

How to design Finance as a strategic service-delivery organization*

By understanding and aligning with stakeholders' requirements, a service-focused Finance function can deliver timely, insightful business intelligence that will contribute to an organization's competitive advantage.

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Many organizations have fallen short of the mark in their attempts to effectively transform the Finance function—to move beyond bookkeeping and reporting responsibilities and become a value-added contributor to the company's overall success. But, with the appropriate approach and persistence, progress can be made.

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A holistic service-delivery strategy that aligns process, organization, people and technology is critical to achieving—and reaping the benefits of—a complete Finance Transformation.

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Finance functions that take a systematic, comprehensive approach to keep pace with changing customer needs will eventually reach beyond incremental improvements to become a trusted business partner.

Situation: Past Finance Transformation efforts have fallen short—but, with the appropriate approach and persistence, progress can be made.

Many companies have made an earnest effort to transform their Finance functions, seeking to move beyond bookkeeping and reporting responsibilities to become a more value-added contributor to the company's overall success. But, because the focus of the transformation was too narrow, past attempts to shift Finance departments from the role of bookkeeper to trusted business advisor have often missed the mark.

These past attempts were often based on automation initiatives aimed at freeing up resources to focus on value-added analysis—the goal of such analysis being to “wow” business managers and lead directly to bottom-line improvements. While it's true that such efforts did yield some efficiencies, *complete* transformation has remained elusive to most companies.

Nevertheless, the benefits that go hand-in-hand with complete transformation are difficult for organizations to ignore. By aligning with management's needs, a service-focused Finance department can provide timely, insightful business intelligence that will contribute to an organization's competitive advantage.

Our perspective: A holistic service-delivery strategy is critical for success.

A highly effective Finance function requires more than just systems, reports and a desire to add value. It must understand the key elements of the service that the organization values and focus on aligning its organization and processes to deliver on it. It is vital to begin with a *holistic* service-delivery strategy. This holistic service-delivery strategy seeks to identify who the customers are and the services they need, but it also seeks to understand the characteristics these customers value the most from these services.

Service characteristics can fall into three categories: *operational excellence*, *specialist knowledge* and *customized service*. It is important to identify the *single* characteristic that customers most value from each of the services they receive. For example, when designing the cash payment process, knowing that the customer values operational excellence above all else will allow you to focus design efforts on automation and standardization.

Once the most important service characteristic is determined and understood, management can move forward to develop an effective, comprehensive service-delivery infrastructure and make the shift from simply delivering service to actually delivering *value*.

Understanding the most important service characteristic also enables Finance departments to maintain a service-delivery infrastructure that will continue to meet their customers' needs. Some Finance functions suffer from the desire to fulfill every request, but in trying to please everyone they may end up pleasing no one. Conversely, armed with the knowledge of what their customers most value, Finance departments will find themselves positioned to effectively gain and sustain a strong and agile service-delivery infrastructure.

An effective service-delivery strategy—the first step on the path to transformation

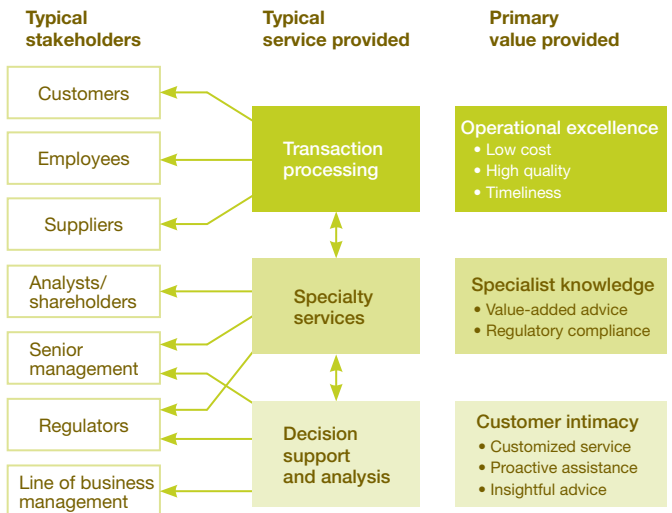
Identifying customer needs. It is important to first establish your customers' most important service characteristics. In most enterprises, customers' service requirements fall into three categories, depending upon which service characteristic they fulfill and the types of resources they primarily consume. The three types of services—*transaction processing*, *specialty services* and *decision support and analysis*—are described in further detail below and illustrated in the diagram that follows:

- **Transaction processing**—These services can include billing and collections, paying vendors and employees, recording assets, closing and consolidating the books, and statutory reporting. Transaction processing services typically require processing of routine transactions in high volumes and consume resources in higher quantities than specialist or customized services. In this category, *efficient service delivery* is what consumers most value.

