Finance Effectiveness Benchmark Report 2017

Finance leaders are improving business results by investing in commercial insight, spending less time on transactional work and running at lower costs. This year's report takes a closer look at how this is being achieved by companies leading the way.

Stepping up

How finance functions are transforming to drive business results

pwc

Key lessons for all finance functions

Adding value
Less than a quarter of finance time is spent delivering business insight

Investing in skills
Top quartile companies pay their 'insight' finance professionals 25% more

Focusing effort
Even in top quartile companies, analysts spend 40% of their time gathering data, not analysing

Making savings
Leading finance functions cost 36% less than the median finance functions

Eliminating inefficiency
Across many key finance processes, automation and process improvement can reduce costs by 35%-46%

Contents

PwC insights

Business and finance leader interviews

How leaders are transforming finance

Finance needs to play a critical role in ensuring organisations continue to thrive. This requires investment in new practices, technologies, and skills that increase the business's capacity to adapt at pace.

Powerful emerging technologies combining automation, artificial intelligence, and data analytics promise to generate insight, yield significant efficiencies, reduce costs, and improve quality for businesses.

At the same time, seismic shifts in customer expectations, channels to market, the competitive landscape and, of course, the global economic and political outlook all combine to add growing risk and uncertainty, but also the opportunity to improve dramatically the decisions businesses face on a daily basis. Yet amid all these changes and pressures the mandate for the finance function remains largely the same: reporting financial results and performance, making sure their organisations are delivering against their strategy, steering the business in a fast-changing world, and being at the forefront of driving business results.

In PwC's 2017 Finance Effectiveness Benchmark report we consider how finance functions are responding to these forces for change which affect business as a whole, but also the way in which finance functions themselves operate and the role they are asked to play in their organisation. There are key challenges for businesses in their quest to grow and create competitive advantage, align costs with their business strategy, and manage the impact of changes in technology, risk and regulation on their organisation now and in the future. Finance has a key role to play in supporting these areas.

Finance also plays a key role in addressing CEOs' most pressing concerns. Five of the top ten threats cited by CEOs in PwC's 20th CEO Survey[1] are around uncertain economic growth, over-regulation, exchange-rate volatility, an increasing tax burden, and social instability. These are topics that carry significant financial implications, and finance functions can prove their worth by offering insights that help to mitigate risks, uncover hidden opportunities, weather economic shocks, and prosper amid uncertainty.

The slowing of the downward cost trend highlighted in this report is one of the most surprising findings to emerge from our most recent benchmarking analysis (See Figure 1). In PwC's 2015 Finance Effectiveness Benchmark report, we predicted that the downward pressure on costs would continue, and possibly even accelerate, as finance organisations applied new automation technologies such as artificial intelligence (AI) and robotic process automation (RPA) to their activities. But it appears that for many, finance's rate of technology adoption has lagged behind other corporate functions which have embraced advanced automation

1 1,379 CEOs in 79 countries were interviewed for PwC's 20th Annual Global CEO Survey, 20 years inside the mind of the CEO…What's next? (www.pwc.com/ceosurvey)

and begun to realise its potential. This has contributed to the slowing of the pace of cost reduction in finance over the past two years. There are many pilots and 'proofs of concept', but the challenge for finance leaders is to accelerate adoption. As we will discuss in this report, the benefits are wider than cost reduction.

This report will help you assess how your finance function stacks up against your peers, offering real-world examples of leading and emerging practices that top-tier performers are following to gain business advantage. It will show you the way forward, and what future success may look like across a range of areas of your operating model and remit. The data and viewpoints presented here amount to a snapshot of what finance functions are doing now – whether through automation, talent strategy, or business partnering to seize opportunities to improve not just their finance functions but their enterprises as a whole.

The case studies and interviews with finance leaders, in section II of the report, show the importance of innovative thinking in helping finance teams move from being a 'traditional' to a 'progressive' function. Many serve as a reminder that leading finance organisations that fail to recognise the steep change required in their business, risk being left behind and even becoming irrelevant as the market for their products and services evolves.

Finance needs to play a critical role in ensuring organisations continue to thrive. This requires investment in new practices, technologies, and skills that increase the business's capacity to adapt at pace.

Source: PwC's 20th Annual Global CEO Survey

About the report

In compiling this report we draw on the detailed, in-depth benchmarking studies we have performed of nearly 600 finance organisations across different industries around the globe. These projects enable us to measure the wide variations in the effectiveness and efficiency of finance across dimensions such as geography, industry, and size of organisation. They also enable us to understand what the finance teams are doing to deliver benefits to their organisations. The data enables us to identify opportunities for finance functions to improve how they operate and quantify the potential benefits such changes may have for the businesses they work within. In addition, we have incorporated the views of business and finance leaders, and others working to make the finance function more productive and insightful, and consequently more capable of contributing to driving results within the context of the organisation's wider strategy.

This report is the seventh we have produced since 2009. The major factor which has changed recently is, unsurprisingly, the impact that advancements in technology and automation have had on what finance teams do, how they do it and what is expected of them. These changes are gathering pace all the time, but cloud, RPA and similar approaches have lowered the cost of entry, and technology can no longer be thought of as a barrier to what can be achieved by finance.

The barrier now appears to be more cultural or organisational and this plays out in many of the client stories and data analysis contained within the report.

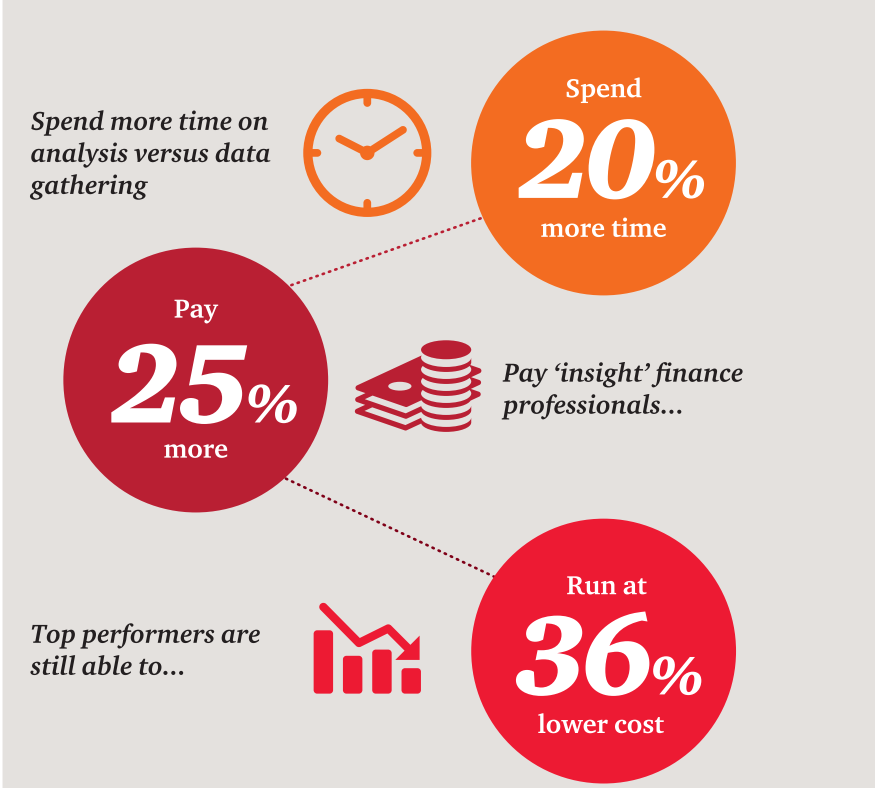
For more information about PwC's benchmarking methodology and services, please see page 67 at the end of this report.

What can we learn from top performers?

Where savings have been made by adopting new technologies and ways of working, there has often been an offsetting drive to invest in people and the skills they need in order to harness the potential of the technology solutions at their disposal. With a desire for more analysis and insight and the adoption of new tools to drive this, finance teams have needed to upskill and develop in order to keep pace with the change. This is also a trend which we see continuing – finance teams will be very different in their composition in five years' time from how they look today.

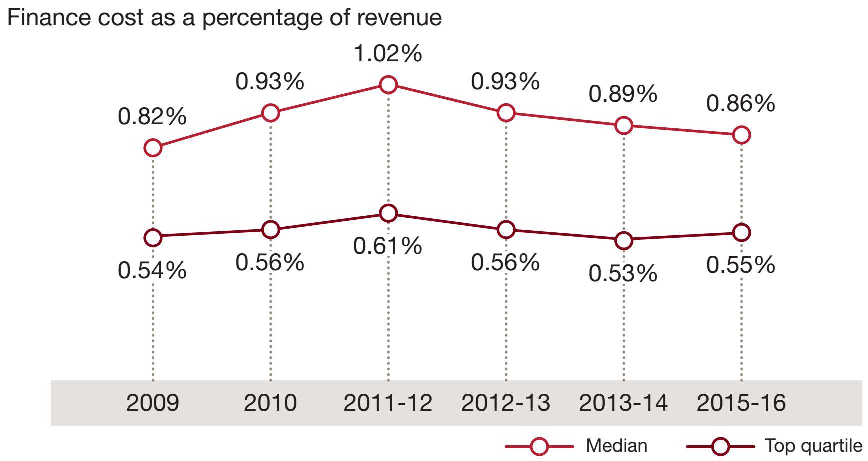
So how are the top finance functions responding to these challenges and how are they looking to seize the opportunity presented to them? Over the past several years, finance functions have pursued efficiency improvements through the traditional means of process simplification, standardisation, shared services, and outsourcing. Top-tier functions in particular have made enormous strides. According to our analysis, in efficiency and cost of finance the top quartile finance functions outperform the median by 30% to 40%, and they embody the virtues that we have discussed in the past and throughout this report. Often, we see teams stuck in traditional thinking, with leaders who aren't committed to agility and innovation.

What sets top performers apart?



Source: PwC finance benchmark data

Figure 1: Finance continues to control costs, and top performers are investing in value-added activities



Source: PwC finance benchmark data

Experience shows that it's focus and skill, not magic-bullet technology, that separate the top performers from the rest of the pack:

- They're clear on their value proposition.
- They're not content with business as usual and want to keep improving and challenging the way they operate, the value they add, and how they interface with the business.
- They have an unrelenting focus on efficiency – challenging what to stop doing, as well as what to standardise and automate.
- They are committed to a 'lean' environment and driving continuous year-on-year improvements in ways of working.
- They embrace change, particularly in new ways of working and more visual and technology enabled management styles using collaboration tools to reduce cycle times and new behavioural techniques to get the best of their staff.
- They are starting to embrace new cloud-based and robotic technologies, often instead of the traditional outsourcing route.
- They are highly effective in harnessing skills to genuinely impact business decisions, providing the insight that CEOs are demanding.

Are declining finance costs beginning to reverse?

Finance is increasingly under pressure to focus on innovation and delivering value, but, of course, this needs to be balanced with the continuing focus on efficiency and cost. Our benchmark data shows a slowing in the long-term downward trend in the cost of finance (Figure 1), which may be somewhat surprising given the messages we hear about technology and automation, especially robotics, and the cost savings they can bring. The cost gap between leading performers and those in the median range of performance remains high, but there are signs that it is beginning to narrow. Perhaps this is evidence of the fact that the challenge for the top performers is more difficult as they have already drawn upon many of the traditional techniques used to increase efficiency such as process standardisation, shared services, and automation.

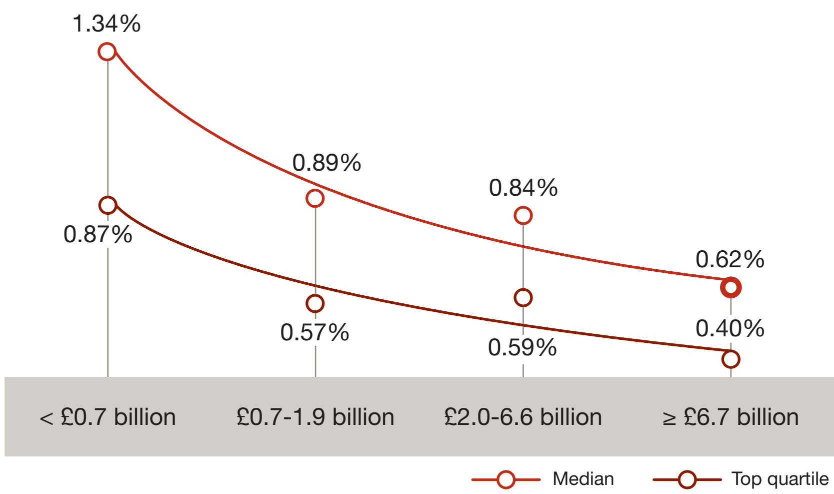
Top performers operate at lower cost not by reducing service levels but by standardising and simplifying their core processes and systems – enabling them to free up resources to focus on business partnering.

The median cost of finance continues to fall from its 2011-2012 high but at a declining rate. For top performers, there has been a marginal increase in the cost of finance for the first time since 2011-2012, and for the first time since 2009 the gap between top and median performers has fallen below 40%. In part, our studies suggest that this is a reflection of a deliberate investment in finance capability in top-performing organisations. As PwC's CEO survey highlights, CEOs are concerned about having the necessary talent in finance, and the broader business, to drive profitable growth. However, as we discuss later in the report, we believe that in the longer term the downward trend will resume, and probably accelerate, given the proliferation of cost-saving technologies such as RPA and cloud-based finance applications. We only began seeing finance teams look to implement these types of innovative technologies in the last year or so and currently most are in pilot or proof of concept stage, exploring how best to leverage the technologies across their functional domains. Once organisations begin to 'industrialise' the use of these automation tools, we'd expect to see a significant drop in finance costs generally, although this will still be offset by the cost of upskilling the team into a more analytical function to meet the previously mentioned CEO demands.

In our experience, top performers operate at lower cost not by reducing service levels but by standardising and simplifying their core processes and systems, typically enabling them to free up resources to focus on business partnering. It's not about chasing cost reductions – our interviews conducted as part of the benchmark studies suggest that organisations which focus on a holistic view of change within finance and aligning this with the wider business strategy can achieve a better cost performance and, in addition, a more effective finance function.

Figure 2: Larger companies take advantage of economies of scale

Cost of finance by company revenue



Source: PwC finance benchmark data

Assessing your business against peers

This report cites numerous metrics used to measure finance function performance. When comparing your finance function against those metrics, it's important to be sure they are relevant to your situation. The data shows that the size and complexity of the business have a significant influence on relative performance – more so than industry sector. Smaller organisations often cannot take advantage of the economies of scale that larger companies do, but at the same time operating in multiple geographies has a high cost impact (Figures 2 and 3).

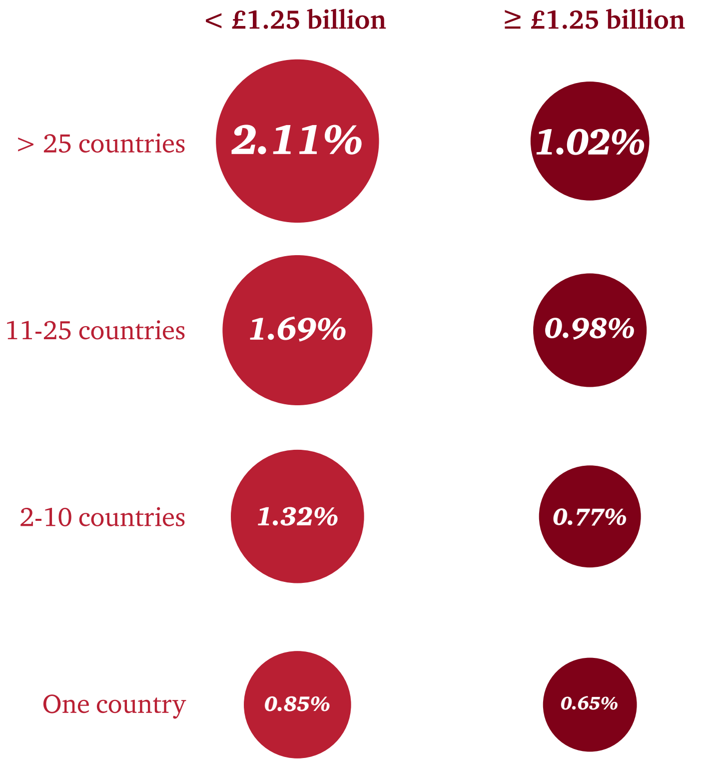
To reduce costs in complex and geographically dispersed functions takes innovative thinking about the finance operating model. Examples of this type of thinking include the collaborative technologies we are seeing emerge and the discussion of how organisations can work together in 'ecosystems' to create mutual benefit. There is a lot to learn from small businesses and startup.'Finance as a service,' is an emerging concept for smaller organisations. There are examples of even relatively small finance functions using techniques that bigger companies utilise, such as focusing financial planning and analysis in specialist, centralised teams. Cloud-based Enterprise Resource Planning (ERP) and other applications now make sophisticated tools available at a price point that is achievable for small

The size and complexity of the business have a significant influence on relative performance – more so even than industry sector.

Figure 3: A multinational footprint adds complexity and cost

Cost of finance by revenue and operating countries

When smaller companies have complex, multi-national finance requirements, they have difficulties keeping costs down.



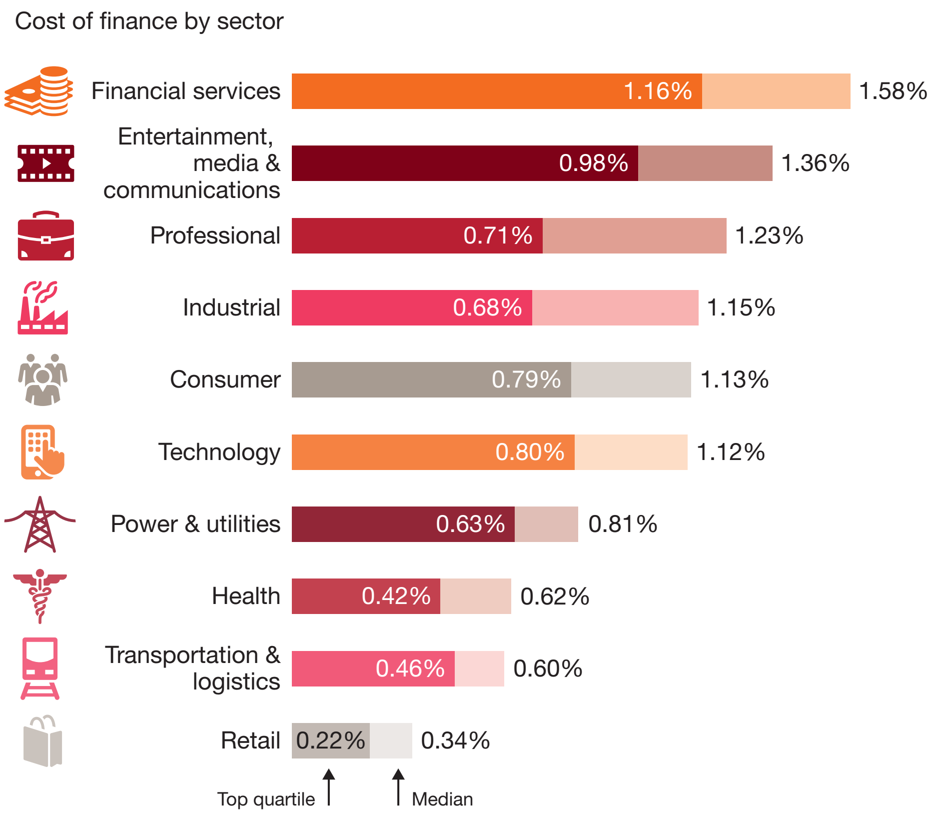
Source: PwC finance benchmark data

companies, and as we will see in the report small companies focus less on automating manual processes (as the established big players do), but instead use technology to avoid unnecessary processes altogether.

