

*Developing and improving  
high performing finance  
functions*



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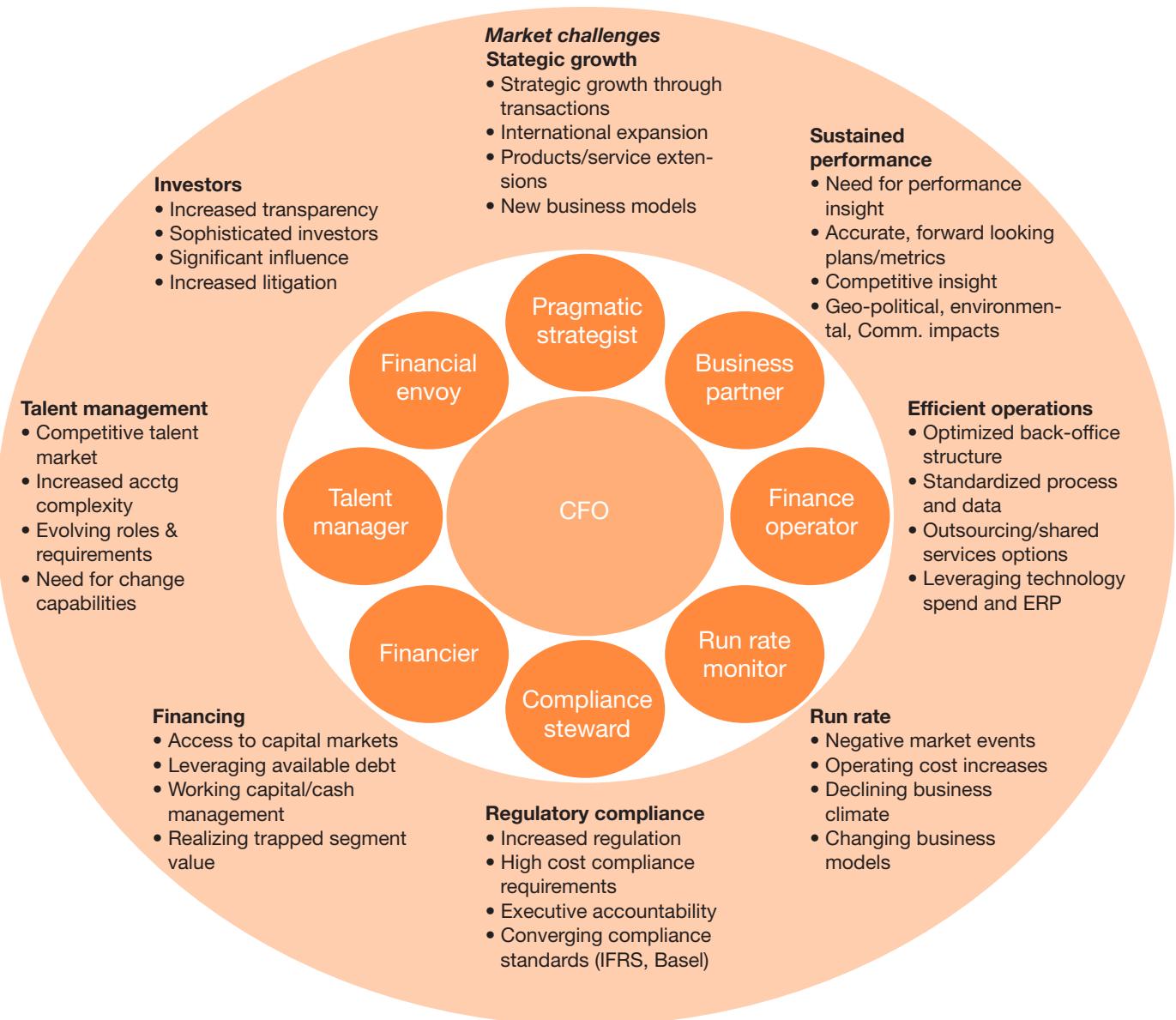
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# 1. Introduction

Today's CFOs are faced with a complex, constantly changing business environment in which their finance organizations are pressured to provide accurate, reliable and insightful information faster and more efficiently. Externally, stakeholders and regulators demand more transparent and reliable information in less time. Internally, business leaders require fast, accurate information to support informed business decisions. Despite these expectations, pressure on finance functions to drive down costs remains. As a result, finance leaders continue to search for the balance between speed, accuracy, risk management, insight and cost.



