples**
- Cost per invoice processed
- P2P cost as a percentage of revenue
- Cost per T&E claim processed
- Cost per vendor master maintenance request
- Cost per journal entry
- Cost per GL account reconciliation
- Cost per bank reconciliations
- Cost per closing activities
- Cost per asset capitalized
- Cost per remittance processed
- Cost per customer invoice processed (AR)
- Cost for collecting each million dollar
- Cost per dispute
How the benchmarks tie in to Infosys Business Value Realization (BVR) framework

Infosys has laid down a Business Value Realization (BVR) framework which looks beyond SLAs and identifies various process and technology improvements which add value to a client’s operations. Our BVR framework encourages clients to build the connect from the process metrics to the business metrics to achieve their desired results in business metrics such as reduction DPO, improvement in working capital, reduction in cost per invoice.

The BVR framework provides visibility of the various levers that enables clients to achieve their business metrics. Infosys maps these levers across various clients within Infosys using the internal benchmarks and the industry to assess the process maturity of a client engagement.

Example: How a combination of initiatives can help clients reduce its cost of processing an invoice.

The levers which impact this business metric are:

- Process harmonization and standardization
- Consolidation, offshoring and outsourcing
- Technology multipliers like automation tools
- Operational optimization like Six Sigma and best practices
- Decision accelerators like reporting
- Measuring and improving process metrics

Shared below is a high level Business Value Realization (BVR) Framework or transformation roadmap for the procure to pay (P2P) process:

Objective
- Identifying the business objective (process impact)

The cost of processing an invoice are directly impacted by FTE productivity, levels of process standardization, consolidation and offshorability.

Our internal benchmarks for these transformation levers suggest that improving process metrics will reduce cost per invoice for a client.

Metrics
- Determining base metrics which are driving the business objective – Level 1 metrics
- Deriving sub-metrics that drive base metrics – Level 2 metrics

This example shows how typical PTP best practices such as PO penetration and 3-way matches impact the Level 2 process metrics such as % straight through pass and end-to-end cycle time for processing invoicing. We have observed improvements in these process metrics that impact the Level 1 metrics like overall productivity of an invoice processing analyst.

Change enablers
- Identifying the projects to improve the base metrics and sub-metrics, and hence influence or achieve the business objective

One change enabler recommended is automation of processes through an OCR engine, which will make for accurate and faster processing of invoices. This will contribute to achieving the business objective, which is reducing the cost per invoice.
Measurable business value:  
How Infosys BPO’s benchmarks move F&A clients to the next level

- Leverage vast amounts of data to measure current performance standards of our clients  
- Roll out transformation roadmap  
- Assess realistic effort estimation for greater productivity

- Track performance measurements across the Infosys BPO F&A practice  
- Identify the current stage of performance of the engagement and compare the engagement performance with internal and external benchmarks  
- Identify best practices from best-in-class engagements  
- Analyze factors that contribute to low performance, and determine drivers for performance improvement  
- Roll out ‘Benchmark Scorecard’

- Identify top metrics that have direct impact on financials  
- Use the Business Value Realization (BVR) Framework to implement projects to improve performance and deliver dollar benefits to our clients

Examples of analysis

Sample of level of detail achieved during benchmarking study: for an accounts payable process – Invoice processing

