

Guide

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# Outsourcing of financial administration - modernization and efficiency of financial processes



**STARIA**

## Introduction

Technology is developing, and the pace of change is constantly accelerating. Financial administration must also respond to changing business needs, that's why process development is important. Agile organizations want their financial administration's resources move towards producing information that supports business decisions.

The challenge for many organizations is that although there are enough resources in financial management, they are misused in poorly planned processes. The resources in financial administration produce routine, manual, and repetitive tasks from month to month rather than providing productive work that supports decision making, such as customer-specific analyses, investment calculations or forecasts on different scenarios.

The situation might be a result of out-dated systems or that current resources' expertise is more of financial accounting than business controlling. The fact that employees prefer familiar practices and are averse to change presents a challenge, which makes it difficult to implement changes internally. Another factor that slows down the development of financial administration processes is that investment resources are often needed in core business and that is why back end processes are left behind in process development.

These are some of the reasons modern CFOs want to **outsource the basic functions of financial administration to a partner, to whom financial processes are core business and**

**it can therefore continuously produce them efficiently and invest in automation.** There is a pressure to modernize financial processes, but at the same time, cost-efficiency is also required. In addition to systems and integrations, routines can be increasingly automated through robotic process automation and AI. Experienced partners assist in drafting a suitable solution of outsourced service, systems, and modern technology to get most out of efficiency.

In this guide, we describe the **various methods companies use to outsource their financial administration, how an outsourcing project is planned, and how to ensure success.** We will advise you on how to improve the service level of your financial function for business steering needs.

Outsourcing is a way to ensure constant development of financial administration and to identify cost reductions. Our advice and examples will help you find a suitable way of increasing the efficiency of your financial processes. Business process outsourcing can be built as an external service solution with or without the personnel transferred to the external partner. In any case, the purpose of outsourcing is to integrate financial administration into a single unit that combines a modern and efficient way of managing routines with active development and increased service level.

I hope you enjoy reading the guide!

Staria

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# Outsourcing financial administration in the 2020s

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## Expert partner to support change and development

Traditionally financial administration has been outsourced for cost reasons. Has this changed in the 2020s? What should you know about the reasons, methods and benefits related to outsourcing?

Cost-effectiveness and ease of administration have always been reasons for outsourcing. When financial services are provided by external partner, a company benefits from their partner's financial processes specialization and achieves efficiency and economies of scale that yield cost savings. When financial processes are outsourced, company also saves time and money in recruiting and administrative processes from having to find qualified personnel or to non-core processes. Often reasons for outsourcing relate also to the need to speed up or increase the quality of reporting processes.

So, what has changed? As stated in the introduction, **the digitalization of society and the accelerating change of requirements in financial administration** have become evident in recent years. Both business and financial systems are developing and are being updated at an accelerating pace. In addition, RPA and AI have become central tools for finance process development. All in all, the technology around financial processes is continuously developing and the best practice of agility and efficiency require keeping up with newest improvements both in tech and know-how.

This is why companies are more and more looking for partners that are specialized in this modern technology looking for a developing and specialized partner to ensure that the processes in financial administration are modern and efficient, both now and in the future. A partner must also be able to scale up the financial processes to respond to the volume changes, such as its strong growth or internationalization, or a sudden contraction of business, as we have seen recently.



## Corporate responsibility is significant

In recent years, emphasis has also been placed on responsibility matters. **A modern financial administration team should be composed of experts**, not clerks. Sometimes, however, the allocation of roles in the internal administration is not optimal, and people may respond to reforms negatively. This slows down development significantly.

While there is a desire and need to provide financial services efficiently, it cannot be made at the expense of personnel or the company's reputation as an employer. Instead of terminating employee contracts due to outsourcing, the

entire financial function can be outsourced by transferring the employment relations to the new service provider. More on that later. This way, a company does not have to choose between competitiveness, efficiency, and its responsibility as an employer.

Efficiency in financial administration is achieved by doing things differently, through better work practices supported by modern systems, AI and RPA. Efficiency is not achieved by demanding more work hours or a faster work pace from employees if practices are poor.

## Financial service partners have expanded their services


As the reason for outsourcing is more and more related to process development needs, financial partners have expanded their service offering. Several financial service providers have taken the role of administrative process developer, supporting customer company's strategy and competitive goals. They are also actively developing systems, other technologies, and best practices used in financial processes.