*PwC has a proven track record of helping clients to formulate the right approach to deliver against these competing priorities.*

Sample illustration

● Current view  
○ Aspirational



### Insight

Insight is at the heart of the vision of the future finance function. It can take the form of enterprise performance management (EPM), business analytics, corporate information logistics and straightforward management information.

- Better business decision making e.g sales managers have up to date profitability details for all their customers.
- Simplified flows of data, information, analysis and insight.
- Predictive, forward looking insight with internal and external views.

### Efficiency

Efficiency in finance means performing tasks in a timely and cost effective manner typically via simplified and standardised processes that leverage technology and consolidation/elimination of non core activities through shared services/outsourcing.

- Delivery of cost savings, releasing time for value add activities.
- Better business decision making e.g sales managers have up to date profitability details for all their customers.

### Compliance and control

The accountability of CFOs means compliance and improving control have been top of the agenda in recent years. The future finance function needs to optimise risk management, compliance and control to establish a sustainable cost effective control environment which meets today's requirements as well as being flexible for future changes in regulations.

- Greater transparency and accountability.
- Better management of risk.
- Leveraged technology to drive compliance.

Although, we use the framework above as a foundation for assessing the health of the finance function, we also recognize that there are many issues that originate outside of finance. We look at each issue through a broad lens and work with our clients to understand root causes not just symptoms. We work to bring the right mix of financial, business, technology, and industry expertise through an integrated approach to deliver sustainable value.

This statement of our capabilities is intended to give you insight into our Financial Management & Analysis experience and the various ways we can work together.

## 2. Solution overview

	<b>What we do</b>	<b>Benefits</b>
Finance transformation and process optimization	PwC helps organizations reduce functional and operational complexity within the finance function and helps create standardized, streamlined processes that deliver efficient, high-quality services to all stakeholders (customers, vendors, employees, and internal customers)	<ul style="list-style-type: none"> <li>• Reduced waste/loss</li> <li>• Greater process standardization</li> <li>• Imbedded continuous improvement cycle</li> <li>• Increased partnering between the business and finance</li> <li>• Increased timeliness and accuracy of information</li> </ul>
Close-to-Report (C2R)	PwC helps organizations achieve more timely, accurate and transparent reporting through a smarter close and standardized processes throughout the close-to-report cycle	<ul style="list-style-type: none"> <li>• Earlier access to financial results</li> <li>• More timely and accurate information to support management decisions</li> <li>• Improved credibility in the market</li> <li>• Improved internal control</li> </ul>
Enterprise Performance Management (EPM)	PwC helps organizations translating strategy into sustainable performance by implementing budgeting, planning, consolidation, reporting and analytical solutions to provide accurate and timely business performance information	<ul style="list-style-type: none"> <li>• Improved visibility of operational/financial performance</li> <li>• Integrated planning, budgeting, and forecasting</li> </ul>
Finance Effectiveness Benchmarking (FEB)	PwC will perform a strategic analysis of a client's finance function against peer organizations, supported by executive interviews and a performance survey. This offering provides insights into which parts of the finance function are strongest, weakest, and where there are opportunities to increase efficiency.	<ul style="list-style-type: none"> <li>• Improved insight into the finance organization</li> <li>• Sets baseline for measuring improvement</li> <li>• Promotes partnering between the business and finance</li> <li>• Identifies areas for improvement</li> </ul>
Finance organization design	PwC organizations align skills and competencies based on a finance service delivery model to meet stakeholder needs and clarify roles and responsibilities	<ul style="list-style-type: none"> <li>• Better alignment with business strategy and reporting requirements</li> <li>• Stronger skillsets and competencies</li> <li>• Clarification of roles and responsibilities</li> <li>• Increased ability to add value</li> </ul>
Finance shared services and outsourcing	PwC helps organizations consolidate the low-value-add processes of a decentralized finance function into a shared services or outsourced environment to reduce costs, increase quality and improve consistency and productivity	<ul style="list-style-type: none"> <li>• Reduced costs</li> <li>• Increase in quality</li> <li>• Improved consistency and productivity</li> <li>• Improved ROI</li> </ul>
Sustainable cost reduction	PwC helps organizations realize sustainable margin improvement and cost reduction to maintain a competitive advantage and improve visibility into critical cost drivers	<ul style="list-style-type: none"> <li>• Reduced loss/waste</li> <li>• Understanding of critical cost drivers</li> <li>• Disciplined cost review and management</li> </ul>
Finance applications	PwC helps organizations Optimize the technology used within the finance function to create an integrated finance application platform that maximizes automation, enhances data quality and improves control and business results at a reasonable cost	<ul style="list-style-type: none"> <li>• Improved ROI on technology</li> <li>• Increased automation</li> <li>• Reduced risk</li> <li>• Increased timeliness and accuracy of information</li> </ul>
Controls optimization	PwC helps organizations create an integrated, automated internal control environment that is linked to an efficient testing and compliance process	<ul style="list-style-type: none"> <li>• Increased controls automation</li> <li>• Reduced risk</li> <li>• Increased transparency across controls environment</li> </ul>

