

Launch of 2013 finance benchmark report

Discussion notes

15 October 2013

Topic

What are the key findings from our benchmarking data and what are finance functions doing about it?

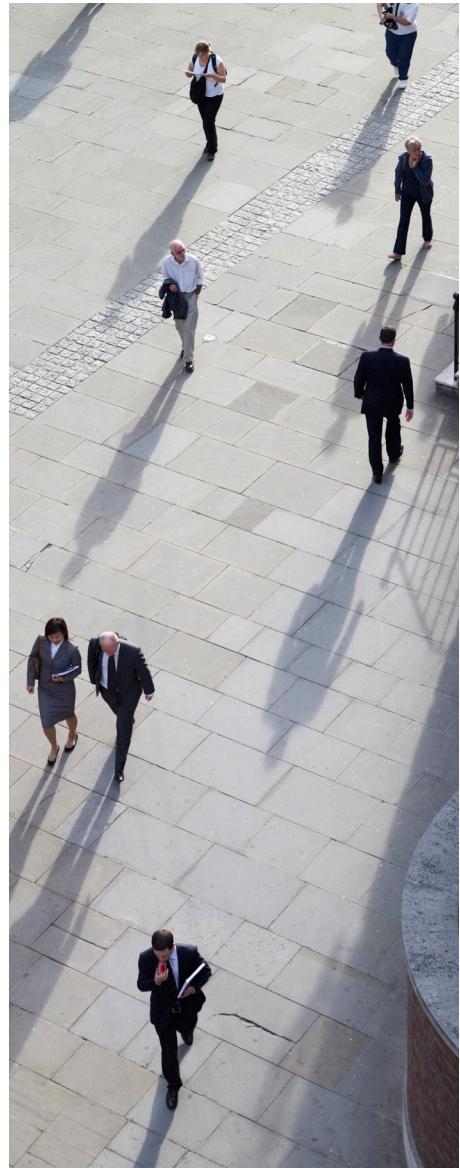
Speakers

Terry McConnell, Head of Shared Services, British American Tabacco (BAT); Adrian Cadman, Corporate Finance Controller, Jaguar Land Rover (JLR) and Derek O'Gara, Group Finance Director, Divisions, the BBC.

Key findings

There is still a big gulf between the expectations of the business and what finance actually delivers.

- **The cost of finance as a percentage of revenue is stabilising.** Yet there is still a large gap between **top quartile firms (0.6%)** and **typical firms (0.9%).** This also tends to vary depending on the nature of the industry, with higher costs in the more regulated industries such as Financial Services, and much lower costs in low margin, high transaction businesses such as retail and travel. However, it is interesting that whether in the high cost or low cost groups, there is still similar wide variability between the median and top quartile performers.
- Steady upward trend in the percentage of finance effort being put into providing more insight to the business. **The leading firms spend 1/3 more of their time on analysing and interpreting the data than the average, but even they are spending over 50% of their analyst effort just getting the numbers right.**
- **Data gathering continues to require a substantial amount of time** – 53% of time for top quartile performers and 64% for average organisations.
- Progress has been made in accelerating budgeting and forecasting, – yet **only 45% believe that their forecast outputs are reliable.**
- There is still a strong debate over what systems or technology finance should invest in – but there should be more focus on the actual data with **only 11% having applied a standard data taxonomy.**



Key themes

Further evolution of the finance function:

aligning the operating model to the business. Insight-generation and finance-business partnering.

Talent: having the right people with the right skills and capabilities. How do you engage people in the change and transformation process?

Technology and automation:

getting technology and data right to have an impact on business strategy & insight.



Panel discussion and Q&A

Does the data vary depending on geography and size of company?

Yes. Absolutely. Complexity of the business (the number of business units, or number of countries in which the business operates) drives cost upwards, while bigger companies achieve some economies of scale. Companies need to make sure they are picking the right data set to benchmark against. The bigger and more complex companies can achieve good performance, for example our analysis shows that median FTSE 100 companies actually report faster than their FTSE 250 equivalents, but that faster process costs the typical FTSE 100 disproportionately more. [Note that there is a convergence of costs for the top performers in both categories].

Is there one company that scores highly in everything? Or is one area always sacrificed at the expense of another?