Transaction processing customers usually have requirements that can be satisfied with operational excellence in the form of low-cost, high-quality and timely transaction processing. Specialist knowledge and customized services also play an important role in serving customers, but neither is the primary value driver.

- **Specialty services**—These diverse services include maintaining Sarbanes-Oxley compliance and providing tax planning, tax compliance, technical accounting advice and treasury services. Contrary to transaction processing services, specialty services are not commonly executed in large volumes; rather, the value of the service is usually delivered by applying expertise to protect asset value or minimize risk. Customers of these services require *specialized knowledge that is delivered through value-added advice and effective regulatory compliance*.
- **Decision support and analysis**—Business decision support and analysis are the most customized services that Finance provides—among them performing long-range and annual operating planning, preparing budgets, analyzing results and preparing ad hoc analyses. The primary customers—corporate, business unit and operations management—value *insightful and relevant information that can be used to create value* (by way of either revenue growth or cost management). Effective service delivery involves a level of business and customer intimacy and proactive assistance not found in transaction or specialty services.

Identifying and understanding customer needs



Building the right service delivery infrastructure

After customer needs are established, you must then define the infrastructure that will ultimately enable optimum service delivery. A holistic service-delivery infrastructure encompasses the following four infrastructure elements:

- **Process**—Degree of workflow standardization and simplification, quality, end-to-end perspective, policies, compliance and performance measurement.
- **Organization**—Reporting lines, spans of control, work groups, centralized versus decentralized structures, shared services and outsourcing.
- **People**—Recruiting, coaching, training and development, clear definition of roles and responsibilities, performance appraisals, job rotation and career paths that include opportunities for leadership and management responsibilities.
- **Technology**—Data, applications, infrastructure, development and support.

It is unlikely that a single infrastructure can effectively support all three services—*transaction processing*, *specialty services* and *decision support and analysis*. Rather, each service will require a unique combination of process, organization, people and technology. That said, some services might share one or more of the same attribute(s). For example, both specialized services and transaction processing may be most effectively delivered through a centralized operating model.

While there almost certainly will be variations among infrastructure models—especially given unique circumstances in organizations—one constant will be to maximize value for the customer by aligning all elements within each distinct infrastructure. Consider the process element as an example. For transaction processing customers, value is delivered through processes that are standardized, automated and continuously improved. Decision-support customers, on the other hand, require processes that are customized and flexible. The accompanying chart shows the combination of infrastructure elements needed to support the most valued characteristic of each service type.

Infrastructure requirements to support customer needs

Service group	Most valued characteristic	Infrastructure requirements			
		Process	Organization	People	Technology
Transaction Processing	<p>Operational excellence</p> <ul style="list-style-type: none"> • Low cost • High quality • Timeliness 	<ul style="list-style-type: none"> • Highly standardized • Highly automated • Continuously improved 	<ul style="list-style-type: none"> • Organized “by activity” • Often centralized, or organized within a shared service center to provide control and economies of scale • Outsourcing is an alternative when further savings can be achieved and control not sacrificed 	<ul style="list-style-type: none"> • Continuous improvement mindset • Possible high span of control • Highly cross-trained 	<ul style="list-style-type: none"> • Enables automation of high volumes of transactions • Includes automated, built-in controls • Incorporates self-service functionality
Specialty Services	<p>Specialist knowledge</p> <ul style="list-style-type: none"> • Value-added advice • Regulatory compliance 	<ul style="list-style-type: none"> • Structured and policy-driven compliance activities • Flexible strategic planning and analysis activities 	<ul style="list-style-type: none"> • Organized “by service” with reporting relationship at senior level and flatter span of control • Aligned by product to reinforce deep functional knowledge 	<ul style="list-style-type: none"> • Deep functional knowledge and technical skills required • Ongoing training to stay current in area of specialization 	<ul style="list-style-type: none"> • Supports specialty data and information requirements • Performs scenario planning • Integrates with overall financial systems
Decision Support and Analysis	<p>Customer intimacy</p> <ul style="list-style-type: none"> • Customized service • Proactive assistance • Insightful advice 	<ul style="list-style-type: none"> • Customized reporting and ad hoc analysis • Standardized planning and forecasting procedures • Standardized performance metrics and reporting 	<ul style="list-style-type: none"> • Organized “by customer” but supported by a centralized “governance” team that standardizes some processes • Delivered by direct line to Finance and dotted line to business units • Integrated with specialty services to provide single contact for customer 	<ul style="list-style-type: none"> • Highly skilled in financial analysis • Deep business knowledge • Strong interpersonal and teaming skills • Rotated throughout company • Ongoing training to stay current on the industry and analysis tools 	<ul style="list-style-type: none"> • Automates standard reporting • Supports ad hoc analysis • Performs scenario planning • Integrates with overall financial systems

