

What would you like to change? Building better finance functions



What makes us different?

By making change personal to those it affects, starting with asking them “What would you like to change?”, the change we support happens more quickly, and sticks.

What can you expect of our people?

High quality advice with actionable results. An insight into and understanding of your business. A working practice that involves integration with your people, a strong relationship balance, independence and challenge. A focus on delivering sustainable results.

How we will work with you to make change stick?

There is no one-size-fits-all for change. We begin by understanding what makes change stick in your organisation and base our change strategy on it. We don't tell you the answers, but listen, challenge and advise based on your starting point; and we encourage you to adopt the same approach with your staff. We put benefits at the heart of our work, explicitly linking all project activity to specific benefits and identifying how and when they'll be delivered. And we don't view the project in isolation; we hardwire it to other initiatives and to the HR and business processes that sustain it beyond the half-life of the project.

Building better finance functions

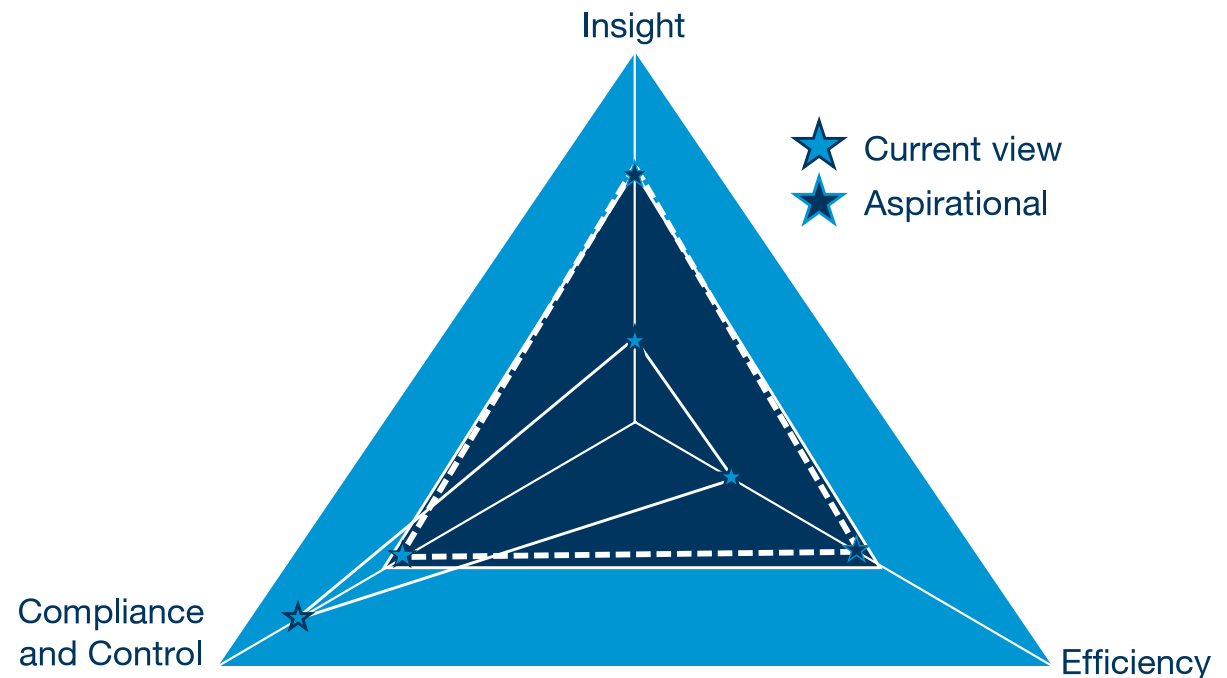
In the midst of all the talk about the finance function of the future, there have been some troubling headlines suggesting that the strategic aspects of the roles of CFOs and finance directors are in jeopardy. Whether or not we believe the headlines, there is no doubt that the regulatory environment and cost pressures from inside the organisation have had a significant impact on the CFO's agenda. Dealing with these pressures has often meant that the more visionary CFO's plans to transform the finance function to be more adaptive, resourceful and multi-talented have been pushed to the bottom of the agenda. In fact, the only way to deal with constant regulatory change and cost pressure is to transform.

The ideal finance function will vary from organisation to organisation, but the starting point must always be a clear articulation of the role and mandate of finance and the desired balance between three critical objectives:

- maintaining compliance and control
- driving efficiency
- providing value and insight.

At first sight, these objectives can seem irreconcilable – particularly given the operating environment of the last few years. The challenge for CFOs is how can their finance function demonstrate increased control whilst reducing costs, and at the same time be visibly adding value to the business through not only its processes but its people?

Finding and delivering the right balance between the three objectives – and releasing appropriate resources and investment to focus on providing insight to the business – is critical in the transformation to the business partnering role whilst withstanding the scrutiny of the business, regulators and investors.