The overall assessment takes a view of the total performance, with a focus on speed and cost of transactional processes, but quality and impact of insight. We see companies that are excellent in specific processes, but there are few if any that combine low cost and high effectiveness across the board. This is very much why we analyse process-by-process and identify areas for improvement and areas that should be left alone.

What are your key takeaways from the findings and how do they influence your finance function?

BAT use the findings to see what the leading finance functions are doing and determine how they can adapt ideas to their own journey and leverage the operating model that they have developed. Terry described the BAT focus on both efficiency AND effectiveness at the same time. They look to build in best practice as they develop the organisation rather than push directly for cost savings and subsequent process improvement.

For the BBC, they are tackling the 'effectiveness' agenda through a finance change programme. They haven't tried to hit the best metric but they have used a balance scorecard approach and used the data to set objectives for their change programme. They are one of the 17% that have a self-service reporting application but they have not applied a standard data taxonomy. They are actively looking to increase automation and provide more self-service technology. At the same time they are keen to invest in improving the calibre of their people.

JLR are focussed on business insight and efficiency around forecasting days. They addressed 3 core issues including (i) the credibility of date – what is it telling us? (ii) people capability – moving from

spreadsheet jockeys into real business insight roles (iii) getting the data right – which has been crucial – for example to managing cost and cash, and the most important component to the survival of their business.

How has Integrated Business Planning helped you be more agile in your business?

From 2008/9, the JLR business was shifting, yet the systems and people were not moving with the times. A lack of investment and silo mentality meant that the data and systems were not forcing people to collaborate and talk with one another and the planning process was consuming vast amounts of staff time.

In order to build credibility, you must have the support of your people. So JLR began the ‘stepping stone’ process. In order to prove credibility in the financials, JLR initially focussed on actuals. Having demonstrated a firm hand on the results, the next phase was to understand the cash outcome of decisions around allocation of build capacity, depending on model and

derivatives by market, this has given a platform that encourages and enables those previously in silos to cooperate. Plotting actuals against plan helps flush out bad behaviours.

For JLR, Integrated Business Planning is at the heart of where finance should be going. Often finance spends all its time reporting but no time actioning and delivering results. It is up to finance leaders to challenge the purpose of forecasting – do we do it as a sanity check or will it challenge and drive the business? JLR are now focussed on challenging these assumptions and changing behaviours.

What is the trick to engaging people and continuing to develop finance talent during a change programme?

In the BBC’s experience, they started by talking to business stakeholders and their finance people, looking for the gaps and then addressing them. The top performing finance people (20% of headcount) were taken out of the business to work on the finance change programme. They were surrounded by business people (and PwC consultants) and together they helped shape the best solution. They also provided input to

their teams through workshops, town halls and roadshows. This helped to generate enthusiasm around the change programme, resulting in people with better skills, better jobs and ultimately providing a better service. The key is to invest in learning and development and provide opportunities through mentoring and external training.

