



CLIENT CASE STUDY



INDUSTRY

Services

# TESTCo Improves Cash Flow Processes and Focuses on Business Growth by Adopting Consero's Outsourced Finance & Accounting Services

## Company Profile

TESTCo delivers On-Demand Software Testing (both manual and automated) to carefully selected customers around the world. The Austin, Texas-based company helps customers eliminate software testing problems, slash support costs by up to 50% and achieve their release date commitments – all without the risk of hunting down the best offshore vendor, the pain and frustration of learning how to properly manage them, and the unpredictable results so common with most offshore vendors.

## Challenge

Back in 2007, TESTCo was overburdened with managing general accounting tasks, bookkeeping chores and structural financial decisions. "Accounting tasks were beginning to take up way too much time," said the company's CEO, Jeff Hotz. "We needed to switch from cash accounting to accrual accounting, and we didn't have that expertise in-house."

As the business grew, so did the workload. TESTCo management would spend almost two days of every week managing the accounting function, for example. "It was distracting us from our primary objective – building the business," said Hotz.

The company needed guidance for the transition from cash to accrual accounting, and they needed a structured process in place for roll-ups and reporting. "I really like knowing the financial status of my company," explained Hotz. "But I don't like to waste time managing all of the invoicing, reconciliations, recording of expenses and so forth."

An agile company like TESTCo needs to keep strict scheduling for financial matters, as well. Hotz prefers that all financial housekeeping is completed by noon on Monday of each week. "As of noon on Monday, I want to know exactly what the financial situation for my company is, what investments I can and can't make, and how to move forward," said Hotz. He didn't want accounting issues to "dribble in" all week long.

In order to streamline their accounting, TESTCo also wanted to replace physical checks with electronic payments. In addition, TESTCo's cash flow situation follows an extremely tight schedule. Their billing cycles stop on the last business day of the month. So they need invoices to go out no later than the second day of the next month in order to meet their customers' bill payment cycles. "This happens twice a month, and it's really frantic," said Hotz.

## Challenge

- Burdensome bookkeeping chores and structural financial decisions
- Financial distractions hinder ability to grow the business
- Strict invoice scheduling and process demands
- Cash management difficulties
- Balance sheet reporting errors
- Inefficient physical paper pushing

## Solution

- Complex invoicing and reconciliation process transitioned to India team in 30 days
- "Overwhelming accuracy"
- On-demand accounting expertise
- Complicated cash management now under control
- Paper-based processes eliminated
- Employees more secure in their focus and work

## Benefits

- CEO now spends 2-3 hours per week on financial strategy resulting in:
  - Improved gross margins
  - Improved net margins
  - Improved cash flow
- Significant invoice and expense handling chores now eliminated
- Year-round support regardless of holiday schedules



## Transition from Local to Offshore Financial Support

Initially, TESTCo used a local Austin firm to manage bookkeeping. The TESTCo team met with them every week, the vendor adapted to their Monday schedule, and they were able to handle physical paper processing and bank runs. That was an important step, because Hotz realized that someone outside his office could handle things appropriately and meet his specific needs.

The arrangement hit a competency snag, however. "I started to find some errors in my financial reports," said Hotz. "Basically, my balance sheet didn't balance, and they didn't know what to do about it. I knew I had to find another solution."

As the CEO of an outsourced software testing firm, Hotz was open to the idea of offshore assistance. "Why wouldn't there be a reliable finance and accounting outsourcing company that could give me the comfort of being a U.S. firm but also allow me to leverage the cost advantages of high-quality offshore staff?" he asked himself.

Ironically, as he thought through things, Hotz had the same reservations many of his own customers have. "I found myself saying, 'I don't know if this can be done overseas. I think they need to be here.'" TESTCo invoicing is customized to the specific needs of each customer and project, so he wasn't quite sure it could be done. He was also worried that some of his own employees might be threatened by a move to offshore resources.

## The Consero Solution

TESTCo found a solution to their problems right in their own back yard. Austin-based Consero Global Solutions has been providing the services Hotz was looking for since early 2006, combining their U.S. operations with a tightly integrated team of highly-skilled, finance & accounting staff in Bangalore, India.

