

Enhancing finance effectiveness

The traits of top performers

Most organizations have seen a rise in the cost of finance, reversing a long-term downward trend. However, PwC's *Finance Effectiveness Benchmark Study* finds that top performers have been able to keep costs under control while delivering improved service.

The costs of a typical finance function are more than 60% higher than those of the top performers, which is a significant difference. Median organizations tend to focus on short-term performance improvements instead of the long-term solutions and may inadvertently build in cost.

On the other hand, leading organizations have taken their finance function to the next level, integrating it with other support functions, not only improving the value of the operations but also the efficiency.

The 7 traits of highly effective finance functions

What is it that makes leading organizations different than the rest? PwC's study found that top performers have many or all of these seven traits:

- **Multi-functional:** Back office consolidation and shared service implementation were usually limited to finance and human resources. But the clear trend among leading performers is towards establishing multi-functional business service organizations, which integrates all the major support functions. That allows organizations to capitalize on process improvement and automation opportunities while taking advantage of the shared service infrastructure.



- **Increased automation:** Standardization and automation reduce the premium skills required to manage controls and leads to a lower headcount. The automation of controls can be important. For example, organizations with higher levels of key control automation have error rates in accounts payable and receivable processes that are about 70% lower.
- **More steady and reliable data sources:** Top performers have invested in technology, eliminating manual processing, which accelerates processes and improves the quality of their analysis. Having common data standards help organizations turn data into useful information for management information and analysis.
- **Effective usage of outsourcing and shared services:** Many of the leading finance functions are improving their efficiency and reducing costs through shared service centres (SSC) and outsourcing finance processes. Where effective, top performers have cut costs, strengthen their controls, and promoted process standardization. An SSC can also scale up or down, giving an organization the ability to adapt to changing situations.
- **Smart planning tool usage:** Surprisingly, a majority of organizations still rely on manual spreadsheet manipulation instead of automation, consuming valuable time. On the other hand, finance teams at top performing organizations can prepare budgets in 94 days versus the average of 120 days, while forecasts take just seven days compared to the average of 20 days – an improvement of 65%.
- **Increased business insight roles:** Finance teams are being called upon to provide more high-level strategic advice. In order to get there, an investment in people needs to be made. Top performers have 40% more employees providing business insight and organizations pay more to attract the best and the brightest. But they're not concerned about the costs because efficiency is improved and less time is spent on routine tasks, which frees up time to provide strategic advice to boards and the business.
- **Talent development and management:** The average organization tends to give employees in the traditional scorekeeper role a new title, such as 'business partner', but doesn't provide additional training and development opportunities. Leading organizations focus on the precise skills and behaviours the business strategy requires. From there, they develop finance academies charged with improving the performance of their key talent.

Seize the moment

Finance has seen its influence grow during the recession in numerous organizations. The goal now is to prove itself by providing the organization with valuable insight, thus giving it an edge over the competition.

Leading organizations are already playing a key role in the business. Finance functions at median organizations need to adopt some or all of the top performers' traits. They must capitalize on this opportunity or risk losing their newfound status.

For more information on the study, download PwC's *Drifting or driving? Finance effectiveness benchmark study 2011* at www.pwc.com/ca/finance.

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