## 2.1 Finance transformation and process optimization

*Transforming the Finance Function is about reducing complexity, creating standardized, streamlined processes, and making the change stick.*

### Finance Transformation Framework



Today's CFOs need to act quickly and decisively to improve the efficiency and effectiveness of their finance functions.

They need to align the finance function with their company's strategy to manage through the expected recovery by creating a more flexible, cost efficient finance organization. Many finance organizations are comprised of inefficient, manually intensive processes, disparate systems and data structures that are not integrated.

## How can PwC help?

We can help you:

- Align your Finance organization **structure** and processes with the **business strategy**
- Gain insight into the **relative performance of your finance function** as compared to your peers and **identify performance gaps**
- Eliminate and/or **simplify complex structures**, processes and technology
- Standardize and **integrate systems** and **leverage enabling technologies** in corporate performance management
- **Reduce the cost** of your Finance function
- Align Finance **skills** and **responsibilities** to stakeholder needs
- Minimize non-value add activities to **improve focus on business analysis** and support
- Adopt a **performance scorecard** linked to value drivers and tied to staff accountability and compensation programs
- Leverage **shared services** to deliver routine, high volume transaction processing with economies of scale and analyze **outsourcing** solutions
- Incorporate **change management** activities into every phase of a transformation program
- Realize synergies from the management of legal entities
- Improve the operational performance of your tax function

## 2.2 Close-to-Report

*A smart, efficient close to report cycle creates a foundation for evaluating performance, supporting business decisions and satisfying external reporting requirements.*

We can help you achieve more timely, accurate and transparent reporting through a smarter close. An improved close-to-report cycle will allow you to better utilize your valuable resources, reduce the risk of financial surprises and support the organization's compliance with SEC regulations.

*The following provides a structured framework for the C2R cycle. Each step in the cycle should be considered to explore all opportunities for improvement*

### Transaction processing and sub-ledger close

### Corporate close and consolidation

### Analysis and reporting

Our projects have a proven track record of producing tangible results throughout the close-to-report cycle

As the feeder to the C2R cycle, standardization and first-time accuracy is critical.

- Determine the flow of information into the GL and analyze the quality and consistency of source data
- Work toward consistent definitions and common data structures
- Take advantage of opportunities to leverage estimates and accruals

Control and accountability are critical to ensure nothing is missed during this time-sensitive period.

- Complete process reengineering, sequence dependant tasks and distribute workload away from period-end
- Eliminate bottlenecks, duplication of effort and non-value added activities
- Automate consolidation activities including eliminations and data validation

Duplication of effort and non-value added activities are common if the outputs are not streamlined to efficiently meet reporting and decision support requirements.