We see that the cost of finance differs by individual industry sector (Figure 4). Industries such as retail tend to have the lowest cost of finance due largely to the intense focus on cost control and margins, the focus on processing efficiency, and the prevalence of highly centralised finance functions. Financial services companies, on the other hand, generally have higher costs, driven in part by heavy regulatory burdens, complex business models, fragmented product-based or geographical IT landscapes, and often higher remuneration rates. But whether a sector is high-cost or low-cost, the cost of finance among individual companies within the sector can vary widely. When challenging yourself on what's possible to achieve, do not simply look within your industry. Instead, look at companies whose size, complexity, geographical and product/channel profile are similar to your own, and consider the approaches that we discuss in this report. To achieve real competitive advantage, finance needs new and innovative thinking together with a willingness to explore new technologies and ways of working, rather than incremental change executed in the 'traditional' manner.

Those finance functions that are not already at the top quartile of cost

Figure 4: Benchmark peers may be outside your industry



Source: PwC finance benchmark data

performance still have plenty of room to realise additional, sizable gains in efficiency. For the top quartile performers that have already applied the traditional levers, the new suite of technologies offer a route to continuing the progress they have made in the past.

The leading finance performers expend much less effort than the average company on general accounting, financial reporting and traditional transactional processes such as accounts payable and accounts receivable. Their greater efficiency frees up resources for investment in a higher-touch, higher-quality function oriented toward business partnering and other value-adding activities. Those activities are where finance can make a tangible impact on the business, by helping operating leaders to make better decisions and improve performance, whether it's measured by return on investment, profitability, cash performance, market share, growth, or even total environmental impact.

Delivering value

Yet most finance functions that we speak to – not to mention their customers in the business units – tell us that they are dissatisfied with the outcomes of their business partnering efforts. Only a handful of top-performing functions have successfully mastered the mix of culture, talent, operating model, and technology that enables effective business partnering. Their examples show that enabling effective partnering is not impossible, just very difficult. It is probably a fair conclusion from our work that in order to improve this, many finance teams need to focus on building their business and commercial knowledge but also that the business needs a solid grounding in finance if the two are to work together successfully.

Cloud-based ERP, data analytics, data visualisation and collaboration applications are making tools available to provide far better insight, but only if organisations have the right skills to use them effectively. Our interviews with CFOs and CEOs suggest that organisations who view these developments positively rather than feeling threatened by the way they may impact the function and the roles played by those within it have the greatest chance of being the top performers in the longer term. This in itself is quite a cultural, behavioural, and attitudinal shift for many finance professionals.

To achieve real competitive advantage, finance needs new and innovative thinking together with a willingness to explore new technologies and ways of working.

"Our finance transformation project helped us more broadly transform our ways of working. It delivered wider business benefit across the company."

– Fred Smith
Group Shared Services Director, Informa

Developing an ambitious model for business partnering

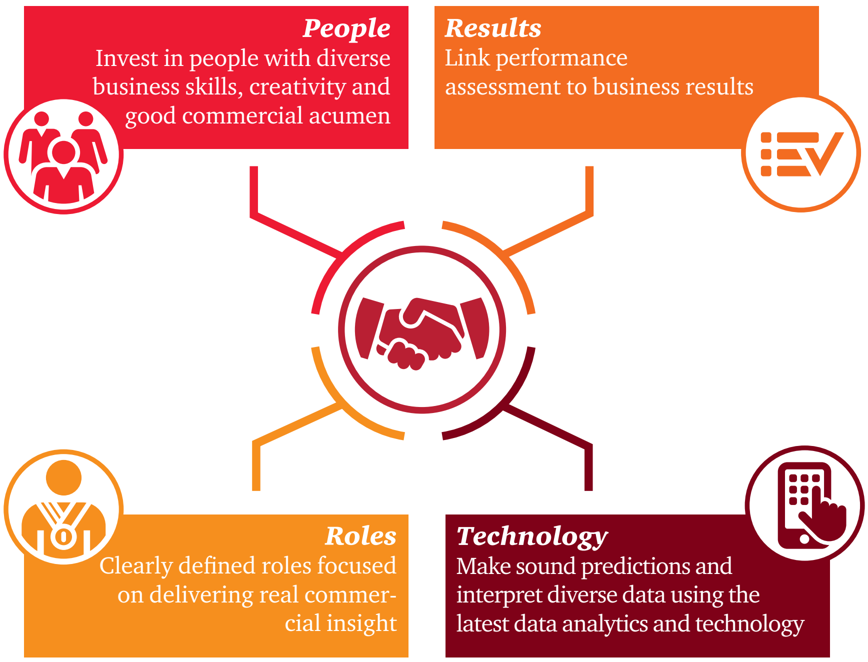
"Business partners need a particular kind of temperament – realistic and fact based, but also emotionally even-keeled"

– Gerd Graehsler
Group Chief Financial Officer
Safilo Group

The role of the finance function grows more varied and demanding by the year and has never been more challenging. One reason the role is becoming more difficult is that it is constantly expanding. Many organisations now expect the CFO to drive the CEO's agenda across the organisation, while the CEO focuses on strategy and communication with stakeholders. This means understanding the market in which the organisation operates and which customers, products, and channels drive profitability and offer growth opportunities. Supporting these more strategic decisions around pricing and the firm-wide operating model requires

Business partnering

How does good business partnering succeed?



Source: PwC finance benchmark data

Figure 5: Skills gaps reveal a need to look differently at hiring and training

Finance professionals—importance and performance ratings

Source: PwC Finance benchmark performance survey data

finance to develop its analytical capability and understanding of not only how the organisation operates but also how external factors impact its customers and markets. The most impactful CFOs and finance teams undertake this role by working with the business and participating in operational decision-making in order to identify and mitigate risk, accelerate growth, and generate higher returns on investments.

Finance has long been responsible for recording, classifying, analysing, and interpreting data. This is how organisations track where they have been and plot a course toward the future. But with the advent of technologies like Blockchain perhaps we can predict a world, in the not too distant future, where technology will do, or be instrumental in, all these things. People won't be involved in the processing, but instead their focus will shift to interrogating and analysing fully automated outputs and interpreting what these mean for the business and the decisions it needs to take. So, both business and the wider world are becoming more complex due to changing customer needs and the amount of information available, along with the constantly changing economic and technology landscape. In this turbulent environment, business needs the finance function to be integrated into its decision-making process and present at every stage of that process, not just at points. This is an area where many finance organisations recognise that they need to develop. As part of benchmark projects we survey finance professionals on their view of what is important, and how they perceive the performance of their teams. The results are telling (see Figure 5); they see having well-trained staff, efficiency in business insight and decision support,

Business needs the finance function to be integrated into its decision-making process and present at every stage of that process.

Cost efficiency is a given, but identifying profitable growth opportunities is transformational.

and the right capabilities in place as being among their highest priorities but typically find performance in all three areas falls below expectations.

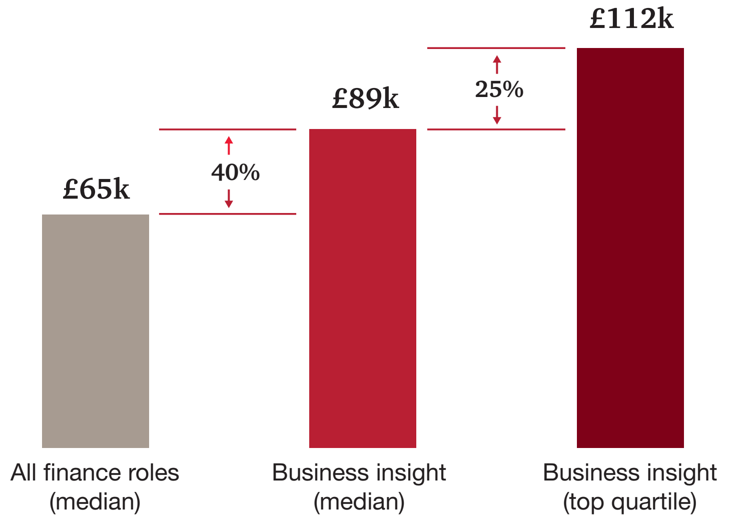
The intensified focus on value creation is long overdue. Until recently, most organisations have focused more intently on finance's efficiency. As a result, many finance teams have missed an opportunity to drive business outcomes in a meaningful way and demonstrate their enduring value to the business. The focus on efficiency is understandable, of course. Shareholders and corporate boards are unrelenting in their demands for cost reductions and margin improvements. Yet despite the pressure, the majority of finance organisations have struggled to close the gap with leading performers on cost and this doesn't seem to be because they were pursuing the opportunity to transform their role in the way we have set out above and which CEOs seem to be demanding.

By focusing on efficiency, businesses and their advisers have too often allowed effectiveness to be overshadowed and failed to appreciate that the two objectives can be achieved hand in hand. Cost efficiency is a given, but identifying profitable growth opportunities is transformational. For instance, the budget process is key to delivering business strategy and often makes considerable demands on both the business and finance. However, in recent years the typical time and effort involved in the process has remained more or less static and satisfaction levels with the process are often low. Streamlining budgeting can improve the effectiveness of the process by accelerating the availability of information and reducing the cost of the process. But with the technology available today, businesses need to be thinking more radically. Why do we budget at all? The value of the budget is the connected thinking and collaboration around business decisions that it can drive, it's not really in the projection itself or the mechanical process of developing it. When budgets are produced they then need to be used in the business as a critical management tool to drive decisions and behaviours. In many cases, budgets aren't used in this way and remain static over time rather than constantly evolving as the markets in which companies operate change.

Based on our research, the impact of revisiting these processes can be

Figure 6: Top performers structure pay to reward value-added skills

Fully loaded remuneration comparison



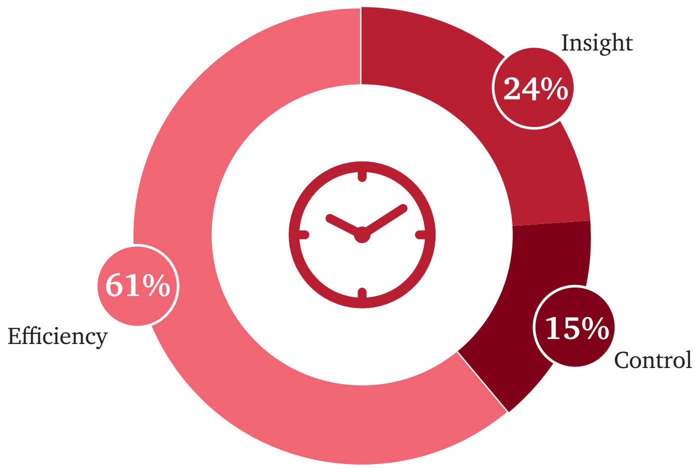
Source: PwC finance benchmark performance survey data significant: staff costs for business insight roles, such as budgeting and forecasting, are typically 40% above the median for all finance processes (Figure 6). Companies have an opportunity to assess their finance function's ability to contribute to value creation and invest where needed to strengthen their capabilities. Top-tier companies are making those investments – despite their generally low cost of finance, they pay their 'insight' finance professionals more than the median company (Figure 6). And for good reason. In recent years, the typical proportion of finance effort focused on value-adding business insight activities has remained constant at around 24% (Figure 7) but it seems likely this will increase as the expectations of what finance should be seeking to deliver rise, the amount of operational finance work reduces due to automation and the availability of easily configurable and flexible analytical tools to help drive insight creation increases. Though in order to move the dial on this transformation, finance professionals not only need to prove their worth by demonstrating their commercial acumen and analytical capabilities, they also need to develop deeper technology skills which will allow them to take advantage of the tools at their disposal. A behavioural change is also likely to be needed for many as they will need to become more agile, perhaps less risk averse and open to testing new processes, technologies, and ways of working.

As we mentioned, at leading organisations, business unit heads and operating groups expect finance not just to be present for the unit's day-to-day work, but to be driving the conversation, challenging business decisions, and making connections that otherwise would be missed. However, at the same time finance business partners must be focused on delivering insight, not creating the analysis. One finance leader of a global consumer products company acknowledged that some regional brand managers are so accustomed to leaning on a finance business partner that they don't bother analysing or understanding brand profitability for themselves – they leave it to the finance professional. That's not effective business partnering. For finance to partner effectively, business unit and other functional leaders need to know the numbers and welcome challenges from their finance partners.

Only
24%
of finance time is spent on insight-generating activities.

Figure 7: Seeking ways to increase time spent on insight

Distribution of finance time



Source: PwC finance benchmark data

Finance should welcome an expanded operating role, but at the same time business partners should be mindful of the risk of taking on work that properly belongs to another member of the operating leadership team.

The business partner's most important work is to advance the organisation's strategy by driving positive commercial outcomes. "The finance business partner should be the receiver of finance and operational information and be able to shape with the business what is required from finance," says PwC UK's Gavin Hildreth. "Typical activities would be centered on interpretation and analytics to understand the value drivers that are changing either the cost or the revenue side of the organisation. However, when we analyse what business partners actually do and how they are perceived the results are often underwhelming." Some organisations take a more radical approach; rather than build a 'business partner' community and try to embed the necessary commercial skills, they strive to make the business more financially aware, provide tools and information to allow them to make the best commercial decisions, and strip finance back to the minimum. It's a compelling approach, and each CFO needs to choose which way is right for their business.

At most organisations, igniting or sustaining growth opportunities and cutting costs are top strategic objectives, according to PwC's 2017 CEO survey. Nearly 80% of CEOs responding to the survey planned

to drive organic growth in 2017, whilst only 62% said they planned to cut costs. This is still a significant percentage but it shows the shift in confidence as more CEOs are focusing on identifying growth opportunities in the next year. In the same survey, CEOs highlight their concern that they don't have the best talent in their organisation, or in finance, to help them navigate towards these opportunities. At the same time, PwC's recent analysis of what business partners are actually doing shows that they spend barely half their time on true business partnering activities. In addition, over half (56%) of the customers of finance say that their business partners do not influence their decision-making. So, businesses face a double challenge here – not having the right talent necessary to deliver on t his request and, even when the talent exists, the second challenge of ensuring it is actually focused on the right things.

"I think the more informed finance departments out there have recognised that they don't just need to produce the financial information more efficiently," says PwC UK's Mark O'Sullivan. "They have to show they can actually analyse, interpret and predict rather than just produce. They're also starting to realise that they already have a lot of the thinking, systems, processes, and controls in place for the more important strategic information relating to their key resources and relationships, such as their customers, their employees, and their supply chain."

"We have to generate new value propositions, some of which will completely swim against the tide and tread on the status quo."

– Mike Prince
Director of UK Finance, Royal Mail Group

To get more value from its business partners, Royal Mail Group (RMG) first had to clarify their roles and identify the behaviours required to perform effectively. Analysis of what its business partners actually do revealed that they had been spending the bulk of their time on "handholding, coaching, day-to-day driving action on a day-to-day basis across the organisation," according to Jill Adams, RMG's finance transformation lead. In other words, they were acting as performance managers – an important role, but not one focused on value creation. What RMG wanted from its business partners was, in the words of the company's Director of UK Finance Mike Prince, people who were prepared to be "curious and slightly controversial. They have to generate new value propositions, some of which will completely swim against the tide and tread on the status quo."

In common with many CFOs we encounter, Mike sees the ideal business partner as something of an agitator. Business partners drive value creation by, for example, offering managers options about new products and pricing and supply decisions. They present fact-based analyses of channels, products, and markets so that the business units can understand their options and make needed trade-offs. And they're not afraid to tell the business when they could raise their performance and offer ideas about how to do so.

"A business partner's success should be measured on the business outcome you achieve together, not just your input to it. If you don't commit to that, you're not part of the team."

– Tim Bartle
Head of Operations Finance, British American Tobacco

Many finance professionals will need to make conscious behavioural changes to become effective business partners. By nature, finance people are prudent, a tendency reinforced by the constraints of the governance and control framework of large organisations. Data gathering and cleanup are ingrained behaviour, and by temperament finance people want to be sure their data is 100% correct.

It's much less comfortable to challenge business leaders on their results. Such conversations call for listening, negotiating, and influencing skills. Finance professionals must also make a conscious effort to set aside their perfectionism in favor of using technology to experiment, test alternative scenarios, and explore business options. It is, of course, crucial to root out dubious data, but it's even more important to cultivate the ambition, inquisitiveness, and willingness to explore that characterises the best business partners. "The big challenge for organisations is finding the people who have the mettle to be effective business partners," says PwC Singapore's Raghu Raghunathan. "How good is their business acumen? How good is their business knowledge? How good are their personal skills that allow them to build rapport with the operations teams and not work as their subordinate?"

Today's business partner needs to buck the conventional wisdom that holds that finance's job is to say 'no.' Business partnering is more often about making it possible to say yes, and about moving forward rather than being paralysed by the complexities and challenges of technology, markets, and competition. "We don't want to have conversations where finance just says what you can and cannot do, but asks instead what is it you want to accomplish and why," says Tim Bartle, a business partner at BAT plc. "We'll try to find a way to make that happen within the constraints that exist."

Getting organised with new efficiency plays

We have found that many of the most successful finance organisations gauge the success of their finance leadership teams by the commercial outcomes of the businesses they work with. The thinking is that if finance is actually improving the business's commercial decision-making, this improvement will be visible in improved business results as measured by revenues, profitability, market share, and similar criteria. Often though, finance functions don't measure performance in terms of their impact on business results but internal measures only – such as those which track progress in implementing new processes and systems rather than measuring the impact such changes have, for example, on reducing complexity or creating business value. In order to change finance's behaviours and make them more commercially focused around business results, these performance measures need to be changed and aligned with business objectives around customer-centricity.

The performance of finance leaders should also be measured by their ability to develop the next generation of finance talent. "The success of a leader should, in part, be measured by their ability to pull people through to leadership roles," says PwC UK's Rob Banham. Some high-performing organisations gauge the performance of finance leaders by their success at developing their people.

