



Winners of the 2008 FAO Research Awards of Distinction

And the Nominees for Outstanding Achievement of FAO Results Are...

FAO Research's annual FAO Awards of Distinguish recognize outsourcing buyers, their advisors and service providers collaborating to provide industry leadership in improving F&A operations for competitive advantage. The Awards validate effectiveness in meeting challenges presented through proactive teaming with an experienced supplier to reach F&A business objectives. Recognized FAO contracts exemplify "best practice" cases of achieving dramatic, measurable results by leveraging FAO.

FAO Research received nearly double the number of FAO award nominations in 2008 versus 2007, the result of which, we believe, is that FAO is becoming a more acceptable operational alternative that companies are willing to "show off" the results of their outsourcing decisions. The types of well-known companies that were nominated for our awards are impressive (see below). As FAO propels businesses forward within a 2.0 mindset, companies are seeing it as beneficial to demonstrate publicly the business impact of FAO.

In judging award nominations received in January and February 2008, FAO Research analysts considered several key factors that included, but were not limited to, the following criteria:

- Alleviating business pains
- Business transformation
- Cost savings
- Database/infrastructure consolidation/modernization
- Ease/rapidity of deployment(s)
- Increased efficiency in processes
- Relationship/team building
- Return on investment
- "Road map" (game plan for sequence/timeline of multiple process deployments)

FAO Research distinguishes current FAO engagements and presents our 2008 awards in two categories:

- FAO buyer organizations with greater than USD\$5 billion in annual revenue
- FAO buyer organizations with less than USD\$5 billion in annual revenue

And the Winner Is – for Companies with Greater than \$5 Billion in Revenue...

FAO Research concludes that the most noteworthy award nominee this year that receives first place overall as a "champion of the FAO industry in 2008" is **Unilever EMEA** by demonstrating effectively that its FAO contract with **IBM** should be distinguished from those of its peers. The Unilever-IBM team is worthy of the top honor for a 2008 FAO Research Award of Distinction based on accomplishing an overwhelmingly vast finance transformation of Unilever Europe's entire finance operation (85 units across 24 countries) in a relatively short period of time, allowing the company to institute a massive change program at the same time. This FAO contract exemplifies successful adoption of an FAO 2.0 model.

"We are proud of our joint achievements over the past two years. We believe that the scale and complexity of what we delivered in the context of tremendous change generated by the One Unilever Program is unprecedented in the FAO industry." (joint statement issued by Gijsbert de Zoeten, Managing Director, Unilever Finance Business Services, Europe and Jean-Stephane Payraudeau, Director, Senior Project Executive, IBM)

1st Place – Unilever EMEA and IBM: In 2005, Unilever embarked upon an ambitious, global change program called "One Unilever" to streamline the organization to increase growth and competitiveness in its markets. Unilever Europe wanted to act with speed but carefully to achieve its highly ambitious objectives for change. It hired sourcing advisory firm **EquaTerra** to understand the underlying economics of an outsourcing model and the dynamics of the FAO market. To optimize cost synergies/savings of its finance

As FAO propels businesses forward within a 2.0 mindset, companies are seeing it as beneficial to demonstrate publicly the business impact of FAO.

*FAO Research concludes that the most noteworthy award nominee this year that receives first place overall as a "champion of the FAO industry in 2008" is **Unilever EMEA** by demonstrating effectively that its FAO contract with **IBM** should be distinguished from those of its peers.*



FAO

Research, Inc.

Finance & Accounting Outsourcing Market Research / Consulting

FAO Research believes that the size, scale and scope of change required for IBM to complete transition successfully, let alone manage this complex engagement at the same time that Unilever EMEA embarked upon a global change agenda, are unprecedented in the FAO market.

business process in Europe and to leverage its scale, Unilever EMEA ultimately selected IBM as its FAO provider, even though it had stronger business relationships with some competing bidders. Unilever ultimately chose IBM based on its ability to demonstrate a realistic “future state” for the company to achieve its ambitious transformation goals and growth agenda and how IBM could help Unilever Europe get there.

FAO Research believes that the size, scale and scope of change required for IBM to complete transition successfully, let alone manage this complex engagement at the same time that Unilever EMEA embarked upon a global change agenda, are unprecedented in the FAO market. Unilever now has pan-European service management that provides greater access to finance information for decision making and continuous improvements worldwide. Unilever Europe went from a loose federation of 24 countries with three different processes by business unit per country to an integrated operation.