- Determine information needs to provide decision support and external reporting
- Re-engineer data flows and process steps so that unnecessary activities are eliminated
- Leverage technology to avoid the risks associated with off-line spreadsheets

## How can PwC help?

We can help you:

- Gain earlier access to financial results and **spend more time analyzing information**
- Achieve acceleration through focus on **quality, control and accountability**
- Streamline the cycle by effectively distributing workload and **eliminating bottlenecks, redundant tasks and non-value add activities**
- **Reduce volatility** in financial data and **improve confidence** when certifying financial statements
- Obtain more timely and accurate information from existing systems to **support business decisions**
- **Standardize and simplify** policies and procedures
- Automate consolidation activities and **minimize adjustments**
- **Streamline the flow of information** to support disclosures, MD&A and other statutory and regulatory reporting requirements
- **Improve credibility** in the market and within the organization
- Respond to regulatory requirements and **lower overall compliance costs**
- Improve control and minimize the risk of material weaknesses or restatements
- Take advantage of opportunities to pursue other strategic objectives and value-added activities

## 2.3 Enterprise Performance Management (EPM)

*Our methodology starts with an integrated roadmap to guide decisions and link performance management efforts to focus on the business benefits and overall return.*

### Areas of focus

Budgeting, planning and forecasting	Management reporting	Consolidation and financial reporting
Business intelligence	Data integration	Scorecards and dashboard

Our Enterprise Performance Management (EPM) capabilities can help you develop an integrated approach that links strategies, metrics, financial planning and reporting with ongoing operational reporting and execution.

## How can PwC help?

We can help you:

- Design and implement new consolidation, reporting and planning tools and processes (Hyperion/SAP) leveraging leading practices
- Align and integrate data from disparate sources to provide one view of the truth
- Develop and implement performance metrics, management reports and scorecards to track relevant business trends
- Establish governance models, data quality management, master data management models and metadata management models
- Implement new budgeting and forecasting tools and processes to better manage business issues
- Develop business intelligence systems and dashboards to track trends, profitability, margin and market share

## 2.4 Finance Effectiveness Benchmark (FEB)

*PwC's Benchmarking provides a clear assessment of strengths, weaknesses and areas for improvement, while providing a baseline from which to review finance function strategy and prioritize improvement opportunities.*

Top performing finance functions that rank in the top quartile of benchmark evaluations are able to operate at much lower cost, while sustaining high levels of insight, efficiency, compliance and control. A number of key attributes set these top performers apart:

- Clear focus on providing business insight, with top performers reporting a greater proportion of FTEs engaged in insight activity
- Greater investment in business partnering capabilities (includes paying staff engaged in insight activity more than the typical finance function)
- Better use of high value specialists' time achieved through standardization of data models across markets and within business units and investment in sophisticated business information and analytical tools
- Combining financial and non-financial management information and developing simple and transparent metrics to align financial performance with the delivery of strategic objectives
- Transferring much of the routine transactional activity to consolidated service centers and achieving faster close times through active standardization and simplification
- Strategic approach to cost management that distinguishes savings opportunities from spending that is needed to sustain the delivery of business objectives
- The PwC approach deploys a practical balance between quantitative and qualitative questions to provide strategic insight based on a robust set of metrics that provide a clear picture of the present structure and strategy and help prioritize improvement opportunities

## Finance assessment toolkit

### Finance assessment

#### 1 Benchmark survey

- Enables objective comparison of your Finance function with external peers and supports best practice gap analysis
- standard set of quantitative and qualitative questions covering Finance processes and practices
- Data collected using an integrated web-based tool
- Supported by PwC's benchmark experts throughout
- Analyzes strengths and opportunities and provides actionable recommendations

#### 2 Performance survey

- Supports gap analysis of Finance performance
- Web-based survey of Finance's key customers – managers and executives from across the business
- Covers customers' views on Finance expectations and performance
- Provides an independent view of Finance performance

#### 3 Executive interviews

- Used to qualify benchmark findings by gaining meaningful understanding of the challenges
- Structured interviews with key Finance and business leadership
- Conducted by finance transformation consultants