Impact: Finance functions that take a systematic, comprehensive approach to keep pace with changing customer needs will eventually reach beyond incremental improvements to become a trusted business partner.

A Finance organization cannot become a strategic service-delivery organization overnight. The transformation begins with taking a systematic approach to uncovering stakeholder needs and methodically developing and implementing a plan to meet those needs. In short, it takes hard work and a department-wide commitment.

Developing an effective service delivery strategy

Obtain executive sponsorship. Many transformation attempts fail due to a lack of appropriate levels of support. For initiatives such as this to be effective, a mandate for change should cascade down from the organization's leadership. Accordingly, it is important to get the buy-in of senior management first—and have them communicate their support firm-wide.

Select the right project team. Identify the “stars” and sign them up! The Finance function leader should appoint a well-qualified project leader—one with the right attributes to effect change. The project leader should have a track record as an agent of change, plus the “people” skills, relationships, flexibility and enthusiasm to move a team forward and drive change throughout the organization. He or she can either be someone new to the organization who brings a depth of relevant experience or a rising star from within who has the right relationships and respect, and who carries no internal “baggage” that will get in the way. In turn, the project leader should carefully select a team of knowledgeable and dynamic people with the experience, flexibility and relationship-building skills to work cohesively together to get the job done. Also, for the Finance team to truly be valued business partners, they must understand the business itself. Recruiting people into the Finance service organization with direct experience in the business units provides significantly greater ability to deliver valuable service as well as much needed credibility on the team.

Identify stakeholder needs. Look at your processes through the eyes of each type of customer. Ask which Finance services are most important to them and what their expectations are. Ask customers where their current infrastructure falls short, and have an open, honest discussion with them about the value of the current service they're receiving. Their needs may vary depending on the industry, but the chart in the prior section can be a valuable starting point for customer dialogues and goal setting. It is also important to proactively work with customers to differentiate true “needs” versus “wants,” but Finance must ensure that the services they provide and the requirements they meet still align the businesses' needs with overall corporate goals and strategies.

Define service-delivery strategies. After identifying stakeholder needs, document the types of infrastructure and inherent characteristics it will take to meet those needs. Determine requirements across the four infrastructure elements, and define those metrics and performance targets that are most appropriate to measure and monitor performance. Depending on the industry, the level of sophistication required for success in each service-delivery area may vary. For example, a telecommunications company will have greater need for a highly automated services approach to billing than will a professional services firm.

Drive a focus on customer service and satisfaction. While delivering cost-efficient services is always a major goal, keep in mind that better practices, such as those enabling streamlined or automated processes, may go unnoticed if customers experience poor service levels. In essence, the Finance organization should strive to be a “business within a business” and, as such, a focus on customer satisfaction must be a key tenet for any service-delivery strategy. This is the core concept behind a shared-service organization whose primary goals are to provide efficient, low-cost services with a strong focus on being a service-oriented organization. Regardless of whether a Finance organization adopts a shared-services organizational model, it is imperative that Finance develops a customer-centric service-delivery strategy and culture to achieve transformation success.

With respect to the service-delivery model, there are several key areas to be considered during development:

- Include internal customers in the planning process for the Finance function and how it will serve the business.
- Conduct regular meetings with all the business customers to set up a regular feedback mechanism, facilitate proactive communication, and support continuous improvement after the new organization is rolled out.
- With the customers’ input, define and document the service-delivery model along with performance measures, expectations, issue management, etc., in the form of Service Level Agreements or Charters. Share periodic reports with the customer regarding service activity and performance measures.
- Establish a centralized customer contact center comprising a small group of individuals who provide a focal point in fielding and distributing customer questions and concerns. The center acts as a mini customer service department, providing a consistent, well-communicated contact point between the businesses and the Finance team.
- Regularly distribute and collect customer satisfaction surveys.