FAO Research sees this FAO contract as a groundbreaking success thus far, with the potential to expand significantly within the entire Unilever organization. The implementation of a single finance organization with a single set of processes is the result of a truly joint approach to strategic transformation that distinguishes the Unilever EMEA-IBM FAO engagement from other contract nominees.

Large-Scale Companies Also Deserving Recognition

FAO Research recognizes two additional nominees to receive a 2008 FAO award as “honorable mention” for achieving significant results with their large-scale FAO contracts: **British Telecommunications (BT)** in an FAO contract with **Accenture** and pharmaceuticals giant **GlaxoSmithKline** with **Genpact**:

2nd Place – British Telecommunications (BT) and Accenture: BT, the largest telecommunications operator in the UK and one of the largest communications service providers in the world, faced a major hurdle to achieve operational excellence due to the size and complexity of its operations. Recognizing that its finance costs were too high and its financial performance levels too low, BT hired Accenture’s Finance and Performance Management consulting practice to optimize its finance activities (comprising 500 people) from fragmented teams into Centers of Excellence based on core functional activities. BT soon realized that outsourcing could move its non-core finance activities offshore, lowering costs significantly and improving baseline financial processes as well as providing a scaleable model to support its huge geographic footprint. BT selected Accenture in March 2006 to provide finance transaction processing activities and high-value finance services (reporting, planning and analysis) to the UK, countries in Europe, and Australia, Hong Kong, Japan and Singapore. BT considers its FAO program to have gone exceptionally well and enjoys “unprecedented” finance performance levels and a “fully-flexible commercial model” that helps its leaders make better business decisions.

3rd Place – GlaxoSmithKline and Genpact: After the merger of Glaxo Wellcome and Smithkline Beecham in 2001, the resultant entity – GSK – consolidated its UK Finance functions into a shared service center that ultimately failed to achieve company-wide cost reduction targets or process standardization. GSK realized that it needed a “breakthrough strategy” from outside the organization to manage its operations more efficiently, especially with a resultant entity having 18,000 employees across different business units worldwide. After a competitive bidding process, GSK selected Genpact in January 2005 as its FAO supplier with a geographic scope of services for the UK, US and some services for GSK’s global finance function. The outcome of GSK’s relationship with Genpact via transformative process improvements has been significant, meeting all of GSK’s business objectives. The contract has performed “above expectations,” as demonstrated by: the contract length already having been extended from five to six years; its geographic scope expanded to include management of GSK’s US operations; its services scope broadened (adding procurement and analytics functions); gain-sharing pricing elements added to achieve additional goals; and the evaluation of including more geographies and additional finance functions in the foreseeable future.

And the Winner Is – for Companies with Less Than \$5 Billion in Revenue...

The winner of a 2008 FAO Research Award of Distinction in the category of companies with less than \$5 billion in annual revenue is **Avago Technologies**, as a result of its FAO contract with **Wipro BPO**. Its FAO

FAO Research recognizes two additional nominees to receive a 2008 FAO award as “honorable mention” for achieving significant results with their large-scale FAO contracts, namely British Telecommunications (BT) in an FAO contract with Accenture and pharmaceuticals giant GlaxoSmithKline for its FAO partnership with Genpact.



The winner of a 2008 FAO Research Award of Distinction in the category of companies with less than \$5 billion in annual revenue is Avago Technologies, as a result of its FAO contract with Wipro BPO.

award nomination demonstrated effectively the quantifiable results achieved from this partnership and the business benefits being enjoyed thus far with its FAO project that ultimately leveraged FAO to integrate and manage operations more efficiently post spin off as an independent entity.

Top Honor – Avago Technologies and Wipro BPO: Avago Technologies – which began as Hewlett-Packard’s components division in the 1960’s and spun off into Agilent Technologies in 1999 – had contemplated, for a number of years, the option of outsourcing its back-office finance functions over its in-house shared services center. In 2005, Avago was acquired by two private equity groups with aggressive growth ambitions. A decision was made to engage a third-party supplier who would be more beneficial in managing all aspects of its finance process versus its current internal handling of operations. Avago hired **Deloitte Consulting** to assist with a rigorous selection and evaluation process and ultimately selected Wipro BPO as its preferred FAO service provider. Just a few years into its five-year FAO contract, Avago already has achieved significant improvements to its service delivery and cost efficiency. It also has become independent of Agilent IT as a result of Wipro’s integrated IT and FAO capability.