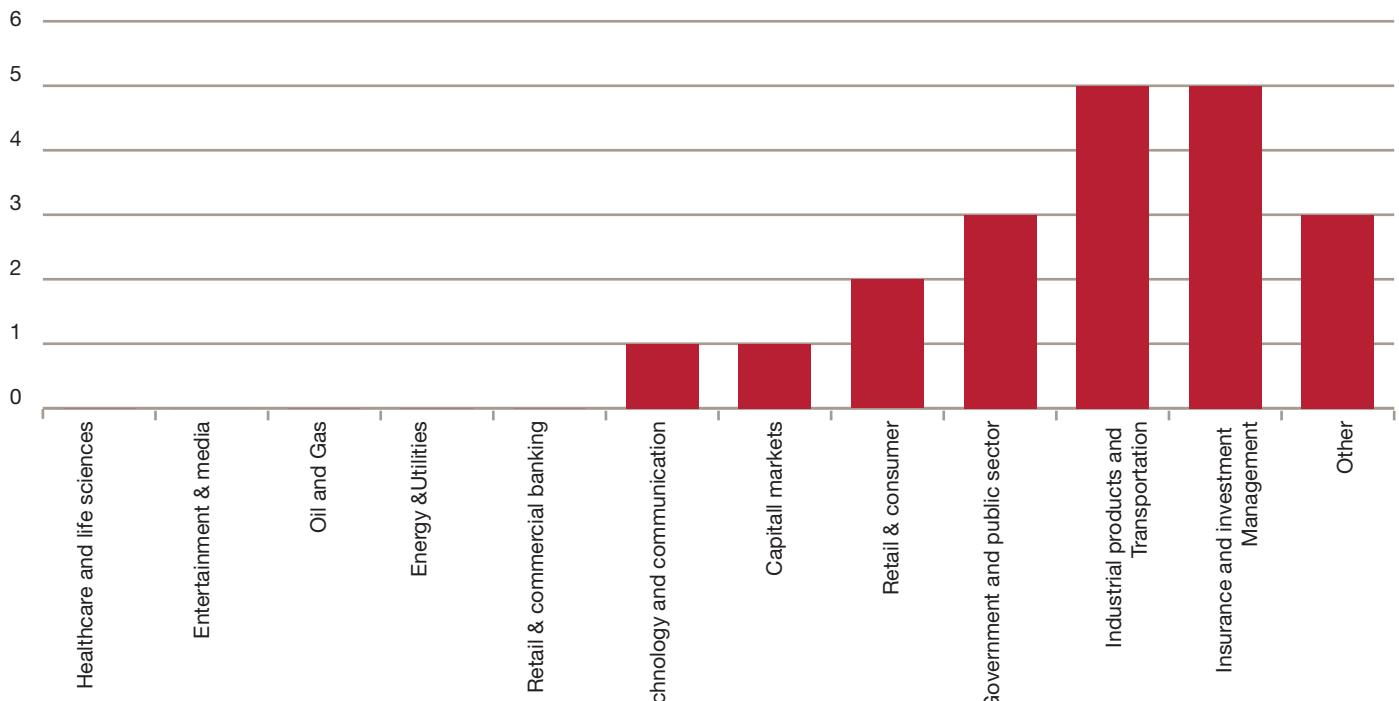
How can finance link their plans for change with the overall business strategy?

At BAT, there were a number of executive changes in a short period of time and they worked hard to ensure the finance priorities were aligned to the corporate strategy. They also placed great importance on the core values of individuals and mapped these to the business objectives so everyone felt like they were contributing to the overall strategy.