In addition to their core service solutions, financial partners are also providing software products, and expanded their expertise to cover robotics and AI solutions. These technologies can support customer's other processes, not just back office operations. For example, robotics and AI may be utilized to accelerate customer service or to

improve the quality of the service. In addition, partners support companies' internationalization needs by providing common platforms, service solutions and readymade partnership networks on global scale.

Financial tools have improved but choosing a proper tool and using it effectively may be a challenge without a competent partner. External partners can also provide consultation on process development suggestions to improve customer's in-house financial operations. This consultation can provide opportunity to compare in-house operations' efficiency to the best industry practices. Reports provide readymade suggestions for improvement, with the technology and process development steps.





# What should be outsourced and how?

The outsourcing of financial administration can be approached either as a whole service centre or smaller scope. Which are the typical tasks that should be outsourced?

Normally, companies start by outsourcing **routine and repetitive tasks** such as accounts payable/receivable, monthly closing, and regulatory reporting. Payroll calculation is also a common process to be outsourced. In general, financial accounting processes have many rule-based elements that are similar across different companies. Performing them can be done without a deep insight of business drivers.

Everything does not have to be outsourced at once, but the scope of outsourcing should still have **clear process entities and responsibilities**. The outsourcing of a single work stage may not yield a great deal of benefits or savings. Since the process stages are linked to each other, the process becomes more

exhaustive if additional coordination is required. Therefore, outsourcing should always be scoped so that the allocation of responsibilities is clear. However, the scope of outsourcing is flexible and can be changed later, as the customer's business requirements develop.

**Typical drivers for outsourcing are** situations where a company is facing huge pressure for change. For example, business volume changes such as scaling growth or major business volume reduction to which the management's resource allocation or the cost level needs to adapt.





When a company is scaling upwards, external financial administration is more flexible because resourcing can be increased step-by-step instead of by adding headcount. Such companies are also typically facing massive recruitment pressure in their other functions. If new administrative personnel is out of scope the recruiters can focus on core business personnel.

Another typical reason for outsourcing is the **overall need to redesign and modernize processes**. An example of this would be a change in the ERP system, or a situation where the financial administration has been lagging behind development for one reason or another. With the help of a partner, financial administration can be modernized as a whole. The administration support systems such as purchase invoice processing or travel claim calculation systems.

A partnership can bring many advantages, but it **requires both parties participation**. Customer needs to take part in designing processes and managing personnel to follow the new guidelines. This requires time and effort. Therefore, if you are facing peak season and have no personnel resources left to develop the financial administration, it's best to wait for a better moment. The CFO should also have time for cooperation. The more a company wants to develop financial projects with a partner, the more important it is to participate in development. CFO has a role in linking the different stakeholders in in-house and outsourced teams.

## Allocation of responsibilities is important - some tasks are easier to outsource than others

Not all tasks should be delegated to partners. What are the financial services that should not or cannot be outsourced?

In general, **financial tasks that require deep understanding of company's business drivers and customer relations should be**

**managed internally.** In practice, this means the CFO and business controllers. Controllers are usually the best people for responding to a company's ad-hoc calculation needs. Controller services are provided, but internal controllers have a deeper understanding of the different business dimensions.

## Transfer of undertakings is an easy outsourcing method


As previously stated, an alternative to outsourcing is a transfer of undertakings. A transfer of undertakings refers to the transfer of a company or its operative part to another operator. In the case of outsourcing, it refers to a **trade, where a service provider purchases a productive function** of financial administration, and its related tools and employment relations.

A transfer of undertakings is a responsible outsourcing method because it ensures that the current employment relations remain unchanged. In addition, it is a risk-free transfer method, because the expertise of current processes and

tacit knowledge are transferred as they are to the service provider. Routines remain the same, and the development can be implemented in steps.

The idea of a transfer may cause employees to worry. Will work change? Will the relations with the former employer be terminated? For employees, transferring to a new company is an opportunity to grow as a professional and to take inspiration from other financial experts. Outsourcing via transfer of undertakings is an opportunity to grow – for both the company and its employees.





# **How to succeed in a seamless outsourcing project**

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## Do careful preparations

Next, we will describe how to create the best conditions for a successful outsourcing project with a fast return of investment, without interruptions in reporting schedule or quality.