How PwC helped a client define its service delivery model

The client's challenge

With several improvement initiatives either planned or underway, Finance leadership believed they were carving a pathway to a new future—one where Finance would be more efficient in operations and more responsive to the business. In a short period of time, it became clear that merely making incremental changes was not enough. For Finance to meet escalating client demands, a holistic approach was called for. It was time to step back, take a more strategic view of the organization, and ensure Finance was aligned properly to meet business partner demands.

It's a work in progress...

Laying the groundwork. The Finance function's vision existed only at a very high level. They did not fully understand the finance needs of their business customers. We set out to help them design the right Service Delivery Model to focus improvement initiatives on enhancing levels of service to their key customer groups. Here are some of the steps undertaken to date:

- **Understand the current state.** A joint client-PwC team conducted workshops with 25 Finance directors to define the current state of Finance. The objective was to identify each group's stakeholders and customers, headcount, organizational structure, sphere of activities and any issues that were impacting the way they operated. This groundwork provided an understanding of the environment that would be necessary to compare actual service levels to customer requirements—an element necessary to the creation of a new Service Delivery Model.
- **Listen to the "voice of the customers."** To understand the level of service Finance was providing across the organization and the most important finance-related needs of the business, we met with all the VPs and a number of directors from the various operational units. These discussions revealed the clear value that customers attached to each of the services that Finance provided, as well as clear direction on additional services that they desired. A clarion call for change emerged from this exercise. Having the Controller participate in each of these meetings helped to drive home the need to find new ways of doing business. Finance leaders heard things they had not heard before, which served to build the case for change that was supported company-wide.
- **Analyze activities and work distribution.** Looking at each of the key customer groups, we identified what finance and accounting activities were being delivered to each and by whom they were being supplied. To ensure comparable data was being collected, we applied a standard taxonomy of activities across each group (e.g., closing, consolidating, etc.). With the resulting data, we

were able to identify difficult links between Finance groups, unclear decision rights, and where similar versus unique activities were being performed across the organization.

- **Leveraging Finance service delivery concepts to design the operating model.** To facilitate the development of design options, we used our analysis to develop design criteria which we used to group activities into categories of work or “clusters.” With an understanding of stakeholder needs and the services they required, we were able to map clusters of work to three principles of value that emerged from our analysis—customer intimacy (decision support and analysis), product leadership (specialty services) and operational efficiency (transaction processing). Applying these principles, we created an organizational framework that the team used to create several design options that detailed service-provider responsibilities down to the manager level and the major interactions and linkages between groups. It is important to note that in designing the clusters and responsibilities the team set aside the company’s existing organizational boundaries and accountabilities and used the organizational design framework in an unbiased manner.
- **Present and validate the case for change.** The organizational framework and service delivery model options that emerged supported open discussions between the business and Finance. Management accepted our framework as the tool the team is currently using to validate the results. The analysis painted a clear picture of who was doing what, how all the activities fit together, and what changes were necessary to deliver customer value. Because the framework contains no names or reporting relationships, the team was able to keep stakeholders focused on the conceptual design instead of on who would be held accountable for its operation. This allowed us to reach agreement on what needed to be done without career implications and concerns getting in the way of candid, open discussion—thus paving the road to change.

How the client has benefited so far...

The missing pieces of the Finance Transformation strategy have been filled in. The CFO and his management team now have a clear and comprehensive picture of what being customer-focused really means and how to best achieve that goal—particularly the structural implications. They know what is working and what is not—and what will be needed to deliver on escalating customer demands. They have the buy-in necessary to drive the organizational change that must happen if they are to succeed in meeting customer demands and delivering value across the organization.

Expect a journey!

The transformation process cannot happen all at once. Rather, it's a journey that involves ongoing change across all aspects of the Finance service-delivery infrastructure. Even more significant is the change to the business culture that is often required if Finance is to truly become effective and be embraced as a valued business partner. Throughout the transformation process, Finance must redefine customer relationships. In turn, customers must let go of old ways and trust in the service that Finance is promising to deliver. This paradigm shift can take several years. But, by following a holistic service-delivery strategy over time, you can effectively plan the entire transformation and measure progress along the way. In the end, your Finance organization will reach beyond incremental improvements to become a trusted business partner.

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