

# AP/AR Outsourcing in SAP for Public Biotech Leader

## Client Profile

Our client is a publicly traded global biotechnology company that develops and commercializes novel cell therapies for cutting-edge therapeutics. Established in 2014, it has more than 1,300 employees across its U.S. headquarters and offices and its research and development facilities in Europe, Asia, and the Caribbean.

## Business Challenge

### AR and AP departments struggle with staffing challenges

Nearly 90% of finance managers nationwide report difficulty hiring skilled talent amid the severe finance and accounting (F&A) labor shortage, creating a vicious turnover cycle as short-staffed teams burn out. Our client was no exception.

With high turnover and hiring challenges impacting consistency and performance on its finance team, our client was looking for an outsourcing partner with a deep bench of highly qualified talent to stabilize its finance and accounting operations. It also wanted a partner with business expertise to design and implement accounts receivable and accounts payable process improvements, while helping it realize the full potential of its powerful SAP S/4HANA enterprise resource planning (ERP) system.

Along the way, it aimed to improve efficiency, scalability, and cash flow forecasting to keep pace with business growth.

Key challenges included:

#### > High turnover

Constant staff churn was impacting the stability of our client's finance and accounting operations.

#### > High labor costs

Our client's finance department was in the Northeast, already one of the nation's most expensive labor markets, and the F&A labor shortage was pushing salaries even higher.



> **Scalability**

Inefficient processes and high turnover created scalability concerns as an anticipated business expansion was also expected to increase accounts payable volumes.

> **Robust regulatory compliance demands**

Our client needed to outsource accounts payable and accounts receivable to a partner with experience navigating the stringent regulations that govern publicly traded companies.

> **Low visibility into invoice backlogs**

Short-staffed teams scrambled to manually collect data from parked invoices in time for quarterly accruals, causing inaccuracy, errors, and expenses often recognized much later than the period they were incurred. This made it harder for the business to accurately determine its cash position, make projections for managing liquidity, and predict whether there was enough cash on hand to meet financial obligations.

> **Undocumented processes**

Lack of documentation made it difficult to build consistent, repeatable processes in the finance department, forcing reliance on tribal knowledge that created risk if key staff members left.

> **Country-specific requirements and processes**

With offices and facilities worldwide, the F&A department needed structured processes for managing challenges unique to each country, such as country-specific value-added tax (VAT) processes for invoices.



## Solution & Approach

### Outsourcing accounts payable and accounts receivable to Auxis stabilizes client's operations

Auxis was hired to outsource critical accounts payable and accounts receivable functions for the biotech company at its nearshore service delivery center in Costa Rica. In-scope processes included AR billing, collections, cash application, and deductions management, and AP invoice receipt, processing, and coding for all geographic markets.

Named a **Major Contender** on Everest Group's Finance and Accounting Outsourcing (FAO) Peak Matrix® Assessment 2023, Auxis came to the table with best practices, digital capabilities, and more than 25 years of finance transformation experience – honed by our unique perspective as hands-on BPO providers, experienced advisors, and industry veterans. Our client also appreciated the high-level finance talent and real-time communication and collaboration enabled by Auxis' location in a top nearshore hub.

Key solution steps for implementing a high-performing AP/AR outsourcing included:

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**Assessment of the current state**

A critical first step for optimizing operations, the Auxis team performed detailed process walk-throughs with our client to gain an in-depth understanding of in-scope processes in their current state, as well as upstream processes that were driving a need for new process flows. Auxis also identified statutory, regulatory, and business requirements it needed to consider for design of the future state.
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**Preparation for business growth**

After documenting current transactional volumes handled by AP and AR teams, the Auxis team developed a model of future volumes based on client interviews and business growth projections to ensure new process flows would accommodate heavier workloads.
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**Process improvement matrix**

After performing a thorough assessment of current operations, the Auxis team identified high-value opportunities for improving operational performance and efficiency with best practices and technology enablers like AP automation and maximized use of our client's cloud-based SAP S/4HANA. Auxis' matrix helped our client quantify and prioritize the best path forward based on complexity versus value.
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**Optimized operations**

The Auxis team designed and implemented an optimized operating model with a more formalized structure, aligning future-state process flows, narratives, standard operating procedures (SOPs), and training materials to best practices and our client's operating requirements. Auxis also performed robust training to ensure processes and controls meet the strict regulatory requirements governing our client as a public company and biotech industry leader.
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**Robust business process documentation**

Auxis built detailed process documentation of SOPs and flowcharts for in-scope processes, creating a consistent, standardized, and repeatable process roadmap with detailed narratives and screen shots that anyone can follow. Quality documentation further helps our client better meet the requirements of the Public Company Accounting Oversight Board established by SOX regulations, allowing auditors to easily identify how internal controls are working.