FAO Research is impressed by the comprehensive governance framework that Wipro BPO employed for this FAO contract as well as the communication structure to ensure that management at all levels across the two parties stayed actively involved. In addition, the roadmap for this FAO project concerning the sequences in deployment for maximum time to benefit, ROI and business benefit (particularly important for projects involving multiple processes over time) stands above that presented by its peers in terms of depth and achieved measures of success. Also, the fact that Avago was the first engagement in Wipro BPO to be SAS 70 type 1 certified by Deloitte Haskins & Sells demonstrates the establishment of effectively designed control objectives and activities which has helped to build trust between the two organizations.

Other Companies Also Deserving Honorable Mention

FAO Research recognizes two additional 2008 award nominees that have distinguished their FAO engagements exceptionally from those of companies of like size, receiving “honorable mention” for our awards, namely **Centrica** and **WNS Global Services** and also **BBC** and **Xansa**.

Honorable Mention – Centrica (with Alsbridge) and WNS Global Services: Having already successfully outsourced prepayment, cash and debt processes in British Gas Retail, Centrica – a leading supplier of gas, electricity and related services across the UK, Europe and North America – decided in October 2006 to offshore financial reporting and financial accounting to WNS, equating to around 100 full-time employees who were critical to its finance team. Centrica had a strong track record in offshoring but realized that FAO would prove more of a challenge than the non-finance functions which had gone before. Centrica hired sourcing advisory firm Alsbridge (Europe) to assist in the traditional role of outsourcing consultant and also to continue to support Centrica post contract, support that neither in-house staff nor WNS was in a position to provide. Centrica wanted a “lift and shift” model – for WNS to take the work as delivered in the UK and transfer it for delivery in India – but realized the many challenges inherent in this design. It did not have existing service levels on which to base performance and worried that transition from its internal team to an external provider would be too much of a culture shock. With its three-pronged team, Centrica’s FAO model is successful to date and working in line with its overall outsourcing strategy on which it relies heavily as an operational alternative.

Honorable Mention – BBC (with PwC) and Xansa: In 2005, the BBC was approaching the end of an outsourcing contract with MEDAS (a wholly-owned subsidiary of EDS) for FAO and ITO and wanted to put the contract out for re-bid. As a public sector organization, the BBC is required to follow a mandatory process of re-procurement for major contracts such as this. BBC hired PwC (PriceWaterhouseCoopers) in Europe as its sourcing advisor to be involved in every step of the process, from the planning to the selection of the bidder. PwC also took an active role in working with the service providers on behalf of the BBC to make sure that it understood the requirements and had clarity where needed from all parties. Having an effective transition was a key concern of the BBC. After a comprehensive evaluation, BBC selected Xansa in April 2006 from a shortlist of five suppliers. Xansa is delivering FAO services as well as related functions,

FAO Research recognizes two additional 2008 award nominees that have distinguished their FAO engagements exceptionally from those of companies of like size, receiving “honorable mention” for our awards, namely Centrica and WNS Global Services and also BBC and Xansa.



FAO

Research, Inc.

Finance & Accounting Outsourcing Market Research / Consulting

like payroll processing and project accounting. This engagement is a significant contributor to achieving BBC's target of investing £355m of savings in programs and services over the coming years.

Additional Contracts Exemplifying an FAO 2.0 Mindset

FAO Research recognizes the following four additional engagements worthy to have been nominated and accepted as having evolved into an FAO 2.0 mindset by achieving value beyond initial contract expectations:

Other FAO contract award nominees:

- *Church's Chicken and WNS Global Services*
- *A Major U.S. Government Defense Contractor and Compass BPO*
- *AOL and CGS-Romania*
- *D3P of America and VWA*

Church's Chicken and WNS Global Services: Church's Chicken, one of the largest quick service restaurant chains in the US, with stores across 32 states and more than 1,500 restaurants in 17 countries, had been divested in 2004 and sold to a private equity group. Church's wanted to pursue an aggressive growth strategy but lacked accurate and timely financial and operational information due to poor performance of its processes and systems by a previous outsourcing supplier. Its management team spent roughly 25% of its time handling back office issues but wanted to free up resources to focus instead on strategic initiatives, like the expansion of the business and financial restructuring. In January 2007, Church's hired WNS to manage multiple finance functions as well as ERP hosting and applications support for a five-year FAO engagement. WNS was not the lowest-priced bidder but showed the commitment, functional expertise, flexibility, business understanding and partnership approach that Church's needed. As a result of this FAO contract so far, Church's has enjoyed 50% cost savings and – with the adoption of FAO 2.0 – released management bandwidth, accelerated realization of business benefits; enhanced efficiency, and a true partnership approach. As an example of the latter, WNS has engaged in joint due diligence for a potential acquisition.

