



THE CLIENT

HIRDARAMANI GROUP

INDUSTRY

- ❖ Apparel
- ❖ Leisure
- ❖ Investments

BUSINESS NEED

As the Group expanded in scope, the need to shrink increasing costs and inefficiencies became paramount in order to remain sustainable in a competitive business environment.

SOLUTION

Finance functions were centralized by forming a fully dedicated Finance and Accounting shared service operation under the name of H-Connect Private Limited.

BUSINESS IMPACT

The shared service center emphasized on internal as well as external customer satisfaction with the introduction of value added services to its Finance and Accounting functions such as - In-House Document Management System (DMS), Vendor outstanding follow up and settlements of same, SLIP Transfers, Automating Bank Reconciliations, Presenting the Financials in a standardized format for a better understanding of the balance sheet health.

With a proud history of over 100 years, the Hirdaramani Group is one of Sri Lanka's foremost conglomerates. To remain competitive the Group decided to change its organizational structure. The new structure focuses on economies of scale, and paved the way to form a fully-owned subsidiary called H-Connect Private Limited, a Finance and Accounting shared service operation (SSO).

THE BUSINESS CHALLENGE

Recently, due to diversification, the Hirdaramani Group faced issues such as uneven standards across control environments, duplicated efforts, inefficiencies and increased costs. In 2000, to mitigate these risks the Group's directors decided to centralize the Finance function. Within a short period it was clear that this plan would not succeed as it was just a 'lift and shift' solution rather than true centralization. No major decisions were taken regarding the Finance function for over a decade after that. During this period the Group moved into new industries such as Investments, Leisure and Retail. After 12 years, the directors decided to re-structure the Group's business model. Again they looked into the Finance function which lacked transparency and was the main area of concern. They decided to centralize the Finance function by setting up a new company.

THE SOLUTION

In 2012, H-Connect Private Limited, a shared service operation of the Hirdaramani Group, was set up by re-engineering the whole Finance function based on best practices. The aim of the SSO was to achieve the following benefits:

- Standardization
- Improved customer service
- Improved control environments
- Efficient and accurate management information
- Process excellence – achieved by sharing best practice
- Transparent transactions

In order to start the shared service operation, a pilot project was initiated in Apparel, the biggest sector of the Group. The Accounts Payable, Accounts Receivable and Bank Reconciliation functions of this sector were identified for transfer to the SSO in Phase One. The departments of Finance, Stores, Administration, Human Resources, Merchandizing, and Export were involved in the transition.

Three vital elements of the H-Connect vision were: to improve the quality and efficiency of the processes without incurring extra cost, to increase and maintain internal and external customer satisfaction while simultaneously improving efficiency, and to strike a more effective balance between Group objectives and business unit requirements. The first step in this successful transformation was to understand the culture of the Group; the second, to carry out a detailed study to identify inefficiencies in processes; and third, to plan the stages for addressing these inefficiencies individually using best practices and simplifying structure, process and technology.

Initial discussions began in May 2012. After incorporating the SSO entity, the infrastructure was completed within 4 months with an abandoned warehouse converted to office space. An in-house Document Management System (DMS) was created and SSO processes were designed and carried out. The first transition comprised eight employees transferring to the SSO. Phase by phase, the main Apparel cluster finances were also transferred. A pilot run commenced in March 2013, for Finance functions that were specific to all the clusters. The initial project took nine months.

When setting up the SSO, the directors decided to consult Hayleys Business Solutions International along with dedicated experts from factories to design the processes under the guidance of the Chief Financial Officer, Chief Information Officer & SSO project owners. The consultants gathered the initial information via questionnaires. The project team then helped identify the areas which needed improvement. The acceptance and support level for the shared services was varied. Amid many challenges the SSO drove the most number of improvements overall thanks to extensive in-house knowledge.

Purchasing a Document Management System (DMS) would have cost about USD 200,000. As this was far too costly, the Group IT team developed an exclusive DMS system, which would integrate with the current ERP (Enterprise Resource Planning) system at a quarter of the initially estimated cost.