## How can PwC help?

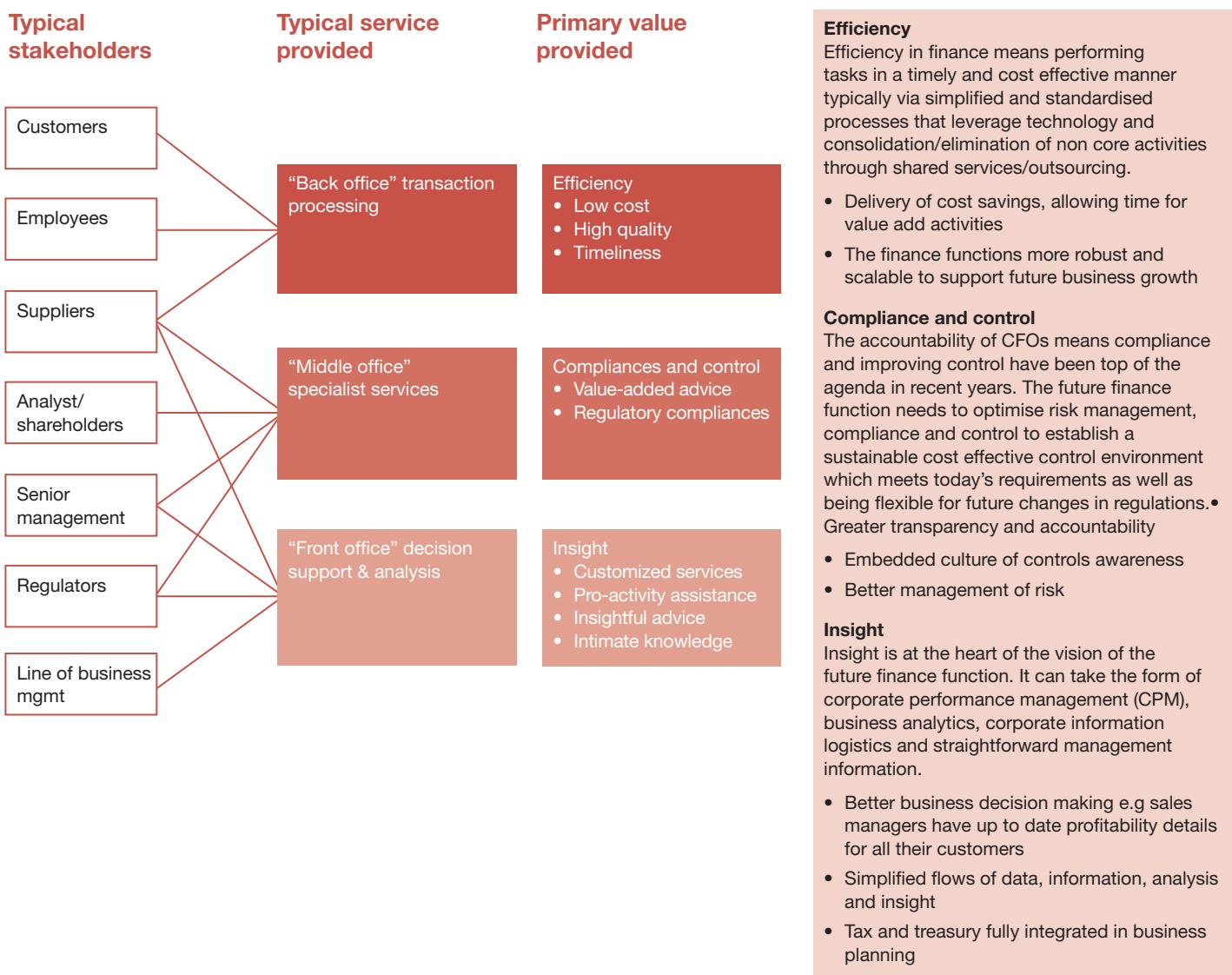
We can help you:

- Validate improvement opportunities
- Set targets and focus efforts at the beginning of a transformation project
- Provide detailed analysis to support a business case for change
- Establish a base line to show improvement

## 2.5 Finance organization design

*A finance service delivery model ensures alignment of skills and competencies with the organization's strategy, driven by the needs of internal and external stakeholders.*

We can help you design and implement a finance organization structure that is efficient and responsive to the needs of your business. We can help you align skills and competencies to the needs of the finance function and create clarity around finance department roles and responsibilities. In today's business environment, new skills and abilities are needed to meet the demands being placed on the finance organization.