"The success of a leader should, in part, be measured by their ability to pull people through to leadership roles"

– Rob Banham
PwC UK

Beyond the back office
Rethinking the finance function

Consider it addition by subtraction. If the finance function wants to join in more top-level strategic conversations, it needs to drastically cut down on its transactional workload and free up its best people to focus on generating value for the organisation. We spoke with PwC US's Marc Sterk and PwC UK's Alec Whiting to learn how companies can lay the foundation for excellence in business partnering.

PwC Directors Marc Sterk and Alec Whiting are out to change the way organisations think about their finance function. "In the past, the role of finance has been predominantly seen as a back-office function that should be delivered at the lowest cost possible," Alec says. "But there's more to finance. Companies that embrace a more value-oriented perspective can do financially better. That's the aspect we want to investigate more and talk more about."

Marc acknowledges that the executives they speak with don't always share that point of view. "Clients tell us they're trying to adopt that value-oriented perspective, but there's so much other stuff they have to do as well – transactional stuff – that they don't really have time to focus on business partnering. But there are companies out there trying to shift that," in part by removing structural impediments to business partnering. That entails separating financial operations teams from business partnering and analytics teams, and by relieving senior finance professionals of transactional chores, moving that work into a shared services center or center of excellence. Certain rule-based and repetitive activities within budgeting, forecasting, and financial planning and analysis can also be subsumed into shared services or centers of excellence.

Technology often needs to change as well. PwC's benchmarking work reveals that business partners still spend roughly 30% of their time collecting data and reconciling it between systems. "They spend a lot of their time on activities that could easily be automated," Marc says. Clearing the technological and structural obstacles, then, "is more about enabling the business partner role than creating it – enabling people to focus on those things where they can add value," he adds.

Locations and reporting lines

What kind of things? It's a long list that includes integrating business partners into investment and appraisal processes, conducting analyses of product lines, pricing, and regional operations, and contributing to product-development conversations. Those conversations can be crucial, covering issues such as the potential overhead costs of developing and marketing a new product, the potential need for additional financing, the possible acquisition of new technology and the depreciation of technology rendered obsolete by the acquisition. Ineffective integrated business planning, capacity planning and scheduling decisions often cost businesses millions in avoidable cost. In almost every business there are huge benefits being missed because finance isn't involved in and improving decisions.

There are several key factors that determine how successfully business partners perform their role. Both Marc and Alec believe strongly that business partners should be co-located with the business units they serve. It's as much a matter of psychology as anything else. If the people in the business unit see their business partner at the coffee machine every day, they're most likely to view him or her as a full member of the team and not an external consultant. At the same time, companies should consider carefully the business partners' reporting lines. "Should they start reporting to the global business services organisation?" Marc asks. "Or should they continue to report to the business? If you have them continue to report to a business unit general manager, then the consequence is that it's very difficult for them to change what they do on a day-to-day basis."

Training business partners – and their customers

Marc and Alec also emphasise the importance of training and cite their own work developing training in behavioural, technical, and business skills. But they hasten to add that it's not just business partners who need training but also their 'customers' in the business units. Those customers need to understand that the business partner's job is to offer options, challenge assumptions, question the status quo, and conduct difficult but productive conversations. Without that ingrained understanding, business unit managers all too often revert to old habits and apply their own definitions and expectations of the business partner's role.

Breaking old habits and learning new ways of thinking are at the heart of the transformation of the finance function's role. Looking ahead, Marc and Alec expect more work will be automated through technologies such as RPA. As a result, finance professionals will be able to devote more time to "connecting their commercial skills to the financial world," as Alec puts it. "There's a shift away from the core technical finance qualifications and skill set toward a new set of skills whose definitions are just emerging." Those skills center on serving the customer, he adds, "and the ultimate customer is the business unit."

The soft power of the CFO

PwC UK COO and Managing Partner International, Warwick Hunt has witnessed more than 30 years of evolution in the finance function, with CFOs having to deal with accelerating and far-reaching disruption in their markets. He spoke with us about the changing role of the CFO – the convergence with operations, growing emphasis on business partnering, and the new skills and capabilities required of finance professionals to help the business make the best decisions in these challenging and uncertain times. His conclusion is a paradox: the more that the business can draw on technology and data, the more finance relies on the human touch.

Say this for Warwick Hunt: he knows how to kick off an interview. "The CFO, as we know it, is obsolete," says Warwick, who, yes, was at the time we spoke the CFO of PwC UK. He's not predicting the demise of the role; he's pointing out how far it has evolved. In today's business environment, organisations have to find opportunity and thrive in the face of rapidly changing markets fueled by technological development, and increasing customer expectations. CFOs and finance professionals at the highest-performing organisations are increasingly involved in operations, providing insight to business units and holding them accountable for results while devoting minimal time to 'cranking the handle' – the mundane, rote work of tracking transactions. "I think it's an exciting time to be a CFO. Increasingly, you'll find CFOs are effectively driving the agenda across the organisation," he says. "Freeing the CEO to focus mainly on evolving the strategy and communicating with stakeholders." And in a trend typified by his own career progress, Warwick observes, the line dividing CFOs from COOs is blurring, to the point where in many organisations, "the CFO is the COO," he says, "and the focus and skills an effective CFO needs for tomorrow are very different from yesterday."

Technology facilitates that change of focus, but it doesn't drive it. Warwick recalls that when he began studies for his accounting degrees in the early 1980s, his instructors divided professional accountancy into two disciplines: bookkeeping, which consisted of recording, classifying, and summarising data; and accountancy, which consisted of data analysis and interpretation. Today, web-based tools, robotic process automation, transformed operating models, and other innovations have transferred a growing share of bookkeeping chores to machines, while data analytics are claiming a growing share of analytical work. That leaves interpretation. "Interpretation involves a massive slug of interpersonal capability, nuance, and qualitative judgment," he says. Those skills are beyond the reach of even the most advanced AI and will be for some time to come.

Warwick isn't sorry to cede the routine work to machines. "Think about it," he says. "What is the boring and miserable part of the job? Cranking the handle. Data analysis is pretty boring, too. Computers can do it better than us. But if you're looking for the positive side, AI is actually proliferating the opportunities in the interpretation space." And the interpretation space, he suggests, is where the finance function can deliver the greatest value to the organisation.

The CFO as value creator

The finance function can't simply claim that space as its own, however. Not every company sees finance as the natural home of that interpretive role, and even at companies that do, finance has to demonstrate that it's up to the job. When Warwick was appointed CFO of PwC UK in 2013, he recognised that he and his team had to demonstrate that they could create business value. "If you're going to get finance out of the traditional, internally focused score-keeping role," he says, "you've got to appreciate what the concept of value in the organisation actually is, and you've got to orient your remit toward delivering that outcome to your stakeholders."

To earn credibility with the business units, though, finance must be sure its own house is in order. That means ensuring that the function's operating model is geared for efficiency and agility. At the same time, the CFO needs to look outside, to understand the geopolitical environment and economic risks the business faces. "As long as the CFO focuses only on their competency and their team," he says, "they're never going to be viewed as members of the value-creation team."

Growing in uncertain times

The current economic climate is challenging for all businesses. “Brexit has introduced the highest recorded levels of UK economic policy uncertainty – greater than the two world wars,” Warwick tells us, “but it’s also the time for the CFO to step up and deliver valuable insights.”

CFOs have a key role to play; interpreting internal and external data, utilising new technologies to identify options, determine probabilities, and find solutions, supporting businesses to be leaner, more focused and better prepared for what lies ahead. Warwick recognises that CFOs do not act in isolation and that successful business change initiatives require buy-in across the organisation. Experience has taught Warwick that you need to build support for change initiatives through persuasion and example. “The more senior you get in any organisation,” he says, “the more you realise you control nothing. Your entire capacity to make a difference is based in and around influence and influencing in a skillful way.”

That ability to influence – the softer skills, if you like – is what he looks for in finance talent. As more and more of the function’s routine work is automated, the importance of sheer technical competence recedes, and communication, collaboration, and teamwork skills come to the fore. That’s why he prizes talent with a liberal arts background as well as finance and accountancy credentials. “You could be the greatest and most skilled finance graduate in the world,” he says, “but if you don’t have the emotional intelligence, the interpersonal sensitivity to recognise nuanced messages from the business, and respond in a manner that resonates with the business, you’re actually not worth much.”

“Uncertainty is the new normal,” says Warwick. Successful businesses will adopt evolutionary business models, constantly adapting and embracing new technologies at every step. “And CFO’s have the opportunity to lead the way.” Warwick sees technology, automation, and AI playing an ever-increasing role. The prospect doesn’t alarm him unduly. “AI is a game-changing opportunity, it can create six times more jobs than it eliminates,” he says. The jobs that AI creates will demand the capacity to influence and communicate universally across an organisation – what PwC calls global acumen – and “the capacity to reskill,” he says. With the speed of change that businesses are facing, evolving and reskilling is essential for finance to emerge equipped to support their businesses for the future, and without a doubt, that includes brushing up on the human skills.

Warwick Hunt held the role of CFO of PwC UK from his joining the partnership in 2013 to June 2016 when he assumed the expanded role of Chief Operating Officer and Managing Partner International, through which he retains oversight of the finance function.

Realigning the operating model to focus on value

"The fundamental point is to simplify work, to eliminate work so you don't need positions anymore, which has a lot to do with creating the most effective and efficient organisational design."

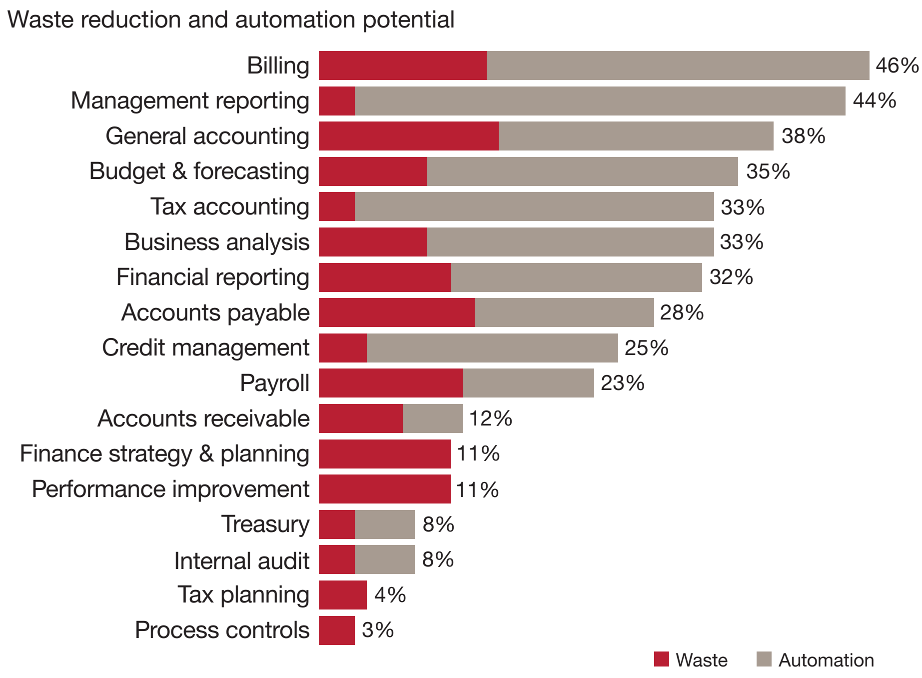
– Gerd Graehsler
Group CFO, Safilo Group

Business operating models are changing rapidly and finance functions must also change if they are to fulfill the mandate of supporting the business and adding value. Yet when thinking about their operating model, finance leaders often focus on the location choices for teams and shared services, and to what extent they can be outsourced to external third parties, when there are many other questions to consider. What services, for example, does finance provide the business? How is the business governed? What data and technology need to be in place? What skills are required?

Since we produced our first Finance Benchmarking Report, finance functions have made significant gains in efficiency, but large opportunities for savings remain. The consistent 30-40% gap in cost between top-quartile finance functions and their peers suggests that most companies still have room to realise additional savings (Figure1). Even those in the top quartile have a way to go before they can say they are optimised from a cost and efficiency perspective. The data shows huge opportunities. As part of our benchmark projects, we frequently collect detailed 'activity analysis' data capturing how finance teams spend their time, and the results are revealing. Much of the time spent could be replaced by robotics and automation, or is wasted time spent on activities like rework and error correction (Figure 8). Looking at the top four process areas where finance teams spend their time (billing, management reporting, general accounting, and budgeting and forecasting) between 35% and 46% of time and cost could be eliminated by automation, and through adopting more effective, lean working techniques. Automation doesn't have to be an expensive, complex, and time-consuming project either. Thanks to web-based tools for data analytics, and the rise of robotic process automation, solutions can be put in place rapidly and at low cost which can help transform the way finance works and the value it adds.

Automation isn't the only route to a lower-cost finance function. Top-quartile performers are achieving significant efficiency increases through focusing on more effective management of their teams working in a lean environment, eliminating the 'waste' activities and changing the way their teams work and collaborate. Not content to simply do what they've always done, only more efficiently, their finance leaders are asking whether they need to perform some tasks at all, and they're ruthlessly eliminating those that don't add value or differentiate the business. There are lessons to be learned from start-ups and small companies, says Klaus-Michael Vogelberg, Chief Technology Officer of accounting software

Figure 8: Automation holds the key to improved efficiency



Source: PwC finance benchmark data, activity analyses

provider Sage Group. "They take a very different view," he says. "Wherever possible it's not about automating manual processes, it's about using technology to eliminate the need for processes like bank reconciliation altogether. It makes you wonder. How much time is spent in the finance function doing what no longer needs to be done?"

Process standardisation has also paid off for Royal Mail Group. Leveraging ERP and robotic systems that reject non-compliance or added steps, RMG has driven behavioural changes that significantly reduce the need for finance to reconcile exceptions and clean up data. As a result, even manual processes have become more efficient, with less need for rework and with plenty of runway for further efficiency gains through automation, which will allow finance teams to focus more on value creation and business partnering in the time released.

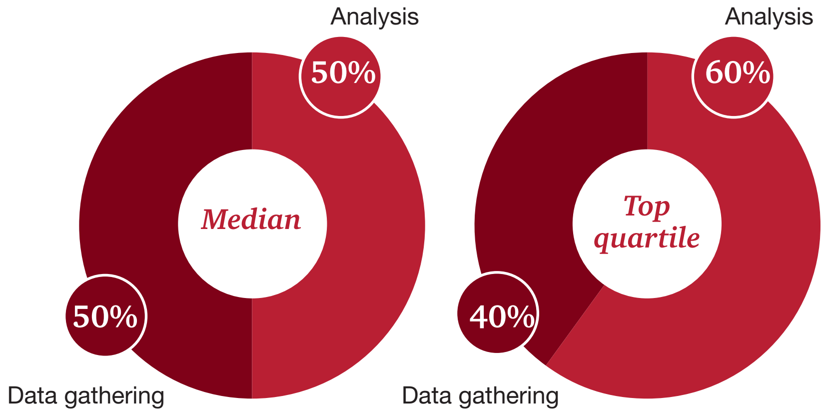
As finance functions grow more efficient, they free up their most seasoned and operationally savvy professionals from routine transactional work and the drudgery of gathering, reconciling, validating data, and compiling and circulating myriad reports which often aren't used to support business decisions. Those professionals then have the opportunity to expand their operational experience and drive profit-making decisions, alignment, and progress across the enterprise. We expect to see an increase in the proportion of time finance professionals spend on data analysis (as opposed to data gathering), but it has remained stable over the past few years. The fact that today even

***35-46%** of processing time for several key finance processes could be eliminated by automation and eliminating waste*

Figure 9: Improved data quality and automation can reduce data-gathering tasks for finance functions

Percentage of time spent on analysis

There are large opportunities to increase the amount of time available for analysis. Even in top quartile companies, 40% of time is spent on gathering the data.



Source: PwC finance benchmark data

"The benefits for improvements in data quality are business critical across the board."

– Elizabeth Dixon
Director of Enterprise Data, GlaxoSmithKline

the top performers only spend 60% of their time on analysis indicates clearly that further gains are possible (Figure 9).

To liberate their finance functions from transactional distractions, top-performing companies are investing time and money in harmonising ERP systems, standardising data definitions, and deploying tools that enable operational leaders to generate their own reports. Data remains a major challenge, and correcting or validating data lies at the heart of much of the time that is being lost. GlaxoSmithKline (GSK), for one, has recognised the value of whipping its data into shape. As Liz Dixon, Director of Enterprise Data at GSK, explains, "top-down empowerment is key. That provides us with a clear mandate to drive change but also enables us to embed relevant targets into objectives from the most senior data leads to the data stewards. There is widespread recognition that what we are embarking on needs the whole organisation's support to succeed. And failure isn't an option." The program Liz refers to is sponsored by the CFO and has a comprehensive governance structure to facilitate the task ahead Senior executives – senior vice presidents and vice presidents – serve as data leads, and they operate with a broad remit across manufacturing, supply chain, customs, and finance.

Note, though, that initiatives to centralise transactional work have their own challenges. Talent gaps in shared service centers can increase costs and erode efficiency, not to mention the trust of operating units. Local and regional operating groups may balk at migrating transactional work, leading to duplication of effort. And outsourcing is no panacea. Unless companies streamline and standardise processes before migrating them to a vendor, they will simply be moving flawed or inefficient processes off-premises. "It's not a wall you're throwing something over," says Chuck Bodner, CFO of Becton, Dickinson and Company's medical segment and a leader of the finance transformation there. "You need to have a very clear blueprint of what is coming over, how it's being done, and make sure that there is connectivity, continuity, and a line of communication between the business units and the center."

While many companies have for years been consolidating transactional work in shared service centers or outsourcing it, more and more companies are putting financial planning and analysis in centers of excellence. The logic behind such moves is simple. The people working most closely with business decision-makers need to be the most capable performers, with the highest level of commercial acumen. It's counterproductive to saddle them with low-risk, mundane transactional work.

With the advent of robotic automation solutions, we are also seeing leading finance functions questioning why they do certain activities, rethinking and redesigning their processes from a blank page and automating many tasks. This, in some areas, is leading to a slowing of the migration of activities offshore or into shared services and it makes the economics of these decisions look very different. Some functions are actually moving processes back on shore as they find that when they are reimagined, reengineered, and automated the business case for shared services and offshoring is not as strong as perhaps it was a few years ago.

Once relieved of transactional and data-gathering burdens, CFOs and business partners can focus on bridging the gap between strategy and execution. As PwC has discussed in Creating a Strategy That Works[4],

Working capital
An opportunity to create value

Working capital ties up $1.2 trillion access cash globally

A new generation of finance leaders are beginning to relearn that working capital is integral to a company's operations. Daniel Windaus from PwC UK shares his thoughts on working capital, its impact on a company's free cash flow and how it can provide a real competitive advantage.