To ensure robust governance and control measures it was decided to obtain ISO 27001 Information Security Management System (ISMS) certification. To do so H-Connect consulted the Information Security Auditor at Ernst and Young and our sister company H-One to build a strong IT infrastructure that provides an optimum level of data security. These decisions ensured H-Connect became the first Sri Lankan BPO (Business Process Outsourcing) company to obtain ISO 27001:2013 certification.

Looking back at the restructure of the Group, the change was a major challenge especially with regard to people. An agile approach was taken where the project owner first ensured buy-in from Apparel sector CFOs.

When requested to support the SSO with personnel, there were instances when factory CFOs were reluctant to release employees who had a wealth of experience in Finance. As a result, the SSO had to recruit externally. Regardless, the same level of output was achieved. The project team carried out several awareness programmes which included one-to-one discussions with employees to explain the benefits of the SSO and their prospects for career growth. Employees who transferred were sceptical at first, but thanks to the progress they made, they are now ambassadors who drive the SSO forward.

IMPACT AND BENEFITS

One of our greatest impacts was on customer satisfaction for both internal and external stakeholders.

- Internal Customers – by introducing the DMS system, we achieved greater transparency and can now track payments, where before the SSO, this was handled by Finance teams in factories.
- External Customers – by improving an existing process and introducing more effective features such as outstanding follow-up, the SSO was able to request outstanding statements from vendors and settle payments on time. Also online transfers were not a popular option and initiatives like SLIP transfers helped vendors receive payments with a faster turnaround time.

The best example of success comes from the Accounts Payable process where the objective is to process payments which are received by the SSO. But, becoming an active facilitator to the Group, the SSO managed to pull payments by adding outstanding follow-up processes to track any missing invoices and make sure suppliers are paid on time. In return, the Group benefits by receiving discounts and better processing.

The following value-added services were introduced to each function:

Accounts Payable

- Consolidating and settling same vendors from one account, resulting in reduced bank charges
- Early Bird Discounts obtained by settling invoices on time
- Vendor master creation where data cleansing by SSO laid a strong foundation for automation
- Outstanding follow up and timely settlement of vendors
- Ensuring that vendors receive payments faster through SLIP transfers

Accounts Receivable

- Maintaining an error rate of less than 0.5% over the last six months
- Significantly increasing total number of remittances handled compared to the pre-SSO period (with no increase in headcount)
- Improving processes by highlighting the issues of the Export Department

Bank Reconciliation

- Automating Bank Reconciliations, saving a third of the time usually taken
- Completing Bank Reconciliations by first working day
- Completing daily bank reconciliations, resulting in the Treasury function earning investment interest and reducing the overdraft interest

General Ledger

- Preparing and finalizing monthly accounts on or before the fifth working day for Hirdaramani Group companies
- Standardizing the reporting format for all the companies in the Hirdaramani Group
- Preparing and reporting quarterly consolidation for all sectors, providing the Group with an overall picture for all sectors

The change from the Finance transformation had unexpected benefits such as continuous improvements but at SSO it is paramount in order to establish efficiencies.

COMPANY PROFILE

H-Connect (Pvt.) Ltd. is a Business Process Management (BPM) company operating out of Sri Lanka and is an exclusively owned subsidiary of the Hirdaramani Group. Established over 120 years ago, the Hirdaramani Group has grown into one of Sri Lanka's largest conglomerates operating in the Apparel, Leisure, Power and IT industries. With a rich and diverse heritage and 40,000 employees across six countries, the Hirdaramani Group has developed key partnerships with world-renowned brands such as Microsoft, Hilton Hotels and Resorts, Taj Hotels Resorts and Palaces, Marks & Spencer, PVH and Levi's.

H-Connect has continued to widen the spectrum of the BPO market by providing unrivalled experiences and efficient services that make up a proven track record that always exceeds customers' business expectations.

H-Connect is committed to building an organization respected by clients, stakeholders, employees and the wider community. The Senior Management team at H-Connect consists of proficient experts in the business of domain outsourcing, empowering the company to deliver results beyond clients' expectations.