## How can PwC help?

We can help you:

- Define departmental **roles** and **responsibilities**
- Identify the root **cause of organizational obstacles**
- Improve internal “**customer satisfaction**”
- Evaluate finance function **talent** and **skills** relative to the requirements of the business
- **Minimize complexity** and maximize employee impact
- Enhance employee engagement and **retention**
- Align **incentives to performance goals**
- Map **career path** and **succession planning**
- Improve **span of control and accountability in the finance organization**

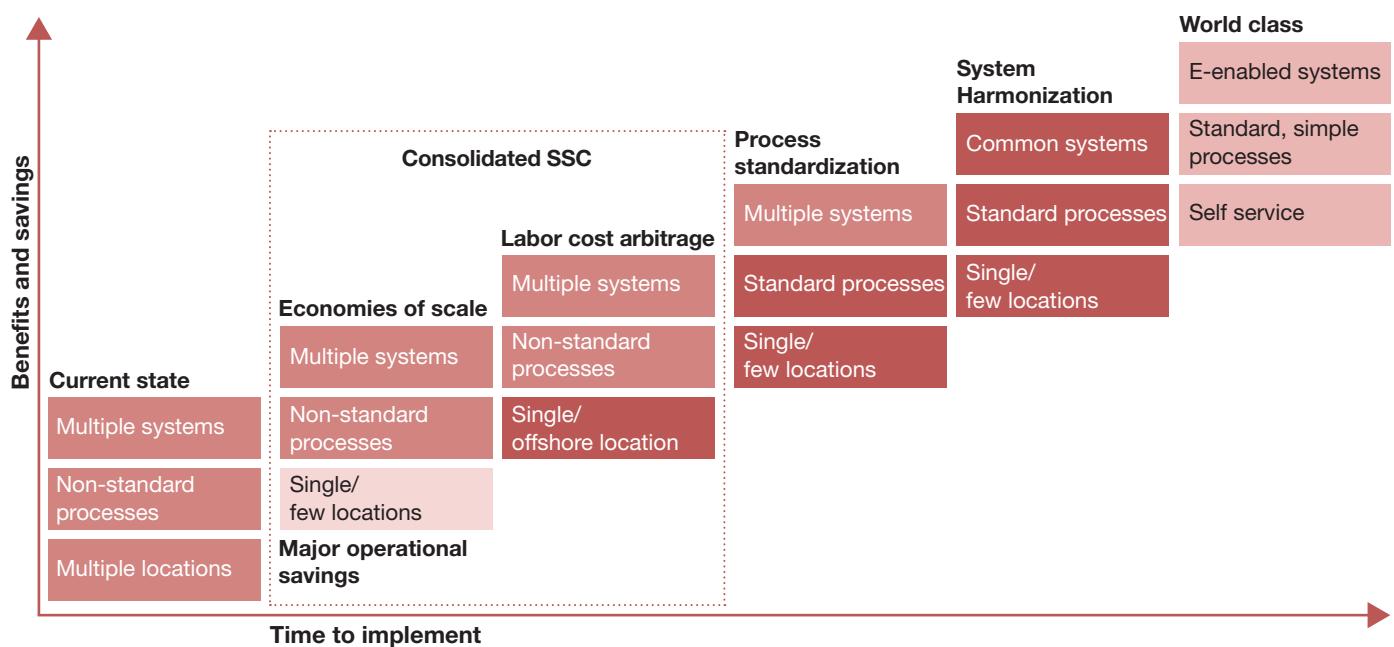
## 2.6 Finance share services and outsourcing

*The business case for Share Services or Outsourcing can be compelling, especially for enterprises having distributed operations and business units across the globe and regions.*

We can help you create an environment of operational excellence by consolidating the redundant processes of a decentralized finance function to reduce costs, enhance productivity, increase quality and improve consistency and reliability.

More than ever before, today's business environment demands Finance maintains/develops a competitive advantage through improved service levels (including speed and 7/24 support), lower costs and innovation.

**Value roadmap**



## How can PwC help?

We can help you:

- Define a **sourcing model** that will meet both business and finance objectives
- **Build and document the business case that defines the value/ rewards and potential risks** in identified outsourcing and/or shared services models
- Create leading business processes
- Deliver the planned business case results through **effective change, talent and transition management**
- Operate an environment that **incentives and embeds the value of the partnership** (internally or with a third party)
- **Sustain success** through proper governance and continuous improvement
- **Maximize the return on technology investments** by expanding the footprint of leading applications
- Achieve improved efficiencies and economies of scale while providing a high level of service and **spending more time on higher value-added tasks**

## 2.7 Finance applications

*We translate strategy into sustainable performance by implementing and optimizing budgeting, planning, transactional, consolidation, reporting and analytical solutions.*

Companies can reduce their finance “cost to serve” by 25% to 35% through innovations and improvements in their business processes, supported by changes in the applications that support them. Now, more than ever, software vendor consolidation, such as SAP and Oracle, is enabling companies to more seamlessly integrate business applications to execute transactions, comply with regulations, perform business analysis and plan for the future.