"The increase in working capital investment has mainly been driven by inventory levels, which increased by nearly four days, primarily in the aerospace and defense, engineering and construction, and industrial manufacturing sectors. These sectors account for 30% of global inventory. Overall, one third of sectors experienced a deterioration in working capital ratios, and on average small enterprises have more than double the working capital ratio of large corporations[3].

Apart from generating cash, working capital management is also a good indicator as a proxy for overall finance effectiveness. Analysis of accounts receivables performance shows that organisations with higher days sales out-standing typically spend one and a half times as much on their accounts receivable processes, and deploy twice as many people to manage them. A cost and full-time employee gap is also evident in companies with low or high days payable outstanding. Improving related receivables and payable processes can therefore release both cash and cost opportunities across the organisation.

One of the key reasons for the lack of progress in optimising working capital is due to many of the underlying drivers being operational rather than financial, involving multiple functions, and competing financial objectives. Moreover, the value of cash is often not well understood, especially outside the finance function. Finance can play a fundamental role in coordinating different functions and taking a holistic view when defining trade-offs between commercial terms, contractual milestones, service levels, risk, payment processes, and cash collection. As Warwick Hunt points out (see page 19 for interview), to be really effective, CFOs need to be acting more as COOs and taking that broader view of the business. There needs to be more cross-functional collaboration to drive real improvement."

Daniel Windaus, PwC UK
Lead Partner, Working Capital Management

3 2016 Annual Global Working Capital Opportunity, https://www.pwc.com/gx/en/services/advisory/deals/business-recovery-restructuring/working-capital-opportunity.html

truly standout companies differentiate themselves not by executing conventional practices better than the competition, but by making unconventional moves that maximise their strengths and minimise their weaknesses[4]. They commit to an identity, recognising the handful of things they do best and leveraging them for business success. They work across functions to advance the organisational strategy in everything they do. They know what's unique and powerful in their cultures and turn those cultural strengths to their advantage. They minimise the cost of non-strategic activities and processes, which frees up resources for investment in what is strategically important. And they build on early successes to shape their futures, create demand, and assume leadership in their industry, which reduces the risk of external disruption.

Finance can and should play a key role in all these activities. The function can employ its analytical capabilities to identify what the organisation does best and develop options for using those strengths to create competitive advantage. Finance professionals need to be:

- Teaming with colleagues from other functions to refine and sharpen the organisation's differentiating capabilities and bring them to scale.
- Helping the entire organisation focus on strategy and ensure that every activity furthers its objectives.
- Monitoring costs and investments and encouraging investments that reinforce the core strengths of the company, even during downturns.
- Taking the lead in anticipating how their capabilities must evolve to stay ahead of industry and customer changes.
- Using their expertise to forge closer relationships with key customers, building business ecosystems and creating demand instead of simply following it.

These finance capabilities are especially valuable in industries whose business models are undergoing rapid change. The retail business model, for example, has been completely turned on its head in recent years by the internet and mobile technologies, which have radically reshaped the channels that shoppers use and how they use them whilst simultaneously dramatically increasing customer expectations. Today's shoppers expect nothing less than a seamless, consistent experience, whether they're shopping online or in a brick-and-mortar store. These expectations place enormous pressures on multiple functions, including marketing, IT, the supply chain, and other crucial components of the retailing operation. Finance has an important role to play in sensing demand, allocating marketing investments, adapting the supply chain to new channels and understanding customer, product, brand, and channel profitability.

4 Strategy that Works, https://www.strategyand.pwc.com/strategythatworks

Once relieved of transactional and data-gathering burdens, CFOs and business partners can focus on bridging the gap between strategy and execution.

Enabling new ways of working through technology

"We're looking for the systems to take out a lot of the heavy lifting from finance's work, the day-to-day noise that can distract people from thinking strategically, because they're so exhausted from dealing with the tactical."

– Patrick Benson
Chief Information Officer, ClubCorp

As we have mentioned throughout this report, technology is central to virtually any business (and finance function) transformation. With the emergence of a new generation of technological tools, resources, and platforms, including the cloud, big data, artificial intelligence, and robotic process automation, transformations today have the potential to reach more widely, improve performance, and deliver greater benefits than ever before. Indeed, PwC's Digital IQ Survey 2017[5] highlights that the Internet of Things, AI and robotics, are seen by global organisations as both the most disruptive technologies and also the most important for cutting costs[5]. Organisations cannot fall back on technology gaps as an excuse to delay implementing other elements of a transformation, but at the same time, some organisations have found that they simply cannot move forward on a transformation until technology has caught up. The use of technology is integral to everything we do at work and outside the workplace and finance functions need to have a clear road map for how they see their IT architecture evolving over time. Importantly, this road map shouldn't just focus on technology – it should also look at how teams will interact and change their ways of working to make the workplace a more collaborative environment which enables organisations to get the best out of these new technology solutions.

That's what Fred Smith, Group Shared Services Director of publisher and event manager Informa, learned from his experience. As Informa was reshaping itself from a highly federated organisation into a more centralised one with five divisions, it became clear that the company's finance IT platform didn't have the capacity to handle the reorganisation, much less provide the underpinning for a finance transformation. For one thing, Fred couldn't accomplish the process and workflow redesign he envisioned without a new IT backbone. Realising that "finance operates in a vacuum without support from IT colleagues," Fred paused the finance transformation until the IT transformation gained traction. Looking back, he says, "we realise we should have called it a 'finance and IT' transformation program. Now we do."

Properly applied, technology can free up more time for finance to deliver value. With standardised data definitions and effective governance, ERP platforms make it possible to streamline processes and serve as a single source of truth. Our data shows that companies with a single, or very low number, of enterprise-wide ERP systems have dramatically lower general accounting costs. Add-ons and data visualisation tools enable self-service reporting by business managers and make it possible to frame challenges and opportunities in productive new ways. RPA promises

5 PwC's Digital IQ Survey 2017, https://www.pwc.com/us/en/advisory-services/digital-iq.html

to liberate finance resources from routine transactional tasks, but that approach is already looking outmoded. The leading RPA providers are introducing the combination of AI and robotics – where the RPA systems don't slavishly follow programmed process steps and reject the exceptions for a human to deal with, but rather follow rules that evolve, learning from the human intervention.

That RPA liberation is already under way at Royal Mail Group. The finance transformation team first tested RPA with a pilot program in the accounts receivable unit. They were startled and happy when Royal Mail's workforce, which they had expected to be hostile to RPA, embraced the technology. Royal Mail's RPA software was dubbed 'Marvin'. The technology adopted a persona and became like a colleague for the team who wanted to give it all the mundane work they didn't want to do. And before long, people in other functions with a heavy transactional workload were clamoring for a Marvin of their own.

Also in RPA's favor is its relatively low cost, which comes in at a fraction of the cost of an ERP implementation. Moreover, it can be rolled out in six weeks or so – again, a fraction of the time needed for a workflow or ERP implementation. And RPA can deliver much more than time and headcount savings, though they can be considerable. If they are configured correctly, these robots don't make mistakes, so processing inefficiency and rework can become a thing of the past. Organisations can use RPA to drive the wholesale behavioural changes that are the goal of many

Powered by emerging technology

More advanced, lower cost and easily accessible technology is changing the rules—making sense of complex data

Collaboration tools
improved performance with new ways of working

Efficiency
reduced cost through automation

Insight
better decision making through data analytics

40% of finance effort could be aligned to more value driven activities through automation

transformation programs. For finance organisations that are serious about changing the way they work, RPA is a good place to start. But while the potential is clear, so far there are relatively few examples of finance taking the lead with this opportunity or of organisations adopting RPA 'at scale' across their business – many are still in the pilot or proof of concept phase. Those that are succeeding in this space are approaching the scope of their programs using the following high-level principles:

- Adopting an enterprise-wide view, not just a functional one – these programs can provide the opportunity, if established appropriately, to align functional silos. Especially given emerging reporting requirements across finance, risk, compliance, tax, and other functional domains and the key dependency on shared data.
- Being clear on the ecosystem they use to deliver the change – adopting RPA will, for many, require you to partner across your organisation and externally with technology firms, existing outsourcing providers, and, potentially, business consultants.
- Embracing the opportunity to fundamentally transform what you do – this requires strong leadership across the organisation, good communication of your direction, and not being too hasty in trying to unlock immediate benefit.

"If you can harness technology to capture the accounting implication of any transaction in real time, you have revolutionised the world of accounting."

– Klaus-Michael Vogelberg
Chief Technology Officer, Sage Group

Creating value with analytics

Big data and analytics are rapidly spreading through the business world, and companies are harnessing the power of data to deepen customer engagement, fine-tune marketing campaigns and make supply chains more resilient. Yet at many organisations, the finance function has been slow to adopt these powerful new tools. We spoke with Paul Blase, the global head of PwC's data and analytics practice, and PwC UK Partner Steve Crook about the potential of data and analytics to transform finance and how to speed up adoption of the technology.

The finance function has some catching up to do. While corporate functions such as marketing and supply chain have made rapid strides in applying data and analytics to their day-to-day work, finance has generally been slower to integrate advanced analytics into its operations, according to Paul Blase. And it's not because the technology isn't up to the job. "We're already at a point where the potential of data and analytics techniques is far ahead of the average company's ability to leverage it," he says. Steve Crook seconds the point. "I completely agree," he says. "The technology is there and in general finance is lagging other functions in exploiting it. Finance has an opportunity to get on the front foot in driving business performance, and now is the time to catch up with what the other functions are doing."

In many cases, external forces have motivated functions outside of finance to seek out the insights that big data and analytics can provide. Marketing offers a ready example. "Marketing has always been about understanding the consumer," Paul says, "and there's always that impetus to try to learn more and be more granular in what you know." If big data and analytics can help paint a more detailed picture of the consumer – and they can – then naturally marketers will be driven to master them and integrate them into their daily business.

Finance feels the heat

Sooner or later, Paul and Steve suggest, finance will feel the pressure of those external forces. A faulty revenue forecast, for example, and the urgent questions from the CEO that follow might drive a CFO to learn how analytics can help improve the crucial finance task of peering into the future. The CFO might then discover that the metrics that feed into the financial close process can also feed into forecasting. The data behind those metrics falls into five categories – macroeconomic, environmental, industry-specific, regulatory, and consumer demand. If analytics can deliver a better understanding of how, say, energy prices might affect the cost of goods sold, or how weather might affect crop yields, or how supply-chain pressures might affect manufacturing output, finance can produce a more accurate revenue outlook – and, in turn, inform related operations decisions. The most successful companies are already doing just that, Steve points out. "Many organisations accept poor and inaccurate forecasting and scenario planning," he says. "Meanwhile, leading businesses are exploiting technology to improve performance by equipping their decision-makers with rapid modeling capability."

Analytics can also significantly enhance what Paul calls strategic forecasting – longer-term scenario analysis that can help finance envision the business environment three to five years in the future and possibly make adjustments to investments that are critical to adapt to changing conditions. By identifying the variables that have the most effect on financial metrics and then running different scenarios based on changes in those variables, "you should be able to account for more of the factors that are really impacting the business," he says, "based on real data, not just estimates." And technological advances in the past five years or so have enabled finance to run those scenarios in a matter of hours rather than weeks.

Organising for analytics

The opportunity to make a more valuable contribution to strategy formation is driving many CFOs to explore expanding the role of analytics in their functions. Which raises the question of how those analytics initiatives ought to be organised. In his wide experience, Paul has seen many companies succeed with a hybrid model that combines an analytics center of excellence (CoE) with analytics teams distributed among various corporate functions or geographies. “You rarely see a pure center of excellence model where they pull everybody out of the functions or businesses into the center of excellence,” he says, “because you just get too abstract from the business.” The CFO, chief strategy officer, or chief analytics officer, teamed with the CEO or business unit leaders, are responsible for governance.

Whether the analytics teams work within a business unit or a CoE, they need cross-functional representation to ensure that the analytics model captures every element that affects a particular transaction or process. The process of lead generation, for example, encompasses at least four functions – product development, pricing, marketing, and sales. With a cross-functional structure, the team can build an analytics model that actually reflects how leads are generated and converted into sales. A model built only by the marketing function, Paul suggests, might be limited to measuring acquisition propensity – which is only part of the picture.

Staffing the team also calls for a mixture of talents and perspectives. The team does not need to be large – Paul cites a large Latin American financial services provider whose analytics team consists of only 20 people – but it should include PhDs in mathematics or computer science, as well as people with bachelor’s or master’s degrees with similar backgrounds. They should be paired with people with business backgrounds – Paul calls them ‘analytics drivers’ – who can recognise when an analytics model is capturing information that is relevant to the business and translate the analysis into meaningful insights.

Before building an analytics function, however, the sponsors of the effort need to make the business case for standing it up in the first place. The main element of that case is usually a return-on-investment model that illustrates how robust analytics capabilities can add business value through higher productivity and improved decision-making. “When we work with companies to build these business cases,” Paul says, “we usually zero in on specifying how better data analytics can help executives increase the speed and sophistication of their decision-making and take more informed actions to drive better outcomes.” To make the case more persuasive, it’s also helpful to point out that the cloud has vastly increased the computing power available to companies while dramatically lowering the cost of data storage and processing.

But before making the business case, before forming the analytics team, before embedding analytics in the business, what has to change is senior leadership’s mind-set, Paul says. When senior leaders recognise how analytics can transform a business and embrace what he calls ‘the art of the possible’ in how they operate the business, the most formidable barrier to analytics excellence will fall. At that point, companies will be able to tap the almost unlimited potential of analytics to generate value for their businesses and discover the hidden connections that can spell the difference between running with the pack and leading the field. “We can find needles in haystacks now,” Paul says. “And we can find them faster.”

Robotics
An immediate opportunity for finance

Robotics Process Automation (RPA) is already bringing sweeping change to the finance function, enabling dramatic cost savings and increasing the speed of transaction processing. But much bigger changes are on the horizon. We spoke with Tom Torlone, PwC's US leader of enterprise business services, about the capabilities of RPA, the organisational implications of automation and its potential to revolutionise the way finance business is done. His verdict: "It's a game-changer."

In the first place, "robotics is a bit of a misnomer," Tom Torlone says. The leader of enterprise business services at PwC US explains that the robots now disrupting finance and business as a whole are in fact software, not mechanical cousins of R2D2 and C3PO. Like the robots of science fiction, however, the robots that Tom is talking about can replicate human activities, such as following the rules and decision trees of business processes. Like a human being, a robot can log onto a system of record with a username and password, gather data, perform quality checks and cleanup, and follow a set of prescribed steps to produce an output. "If it's rules-based and you can map it," he says, "you can automate it."

Robotic process automation has broad applications in the business world. In his engagements, Tom has helped companies apply RPA to processes in HR, IT, customer support, supply chain management, and, of course, finance, including tax accounting, control, accounts payable and receivables. "It's a very broad footprint of stuff," he says. Yet the corporate world is still in the early stages of adopting RPA, with a relative handful of large enterprises, including global banks, telecom companies, and manufacturers, rapidly integrating RPA into their transactional activities, while many other companies are still in the exploratory stage. "Banks in particular have been one of the most aggressive adopters," he says, "because of the enormous number of processes they perform and the enormous headcounts that they have managing them."

The business of RPA

These enterprises are served by a number of RPA vendors, most of them start-ups or spin-offs from larger companies, that have sprung up within the past decade or so. Unlike purveyors of ERP systems, robotics providers are simply platform vendors, licensing their software annually to their customers. "None of these companies have any professional services arms or the ambition to have them," he says. "They want to sell a software license and move on." They address their market with a channel strategy, partnering with professional services firms that identify the processes to be automated and implement the platform.

Functionally, the RPA offerings closely resemble one another, although each platform is architected somewhat differently from its rivals. Some, in particular those marketed to a financial services clientele, typically reside in the corporate data center to ensure that the data is robust enough to withstand regulatory review. Others are at home on laptops and desktops and have an easier-to-program front end. Some are graphically oriented, enabling a user to diagram a process, which the software then automates.

The latest generation of robotics software can handle an expanding range of data. Once limited to digitally formatted data, many of the latest versions of the software have optical character reading capability and can scan paper documents and interpret and input the information on them. Some can also 'read' structured and unstructured PDFs, enabling them to seek out an invoice number, dollar amount or date without relying on a template to contextualise the data they find.

The case for automation

As RPA proliferates across the business world, the operating models of a large range of enterprises are sure to be disrupted. Many banks, for example, now outsource a large proportion of the processes that they once handled in-house, moving them to labor-advantaged locations. That confers a cost advantage, but at the price of operational inflexibility and a lack of visibility and control. RPA enables these banks to take those processes back in-house, easily modifying and updating them as needed and so having complete control over and visibility into the workflow, all while dramatically reducing the number of people needed to do the work. In addition, because robots can pull data from any system of record through the user interface layer, global companies no longer need to harmonise, at considerable expense, the different versions of ERP platforms that they may have distributed in different locations around the world. The resulting savings can be considerable. "It's almost to the point now that most clients don't bother to calculate the ROI [from implementing RPA] because it's so overwhelming," Tom says.

The finance function is a particularly ripe target for disruption. Using RPA, a wide range of finance activities – from tax to reporting to audit to budgeting and forecasting – can be automated, at least to some degree. Not that people will be entirely eliminated from the picture. "You still need to apply human intelligence to these activities," Tom says, "but RPA can help you by gathering all the data you used to spend a lot of time gathering."

Changing talent requirements

As a result, the finance function will require a different set of skills and talents. Rather than seek out young hires that learn the finance ropes by rotating through a variety of process and transactional activities, finance leaders will need to source talent that "can view the world through a process lens," Tom says. "When you have this kind of automation activity, the skill set that you want to hire to is very, very different than what you hired to in the past. In addition to subject matter expertise, you need to have process capability."

Companies that implement RPA should expect some resistance within their organisation. For one thing, RPA is still so new that many decision-makers view it with suspicion. "They think the story is too good to be believed," Tom says. IT departments may worry that their influence within the organisation will decline. And functional managers accustomed to measuring their standing within the company by the number of people they oversee may look at RPA, with its promise to slash headcounts, as a threat. But ultimately, Tom suggests, such resistance is futile, because the business case for RPA is simply too compelling.

What's next for RPA? Tom expects cognitive computing to greatly enhance the capabilities of the technology. A self-learning system can observe human workers handling process exceptions and reconciliations that are not necessarily rules-based, until it has collected a statistically relevant sample of those decisions. "Then," he says, "the system will recommend its own algorithm to essentially automate some of the exceptions that the RPA layer can't handle." The two technologies are interdependent, he points out. Cognitive computing can, by gathering a mass of observational data, define a process. But it needs RPA to execute it.