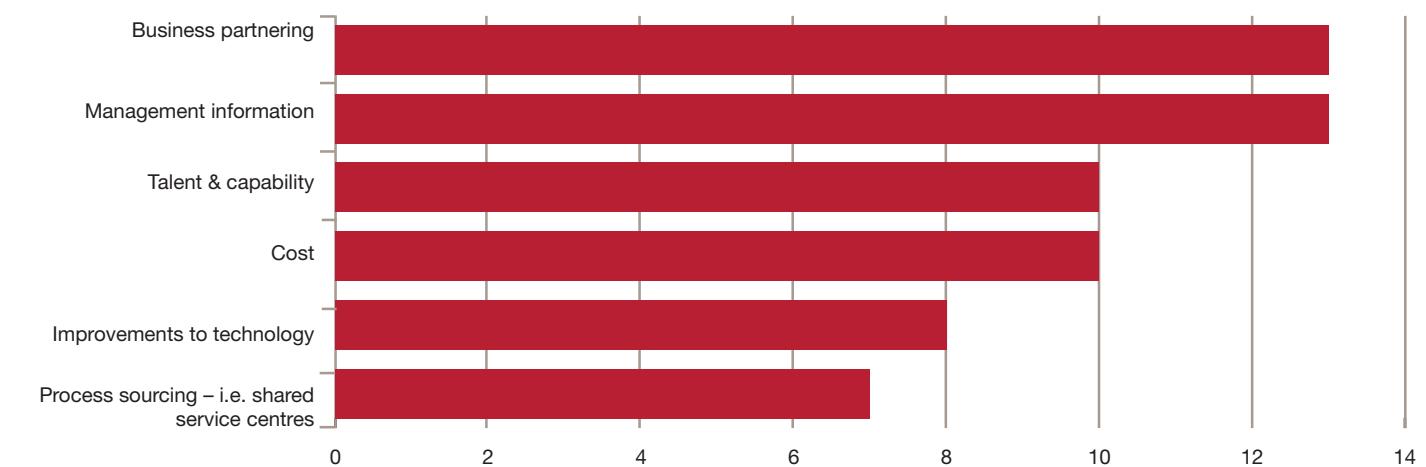


Group response to polling questions

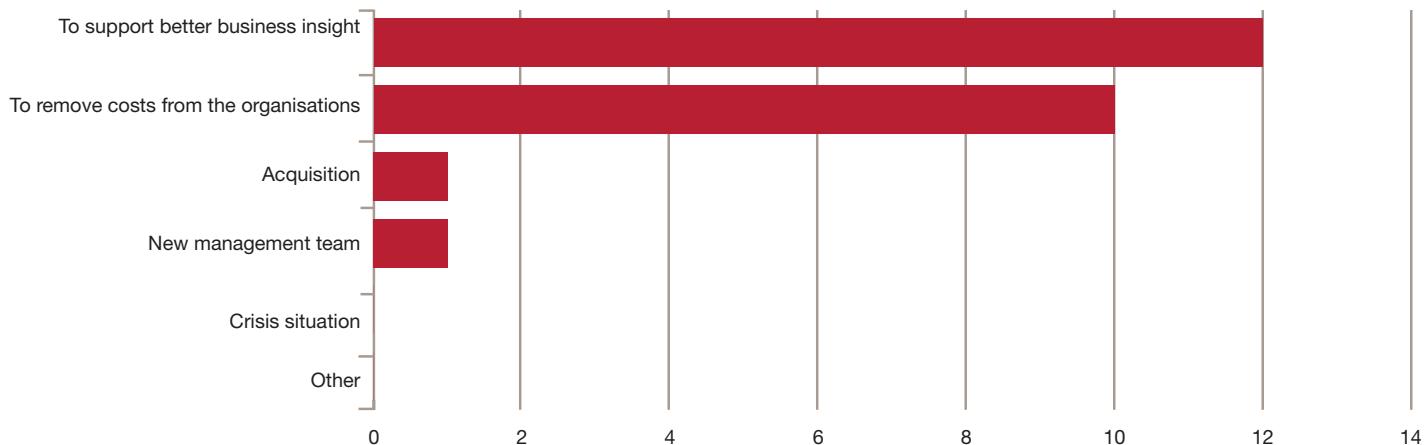
Q1. Which best describes your industry sector?



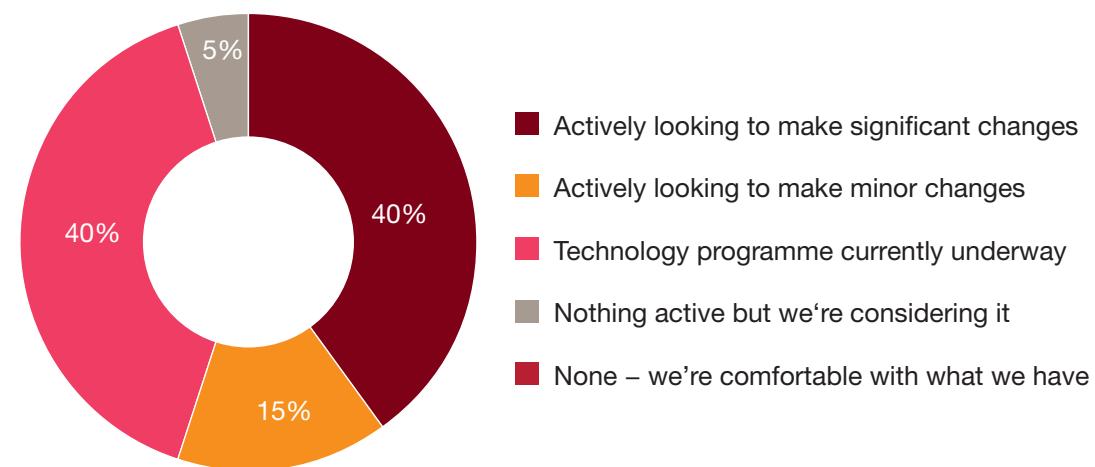
Q2. What are your top 3 areas of focus for Finance over the next 5 years?



Q.3. What is the main reason for transformational change in your finance organisation?



Q.4 Over the next 2 years, what changes are you looking to make to your finance technology?



No respondents answered the question 'None – we're comfortable with what we have'.

Q5. If you are considering a change in technology, in which area are you focusing?

