



## A Multi-Brand Restaurant Operator's Moveable Feast

Whether located onshore or off, a restaurant chain's team works efficiently as a single, virtual unit, cutting back-end accounting costs to focus on making customers feel welcome.

Every day around the world, more than a million people dine at one of this casual dining operator's nearly 1,500 restaurants, with service provided by over 100,000 employees. Operating on such a large scale would be challenging for any restaurant company to sustain. Combined with the economic downturn and corresponding drop in consumer spending, something had to give. In 2008, the multi-brand restaurant operator elected to outsource much of its accounting operations.

"We have met and exceeded our objective to reduce the cost of delivering accounting services to the organization by almost a third," says the client's vice president of finance and accounting services.

Cutting costs from accounting services has allowed this casual dining restaurant company the luxury in a tough economy to reinvest in its customer-facing front end, in this case, to concentrate more on improving the customer experience through standardized processes.

Business process outsourcing (BPO) has also positioned the company to easily grow or shrink its staff to reflect quickly changing market conditions.

### Dark Days in the Restaurant Business

During a recession, few industries are hit as hard as travel and hospitality. When money is tight, most people limit their meals out while conserving cash for essentials. For the past few years, the restaurant industry has struggled to manage costs while not stifling innovation and growth.

Restaurants and hotels began many years ago to outsource their IT operations as a path to greater efficiency. Only recently have they turned to business process outsourcing, or managed business services, as a way to achieve cost efficiencies while setting the table for growth.

Financial and accounting (F&A) processes are a particularly good place to start with managed business services, especially for companies like

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a multi-brand restaurant purveyor that prefer a risk-averse approach. Restaurants have a high number of vendors compared with other types of companies, making accounts payable (A/P) a top cost center. They also have a high number of hourly employees, which makes running an efficient payroll operation a top priority.

Outsourcing F&A to a provider that can leverage efficiencies across customers can be a quick and easy way to reduce costs while implementing best practices and preserving the human and technical infrastructure that will serve as a platform for growth.

Restaurants are similar to retailers in that a multi-unit distributed environment by its nature generates a high volume of exception transactions, and processing those exceptions is often less than cost effective.

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### Turning to a Trusted Partner

Like many restaurant operators, this company already had experience with IT global-sourcing. Cognizant had been its IT partner for 10 years. So when the company began to consider managed business services for accounting, it was only

natural that it would look to Cognizant. Having IT insight was a huge advantage, since cultural fit was already proven. In late 2008, the casual dining restaurant operator added its accounting processes to the partnership. The business case for the arrangement estimated significant productivity improvements of 5% annually.

The first phase consisted of A/P, item costing and fixed assets, to be followed by lease accounting, restaurant accounting and payroll in phase two. The third phase consisted of treasury, cash reconciliation, gifts card accounting and accounts receivable.

One hundred Cognizant full-time employees would handle back-office processes, mostly from a location in India. This team would run applications including Single Source Profit and Loss (SSPL), PeopleSoft, WebExtender, Essbase and JD Edwards ReconTrack on the company's Infinium/AS/400 legacy accounting system. Front-office processes would be the domain of 85 client team members located in the U.S.

### One Team, Two Locations

Because the restaurant company offered team members a flexible work schedule, including telecommuting, it was not unusual for the processes to be performed off-site, which resulted in a smoother transition of services. Toward that end, Cognizant provided access to its global videoconferencing system so team members could collaborate face to face with their geographically dispersed counterparts when needed.

Instead of outsourcing the entire accounting process, the restaurant company went through each process, breaking it into all of its individual tasks. For each task, the company evaluated whether it made sense to globally source.

A variety of considerations came into play when making the talent location call: the skill sets, whether the task was customer-facing, how workers would be integrated on- and off-site. What that created at the end of the day was an integrated set of tasks apportioned between the on- and off-site teams. The process flows were kept intact, minimizing disruption.

The teams communicate daily, seamlessly integrating members who work onshore and offshore. Both sides work together to ensure key performance indicators (KPIs) are trending correctly. For example, all of the processing deadlines that were in place prior to the IT global-sourcing arrangement were accommodated within the new arrangement. The off-site team has built its schedule around the sequence of events the multi-brand restaurant company requires to ensure that its needs are met.

The financial close timeline has remained the same, pre- and post-outsourcing, without any delays. When issues do arise, they are tracked and monitored (and ultimately resolved) in Cognizant's BProcess resolution and reporting system. The team remains focused on process improvements, using idea boards and business impact automation to model how changes might work.

## Winning in the New Operating Model

Just over two years after kickoff, the three project phases are complete. In virtually all areas with measurable service level agreements, Cognizant is meeting and in some cases exceeding its SLAs. In the last year, the contract has begun moving up the value chain. Having started with outsourcing of accounts payable and disbursements, it has progressed to complex processes such as general ledger and treasury-cash accounting.

Using a trusted partner for accounting BPO has also allowed the restaurant company to be flexible around staffing needs.

The team did not underestimate possible sensitivities around payroll issues as these phases were rolled out. Managing accounting operations for public companies for 25 years, the vice president of finance and accounting services knew the importance of uninterrupted services and payments for employees and vendors. When problems arose, the team deployed enough resources to fix them – before anyone suffered a payment issue.

The good news: The managed services engagement is exceeding initial expectations. Communications costs are below anticipated levels.

The restaurant company initially thought it would require a larger telecommunications pipe to connect it with the Cognizant offshore team, but that turned out not to be necessary. The expected labor arbitrage savings have been realized.

## A Flexible Growth Platform

Today the casual dining restaurant operator is tracking well toward its business case objective for savings in the delivery of accounting services, with no impact on quality or service.

Domestic team members report higher job satisfaction, as they are able to focus on more strategic initiatives and functions, including ever-improving guest experience.

Using a trusted partner for accounting BPO has also allowed the restaurant company to be flexible around staffing needs, as the BPO makes it “much easier for us to shrink or grow as necessary,” according to the vice president of finance and accounting services.

Through continued partnership with Cognizant and the flexibility it provides, the restaurant company is well-positioned for future success through global and domestic growth, as well as divestiture, mergers or acquisitions.

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## About Cognizant

Cognizant (Nasdaq: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 104,000 employees as of December 31, 2010, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 1000 and is ranked among the top performing and fastest growing companies in the world.

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