Consero has been able to meet every one of TESTCo's general accounting needs and then go way beyond that. "A few great things have happened," explained Hotz. "First, our Consero Controller, Rajita, was able to quickly follow our highly complex invoicing and reconciliation processes. Since we're a consulting business, there are a lot of exceptions."

Hotz walked the Consero team through TESTCO's step-by-step billing approach. "They did the work in parallel with me and asked me whatever questions they needed to ask to get a full understanding of how we do things," said Hotz. "Within a month, Consero had completely nailed our rather complex invoicing process. They made it happen quickly and easily, and their accuracy has been overwhelming."

The process includes reconciling TESTCo's subcontractor invoices back to their own bills and TESTCo's time sheets. "Rajita took the lead and met with our subcontractor partners on her own to figure that one out," said Hotz.

"I'm actually making financial decisions, and ROI and analysis decisions rather than managing the accounts payable and accounts receivable process. The service is top notch. I hope I'm as good to our customers as they are to me."

Jeff Hotz  
CEO and founder  
TESTCo



Consero also helps TESTCo consider the impacts of specific accounting questions. “I’m able to ask Rajita what the consequences of particular choices will be,” explained Hotz. “She comes back with a thorough analysis of the impact of making one decision over another.” She also coordinates with TESTCO’s U.S.-based CPA when it comes time to factor in tax issues. “I introduced Rajita to our local CPA, so she’s aware of what we’re trying to do from tax management, cash flow and accrual management perspectives.”

TESTCo also uses Consero for more complicated process development. “We needed part time help to get our cash management under control,” said Hotz. “Consero assigned one of their senior managers to our account on a part time basis to analyze the problems we were having. The manager looked at the problem, worked on it for a week, figured it out and got it back to me and said, ‘Is this what you want?’”

“We tweaked that a little bit, and then it was perfect,” continued Hotz. “The manager taught my regular Consero staff how to follow the new process, then he was off the clock. That type of on-demand accounting expertise is incredibly valuable.”

Consero provided guidance and implementation assistance with online banking solutions for TESTCo, as well. The Consero team now queues checks for payment, and the TESTCo team logs into the Web based banking system to approve and pay them. There’s no more paper to be pushed around the office or driven to the bank. TESTCo employees can now focus on their work, and the financial matters are completely taken care of. They actually feel more secure in their jobs now that they can attend to the activities that impact the bottom line.

## High Quality Decision-Making and “Huge” Customer Service

The TESTCo team now spends only two to three hours a week on finances. The time spent is of a very high quality. “We’re actually making financial decisions, and ROI and analysis decisions rather than managing the accounts payable or accounts receivable process,” said Hotz. As a result, they’ve improved gross margins, net margins and cash flow.

The team in India is extremely flexible when it comes to meeting TESTCo’s needs. Recently, Hotz needed invoices processed by May 1st, but that particular day was an Indian holiday. “It was a Friday,” said Hotz, “and if our Consero team missed the 1st of May for the holiday, our invoices wouldn’t go out until the 4th. That would set our collections back 15 to 30 days.”

The Consero team got the work done on that Friday and took a day off at a later date. “That’s just huge,” said Hotz. “There are even critical times during the month when I need reports and the times conflict with extended holidays. My Consero team works extended hours and makes sure that we get the financial and operational reports when we need them. The service is top notch. I hope I’m as good to our customers as they are to me.”

## About Consero

Consero Global Solutions is a premier provider of customized outsourced finance and accounting services, helping companies achieve the financial efficiency and sophistication of the Fortune 1000. By providing superior financial reporting, F&A best practices, experienced staff, and scaleable, cost effective technology platforms, Consero helps its clients gain the optimal combination of experience, quality, cost, and efficiency. By utilizing Consero’s efficient F&A model, clients are able to improve profitability through better decision making while reducing their F&A cost by 30% to 60%. With two engagement models – augmenting existing customer teams or taking ownership of entire finance and accounting functions – Consero delivers a full range of finance, accounting services including financial modeling, planning & reporting, general ledger management, transactional accounting, and more. Find out more at [www.conseroglobal.com](http://www.conseroglobal.com).