The right balance can be found – and successfully implemented. PwC has a proven track record of helping clients to formulate the right approach to deliver against these competing priorities. The finance function can then start to manage the interplay between control, cost and efficiency in direct relation to the business strategy, and at the same time, establish the structure, culture and people capabilities to react as the environment around it changes.

How businesses have focused on this challenge has differed depending on their circumstances, but control, compliance and efficiency have had to come before insight.

Activities to address both the regulatory and cost pressures will always be ongoing. However many lessons have been learned over the last few years which can be leveraged to help realise the CFO's future agenda.

Managing compliance and financial control

Seen as hygiene factors for so long, compliance and control were pushed to the top of the agenda in 2001. Being seen as accountable to the business and to the financial community, CFOs have responded with vigour. For many, responses have been tactical rather than strategic. More deeply embedded and sustainable solutions are now required, particularly to embed Sarbanes-Oxley and IFRS in business-as-usual practices. Leading organisations are considering how to design and implement frameworks that integrate the different control requirements in a way that allows the efficient and focused management of risk. Flexibility to respond to future regulatory change is also increasingly valued and aimed for.

Critical to achieving this are the organisation's people, both within and outside the finance function. They need to not only be brought on a journey to understand the need for change in compliance, control and risk practices, but given the motivation, tools and support to bring it into their everyday ways of working. Without a strong controls culture, efforts to implement or sustain new compliance and controls will be wasted.

Driving efficiency

Efficiency gains generating cost savings are seen by many organisations as the way to release the funds and resources they need to provide better insight and decision support to the business. These savings have come from the elimination of redundant activities, consolidation of activities (for example, through shared services), and standardisation and automation of processes.

These steps not only drive efficiency but have in some instances resulted in cost savings in excess of 50%. The pace at which organisations are moving through these steps varies significantly but the pressure to release money, resources and capacity has never been greater.

However, the impact of a drive towards greater efficiency can be significant. Cost cutting activities and moves to shared services in particular, can impact morale, create uncertainty and leave people feeling confused, excluded and resistant to change. To get the most out of these changes, organisations should focus on managing the people through the process, communicating with them about the change and working with them going forward to make it a success. It is only when a supportive and collaborative approach is taken, that the true benefits of efficiency programmes can be fully felt and sustained.

Providing insight

Despite the compelling need to address control, compliance and efficiency, the third dimension – providing insight – is at the heart of the vision of the future finance function as a partner to the business. This means focusing on the benefit that was often promised, but seldom quantified, in many strategies and business cases – corporate performance management (CPM), business analytics, corporate information logistics, and straightforward management information. The 1990s gave this subject a false dawn, as many pursued 'digital dashboards' without fixing the underlying transactional processes. For those that now have these processes under control, faith in the numbers has increased and interest in CPM has reignited.

The objective is to provide a set of relevant, accurate and timely KPIs that enable business managers to make better informed decisions. To get this right, CFOs need to understand and interpret the links from the business strategy, through tactics, to operational management, and communicate that across the company – bringing along the Board and the rest of the people is an important part of the challenge. They need to fully appreciate the benefits of good quality information and how it can be used to make positive decisions which impact the business and themselves. Finance has an important role to play in delivering insight – the skill and mind set required to help create a performance culture can be very different to that of the traditional "scorekeeper" role played by finance.

Balancing finance's three key objectives requires energy, vision and stamina; a world-class finance function today looks different than even two or three years ago, but is still a very achievable goal.

From process to performance – how our clients are building better finance functions across industries

Financial Services (FS)

Increasing regulation and the existence of multiple reporting requirements, together with the drive for product innovation in increasingly complex and competitive markets, mean that FS finance functions are now in need of radical change. Their objectives are to provide better support for business decisions, demonstrate greater value and contain costs whilst maintaining control. These drivers have led to significant changes in finance processes, the geographical location of finance functions and the skills and capabilities required of the people within finance. We can help organisations manage this transition and embed the changes they need in order to create value.

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Consumer and Industrial Products (CIPS)

Standardisation and simplification are a necessity for many CIPS clients as they tackle a period of industry consolidation as well as regulatory driven change in financial reporting post-Sarbanes Oxley and IFRS. Acquisitive paths have left many organisations with complex processes and systems that prevent them from gaining efficiencies; we can help organisations reduce this complexity to become more effective.

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Technology, InfoComms, Entertainment and Media (TICE)

Heavy demand is placed on the finance function to support the board as it makes the strategic business decisions necessary in the face of industry convergence. The finance function is required to provide complex business modelling as well as deliver business-as-usual; this is where we can help.

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Government and Public Sector (G&PS)

The Treasury and Cabinet Office are driving finance functions to be more output focused and customer/user friendly. That means looking at new delivery models and a new approach. We can help organisations with process and structural change to help them become more customer focused.

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