As more and more companies across the business spectrum integrate RPA and cognitive computing into their operations, they are certain to discover new use cases for the technology. The resulting changes to the business landscape will be dramatic. What that new landscape will look like remains to be seen, but it's already clear that after RPA, the finance function – and business itself – will never be the same.

Moving to a culture that puts value creation first

"They're not sitting there forecasting or doing cost analysis. They're looking at how to commercialise our data assets."

– Brian Worrell
CFO, GE Oil & Gas

The finance function cannot fulfill such crucial business needs or implement a new, more effective and efficient operating model without deep, broad-based cultural change. That involves changing and aligning behaviours, performance metrics, and incentives, and adopting technology across finance and the wider organisation.

At GE Oil & Gas, and indeed at GE generally, culture change goes hand in hand with a change in the business model. The company is refashioning itself from a heavy equipment manufacturer to a solutions provider that adds value to its products through data and analytics. To help bring about this ambitious shift, finance is partnering with the company's data professionals to identify, quantify, and maximise the value of data. "We as a finance team have two things we have to do," says Brian Worrell of GE Oil & Gas. "We have to figure out how we use data and analytics internally to make ourselves better as a finance function and as a business. More importantly, we have to help the business team figure out how to monetise it." To that end, Brian has embedded some of his best finance people with GE's data scientists. "They're not sitting there forecasting or doing cost analysis," he adds. "They're looking at how to commercialise our data assets."

Part of commercialising data assets involves strengthening the value proposition to the customer. Outcome-based pricing – in which the final price reflects the positive outcomes generated for the customer by the solution – is an increasingly important component of GE's value proposition, and the finance function is a key player in making that proposition compelling. In deals that involve outcome-based pricing, Brian's team is closely involved in improving project cash flows, arranging financing, and offering options to improve investment returns. That in itself is a competitive advantage that has helped GE Oil & Gas score some big wins, Brian says.

At British American Tobacco (BAT), culture change entails changing ingrained behaviours that slow the company down. Jon Evans, Group Head of HR – Corporate Functions, one of the leaders of that company's shared services transformation, acknowledges that finance sometimes 'over-services' its internal customers, for example, by preparing customised reports for business unit managers. He and his team are countering that tendency on two fronts: by standardising reports and by giving the finance function permission to say no to requests for custom reports. But he knows that he needs help from the top, and he emphasises the importance of senior leaders recognising and rewarding people in finance for saying no when it's appropriate.

The transformation lead of a UK company would agree about the crucial role that senior executive sponsorship plays in culture change. She discussed with us the gamesmanship that was a longstanding characteristic of her organisation's operational planning cycle. Operational managers would deliberately understate their savings targets in their first iterations of the planning document, knowing that senior management would counter with a higher savings target. Now, though, senior leadership gives clear, hard operational savings targets at the beginning of the process. That eliminates the need for multiple rounds of haggling and enables finance to get down to the work of meeting the targets set by senior leadership.

In addition to sponsorship and behavioural change, technology too can radically shorten the budgeting cycle. Each of these traditional iterations require amendments to the models used which are usually then emailed around the organisation for comments to be received back. This creates a huge process of reconciliation, communication, and updating of forecasts. Collaborative planning tools can fundamentally shorten this process.

It's not just in the planning cycle that technology combined with cultural change can allow us to rethink finance processes – Sage Group sees the possibilities for culture change in its customer base of small and medium-sized enterprises. Some of these companies are already involved in what Sage Chief Technology Officer Klaus-Michael Vogelberg calls 'social accounting.' When an employee enters a Time & Expense report into a Sage accounting system, for example, the system can automatically capture the accounting implications of the report. "If you can harness technology to capture the accounting implication of any transaction in real time," he says, "you have revolutionised the world of accounting." He believes that before too long, automation will make real-time accounting possible, freeing the function from transactional work and enabling it to better support activities such as sales. "As a result of this technology," he says, "the finance function has the opportunity to become more important as an active business support function."

"Even as new tools give the business more ability to do its own analysis, finance is essential to seeing the bigger picture and delivering shareholder value."

– Pablo Sconfianza
Head of Marketing Finance, British American Tobacco

Talent and culture
Transformation affects people too

Many organisations are undertaking multiple transformations – of systems, processes, business models, and more. But in the midst of all that activity and upheaval, companies shouldn't neglect human capital – this was the consistent message we heard when we sat down with principals in PwC's US and UK People and Organisational practice: Jeff Hesse, Scott Olsen, and Anthony Bruce. They talked about the new breed of tools and systems – and people – that can help the human capital function contribute to value creation and strategic success.

It's time to erase the line that separates human capital planning from business planning. This is the key message of Jeff Hesse and Scott Olsen, co-leaders of PwC US's transform human capital business imperative. They consult with clients around the world on a broad range of topics, ranging from compensation and retirement benefits to human capital risk and compliance, from analytics and cloud-based HR management platforms to organisation design and talent strategy, and from change management to post-merger integration. As they point out during our conversation, they're concerned not only with the HR function but, just as importantly, with the human element as it touches every area of a business.

One of their central messages is that human capital issues should be front and center on the CFO's agenda. And facts are the key to making human capital relevant to finance. But gathering those facts is a challenge for many organisations. "Bringing better dashboards, metrics, and visualisation of human capital data to the CFO is a pretty big issue that can help in integrating talent planning with broader business planning," Scott says. "But the human capital function has probably been a little bit behind the rest of the organisation in terms of basic blocking and tackling around their data."

Keeping it simple

To catch up, many organisations are migrating to cloud-based platforms, which not only compel them to improve their data quality and integrity but also to streamline and standardise processes. "What we often see is a lot of complexity as systems have been added and customised over the years," Jeff says. "They start off as packages but end up looking like something entirely customised for the organisation, which tends to add complexity." As a result, many larger companies have trouble even determining exactly how many employees they have at any given time, a problem made more complicated when contingent and on-demand workers are factored into the mix. "Moving to the cloud can simplify and eliminate a lot of the complexity around an organisation's structure and policies, because they have to fit what is provided by the software," Jeff says.

With a better grip on their data, human capital functions will be able to shift their focus from back-office operations to more strategic questions. For example, they can turn their attention to wage arbitrage, achieved not just by moving jobs offshore but possibly to lower-cost on-shore locations. Reliable data enables companies to build comprehensive, dynamic workforce models and employ analytics to predict how many people might make the move to the new location and where to source the additional talent needed there.

Think cost first

Human capital organisations can also play a strategic role by working with the CFO to help organisations prepare for increasing automation. Scott cites a client that was changing from a manufacturing to a services business model and automating much of its work in the process. When the human capital team assessed the impact of automation on its current workforce, it found that severing employees and hiring and training a new workforce would incur heavy costs. The company instead decided to offer employees a four-day workweek with company-paid retraining on the fifth day. "Rather than hiring and integrating a new workforce," Scott says, “the company was able to repurpose valuable people and prepare them for a new world.” And realise considerable savings in the process. Which brings Scott to a point that human capital leaders should always keep in mind when working with the CFO: “CFOs tend to think cost first,” he says.

That’s certainly the case when a company does a deal, whether it’s to go private, make a strategic acquisition or spin off a non-core asset. As Jeff points out, whatever physical or intellectual assets are being acquired or divested, “a lot of what companies are doing these days is based on people.” And while CFOs tend to think first of financing terms and synergies during such transactions, they also need to give sustained attention to people issues. “Managing that part of the process, getting ahead of it, getting integration done as quickly as possible, addressing these issues in a thoughtful way, can make all the difference in the outcome,” he says.

The human capital function needs to be at the forefront of strategy, says Anthony Bruce, leader of PwC UK’s human resource consulting practice and leader of the market-leading workforce analytics business Saratoga. The PwC CEO Survey[6] contained a startling statistic, especially if you buy into the idea that robots are taking over the workplace. A staggering 63% of UK CEOs expect the headcount in their company to increase over the coming 12 months.

The wish list has shifted, and very quickly. Suddenly, the most valued skills are ‘soft’ and uniquely human capabilities such as adaptability, creativity, innovation, and emotional intelligence – the aspects that finance needs in roles like business partners, and often struggles to find. And that should be driving organisations and their human capital functions into immediate action. If 63% of CEOs are hiring, that’s a lot of competition – and they’re all looking for similar, hard-to-find skills. Eighty-five percent of UK CEOs say it’s difficult to find people with leadership qualities and 71% are struggling to find adaptable talent. That makes for an extremely aggressive recruitment environment, but getting it right is a critical enabler of finance really delivering business value.

Contributing to the success of a merger or acquisition is just one way for the human capital function to demonstrate its strategic value. But to become a strategic force in the organisation, the human capital function needs to upgrade, yes, its people. “You need to have people with the skills and tools and the intellectual curiosity to analyse what’s happening and take a forward-looking perspective rather than look in the rear-view mirror,” Jeff says. Come to think of it, that’s the kind of people that finance will need more of in the years ahead. Maybe that’s where the human capital and finance functions can start to find common ground – and create value for the business while they’re at it.

Seek a new talent profile
Problem framers

"The biggest risk on a transformation journey is that you don't take the organisation with you. Otherwise, you arrive at your destination, but you're all alone."

– Gerd Graehsler
Group CFO, Safilo Group

As the role of finance and the way the function operates changes, so, too, must the talent mix within the team. This raises an urgent question for finance leaders: what new skills and capabilities will finance need to perform effectively in the future? And how will those skills be accessed and developed across the organisation?

Several of the finance leaders we spoke with for this report have addressed this question. They noted that finance professionals will always need a grounding in financial principles and techniques. But, they will also need to develop new skills if they are to be effective business partners. As technology takes a more prominent role, finance professionals will need a firm grasp of the techniques of predictive analysis, data science, and data visualisation, not to mention a greater commercial edge. They will need to know how to embed digital ways of working in their organisations. As one finance professional we spoke with said, business partners need to be 'data explorers.' No wonder several of the finance leaders we interviewed urged their fellow professionals to master data science and coding.

And though finance is sometimes viewed as the province of hard-nosed realists unafraid to say no, the finance function of the future will also demand more developed softer skills. Finance professionals realise this, telling us that communication skills, the ability to collaborate and challenge, and sensitivity to interactions and relationships are among their priorities to make finance more effective (Figure 10). The need to adapt to constant market change will test the resilience, tolerance for ambiguity, and flexibility of finance professionals. The increasingly team-based nature of work places a premium on the ability to communicate and collaborate. Finance professionals, especially at the business partner level, must be prepared to engage in challenging, sometimes uncomfortable conversations with their operational and business counterparts. That calls for emotional intelligence and the ability to engage constructively with every part of the organisation. PwC UK's Warwick Hunt notes that many finance graduates develop deep technical proficiency in school but lack those softer capacities. That's why he stresses the importance of a broader liberal arts background in developing emotional intelligence, a sensitivity to nuance, and listening skills.

Finance leaders need an engaged team. That's especially true of finance leaders who are taking their functions through the stress and uncertainty of a transformation journey. Engaged workforces can make all the difference in such situations. One finance transformation leader told us how she was pleasantly surprised by the willingness of people in the finance function to step forward and take on some of the more onerous chores that transformation entails. They eagerly volunteered to clean up data, redesign reports, re-engineer processes, and other difficult but necessary work.

Figure 10: People skills are a top priority

Finance professionals' priorities for making finance more effective

Source: PwC finance benchmark data

Her experience highlights how one mark of a good leader is their ability to develop the leadership skills of their people. And that can be done only by engaging them.

As modern finance operating models begin to take shape, career development tracks are starting to emerge, thus helping to strengthen engagement. At some organisations, recent graduates and other newcomers to finance start out in the shared services center, learning the basic transactional skills that are the foundation of a finance career. When they have mastered the basics, and assuming they show the requisite promise and commitment, they're moved to the center of excellence, where they develop the analytical and interpretive skills that distinguish high-performance finance functions. At that point, the standout talent should have developed the portfolio of capabilities that the business partnering role demands.

Other finance leaders we spoke with stressed the need to develop talent by rotating their people through different locations and business units. Rotation opportunities can help develop operating and commercial acumen; enable finance people to form important relationships with operational leaders and open lines of communication; and cultivate the cultural sensitivity so necessary in an era of global business. "You can take a group of junior finance people and rotate them around the business so they understand the source of business issues," says PwC UK's Rob Banham. "Get them working with existing business partners and good analysts and rotate them around in three-month rotations. After two years, you will have a cadre of phenomenal analysts in a finance organisation."

How leaders are pulling ahead

This year we single out some of the companies – both household names and newcomers – that are driving and shaping new thinking and new practices in finance. Their stories underscore the wealth of opportunities available to finance organisations to improve their performance. Nearly every finance leader we interviewed spoke of the challenge to make a real difference in business results. The finance function's focus on cost reduction to the exclusion of other considerations around driving profitable growth opportunities, has hampered its ability to develop a workable model for business partnering. Yet, all organisations are pioneering the use of innovative tools, exploring new ways of working and embedding new technologies, practices, and behaviours in their finance function and across the enterprise. Their examples give us a fresh perspective and serve as a challenge to the thinking of others.

These interviews illustrate four key challenges that finance teams address, and some of the successful strategies that top performing finance functions adopt:

1 Building a clear role for business partners with the right skills to really impact business decisions, drive commercial insights, and focus on business results (see GE Oil & Gas, Royal Mail Group, Safilo Group, BAT).

2 Investing in emerging technologies including cloud, data analytics, collaboration tools, and robotic process automation (see ClubCorp, Invenergy, Sage Group, Royal Mail Group).

3 Taking the lead in driving behaviour and cultural change not just in finance but across the organisation (see GE Oil & Gas, Becton Dickinson, Safilo Group, BAT).

4 Driving large-scale transformation with a focus on data quality, governance, and change management (see GlaxoSmithKline, Safilo Group, Informa).

GE Oil & Gas

A new kind of finance for a new world of energy

GE Oil & Gas – the London-based subsidiary of GE – hasn't let a good crisis go to waste. Rather than go into a defensive crouch when energy prices fell sharply, CFO Brian Worrell seized the opportunity to make the finance function more efficient while stepping up the delivery of value to the business and its customers. We spoke with Brian about how he and his team have managed to balance efficiency and value.

"The GE culture is never happy with the status quo," Brian Worrell says, and that's just the way he likes it. GE expects a lot of its people, including Brian, the CFO of GE Oil & Gas. "We're constantly self-assessing and looking at how we can do things better," he says. "We're constantly looking at how you get more return out of an investment or grow faster." That relentless appetite for improvement is part and parcel of the finance function's mandate to partner with the business and offer options for creating value. "We are expected and want to be in the middle of operating decisions," he says. "We act as COOs. If you go around GE, there aren't many people with the title of chief operating officer. The CFOs and the finance team play that role quite a bit."

It's a demanding role that requires the finance team to contribute to everything from strategy to product development to defining KPIs for plants and employees. And the finance team couldn't make those contributions without a thorough grounding in operations.

GE shows its finance professionals the ropes by giving them stretch assignments, rotating them through a wide range of operations and offering them coaching and insight from senior executives whose performance is measured, in part, by how effectively they develop their talent. It's certainly a priority for Brian.

Building the leaders of tomorrow

Brian speaks from experience on those points. Early in his career he did a stint in manufacturing finance. It's not, he admits, his favorite part of the discipline, but even today, he says, "I could walk around a factory and probably get pretty close to telling you whether or not they're going to have an inventory surplus and how efficient they are." As part of that assignment, he served on teams that negotiated with suppliers and customers, accumulating some of that hard-to-quantify domain knowledge that separates effective finance business partners from mere scorekeepers. And, in keeping with his focus on talent development, he passes on what he learns. "I know what it takes to get that done," he says, "and I can help coach and develop people who are working in that area today and be that safety net for them."

The object, Brian says, is to develop well-rounded finance professionals who understand how the function can improve the performance of disparate operating units. Not every finance professional is a suitable candidate for that kind of development. "You have to realise you're going to have people who are deep technical folks," he says. But when a big part of your mission is to develop the next generation of leaders, "the last thing you want is to have people who are so specialise that they can't step up and take bigger roles." A finance function too tilted toward specialisation will often have to recruit leaders from outside the organisation, he says, "because you're not going to have people who are as good at connecting the dots."

Connecting the dots isn't just for senior finance leaders. GE expects its commercial finance people, with support from the financial planning and analysis (FP&A) team, to contribute to business wins, in part by analysing the accounting implications of outcome-based commercial deals, the innovative pricing strategy that is a key component of many GE Oil & Gas offerings. They not only help win the deals, but make sure they are the right deals. Brian has worked intensively to develop this analytical capability in his commercial finance and FP&A teams, which enhances the function's ability to add business value.

Meanwhile, to mitigate the risks of overspecialisation, Brian likes to expose his people to the full gamut of financial disciplines. "I think it makes you a better CFO," he says. But at the same time he insists on keeping some roles entirely separate, such as FP&A and controllership. "I don't know how I can have my FP&A person and my controller be one," he says. The FP&A role is forward-focused, "looking around corners and seeing what's going to bubble up," and contributing that perspective to strategic conversations. Controllers, meanwhile, are just as important as well as operationally focused, but their attention tends to center on operational risk management, compliance and reporting. Both teams provide great insights into the business.

Out of crisis, opportunity

GE Oil & Gas was made a standalone segment of GE in 2012, when crude prices exceeded $100 a barrel. But the business unit didn't occupy that sweet spot for long. Crude prices have plummeted amid a global consumption slowdown and a supply glut exacerbated by a surge in US shale oil production, and the business had to rethink many of its original assumptions. Finance faced the dual and seemingly opposed mandates of 1) improving the efficiency of the business, maintaining rigorous controls and a high degree of compliance, and retaining key talent, and 2) delivering better value to GE Oil & Gas's customers. Fulfilling those mandates was, he says, "very challenging both technically and operationally."

Yet Brian has delivered on both halves of his remit. In two years, he and his team have helped the business realise $1.3 billion in cost savings and have still been able to deliver greater value to customers. That latter requirement wasn't so urgent when crude was selling for $105 a barrel, but when prices dropped, customers clamored for help with project financing, ideas for improving project cash flow and expertise in delivering better business outcomes. Finance has become so closely involved with its customers' commercial deliberations, in fact, that "there are a lot of deals now where finance takes the lead in final negotiations."

As happens so often in business, the industry's crisis has presented GE Oil & Gas with an opportunity to gain a competitive advantage, in this case by using its financial expertise for the benefit of its customers. Capitalising on that advantage required Brian to understand and gain comfort with a new class of risks, such as the risks entailed by outcome-based pricing. Close work with the operating teams, coupled with his ability to quickly assimilate complex information, enabled him and his team to decide rapidly which outcome-based pricing schemes represented acceptable risks and which did not. "That quick turnaround – what I call that very fast kiss-or-kill decision – we inside Oil & Gas have done that very well. I'm very proud of that."