A Major U.S. Government Defense Contractor and Compass BPO: This availability of information surrounding this government contract is attention-grabbing, in that we rarely see public accounts of government-based FAO, mainly for the sensitivity of releasing such information and due to the complexity of the accounting and disclosure needs of FAR (Federal Acquisition Regulation), which is responsible to governing the multifaceted government procurement process used by federal agencies. This open-ended, 2005 contract covers the US, Dubai, Jordan, Iraq and Afghanistan for a host of FAO and IT-related services provided by Compass BPO. The motivations for this proprietary client to outsource finance were: difficulty in gathering data from its various sites which are situated mainly in areas that were ware-ridden and with very scarce infrastructure; lack of effective communication and coordination between these sites and the organization; lack of skilled resources; limited software knowledge; and difficulty dealing with US accounting laws. The results achieved thus far from its FAO contract with Compass BPO include significant cost savings and transformation to its operations that have facilitated timely business and financial decisions to be made by this customer.

AOL and Computer Generated Solutions (CGS): This FAO contract, which began in 2005, is an example of a "toe-dipping approach" to outsourcing between AOL, a major corporation with greater than USD\$10 million in annual revenue, that had a specific finance-related need and a relatively small FAO supplier, CGS, that not only exceeded expectations but continues to reap rewards of scope add ons and geographic extensions. What began as a contract for outbound collection services for AOL in the US has become a service agreement that includes accounts receivable, credit and collections, reactivations, retention and sales covering the US and Europe. AOL selected CGS Romania (formerly EasyCall) after an extensive supplier landscape analysis to leverage its accent-neutral service delivery location with a low level of competition for resources and a highly-skilled workforce. As a result of this partnership thus far, AOL's business has been transformed by FAO via cost reductions and accelerated ROI as well as enjoying incremental revenues.

D3Publisher (D3P) of America and Vengroff, Williams & Associates (VWA): This FAO contract is a perfect example of FAO 2.0 in action – in which FAO was implemented by VWA to help a new player get into a new market (D3P of America) and also an existing player compete in an already competitive market (D3P). D3P had lofty ambitions to become a "top 10" gaming publisher in the US but faced several challenges: 1) it was a relative unknown entity in America; 2) it had to get in with large retailers, a task not easily achieved; 3) it needed the right product and infrastructure to offer its customers; and 4) it needed a way to handle its seasonal business more cost effectively, with scaled down support during the off season. Having successfully outsourced shipping and distribution, D3P investigated the possibility of outsourcing finance as a



FAO

Research, Inc.

Finance & Accounting Outsourcing Market Research / Consulting

viable option to address the company's growing pains. As a result of outsourcing accounts receivable, credit and collections and multiple IT functions to VWA (with whom it had no previous relationship), D3P claims, "We would not be as successful as we are today without VWA as a partner." D3P is looking to VWA to continue to support its strong growth in the US as well as expand into other markets, such as Canada.

Related Research

Next week, FAO Research will publish a research report that presents case studies of each nominated engagement for our 2008 awards. It will analyze what drove each prospective buyer to consider FAO, how they engaged in the process, what results they achieved, and what they deem as "success factors" for their existing engagements.

- **Finance and Accounting (F&A) Outsourcing Success Stories: Why They Got It Right** (*to be published early April 2008*)
- **FAO 2.0 – the Next Generation of Outsourcing Adoption** (*published March 19, 2008; free report*)

About FAO Research, Inc.

FAO Research, Inc. is the only independent research firm worldwide focused exclusively on the Finance & Accounting Outsourcing (FAO) and Procurement Outsourcing (PO) markets. FAO Research conducts market research, performs custom services and hosts events for FAO and PO service providers, advisors and companies that want to better understand outsourcing market activity, the supplier landscape and buyer needs. For more information, visit www.faresearch.com.

FAO Research, Inc. is the only independent research firm worldwide focused exclusively on the Finance & Accounting Outsourcing (FAO) and Procurement Outsourcing (PO) markets.