<table>
<thead>
<tr>
<th>Metric details / Clients</th>
<th>Manufacturing</th>
<th>FSI</th>
<th>EM EUS</th>
<th>EM PPNM</th>
<th>CME</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Large commodity manufacturer - NAM - Special Invoices</td>
<td>Global Electronics Giant Chennai - APAC</td>
<td>Leading Brokerage Firm</td>
<td>Europe headquartered private equity firm</td>
<td>Leading Apparel Retailer</td>
</tr>
<tr>
<td>Time taken to process each invoice (PO based)</td>
<td>1.0</td>
<td>4.0</td>
<td>15.0</td>
<td>6.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Total time for common process Steps</td>
<td>1.0</td>
<td>4.0</td>
<td>10.0</td>
<td>6.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Invoice document verification</td>
<td>1.0</td>
<td>2.0</td>
<td>1.0</td>
<td>3.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Invoice data entry (Indexing, Data entry and duplicate check)</td>
<td>1.0</td>
<td>3.0</td>
<td>8.0</td>
<td>5.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Matching</td>
<td>Auto Matching</td>
<td>2 way</td>
<td>3 way</td>
<td>2 way</td>
<td>2 way</td>
</tr>
<tr>
<td>Total Time for additional process steps</td>
<td>0.0</td>
<td>0.0</td>
<td>5.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Check and analysis of PO</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Separate duplicate check</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoice archival</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Average number of line items per invoice</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
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<tr>
<td>Number of data entry fields</td>
<td>6</td>
<td>21</td>
<td>24</td>
<td>21</td>
<td>22</td>
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<tr>
<td>Time taken per data field (seconds)</td>
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<td>0.14</td>
<td>0.33</td>
<td>0.24</td>
<td>0.32</td>
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<tr>
<td>Time taken per invoice line item</td>
<td>1.00</td>
<td>1.33</td>
<td>5.00</td>
<td>1.50</td>
<td>3.33</td>
</tr>
</tbody>
</table>
Industry-wise performance – Number of non PO invoices per FTE per month

Industry-wise performance – Number of PO-based invoices per FTE per month

Number of Invoices per AP FTE per annum – Comparison with external benchmarks
Percentage of automated journal entries – Comparison with external benchmarks

![Bar chart showing percentage of automated journal entries.](chart.png)

- **Infosys**: 19%, 41%
- **Analyst 1**: 61%, 86%
- Average: 19%
- Best-in-class: 61%

Industry-wise performance – Work days taken to close the books during month end

![Bar chart showing workdays taken to close the books.](chart2.png)

- **Overall performance**: Manufacturing 1.0, Financial Service and Insurance 3.0, Energy, Utility and Services 5.3, Print, Publishing & Media 5.5
- **Best**: 0.0, Average: 1.0

The way forward

With the in-depth knowledge captured by the practice through the benchmarking exercise, today Infosys BPO is ready to offer Finance and Accounting (F&A) benchmarking as a value service offering to our existing and prospective clients. With over 610 benchmarks, we have consultants with over three years of experience in benchmarking, and we developed an in-house benchmarking tool for data collection, computations and presentations. The success of this exercise has encouraged us to institutionalize this benchmarking exercise for other practices in Infosys BPO, including Sourcing and Procurement (S&P), Human Resource Outsourcing (HRO), Sales and Fulfilment (S&F), and Customer Service (CS).

We strongly believe that whether or not you outsource your F&A processes, you should undertake a benchmarking exercise, which could serve as an eye-opener for process improvements and transformation. Because with Infosys BPO’s F&A Benchmarks, there is no ‘one-size-fits-all’ yardstick — the metrics are an ‘apples-to-apples’ comparison that lead to the realization of true business value. As they say, the numbers don’t lie.
About the authors

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Vinay is the Associate Vice President and Global Head for one of the biggest client engagements at Infosys BPO. Prior to his current role, he was the Global Head of Risk and Compliance and Finance Centre of Excellence for the Infosys BPO’s F&A Practice. He comes with 23 years of experience in the finance industry, with 17 years spent extensively in the practice of subjects such as accounts, audit, taxation and corporate law. Vinay was a partner in a large chartered accountant firm based out of Bangalore. Vinay is a chartered accountant who holds a diploma in systems audit, and is a member of The Institute of Internal Auditors (Florida, USA).

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Ram is a Consultant in the Infosys Finance and Accounting, Control and Compliance Group. Ram was the Principal Architect for Infosys BPO’s F&A Benchmarking study. He actively worked on developing and rolling out the benchmarking scorecard with the improvement journey for Infosys BPO’s engagements, and was part of the core team involved in suggesting the projects to be implemented for obtaining best-in-class performance. Ram is a chartered accountant, a graduate in commerce, has professional certifications including IFRS – certified by ICAI, and is trained on Sarbanes-Oxley, SSAE 3402 / ISAE 16, and US GAAP.