Speedy decision-making, part of an approach in GE called FastWorks, is integral to the company's culture. Its core approach, analogous to agile software development, is to create minimally viable products, test them quickly, and rapidly improve them through iteration. The objective, Brian says, is "to act quickly on the optimal amount of data so you don't kill yourself with analysis paralysis." He learned the FastWorks ethos years ago during a stint in internal audit, when he rotated through business units with a mandate to generate improvements within four months. Just as in agile development, "you're going to fail," he says, "but you're almost paid to try new things and fail. You just can't fail every four months."

The demands of data

"The CFO role is not getting easier as time goes on," Brian admits. One of the things that makes his job more difficult and will continue to do so in the future is the explosion of big data and analytics – major components of the new breed of oil and gas services that GE is selling. “To add value going forward,” he says, “we as a finance team have to figure out how we use data and analytics internally to make ourselves better as a finance function and as a business. More important, we have to help the business team figure out how to monetise it. Your whole thought process around how you sell something has to be very different. So we try to influence the front end by helping them put the businesses cases together. I’ve put some of my best people to work with the digital folks. And they’re not there just to forecast or track costs. They’re sitting there looking at how to commercialise data and analytics.”

The emphasis on data and analytics is integral to Brian’s drive to make GE Oil & Gas’s finance function a capability-based organisation, complete with shared services, centers of excellence, clear roles for FP&A and the controller’s office, and acumen in commercial and supply chain finance, along with deep specialist expertise.

For all their disparate capabilities, GE Oil & Gas’s finance team are expected to share a common mindset, an orientation to operations and unlocking commercial value. Just as important, everyone in the finance function is expected to offer ideas. “At any level of the organisation,” he says, “you are empowered to contribute an idea.” But with empowerment comes the demand for performance. “I’m not bringing you to a meeting unless you have something to contribute. That quickly separates the wheat from the chaff.”

If finance is to be an effective business partner, Brian says, it needs to be clear about the metrics and key indicators that can tell the business team whether it’s winning or losing, creating or destroying value. And he allows that he and his team have done a pretty good job identifying those metrics and indicators. So although he might not be happy with the status quo – that’s not the GE way, after all – he has to admit he’s pretty proud of what he and his team have achieved.

GlaxoSmithKline

Taking control of data quality in tax

PwC UK Tax Partner Kerstine Rencourt discussed the changing tax landscape with GlaxoSmithKline's VP Global Head of Tax Operations Samantha Matute, Director of Enterprise Data Elizabeth Dixon and Simon Haigh, Tax Director & Tax Data Officer, to understand the challenges faced.

Clearly considering the tax function as part of the overall finance operating model design has real benefits for the CFO. The shift change towards real time reporting for tax means there's a crucial need for tax departments to ensure their voice is heard in those design discussions. It's not surprising that tax and data are now higher up the CFO's priority list than ever before. At present five countries have a mechanism in place for real time extraction of tax information on a daily basis and the number of tax authorities around the globe requesting electronic information in some form or another is now in the majority rather than the minority. Frankly speaking, we're hearing some quite eye-opening stories about what this means for tax authorities as they flex their modus operandi in readiness for future state tax audits. The exact timing of enhanced digitisation of tax remains the subject of much debate but the direction of travel is certain, the trajectory steep. Flash forward five years and imagine the sheer scope and volume of information that may be available about your own organisation to the various external stakeholders.

Given the associated reliance on data quality it's understandable that the profile of tax data quality has increased exponentially in recent years.

"Without doubt from a tax perspective our main issue continues to be data." says Samantha. "The fact that the data we get from the system isn't tax ready without significant preliminary work takes up an awful lot of time at the moment. We need to get away from doing that if we are to meet our overall efficiency objectives. Accuracy and transparency is ultimately achieved but it involves a huge amount of effort which could be better targeted at other points in the process. So yes, data is hugely impactful."

That's a familiar story. In reality many companies continue to struggle both with the very basics of data collection and with consistent and accurate transactional reporting. Inevitably tax departments sweep in to analyse, correct and ensure the tax reporting and compliance returns are materially correct (and generally 'save the day'). There's a real possibility that the evolution of the environment around us will force the issue and the importance of root cause analysis, process adherence, system controls and general governance will come to the fore.

Data quality is seen as such an important area that many organisations are now hiring senior data executives such as chief data officers. Elizabeth Dixon is leading the charge to drive data quality improvements across the board at GSK. We spoke to Elizabeth just after the "End-2-End" data program had received internal sponsorship and the enthusiasm was infectious. She describes: "GSK acknowledges the benefits for improvements in data quality are business critical across the board, both from understanding efficiencies in the product development cycle to recognising the importance of collecting the right information for Tax. The program for change is ambitious and all encompassing – and it relies on top down support."

We asked Elizabeth how an organisation like GSK drives that sort of commitment for change on such a large scale? Her response:

"Top-down empowerment is key – as that provides me with a clear mandate to drive change but also enables us to embed relevant targets into individual performance objectives at all levels, including the data owners. There is widespread recognition that what we are embarking on needs the whole organisation's support to be successful."

The program Elizabeth refers to has sponsorship from the CFO and has a comprehensive governance structure to facilitate the task ahead. Senior ERP data office leads and data owners sit across manufacturing, supply chain, customs and finance, and will be supported by numerous data stewards. Critically there is a data owner for tax.

"Although we have undertaken various tax data quality improvement initiatives in the past, partnering with the wider data governance program means we have senior sponsorship and endorsement, and need to flex our usual approach to influence and align with the wider project." says Simon Haigh. "Our involvement in the creation of a Data Dictionary, setting data quality standards and quantifying baseline metrics has been effective in articulating the issues faced and enabled us to really prioritise our efforts and attention. Through partnership with our finance data office we have been able to quantify the real potential value to the business of eliminating bad tax data and gained the necessary support to begin to drive meaningful improvement for the business."

Considering the various finance transformation initiatives (both ERP and operating model change) that GSK has been involved with over recent years there are some key learnings.

"I think there's a cultural piece here that's often overlooked", comments Samantha, "Given the opportunity to revisit certain elements I think we would do well to pay more attention to that aspect to ensure that the major stakeholders are brought into the change and they can start to build trust early in the process. It's qualitative rather than quantitative and therefore a little harder to articulate but it's truly critical for the success of such a transformation project." And have these transformation programs impacted the ability of organisations to respond to these challenges? "On the one hand you can see it has the potential to be a positive disrupter – but equally brings its own challenge to the mix. In general tax need to be better at flexing their customer status during these change program, it's something we've done well at GSK but need to continue to improve on."

It's an interesting concept. We're perhaps more familiar with thinking of tax as a business partner, but tax as a customer? That feels new, but it's not such a strange idea – tax are often the ultimate recipients of the information provided by finance and logistics – so perhaps they should be viewed as the ultimate customer. After all, if the information needs to be right first time, with reputational, commercial and financial consequences of getting it wrong, it's difficult to see how it could be any other way? We asked Samantha how that translates to operational reality for tax in GSK?

"I suppose changing how tax is viewed within an organisation evolves over time, in that way it's a little like respect – it's earned not given. We have put a few structural things in place to facilitate that change over recent years but it's the "How" not the "What" that's made it successful. For example we have tax on the Data Governance Board. They are a key member, they have sufficient understanding of the ERP program to actively contribute, and they're senior enough to debate, articulate and escalate issues where needed."

The other enabler GSK has put in place is the Global Process Ownership role for tax – ensuring that the other key finance areas have a worthy sparring partner to help drive transformational change.

With increasing regulatory demands for tax and the need for more transparent real time reporting there has never been a more relevant and productive time for tax to integrate themselves within finance transformation projects and flex some real customer muscle. As GSK has shown, attention to the execution (the how rather than the what) is key to success.

Royal Mail Group
Delivering business value

Change is the one constant at the UK's Royal Mail Group. The postal service company, which traces its history back to 1516 and went public in 2013, has been engaged in an ongoing effort to remake itself to adjust to the realities of declining mail volume and growing competition. Efficiency drives have been a big part of this effort, of course, but the organisation's finance leaders recognise that their function must also deliver value to the business. We spoke with Mike Prince, Royal Mail's Director of UK Finance, and Jill Adams, Finance Transformation Lead, about their efforts to add value to the business while helping to change Royal Mail's culture.

From efficiency to effectiveness. That is the path of the finance transformation effort that Mike Prince has been leading at Royal Mail Group since 2014, with execution support from Jill Adams. It is hardly the first transformation that Royal Mail has undertaken in recent years. Since 2010 the publicly held postal services group has undertaken several transformations and reorganisations, all of them aimed at rationalising headcount and learning to do more with less.

There wasn't much debate around the need to focus on efficiency. From 2005 to 2010, Royal Mail appeared to be sliding toward insolvency as mail volumes declined. Mike responded to the challenge by launching an efficiency drive focused on process improvement and headcount reductions in business planning, strategic planning and forecasting – "places where the world has moved on and we hadn't," as he puts it. As the efficiency drive gathered pace, Mike set his sights on a larger target – business partnering. "How do business partners do less but give the business back more?" he asked himself.

As that comment suggests, before the transformation Royal Mail had a relatively large number of so-called business partners who, as an activity analysis revealed, spent little time doing the most important task of business partnering – genuinely adding value to the business. "When we took that business partner role and broke it apart," Jill says, "we were able to say, 'actually, you're a reporting person and a financial planning and analysis person, and you're a little bit of a business partner.'" Disaggregating the business partner role also revealed that much of what the organisation's business partners were really doing was performance management – "day-to-day handholding, day-to-day coaching, day-to-day driving action," in Jill's words.

So the two set out to redefine the business partner role and reorganise the function, despite resistance from some who just wanted to see the headcount reductions continue. "We refused to do that," Mike says. "We were saying, 'Look, we think we can actually harvest more, but you've got to give us the time to get there.'"

Gadflies and controversy

Mike has a clear point of view of business partners and their mandate. "I think business partners have to be controversial," he says. "They have to generate new value propositions, some of which will completely swim against the tide and tread on the status quo." But it takes fortitude and emotional resilience to play the gadfly, as well the emotional intelligence to conduct difficult conversations with managers and still maintain a good relationship with them.

Finding people with the right mix of financial and commercial acumen and emotional intelligence isn't easy, Mike acknowledges. But when he and his team hammered out their new definition of business partner, they discovered they could then make a new and different value proposition to the talent they wanted to attract – and in the process advance the cultural change the organisation needs to thrive in a highly competitive business. "We're quite clear that we're looking for people who promise to be entrepreneurial, to go and create value," he says. "That's the type of person we want to bring in, because part of the cultural journey is to refresh and re-oxygenate the organisation."

Rise of the robots

Repositioning the role of the business partners has entailed clearing routine work from their inboxes and doing it more efficiently elsewhere, so that the partners have more time to focus on adding value. In similar fashion, Royal Mail has automated many of the finance function's routine, repetitive transactional processes so that people can do higher-value work.

The transformation team first tested RPA with a pilot program in the accounts receivable unit. They had expected resistance to robotics from their unionised workforce, thinking that people would be hostile to an innovation that might automate their jobs out of existence. To their surprise, they found that people eagerly adapted to the change. It helped that the transformation team humanised their robot by naming it Marvin, after the somewhat moody computer in Douglas Adams' *The Hitchhiker's Guide to the Galaxy*. As Mike tells it, the accounts receivable team "started to say, 'Oh, Marvin can do that rubbishy piece of work.' The technology became a person, and the other people wanted to give that person all the rubbish they didn't want to do."

Another point in RPA's favor, to Mike and Jill's way of thinking, is that the robotics field is dominated by small, entrepreneurial firms rather than by large vendors of ERP systems, which can impose strict – and expensive – constraints on their customers. With robotics, by contrast, companies need only purchase a relatively inexpensive software license, and then "you can do it from the bottom up," Mike says. In addition, robotics opens up another avenue toward process improvement at Royal Mail, because unlike humans, "the robot won't accept things out of tolerance," he says. "It's a brilliant way to improve process." Robotics also enables Royal Mail to sidestep the question of offshoring some of its work – a thorny issue for such a heavily unionised organisation. "I suspect this will be a way for organisations to bring things back onshore, actually," Mike says.

As word of the success of the robotics pilot has spread, other parts of the organisation, including HR, IT, the customer experience team, and the digital strategy team, have expressed interest in what robotics can do for them. "It's a nice problem to have," Mike says. "You can do this on a bottom-up basis and create an ecosystem" – and a more efficient and effective business.

Mike believes that with the finance transformation and the introduction of RPA, he and his team have in fact acted as quintessential business partners. "We're creating value by looking outside and trying to join the dots," he says. But he also thinks that over time, the need for a small army of business partners will diminish, as business partners and performance managers help line managers gain more financial and commercial acumen and operate more independently. Eventually, he envisions an organisation where maybe 20 or so business partners from the finance function work with executives at the very top levels of the organisation, acting as sounding boards, devil's advocates, and sources of fresh thinking. There's still a long way to go before Royal Mail reaches that point, but, Mike says, "I think we're in the right place."

He has a point. Royal Mail has come far from the days when many observers were writing its obituary. It is not only solvent, it's profitable, its labor relations have improved, and its standing with the public is on the way up. Looking back at the journey that Finance has been on over the past few years, this has been a genuine success story. Engagement is high, and feedback from the business is positive. "When we were going bust from 2005 to 2010 or so," Mike says, "I would never have imagined that we would outperform the banks and big supermarkets. But now we make more money than they do." Just don't expect Royal Mail to stand still. Mike and Jill are already discussing how to sustain the transformation's momentum and extend it throughout the organisation. As Royal Mail begins its next 500 years, it's certain that more changes are in store.

Becton, Dickinson and Company

A merger focuses finance on the big picture

Founded in 1897, Becton, Dickinson & Co. (BD) has long been in the forefront of healthcare innovation, pioneering, for example, the production of hypodermic needles. The company has expanded over the years and now has operations around the globe. BD's acquisition of CareFusion, announced in 2014 and closed in 2015, increased the company's revenues by 50 percent and provided the impetus to transform its operations and functions, including finance. We spoke with four BD executives closely involved in due diligence and integration for the deal – Medical Segment CFO Chuck Bodner, Finance Director Gustavo Cuzzi, VP-Business Planning & Analysis Joe Liddy and Global Functions CFO Michael Chen – about the change sweeping the company.

When BD announced its $12 billion merger with CareFusion, it called the deal transformational. It wasn't kidding. The finance function in particular viewed the transaction, completed in 2015, as an opportunity to transform the function's systems, processes and organisation and enable it to deliver greater value to its partners on the commercial side of the business. "The CareFusion deal served as a catalyst for the finance function to redefine itself and transform not just what we do but how we do it," says Chuck Bodner, CFO of BD's Medical Segment and the value capture lead in the company's integration management office.

There is a lot to transform. Prior to the CareFusion deal, BD was already several years into an initiative to move finance's transactional and analytical work into global shared services centers (GSS) and centers of excellence (COE). But BD remained highly decentralised. Work was done on a host of disparate, highly customised systems, reporting was non-standardised, and finance staff were scattered across the matrix organisation. Analysts prepared four operational forecasts a year even for small markets such as Peru, and because the company had a very low materiality threshold, examined variances down to the stock-keeping unit (SKU) level. "The more decentralised you are, the more the materiality level goes down," says Gustavo Cuzzi, a BD finance director and executive sponsor of the shared services initiative. "You need more resources, which in the end, increases the cost to the organisation."

He's not just referring to headcount costs. By spending so much time focusing on such small details, finance was missing opportunities to add value to the businesses. Now, though, after consolidating regions and raising the materiality threshold, analysts can focus more on the big picture, Gustavo says. "We've started to spend more time on what's relevant. We discuss the key drivers of the business instead of discussing small variances by SKU. We've started to discuss big trends – of segments, important customers, even trends in the healthcare system in a specific country."

Fine-tuning the technology

The finance transformation will require a major systems upgrade, says Michael Chen, BD's CFO of Global Functions and a leader of both the company's merger integration team and the finance transformation, with a mandate to track and realise cost synergies from the deal. As it stands now, the combined companies are working on multiple instances of their ERP platform, requiring finance resources to pull much of their data manually and limiting finance leaders' visibility across the entire organisation. Harmonising those platforms is one of BD's goals, once the company has finished implementing a business planning and consolidation module.

By the time the transformation is complete, Michael expects that the majority of finance transactional work as well as standard analytics and reporting will migrate to regional shared service centers and centers of excellence located in the US, Europe, Latin America and Asia, freeing on-site finance staff to focus on business partnering. The move began with basic transactional services such as accounts payable and annual reporting and now has extended to general accounting. It's a complex undertaking that is taking longer than he would like, but he's heartened that "we've got broad alignment from the business units and regions that this is the right direction," he says. And for good reason, says Gustavo. "We've still got business units in the US making journal entries, doing general accounting, when they should be focusing on partnering with our business presidents to drive growth," he says.

Creative tension

There's less alignment about shifting FP&A to centers of excellence. "This has been the most contentious, most tension-filled conversation in the last 12 months," Michael says. Regional and business center heads, accustomed to working in the same physical location as their analysts, will instead get their analysis from a regional COE, and they worry that the FP&A staff there won't have the same understanding of the local business and that their requests for data will take longer to fulfill. The finance leaders are confident that technology improvements and higher materiality thresholds will allay those concerns by enabling COE analysts to spend less time pulling data manually and more time analysing trends and opportunities, such as identifying growth drivers and planning changes to the product portfolio. But the debate indicates how the transformation and the CareFusion deal are changing the BD culture.

Some of those changes seem insignificant, but are an important sign of how the two companies are coming together, says Joe Liddy, VP of Business Planning & Analysis, noting that CareFusion, a much younger company than the venerable BD, has always been a "jeans culture," while BD has been more formal. "Now jeans are allowed all the time at BD except when we have meetings with external stakeholders," he says. The more far-reaching changes include faster decision-making – a shift from BD's more consensus-driven processes – and a greater willingness to embrace change. Both are elements of CareFusion culture, which BD has deliberately ported into the combined organisation. Joe notes that BD has been careful to avoid imposing its culture on CareFusion as a way of underscoring that the acquisition was not a takeover but a benefit to both companies.

BD learned about the CareFusion culture the direct way, ensuring finance and operations leaders were on-site to listen and learn from CareFusion employees. "You need to embed people as soon as possible within the acquired organisation," Joe says, "If you don't engage immediately, you won't have the appropriate expertise to run the company, and you won't have an understanding of the top-to-bottom processes."

With that in-depth understanding, and with the advantages that improved technology and streamlined processes will confer, the finance function at the new BD will be a faster-moving, more efficient and more effective organisation than before, even as synergies are captured. "Just by virtue of the fact that the systems and processes are cleaner, our analysts and businesses won't have to engage as much on data issues and they can engage more on strategic and financial issues," Joe says. And not a moment too soon. As Joe notes, BD "is on the verge of becoming a growth company," he says. And how many 120-year old companies can you say that about?