As CFOs seek to create more efficient and effective finance functions to deal with a difficult business environment, it is more important than ever that they are **optimizing their investment in ERP technologies** such as Oracle or SAP especially when they undertake upgrades or new implementations.

Today's finance applications must be able to deliver more timely information that supports decision making critical to managing through the downturn and the anticipated recovery. CFOs should have an integrated financial application platform that maximizes automation, standardizes financial processes, enhances data quality and improves control at a reasonable cost.

## How can PwC help?

We can help you leverage your ERP system to:

- **Reduce organizational costs**, improve operational efficiency and strengthen system driven processes and controls
- **Promote greater consistency** in policies, processes, data structure, organizational roles and responsibilities, and application configurations across the business
- Leverage ERP, workflow and reporting tools to **simplify and expedite the closing process**
- Embed a formal process for the finance organization to establish **forward-looking aspirational performance levels** (e.g. annual planning process)
- Enable the means to **evaluate performance against expectations** and the discipline to hold people accountable for results
- Shift **staff focus** from transaction-oriented processes to value-added activities
- Streamline operational tasks to ensure the **validity of data**
- **Drive improvement programs** (e.g. system application upgrades) through business functions with information technology as the enabler
- Leverage compliance efforts into **process improvement opportunities**



## 3. Citations

### ***How a Global Upstream E&P company established a team to drive finance process standardization***

#### **Client's challenge**

A global Upstream E&P company is establishing a team whose purpose will be to develop and drive finance process standardization and improve the management of finance data. The company wanted assistance with the initial start up of this team including: establishing the way we work; facilitating rapid induction of new team members; and planning for cohesive delivery of improvement projects in the business.

#### **PwC Advisory solution**

PwC engaged a small team to act as the Program Management Office for this newly formed team. The first point of order was to facilitate a rapid induction of the new team members. PwC developed a 3-day Catalyst style workshop with the purpose of driving collaboration, building team camaraderie and generating key foundational outputs. The workshop included the following activities:

- Team introductions and team building
- Developing a team mission statement
- Defining team scope
- Identifying stakeholders
- Developing a communications plan
- Defining a cadence for team meetings
- Determining a roadmap of activities for the upcoming year
- Developing Terms of Reference for two key activities

Subsequent to the on-boarding workshop, PwC assisted with the following:

- Further definition of workshop outputs
- The design of a SharePoint data repository populated with relevant documents
- The facilitation of a lunch learn to train the team on the use of the SharePoint data repository
- The development of SharePoint Quick Reference Guides
- The development and execution of a bi-weekly status update process
- The creation of a project dashboard
- The development of an FAQ document
- Team on-boarding checklist
- The development and delivery of training related to business requirements gathering and process mapping

Throughout the engagement PwC also acted as trusted advisers to team members as they developed their detailed project plans. We were able to provide additional context and insight based on our knowledge of the company and previous projects. We also brought in subject matter specialists in several areas to discuss various points of view, tools, and methodologies to provide the team with further direction on how best to add-value in their new roles.

## **Impact on client's business**

By having a focused PMO in place and using the facilitated workshop early on, we were able to accelerate the development and adoption of key foundational elements such as the team mission statement, project roadmap, stakeholder analysis, and communications deck. We were also able to take some of the administrative burden off of the team by developing processes and procedures to help the team organize project materials and collaborate across the workstreams. This allowed team members to focus their time developing project plans, developing stakeholder relationships and adding value to the organization.

## ***How a major oil and gas marketing company remediated P&L and balance sheet reconciliation issues***

### **Client's challenge**

Process disconnects between recently implemented enterprise G/L software and the company's transaction system created a large imbalance between P&L reported from the transaction system, and that reported by the ERP G/L system of record. The severity and magnitude of the imbalance resulted in a SOX material weakness. The company attempted reconciliations by targeting specific items, but found this to be ineffective in resolving the total imbalance. PwC was engaged to address the problem holistically through automating the reconciliation and analysis process, identifying root causes of the imbalance, and designing process changes to remediate the situation.