### Process-dependent operating model

With quality process documentation and standardized processes, Auxis shifted the AR and AP teams from a people-dependent to a process-dependent operating model, implementing cross-training that mitigates turnover impacts and leaves lean operating teams better positioned to handle volume increases.



### Visibility into pending invoices

With the stabilized AP department having greater bandwidth, Auxis implemented a structured process with best practices for improving revenue recognition. Auxis teams consistently record critical data from unprocessed invoices into our client's ERP system as they are received. Reports generated within the ERP support our client's quarterly accrual process, helping ensure expenses from parked invoices are captured in the period they are incurred.



### Performance visibility

Auxis added Microsoft Power BI dashboards with advanced analytics to drive continuous improvement, using real-time, accurate data and visibility into key performance indicators (KPIs) to make agile decisions and course correct as needed.



### Quality Assurance (QA)

With its F&A outsourcing operations supported by an Accounting Center of Excellence, Auxis implemented QA processes to drive continuous improvement and high performance - using metrics monitoring and evaluation and performance reporting to identify areas that require additional focus or support. For example, this led to the addition of improved controls for preventing duplicate vendor payments.

## Results

### Biotech leader achieves high-performing AP and AR operations in Costa Rica

By outsourcing AP and AR to Auxis, the client achieved structured, stable, efficient, and high-performing operations at our nearshore service delivery center in Costa Rica. While our client had initially retained some transactional volume during the transition, it was so pleased with Auxis' success that it quickly shifted the remaining scope to the outsourced team.

Our client also asked Auxis to train its internal team on our AP and AR process optimizations, including **best practices** for realizing the full potential of its cloud-based SAP ERP.

Key results included:

#### > Stabilized operations

By partnering with Auxis, our client gained instant access to a deep pool of best-in-class F&A talent trained on U.S. GAAP and IFRS accounting standards. Auxis' proven recruiting and retention methods keep attrition below industry averages. Our client's team is also supported by an Accounting Center of Excellence comprised of Auxis' best managers and CPAs to ensure the highest-quality accounts receivable and accounts payable functions.

#### > Standardized processes improve performance and compliance

Clear and well-documented SOPs and flowcharts improved performance and regulatory compliance, ensuring that processes are carried out consistently and accurately, with proper controls. Robust knowledge management also ensures operations continue without disruption in case of turnover or employee absences.



> **Significant improvement to DSO metrics**

With a stabilized team, more efficient collections and cash application processes, and structured follow-ups resolving issues and aging invoices faster, Auxis was able to improve days sales outstanding (DSO) for our client's biggest customer by 10 days. Overall, Auxis' DSO averages 32 days – below the median industry benchmark of 38 days reported by American Productivity & Quality Center (APQC).

> **Nearly 100% of invoices posted monthly**

With a dedicated effort and strategic approach, Auxis posts nearly 100% of AP invoices by the end of each month. Previously, the monthly backlog reached as high as 500 parked invoices – impacting revenue recognition and cash flow forecasting.

> **Invoice processing 63% faster than our client's goal**

A structured approach to managing and resolving parked invoices enables Auxis to process invoices 63% faster in the U.S. than the goal set by our client – a critical benefit for improving cash flow and strengthening supplier relationships amid supply chain disruptions.

> **More frequent billing improves cash flow**

With a fully staffed team, Auxis was able to increase billing frequency from weekly to daily, improving cash flow as revenue is collected faster. Faster billing also mitigates the risk of gaps between product shipping and billing that can impact revenue recognition.

> **Accurate revenue recognition and cash flow forecasting**

In today's macroeconomic climate, improving **cash flow** is CFOs' biggest priority, according to Everest Group's latest Global CFO Survey. The increased invoice visibility that Auxis delivers enables our client to recognize revenue in the correct period, helping to better determine its cash position and make projections for managing liquidity. This improved ability to maximize cash flow is critical for public companies which are mandated to provide visibility into their financial performance, supporting profits and results on quarterly financial reports that maintain shareholder loyalty.

> **Significant cost savings**

Nearshoring to Costa Rica delivers average labor arbitrage of 25-35%, compared to our client's location in the Northeast.

> **Internal teams shifted to higher-value work**

With Auxis seamlessly functioning as an extension of our client's internal team, finance staff gained the bandwidth to focus on higher-value work that drives strategy and growth.

**Pleased with these results, our client engaged Auxis to document its inventory and cost accounting processes as an additional project.**

Ready to learn more about the many benefits of outsourcing accounts receivable and accounts payable can deliver to your company? **Schedule a consultation** with our accounts receivable and accounts payable outsourcing experts today!

You can also visit our **resource center** for FAO tips, strategies, and success stories. You can also click **here** to download a free copy of Everest Group's Finance and Accounting Outsourcing (FAO) Peak Matrix® Assessment 2023 that names Auxis a "Major Contender."