Safilo Group
Speeding up the pace of evolution

The finance function is in many ways the engine room of the sweeping transformation now under way at Italy's Safilo Group. As part of that initiative, the maker of eyewear and sports equipment is shedding its legacy of decentralisation and implementing an ERP platform that will pull most of finance under the same roof for the first time in the company's history. It's a big effort with many moving parts. We spoke with group CFO Gerd Graehsler and Chief Accounting Officer Marco Cella about the challenges and rewards of creating a 21st-century finance organisation.

Safilo Group has had to grow up in a hurry. A family-owned company from its founding in 1878 until 2009, the maker of eyeglasses, sports eyewear, and cycling and skiing helmets is now publicly held and listed, with all the heightened scrutiny of its controls, compliance and financial performance that implies. The change in ownership structure and the need to deleverage in the wake of the financial crisis drove home the need to transform the finance function – "to evolve," in the words of Gerd Graehsler, Safilo's first-ever group CFO, "from a professional finance function to a modern multinational finance function." Gerd is the executive sponsor of that transformation, which is led by Chief Accounting Officer Marco Cella.

That transformation, which began in 2011, has expanded into a program to transform the entire company to better position it to realise a new strategic plan unveiled in 2014. The plan calls for accelerated growth, a broadened product portfolio and a new emphasis on in-house brands to reduce the company's dependence on licensing revenue, an overhaul and simplification of the supply chain and supplier networks, and a standardised IT infrastructure. "It's a very large business transformation," Gerd says, with some understatement. And the finance function is leading much of the initiative.

Out of many, one

Before Gerd's appointment as group CFO, Safilo was a highly fragmented and decentralised company organised by regions, each with its own CFO. "The company was run in the countries and the head office was more of a holding company," he says. The finance function's main focus was on transactional efficiency, control and governance – too narrow a remit, in Gerd's view, for a large finance organisation in the 21st century. He envisions a finance function whose priority is to support Safilo's businesses across the entire value chain, from product design and development to manufacturing and from brand management to distribution, sales and after-sales. That means investing in the finance function's operational acumen. "My expectation of finance leaders is that first of all we're business managers and secondly, we are functional experts," he says.

To support and drive the transformation, Safilo has implemented an ERP platform as well as planning systems to standardise and streamline workflows. The new system helps finance capture economies of scale and improve governance of finance work, "so that we have as a function more time to genuinely control the business," Gerd says. That control extends across a wide range of business activities, from strategy development and coordination to long and short-term business planning to define both finance and operational KPIs. Finance also leads the development of a new operating model and organisational design, including overhauling Safilo's corporate structure "to better align legal entities with the business model," he says.

Setbacks and successes

But Gerd admits that finance has fallen short in some key areas, such as overhead cost reduction, particularly labor and G&A expenses. "I'm even struggling with my leadership team to drive cost reductions," he says, "because people find ten arguments for why they need every last resource." He believes strongly that cost reduction isn't simply a matter of shrinking headcounts. "That achieves absolutely nothing," he says. "The fundamental point is to simplify work, to eliminate work so you don't need positions anymore, which has a lot to do with creating the most effective and efficient organisational design."

On the other hand, the transformation has notched some noticeable successes. The first wave of the ERP rollout, covering purchasing and HR, has helped standardise processes across the company, given management greater visibility into the drivers of costs and revenue, and mitigated many of the governance risks that arise when 11 different business units are using 11 different accounting systems. And the ERP platform, with its rigorous rules-based requirements, has helped change Safilo's culture by underscoring the behavioural changes essential to the transformation. "You can basically use the IT system's transformation to define the way you want to work in the future, and the way you want the company to work," Gerd says.

As the transformation moves into its next phase, the finance team is focusing on bolstering its ability to support the business units. For the first time, Safilo has embedded financial analysts in functions such as brand management and product creation. Tapping into new systems that help identify the products and brands that contribute the most to revenue growth and profitability, the analysts can advise the units on product creation, brand portfolio composition and investment priorities. In Gerd's view, it's essential that such analysts work within the business units and report to the operational line manager. Otherwise, the operating units will view the finance professionals as "aliens" and "spies," he says. The line manager also defines the analyst's work plan and deliverables, in consultation with finance leadership.

That's not to say that the financial analysts have no autonomy. Recognising that some line managers might have a problem with finance professionals who make it their business to challenge the status quo and ask uncomfortable questions – essential traits in a business partner, according to Gerd – the finance leadership is the ultimate arbiter of the finance professional's performance evaluation. That evaluation is a 360-degree process, and the line manager's feedback is important, but at the end of the day, Gerd says, "it's me who's rating the finance person."

The Zen of finance

The finance leadership has put a lot of work into upgrading the skills and capabilities of the business partners, in part through training and in part by bringing in new people. Gerd is looking for business partners who are "as entrepreneurial as the entrepreneurs themselves." Marco adds that business partners need a particular kind of temperament – realistic and fact-based, but also emotionally even-keeled, or as he puts it, "Zen." He views the finance function, and especially the business partners, as "the rational mind of the organisation."

Instilling that mentality across the finance function requires a large investment in change management. A cornerstone of any transformation is "the soft factor," Gerd says. "You need to talk to people. The biggest risk on a transformation journey is that you don't take the organisation with you. Otherwise, you arrive at your destination, but you're all alone." So as a transformed Safilo moves into the future, Gerd and Marco are devoting as much time to communication as they are to building the function's skills and upgrading its technology. Will their efforts pay off? "In a couple of years we'll have a beer and see how this has all panned out," Gerd says. He seems confident that when drinks are served, he won't be drowning his sorrows but toasting his team's success.

ClubCorp
Counts on the cloud

ClubCorp, one of the world's largest owners and operators of golf and country clubs, is in the midst of a wide-ranging transformation aimed at strengthening the company's technology and business processes to enable the broader company objectives to enhance scalability and continuously improve the membership experience. We spoke with key players in the transformation about the holistic approach they took to its implementation and the benefits it is already delivering.

In 2013, ClubCorp, the Dallas-based owner and operator of more than 200 golf and country clubs and alumni and sports clubs, went public, with all the heightened disclosure, compliance, and security requirements that go with public ownership. The company also completed a large acquisition in 2014 that further highlighted the need for additional capabilities. CFO Curt McClellan recognised that the company needed to rapidly upgrade its back-office operations to meet the new requirements and achieve its business objectives. He led the effort to develop a transformation vision and worked with a coordinated team of functional leaders to make it a reality. We sat down with a few of Curt's key leaders including Chief Accounting Officer, Todd Dupuis and Chief Information Officer, Patrick Benson to hear more about the strategic approach ClubCorp took to the transformation and how they continue to make it a success.

They described the transformation's ambitious plan to standardise processes and controls; enhance the operating model for greater efficiency and scale; improve acquisition and integration capabilities; and enhance reporting and analytic capabilities – all on a new, cloud-based technology platform. To address these challenges, ClubCorp assembled an experienced, cross-functional team with prior experience in Finance, Controls, HR and IT transformations. The team developed a strategic roadmap to deliver big gains in efficiency, sustainability, and compliance while laying the foundation to reach ClubCorp's revenue growth and member experience objectives.

Making the case

First, the team prepared a business case to justify the necessary investment and identify incremental benefits. Looking solely at IT savings, the return on investment (ROI) was not persuasive, as the transformation would require more than six years to generate a positive ROI. By expanding the business case to include compliance savings, migrating to a shared services operating model, and optimising standardised processes, the team was able to cut the anticipated payback period in half. To keep the organisation on course, they created a transformation scorecard, linked to the business case, to track benefits, challenge current thinking, and guide decision-making. According to Todd, "It really was crucial to layer additional elements onto this transformation to make a more appealing business case and get the project off the ground."

Beginning with the end in mind

In keeping with the team's holistic approach, they planned the transformation with the end state firmly in mind, beginning with a strategic look at reporting and how to best improve analytical capabilities and predictive insights. That led them to define reporting and performance management requirements that set the direction for designing data structures and revising the chart of accounts. The effort also includes the design and implementation of a cloud-based enterprise performance management (EPM) solution to support consolidation, data reconciliation, variance analysis, planning, forecasting, and reporting.

Focusing on end-to-end business processes

Unlike typical technology implementations, which tend to be organised by discrete modules, the entire transformation project, including team structures, deliverables, and design decisions, is organised around end-to-end business processes. By taking an end-to-end process perspective, the team is delivering integrated solutions across disparate technology platforms and keeping the focus on process improvement and business objectives.

Driving out customisation

Shifting to a cloud-based IT platform is central to realising the objective of process improvement. Cloud-based systems offer little leeway for customisation and thus require rigorous adherence to standard processes and leading practices. This forced a discussion around truly differentiating capabilities that set ClubCorp apart from its competitors. For everything else, there is an absolute focus on conforming with the platform's built-in leading practices to eliminate unnecessary customisation. "In many ways, cloud technology brings about more business change than technology change," Todd says. "The implementation effort shifts the burden to the business customer to adopt standard processes." The cloud system's rules-based design also helps speed user adoption and yields additional benefits such as waste reduction. And by harmonising data and standardising work practices, ClubCorp is positioning itself to integrate future acquisitions more efficiently.

Shifting from 'back office' to 'front office'

The transformation is substantially advancing ClubCorp to a new operating model. Process standardisation facilitates the centralisation of functional services and opens the door to greater efficiency, elimination of waste and improved regulatory compliance. Most important, it is freeing up the finance function to focus more closely on partnering with the operating units and providing performance insights and decision support to assist in realising ClubCorp's revenue growth objectives and improving the member experience. "We're looking for the systems to take out a lot of the heavy lifting from finance's work," Patrick says, "the day-to-day noise that can distract people from thinking strategically, because they're so exhausted from dealing with the tactical."

Looking ahead

Patrick believes 2017 will be a pivotal year in ClubCorp's evolution. "Our attention in 2017 is going to turn towards our member-facing solutions that are the true differentiators for ClubCorp and our members." ClubCorp prides itself on offering members a unique experience at each of its clubs, and Patrick and Todd are looking forward to rolling out a new member-centric cloud-based solution that will enable ClubCorp to offer enhanced member experiences. "Having the ability to engage our members as individuals," he says, "regardless of whether they're at their home club or visiting another club, will enable us to provide that magic moment for our members."

Invenergy
Driving best practices with technology

Complexity is business as usual at Invenergy. One of the largest independent renewable energy generation companies in North America, Invenergy's energy portfolio encompasses wind, solar, large scale energy storage, and natural gas. Driving innovation in energy, Invenergy and its affiliated companies have developed almost 15,000 MW of projects across the Americas and Europe. To help it handle all that activity, Invenergy is in the process of rolling out a cloud-based ERP platform. We spoke with Krysta Ellis, project manager for the ERP implementation, about the company's reasons for choosing a cloud-based system, the challenges and rewards of the rollout, and ERP's potential to add value to the business.

The sprint is on at Invenergy. The privately held alternative-energy provider, founded in 2001 and headquartered in Chicago, is in the midst of implementing a cloud-based ERP platform, with a nine-month timetable for full rollout to the finance function. It's a big transition for the company; Invenergy is implementing five modules – general ledger, cash management, accounts receivable, fixed assets, and procure-to-pay – which will significantly upgrade the finance function's capabilities. Heavily reliant on manual procedures for reporting, accounting, tax operations, portfolio finance, and risk management, Invenergy's finance function has just stepped into a brave, automated new world with its implementation of the new modules which went live in May 2017.

The company's senior management as well as its finance professionals welcome the evolutionary advance, says Krysta, who has temporarily stepped aside from her role as senior manager of the financial reporting group to oversee the implementation. Moving to an ERP system signals a milestone in the company's maturation, while the choice of a cloud-based platform promises a shortened implementation timeline and considerable savings in maintenance and support costs. More important, as Krysta notes, "We're not looking to customised the system, we want to fit our processes into what is available in the cloud." That means, she says, that Invenergy is well-positioned to adopt a best practices model in its processes and operations.

Ease and speed

Krysta expects that the new platform will have its broadest impact on the company's procure-to-pay and expense reimbursement activities. The ERP system promises to greatly simplify the expense reimbursement process, which she says "is pretty painful right now." When the company's road warriors can use a smartphone app to file their expense reports on the plane ride home from a project site visit, "that's going to be a big deal here."

Procure-to-pay processes will also change dramatically. For the first time, managers will have an end-to-end view of a procurement transaction, from the moment a requisition is filed to when a purchase order is approved to when an invoice is received. "That visibility is going to be a great feature for us," Krysta says.

The transformation doesn't end there, though. The accounting group, which is divided between project accounting and corporate accounting, is looking forward to having expanded access to consistent, standardised data and an enhanced ability to produce ad hoc reports for executives bidding on projects or responding to requests for proposals. "Knowing that our business users can go into the system and pull some of that information for themselves will be helpful," she says. The ERP system will also provide advantages of speed. Before the implementation, monthly closes took 20 days or more to complete. By the time the rollout is complete, the company expects to cut the close cycle time to ten days or less.

The change management imperative

At many companies, the implementation of an ERP system can cause anxiety and resistance among front-line workers worried that they will be automated out of a job. But Krysta says she has encountered little of that during the early phases of implementation. The finance team, she says, is looking forward to spending less time on manual data entry and more time on analysis and process improvements. "Many of our team members are excited at the potential changes that could come to their roles," she says. "They're looking forward to the challenge of thinking more analytically."

Krysta credits the Invenergy culture for the finance team's positive attitude toward the coming changes. But credit also belongs with the change management program that she has helped lead. When she was preparing for the implementation, she spent some time speaking with her peers at other organisations that had tackled similar transformations, and nearly all of them offered the same advice: "Don't underestimate your change management efforts."

She has taken that advice to heart, in part by focusing on communicating, and even over-communicating, the purpose and goals of the transformation. "We've identified our stakeholders," Krysta says. "We've started communicating how the new system is going to affect our business users. They're going to get better reporting and standardised data, and we're really pushing self-service capabilities and accessibility."

Training is another key component of the change management program, starting with core members of the implementation team, including the various module leads, and radiating outward to the rest of the finance function. In the early stages, Krysta is focusing much of her attention on super-users of the system and ensuring they are comfortable and proficient with the system prior to systems integration and user acceptance testing. "Training the trainers," she calls it.

Governance is also crucial to the success of the implementation. She gives monthly progress reports to the transformation's executive sponsor, Senior Vice President and CFO of the Operating Business Group, Steve Ryder, and a committee of ten other senior leaders. On a day-to-day basis, finance process owners and members of the extended team, including representatives from development, construction, procurement, tax, treasury, and IT help steer the implementation. The business-side members, Krysta says, have been especially valuable in defining what they require from the system.

Those requirements-gathering sessions have given Krysta and her colleagues the opportunity to ask if some requirements were really necessary or whether they simply represented what the company had always done. That exercise alone, she says, "has helped us get more into that best-practice mode" and push process standardisation and simplification across the organisation.

The changes won't end once the implementation is complete. The company is developing a roadmap to expand the system's scope once it goes live. Tools for consolidation, budgeting, and forecasting will likely be added. Whatever comes next, though, the ultimate goal of the transformation hasn't changed. What the ERP implementation, with its many moving parts, is all about, says Krysta, is "helping the team make better strategic decisions based on the information they receive."

Sage Group
Enabling tomorrow's finance today

Sage Group, based in the UK in Newcastle-upon-Tyne, England, is one of the world's largest providers of ERP systems. Unlike larger rivals, Sage primarily serves startups and small and medium-sized enterprises. That market focus has afforded Klaus-Michael Vogelberg, Sage's Chief Technology Officer, a unique perspective on the evolution and future of finance. He spoke with us about how far the profession has come in recent years – and how far it still has to go. "What smaller organisations are doing today," he says, "will ultimately transform how big organisations think about finance." Big organisations, take note.

Science fiction writer William Gibson has famously said that "the future is already here – it's just not very evenly distributed." Klaus-Michael Vogelberg, chief technology officer of Sage Group, believes the future of finance and accounting is already here, and it's distributed mainly at the smaller, more entrepreneurial end of the business spectrum. Sage sells software for HR, CRM, and business intelligence, among other applications, but it's probably best known for its accounting applications, which its 3 million customers worldwide are using to forge finance operations that owe very little to the past. "When new ideas come along," Klaus-Michael says, "either new technologies or new ideas in finance, they tend to be adopted first by fast-growing businesses in the start-up segment." Larger, more established organisations would be well-advised to keep up with innovations in the segment or risk falling behind their peers.

Smaller companies are more receptive to new approaches to finance and accounting, Klaus-Michael says, because they're busy and pragmatic, and they value inexpensive, user-friendly products and services that free them up to attend to running and growing their businesses. Without entrenched finance organisations staffed by professionals schooled in traditional ways of working, they're not afraid to "commit professional heresy," and they're receptive to vendors and products that "challenge what we took for granted for quite literally hundreds of years," Klaus-Michael says. "That's the purifying power of small business: there is no vested interest anywhere. When you move into big business, there's always a vested interest somewhere. But when you go to small business, you're at the very sharp end."

At the sharp end, smaller organisations aren't just automating what people do today, they're removing activities altogether – an approach that could serve large organisations well in their never-ending drive for greater efficiency. Consider bank and supplier reconciliation, two mundane but essential accounting tasks that soak up about 25 percent of the finance function's time, Klaus-Michael estimates, but add little to business value. Thanks to dedicated data feeds from a business's banks and suppliers, reconciliations can now be performed dynamically, in real time, with rapid resolution of exceptions. Or consider enterprise platforms that consolidate all of a company's financial and operational data in a single repository. Assuming the proper applications and functionality are in place, an employee can file an expense report, have it verified, approved, settled and accounted for automatically, without human intervention.

From social media to social accounting

Klaus-Michael calls this innovation "social accounting," and he doesn't think its applications are limited to smaller companies. He imagines a near future in which everyone in a company works, if only sporadically, for the finance function simply by entering financial or transactional information into a system. "If you can harness technology to capture the accounting implication of any transaction in real time," he says, "you have revolutionised the world of accounting." Conversational interfaces powered by AI will in all likelihood supersede web and mobile as the most important and pervasive interface paradigm. "Suppose you can just talk to your finance system from your favorite messaging app. Everyone can do this. This is consumerisation of AI, and it is here already." No longer limited to offering only a rear-view mirror perspective on financial activity, finance can enlarge a business's capabilities. Or as Klaus-Michael puts it, "As we industrialise processes with connective technologies, you can drive productivity to a so far unheard-of level." That's a compelling proposition for larger companies that are finding it increasingly difficult to wring greater productivity out of their finance functions.