### **PwC Advisory solution**

To investigate and remediate the problem, PwC quickly deployed a cross-functional team with knowledge in energy trading transactions, accounting, data management, and the ERP system. The team designed an automated process and developed a proprietary automated analysis tool to take transaction-level data from the client's transaction systems and track it through the enterprise software and financial reporting to determine the root causes of the issues, which were then matched up with the current processes to develop a remediation plan. Each transaction-level discrepancy was identified and reconciled and the revamped processes were tested over two billing cycles to ensure accuracy. The PwC team then worked side-by-side with the client's staff to create new processes and tools to enable the company to stabilize and streamline its monthly transaction accounting processes. Improvements implemented included inventory tracking and invoice processing tools and procedures, improved clarity and accountability around processes, and improved use of ERP system functionality.

### **Impact on client's business**

The client received quick stabilization of the issues, with a rigorous focus on the individual transaction level. PwC worked with the client's staff to create an ongoing platform for accurate, efficient reporting that has prevented recurrence of the past P&L imbalance problems. Root causes have been remediated, and monthly processes are less burdensome for the company's middle and back office staff.

## ***How a midstream MLP worked to streamline management reporting***

### **Client's challenge**

A leading publicly traded master limited partnership engaged in the transportation, storage, terminalling and marketing of crude oil, refined products and LPGs approached PwC regarding their management reporting process. The company felt that that a significant amount of time and effort (cost) was spent each month to produce reporting that was either duplicative or was not at the right level for management to effectively manage the business.

### **PwC Advisory solution**

A PwC Advisory team helped the client evaluate their reporting process by interviewing key consumers and preparers of the information to gain an understanding of the information currently being provided and to indentify where there were potential information gaps. We also surveyed prepares to gather information regarding time and effort to prepare/review, the level of manual data manipulation required, the underlying data sources and report distribution.

### **Impact on client's business**

After gathering data through interviews and surveys we were able to bucket concerns into various categories such as transparency, level of detail, duplication, content management, and standardization and awareness. We then worked with the client to build out a roadmap that provided a framework for reducing waste, improving the use of technology (automation and process changes including better integration with planning and budgeting). The roadmap also laid the groundwork for longer term solutions needed to drive sustainability. The client is developing the detail action plans underneath each of these.

## **How a North American Petrochemical Refinery improved management information and business performance management**

### **Client's challenge**

A North American Petrochemical Refinery is embarking upon an overall Performance Improvement (PI) initiative to address serious safety and business performance concerns. As part of this initiative, issues involving Safety, Availability and Financial Performance have been identified as most critical. PwC is advising the Company on a foundational element of this initiative which focuses on improving performance through development of a comprehensive set of management information and a robust performance management process. The improvements targeted by PwC's work involve building capabilities to provide timely and accurate management information to signal interventions and support management decision-making, as well as developing a business performance management process to drive sustainable change.

### **PwC Advisory solution**

PwC was able to quickly assemble a strong cross-functional team comprised of individuals with experiences in the energy industry, refining operations, maintenance, IT, and finance. The diversity of skills in this team and their ability to partner with the local client team as a single integrated unit are elements that made PwC uniquely qualified to make such a difference for the Company.

During this engagement PwC was able to:

- Develop a set of key business drivers and levers of change for the Company's performance, including interdependencies.
- Develop detailed management information (MI) for safety, availability and cost performance, including both leading and lagging indicators. Designing scorecards with ability to "drilldown" into underlying elements of each performance area.
- Develop a framework for clarifying/consolidating definitions of hundreds of elements of management information, and identifying source systems for obtaining data to support MI reporting.
- Develop processes for assessing and managing the integrity of underlying source data.
- Construct a communications plan to facilitate understanding the use of management information and its role in a comprehensive performance management process.

## Impact on client's business

The following benefits of the project are expected:

- A tool and process that will allow for real-time access and transparency for proactive business decisions to be made in a timely manner.
- Management information that is organized in a hierarchical manner with drill down capability to facilitate problem solving.
- A more comprehensive set of management information that includes predictive indicators and defined comparative analyses for improved decision support and business analytics.
- Reduced level of effort and improved timeliness of information to drive better decisions.

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