The foundations of a successful outsourcing project are actually created well before the kick-off. You might want to think of the following:

1. First, you must specify **the goals of your outsourcing project**. Cost savings? Improving quality or schedules? Updating processes or systems? Responding to future business needs? Identifying these will help you find a suitable partner and facilitates the preparation of request for proposal.
2. **Define current situation and the current critical business processes** well. If your business operations include specific recording principles, go through them with your possible partner. The documentation of processes is recommended, but it can also be performed by an external partner. Documents will also support tendering. Correspondingly, the service provider should understand at detailed enough level what is expected of them. Otherwise, the partnership may have a difficult beginning.
3. Describe the **system architecture** to your upcoming partner. If you have recognized systems or integrations that do not function in your architecture, use partner's expertise to update them. In order to get most out of partner's expertise on process efficiency you might want to describe the process stages that cause the most workload or need manual processing.
4. **Specify the areas of responsibility**: what tasks will you perform in-house, and what do you want to outsource? This detailed division of task responsibility can be changed later, but it is a good idea to specify what expertise should be kept internally, and what the partner is expected to provide.



## How to find a suitable partner?

Naturally, the successful outsourcing depends on choosing a capable partner suited to your needs. Here are our tips for choosing a suitable service provider:

1. Prefer partners who focus on employee satisfaction. When work satisfaction is high, the risk of personnel changes in your service team is decreased, and the continuity of financial services is improved. Happy people also tend to provide good service.
2. It is recommended to choose a partner whose services contain a clear negotiation mechanism regarding service content, pricing, and operational models. This ensures that the service supports your company's business needs also in the future.
3. Choose a partner who actively develops its business and technology. This way you can expect the service to develop accordingly. The best partnerships are those that develop and deepen over time, so you don't want to be changing partners all the time.







## How can you ensure a good relationship with a partner?

When you have found a suitable partner to go forward with outsourcing, it is a good idea to build a partnership model to actively develop the processes in cooperation. Your company's contributions to the development will strongly influence the pace and result of the targeted improvement results.

For a functioning partnership, the processes, system environment and allocation of responsibility regarding work stages should be well documented from the beginning. This will ensure a smooth transition phase for the partner when both parties are aware of each other's responsibilities.

In addition to the actual financial processes, **good communication is crucial**: how should you agree on issues, and with whom? Who is your contact person in daily matters or development targets? What other forums are

required to develop the partnership? Appropriate measurable response times can also be agreed for service requests.

In a good partnership one can discuss and overcome **difficult matters**. Clear procedures in the event of errors or exceptional conditions are important. To support this, we recommend a steering group practice in which you can affect how the financial team is steered and developed. Matters such as the prioritization and realization of projects for cost-effectiveness are also topics on this forum.

If you predict changes in your business volume, it is a good idea to specify a mechanism for adding or reducing resources, and to specify beforehand how this kind of changes affect service pricing. This will allow you to budget the cost level more accurately.



**The opportunity for  
development  
should be utilized**

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## Follow the evolving technology and the changing world

The outsourcing of financial services is usually linked to the company's overall development goals to become more agile in all its areas of operation. External partner can help modernizing administrative processes and the company itself can focus on developing its technology around the customer experience. A partner will ensure that you can keep up with a changing world, and that you are also using cutting edge technology in management processes.

Next steps? Think of your current status and your future needs and look into the service and technology portfolio of different partners. Find out what your business and financial department may achieve through outsourcing. At Staria, we will gladly discuss the direction in which your company's financial function can develop.





**Want to hear more?  
We are happy to help!**



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Staria's mission is to provide the most effective and modern business services and tools for its customers. Staria's services include local and international business platforms, accounting, HR and payroll services, as well as Robotic Process Automation. Staria is the only company in Europe that can offer international accounting services and enterprise resource planning services to over 35 countries with ONE STOP® user experience. Staria is also the most internationally recognized NetSuite partner in the Nordics.

Staria has gained extensive experience across multiple sectors, including traditional forest industry, expert companies, restaurant chains and international gaming companies, to name a few.

We will gladly assist you and discuss different options in your search for an outsourcing solution that suits your company's needs. We will map out your current situation, and help you develop and update your financial services to ensure that financial processes are performed seamlessly to support your business needs and goals.

### **Relevant materials:**

- [What are the biggest challenges and solutions for international growth?](#)
- [Buyer's guide: Robotic Process Automation](#)