Take sales, for example. With real-time financial information accessible through a mobile application, a sales person negotiating a transaction with a customer can check with the finance system to verify that the company has sufficient working capital to support the sale. If the capital isn't there, Klaus-Michael says, "Imagine you could take that order and drop it onto a secondary market for funding and have money in the bank the day the salesman hits the button on the order. That's where the financial services market is going. And clever small businesses are finding a way to make use of this." Small businesses that five years ago were capital-intensive "are actually working capital-neutral because they've found a way of connecting their sales function to an external funder," he says. Now larger companies have an opportunity to forge similar connections with their funding networks. Blockchain is one of the technologies that enable it.

As Klaus-Michael suggests, real-time accounting will fundamentally alter the discipline, Consider accruals: "The only reason we do accruals is because we don't account in real time," he says. "They're to some extent a workaround because accounting only ever produces a retrospective view of things. Once you have real-time vision of your business, and you leverage the power of mobile and the connected world, something completely new opens up. And it makes you wonder: How much time is spent in the finance function doing what no longer needs to be done?" That's a question large organisations have been asking for some time, and innovations in the small-business space point toward a workable answer.

New responsibilities, new opportunities

The finance function will do more to take on tasks that were once considered far from its remit, such as reporting on non-monetary events. Klaus-Michael posits that in the future, national regulators could require companies, leveraging the Internet of Things and other digital tools, to report on their local environmental impact. "You'll have to understand it, measure it and report it. Who is going to do that? It's probably going to land in finance." It's a good example – many businesses are already measuring their total impact, and finance risks being left behind if it's not on top of how that can be done. And that's just one of the ways that real-time accounting could do more to help the business. "As a result of this technology, the finance function have the opportunity to become more important as an active business support function."

Klaus-Michael thinks we're still probably two or three years away from an accounting system that works end-to-end in real time, but the bits and piece of such a system already exist in the marketplace. He draws an analogy to self-driving cars. The full suite of technology for autonomous vehicles is still in development, and it will be years, if not decades, before they're the norm, but individual components such as lane departure warnings, dynamic cruise control, automated parking and other functionalities are already in widespread use. Real-time accounting systems powered by AI, he suggests, will evolve in the same piecemeal fashion and be integrated into existing systems. Before long, companies will find themselves with real-time accounting capabilities without quite knowing precisely when they arrived.

That vision of the not-so-distant future implies that finance professionals need to start developing a different set of skills now. In addition to a grounding in traditional financial principles and techniques, they'll need to know the basics of computer and data science, as well as at least rudimentary coding skills. Already, many of the people Sage hires for the finance function are computer scientists whom the company trains in the fundamentals of accounting – for example by requiring them to learn by doing the books for nonprofit and community ventures.

They're stepping into a discipline and a profession that's in rapid flux, with no end to disruptive change in sight. Klaus-Michael is looking forward to seeing what comes next. "I think accountancy will remain a very, very interesting domain for a few decades to come. At some point things should become a bit more stable. But I wouldn't suggest we're anywhere near that yet." Especially considering that most large companies are just starting their journey toward practices that are becoming business as usual among the smaller fry.


Place de la Pyramide
Bellini
Michelet

British American Tobacco

Setting the stage for a more effective finance function

British American Tobacco (BAT), the UK-based global tobacco Group, is transforming itself to adapt to a fast-changing business environment. As part of that process, there is a great deal of transformation occurring in the finance function. BAT's shared service centers are making strong efficiency gains and working increasingly closely with the end markets. That has enabled the finance business partners to focus on helping those markets to deliver better business outcomes.

Finance transformations aren't just about new technology, shared service centers and centers of excellence. As much as anything else, they're about changing old habits and behaviours. And those don't change overnight. We spoke with two senior finance business partners – Pablo Sconfianza (Head of Marketing Finance) and Tim Bartle (Head of Operations Finance) – about delivering insight that makes a real impact. We also spoke with Jon Evans, Group Head of HR – Corporate Functions, who has helped drive change in BAT's shared service centers. They offered their perspectives on the ongoing transformation at BAT, which kicked off back in 2008 when it launched the global implementation of an ERP platform, and has continued with the shifting of much of the transactional and analytical work to shared service centers and centers of excellence, and standardised processes. Now BAT is building on those foundations to move to the next level, focusing on the behavioural changes needed to realise the potential of the technology rollout and deliver big gains in efficiency, effectiveness and quality.

"In common with many industries, BAT's market is changing rapidly. The company is evolving its product mix from traditional combustible products to next generation technology-based products, which has profound implications for the business, including for marketing and operations." Shifting transactional work to shared service centers is central to the finance transformation – and a key objective is to bring the size and cost of finance in line with benchmark performance. "We started looking at how to drive consistent global processes, because our business was very federated," Jon says. "We can't operate like that anymore." Shared services were also a stepping stone on the road to better business partnering. "You can't do proper business partnering unless you are able to release our business partners to do just that," he says.

But because BAT has scaled up shared services at high speed, it has encountered sizable challenges. The shared services push met resistance from some end markets that were reluctant to give up transactional work. Capability gaps in some shared service centers made it difficult to win the trust of customers. And in some markets there was duplication of effort and occasional failures to adhere to process standardisation. Shared services had to show it could deliver efficiency improvements to win over the sceptics.

"We really needed to have some sort of accelerator to drive down the cost but also boost the quality and the efficiency," Jon said. "We also needed to accelerate the capability development in shared services, and get real engagement from shared services teams." In BAT's case that accelerator has been PwC's Perform methodology, which focuses on how teams are managed. Jon says it's working. The first deployment generated a 53 percent up tick in productivity in 16 weeks, with no added technology or increases in headcount or cost. It also taught valuable lessons that Jon's team can draw on as they deploy the Perform approach across a wide range of transactional teams. As the deployment proceeds, he says, "we're seeing the same issues, the same opportunities, and now we have a method that works every time." The (mostly young) workforce in the shared service centers have embraced Perform because it spurs employee engagement. "Millennials love to be involved, to have a voice, to be part of a community, get feedback," he says.

Taking the global view

As transactional work has been centralised, business partners from the finance function have been better able to offer a broad perspective to the operating managers. Their viewpoints enrich conversations on topics such as pricing, Pablo says, because while local and regional general managers tend to focus only on their own markets, business partners take broader trends into account. "When you see the global picture and understand consumer and financial trends," he says, "you can prepare the markets better to adapt to them." The business partners' input helps BAT better compete in what is, after all, a global business. "You cannot afford to limit your competitive actions to one particular market," he says.

Most operating managers welcome the business partners' involvement. In fact, some tell him, "I wish the business partners would challenge us more," Pablo says. "They would like to have more of that because that prepares them better for other conversations." Such conversations aren't always easy, but they're productive because the business partners tend to have accumulated experience in multiple markets and regions and have formed relationships throughout the company. "You end up knowing a lot of people," he says, "and those relationships, along with your functional knowledge and experience, help you have a more value-adding conversation."

To give an example, finance business partners have been key players in the transformation of BAT's supply chain. The company's factories, which either produce for local consumption or for export to other markets, had grown accustomed over the years to purchasing key inputs such as tobacco leaf and wrapping materials on their own. Now, Tim says, leaf procurement and 90 percent of wrapping materials purchasing is done globally to standardise pricing. Logistics and planning, once done locally, were moved first into regional service centers and are now in the process of moving to a global center based mainly in UK.

Finance is now better placed to act as a business partner to the operations. "Manufacturing's finance business partners have input into every big strategic decision," Tim says, "and manufacturing business partners often become the right-hand man to the factory heads." They're recognised as part of the core business team, in part because they're embedded in the operating units. "If you're on the outside you never know what's going on," he says. "You have to be on the inside, don't you?"

From their positions within the operating units, the finance business partners have input into virtually every commercial decision, Tim says. "True, we can't offer much insight when you're making engineering decisions about what machine to buy, but we certainly can when it's a question of where we should be making something. It's about multiple factors including customs duty, transfer pricing, and tax implications. Finance isn't just consulted about those questions at the end, we're in it from the beginning and throughout the decision process."

Tim says the finance function's collaborative culture engenders trust among the company's operations managers. "We don't want to have conversations where finance just says what you can and cannot do, but asks instead what is it you want to accomplish and why," he says. "We'll try to find a way to make that happen within the constraints that exist. There are times where you have to say no, but you hardly ever get into that situation when you have a relationship where I'm trying to help you, I'm not trying to stop you."

More effective business partnering, and a more effective and efficient finance function in general, don't come about on their own. Enablers such as process standardisation, the implementation of a single version of an ERP platform, and sophisticated analytics help produce gains in efficiency and free up time for deeper analysis. The more potent enablers, though, are changes in behaviour and communication. Jon speaks of the challenge of convincing regional operations to let go of transactional work, a challenge made more difficult because of skill gaps in the shared service centers. "We're continually having to prove our value to the regions," he says. But as the shared service centers have stabilised and improved, managers within the center have been able to spend more time coaching and communicating and less on fighting fires.

Ultimately, many of the behavioural changes have to come from the business partners themselves. Pablo notes that now that BAT has new information systems in place, "we're in a position to transform the information that is coming from the market into insights. And even as new tools give the business more ability to do its own analysis, finance is essential to seeing the bigger picture and delivering shareholder value."

And what are the key factors for success in business partnering? "You have to act as part of the commercial team, not think of yourself as just a support function" says Pablo. Tim adds: "Your success should be measured on the business outcome you achieve together, not just your input to it. If you don't commit to that, you're not part of the team."

Informa

Expect the unexpected: lessons learned from Informa's ongoing change program

Things are changing at Informa, a global business intelligence, academic publishing, knowledge and events business headquartered in London. A new CEO is driving a measured change agenda, and the finance function is involved in the action. We spoke with Fred Smith, Informa's Group Shared Services Director, about the finance transformation he's leading – what he and his team have done right, what they might do differently next time, and what the future might hold.

Finance transformation projects are difficult enough when a business is running smoothly. When the business and the surrounding economic and political environment are in constant flux, the degree of difficulty ratchets up considerably. That's what Fred Smith has learned from the ongoing finance transformation at Informa, where he is Group Shared Services Director What started as an exercise about the review of some ageing systems three years ago, has more recently expanded into a transformation of the finance function, the implementation of a new operating model for shared services and in 2017 the implementation of a new ERP. The project has also entailed the transformation of the IT and HR functions alongside finance. "I don't think we necessarily started out to do that," Fred says, "but this project will now enable us to create a more scalable operating model and ways of working that will better support the company's growth ambitions."

The scope, and the opportunity, started to take shape when the new CEO arrived and determined that the company should be reorganised from a grouping of relatively autonomous business units into five divisions. At the same time the company chose to move toward a more centralised decision-making structure. Meanwhile, outside the company, the economic and political environment has been changing, and planning assumptions have had to respond in return.

Fighting change fatigue

Fred describes a number of learnings from the increasing demands on the project combined with a continuously evolving market environment. These include the need to strengthen project management and governance to handle the growing complexity of the undertaking; for clear and constant communication with stakeholders; for time to design what the future should look like, and perhaps most important, to maintain the pace and momentum of the transformation. "Maintaining the pace and keeping stakeholders engaged and aligned is essential," Fred says. "Otherwise, projects like this can become a little bit of a bottleneck if not managed carefully. There's a raft of other things that we need to do that are built up behind it. Although it may not always have been obvious at the time, reflecting back, this project has been a valuable catalyst for changes that might otherwise not have happened within the company. We have created extra momentum, which has helped us move forward in ways that we previously did not think were possible. A clear sense of purpose from the top has also really helped us."

Fred has also come to appreciate the value of establishing an objective baseline at the start of the project. He was initially somewhat skeptical of the value of benchmarking because as he points out, every business is different, and comparing, say, its cost of finance to other businesses might not necessarily reveal the strengths and weaknesses of Informa's finance function. Now, though, Fred describes the evidence from benchmarking as an essential element to get stakeholders to take notice. Informa also plans to use the baseline as a way of tracking progress against the realisation of the anticipated benefits.

Sweating the details

One benefit of measuring progress is that it helps sustain stakeholder engagement. And, Fred says, "stakeholder engagement is crucial." He's not talking just about the organisation's senior stakeholders. "The next level down is particularly important," he says, "because they are very often the influencers" whose engagement – or lack of it – can spell the difference between success and failure.

Fred emphasises the importance of leadership in these programs. As head of the finance transformation team, he was intimately involved in revamping the shared services organisation and upgrading its capabilities. His engagement with the nitty-gritty details of the shared services transformation earned him some much-needed credibility when he turned his attention to other aspects of the transformation. "You experience what people are going through," he says, "and that buys you goodwill if people can see that you're doing your utmost to help them resolve the key issues that may hold up progress."

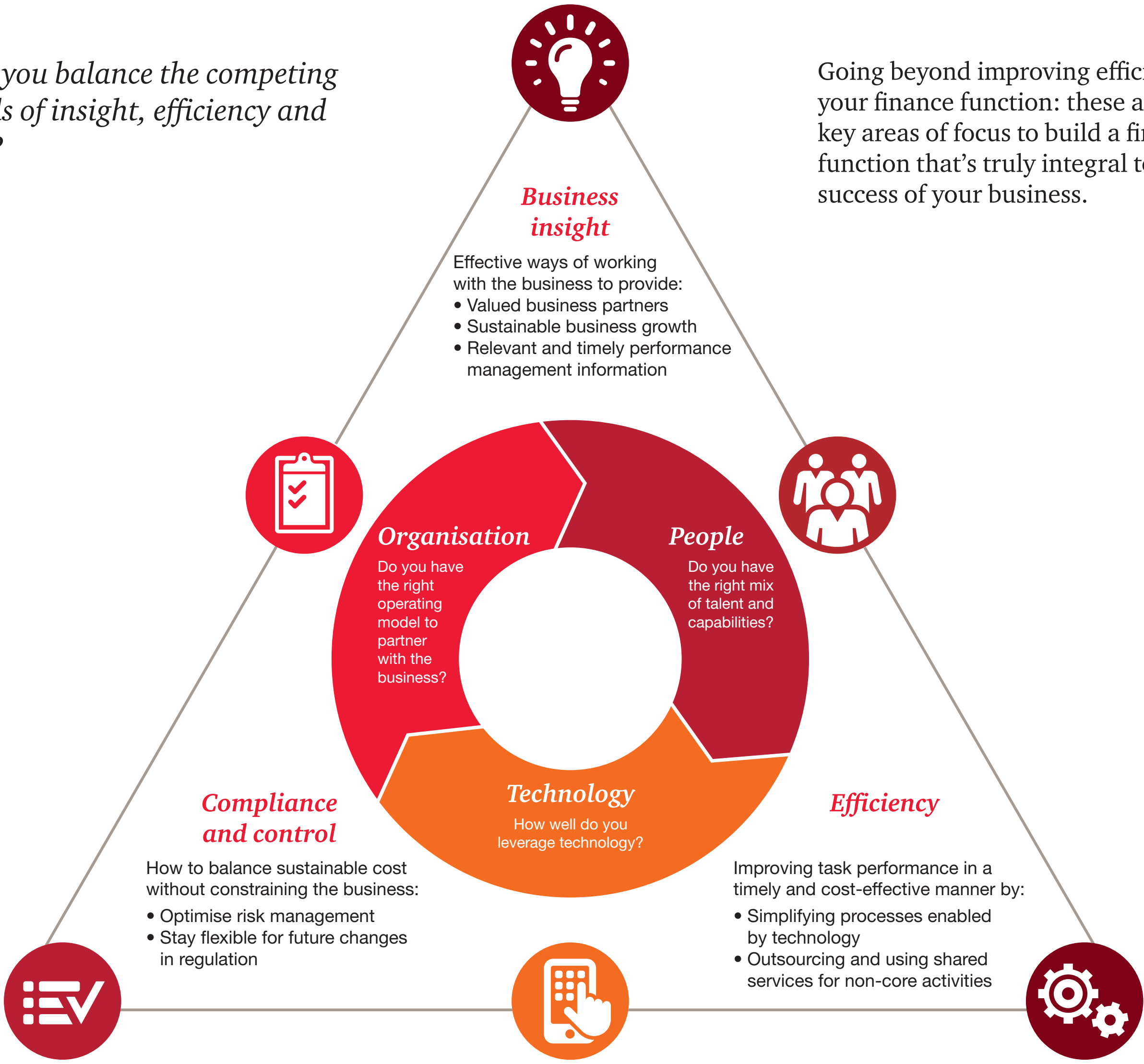
The transformation project is still under way, and Fred expects that new surprises will emerge as the work continues. "I think we had originally assumed that life would be much simpler," he says. But throughout the process, he has worked to keep his team and key stakeholders focused on the benefits the transformation will deliver. "If you make sure that everybody's clear about the core vision, and if you can move quickly enough, then you can get to where you want to go." Informa hasn't reached the end destination yet, but Fred knows how important projects like these are to enable the company to build a more scalable platform for growth. "This definitely has been one of the larger projects that we've undertaken globally," he says. "We have learned a lot from this. Whilst on the face of it this is a finance transformation project, it is actually helping us transform ways of working and deliver wider business benefit across Informa."

PwC finance benchmarking

©PwC 2017

How do you balance the competing demands of insight, efficiency and control?

Going beyond improving efficiency in your finance function: these are the key areas of focus to build a finance function that's truly integral to the success of your business.



PwC's standard finance processes

Business insight

- Strategy and planning
- Budgeting and forecasting
- Business analysis
- Performance improvement projects
- Tax planning

Transactional efficiency

- Accounts payable
- Travel and expenses
- Credit management
- Customer billing
- Accounts receivable
- General accounting
- Financial/external reporting
- Management reporting

Compliance and control

- Treasury
- Internal audit
- Process controls and compliance
- Tax accounting and compliance

Benchmarking assessment

As support functions seek to respond to new business demands, our benchmarking analysis provides an assessment of strengths, weaknesses and areas for improvement, while providing a baseline from which to measure progress.

PwC provides benchmark analysis of the functions that comprise Selling, General and Administrative Expenses (SGA) – finance, HR, IT, procurement, sales and marketing – for a wide range of leading US, European and international rms. Using a consistent assessment framework for understanding the performance of the SG&A functions, the results allow you to compare your performance across your organisation and against other companies.

If you would like to complete a benchmark assessment or would like more information please contact:

Stephen Loadsman
Partner
+61 (7) 3257 8304
stephen.loadsman@pwc.com

Gordon Huke
Director
+61 (8) 9238 3565
gordon.j.huke@pwc.com

Shane West
Partner
+61 (2) 6271 9265
shane.west@pwc.com

Peter Kurtz
Director
+61 (2) 8266 0949
peter.kurtz@pwc.com

Andrew Genever
Director
+61 (3) 8603 5099
andrew.genever@pwc.com

Amanda McIntyre
Partner
+61 (2) 6271 3613
amanda.b.mcintyre@pwc.com

www.pwc.com

170629-155742-HP-OS