How to simplify finance processes so you can focus on driving performance and creating value*
The convergence of regulatory, global and market drivers is requiring chief financial officers to reassess the structure of their finance organizations as well as the role they should play. It is convenient to point to the Sarbanes-Oxley Act as the primary influence affecting the finance function in today’s businesses, but it’s not the Sarbanes-Oxley regulation itself, but rather the deeper issues it has revealed that have brought to light the challenges facing CFOs today. These issues are manifested by inefficiencies within and between finance processes, systems, and organizations. And these inefficiencies are taking valuable time away from the CFO as a performance driver.

The charter of today’s finance organizations must expand beyond simply reporting unimpeachable financial results and funding the enterprise. By harmonizing the way people, processes and technology work together to serve the goals and objectives of the corporation, CFOs can evolve to take a more active role in advising their companies on strategic planning, operating efficiency—and ultimately, value creation.
Virtually every finance organization today is hindered by complexity.

Value creation by way of simplification

While striving to meet new challenges, virtually every finance organization today is hindered by the complexity of disparate systems, a proliferation of spreadsheets, and varied management processes and controls. Our experience in working with hundreds of leading companies reveals that enterprises are discovering that maintaining multiple finance environments with differing policies, business rules, charts of accounts and finance systems in their many operating units has become unwieldy, costly and generally inefficient. The result is an inability to access accurate, timely and easily digestible information from which to manage, forecast, report and drive performance. This hinders not only the ability of finance organizations to deliver timely and accurate financial information, but also effectively prevents them from adding real strategic value.

All this complexity has a cost. Cost of personnel to compile, reconcile, and interpret data. Cost of multiple systems and the people to maintain them. Cost of untimely or inaccurate information that steals time from forward looking activities and hinders communication with executive management, board of directors, and shareholders.

Simplification and standardization requires realigning processes with the people who perform them, retraining people to fully leverage current technology and fully optimize existing systems, and integrating systems to deliver accurate, reliable, auditable information. By doing so, finance professionals are freed to devote time to analysis rather than data reconciliation and manipulation.
The path to opportunity

The CFO’s ability to take the finance function to the next level entails developing a vision and the commensurate business skills necessary to direct process standardization, establish common systems and data models, and properly align the finance organization. All of the functional activities must be designed to more accurately reflect how a company is performing, and use real-time reporting to project more realistic outlooks moving forward.

The path to improvement must begin with a comprehensive view of finance. Recognizing that the path does not always point in one direction, our approach relies on in-depth functional, process and accounting knowledge that can be applied not merely to the finance department, but across all of the operations of today’s business enterprises.

We’ve developed a Finance Visioning Framework that helps CFOs understand the three critical dimensions that together influence the effectiveness of the finance function and provides a structure for evaluating the adequacy of the current finance operating model and service levels, identifying gaps and setting priorities for change. These dimensions include Strategic Context, the Finance Value Chain, and Enabling Structures. This framework has proven to be a valuable tool in defining new strategic approaches by helping CFOs understand how these elements relate to one another within their companies.

Drawn from our relationships with client companies across all industries, we’ve found five elements of the Framework to have the most impact on reducing complexity and enhancing finance performance:

**Strengthen performance management, budgeting and forecasting capabilities:** Planning, budgeting, forecasting and reporting are part of an integrated cycle. Underlying these activities is the need to link strategy, operations and reporting. Simplifying and integrating these finance processes helps drive accountability, control and value creation.

**Optimize cash flow and the use of capital:** A company’s ability to maximize available cash, leverage treasury and tax strategies, and effectively redeploy capital back into the business has become the measure for leading/lagging performance. Companies must continuously improve working capital and dive into the related business cycles to identify bottlenecks, error points, and lagging practices.

**Improve internal and external reporting:** The solution to better reporting is not simply new or better technology. Improved reporting comes from enhanced integration across the reporting supply chain (data collection, sub-systems, ledger close, consolidation, analysis), fully leveraging the capabilities of leading tools, automating key processes, embedding controls, and applying standards.

**Focus on people and organizational structure:** Improving the performance of the finance function begins with rediscovering your finance DNA. It requires an honest assessment of whether existing finance personnel possess the requisite skills to support finance’s evolving performance role. WANTED – Finance people that truly understand the company’s operations. Finance people that can simplify work flow by effectively working with, not around, your current system environment. Finance people with the process skills to standardize processes resulting in continuous improvement of administrative efficiencies, as well as the effectiveness of the control environment. Finance people with interpersonal and relationship skills to effectively lead and manage.

**Build and Maintain Cost-Effective Controls:** Regulatory compliance requirements are hindering efforts to reduce process complexity and cost, and to improve responsiveness. Maintaining cost effective compliance is a major challenge. To meet that challenge, finance staffs must standardize and simplify processes and systems, including automation of key controls in their IT systems.
The most common signs of over-complexity are multiple finance system platforms, more than five days to close the books, finance cost exceeding one percent of revenue.

How to get started

- Identify a ‘burning platform’ that will serve to inspire and motivate impacted parties
- Articulate the role of finance and build consensus around today’s environment and tomorrow’s vision
- Inventory current business and organizational initiatives that may impact finance
- Assess adequacy of your finance enabling structures (process and controls, skills, systems, data structures)
- Establish baseline metrics such as total cost of finance, number of legal entities, number of top-side entries, number of manual interfaces
- Define the scope and dimension of what is to be standardized or simplified
- Prioritize opportunities across the finance value chain
- Plan the work and work the plan

To succeed in this effort, CFOs must first recognize the opportunity that lies before them - the opportunity to create growth rather than just measure it, the opportunity to become greater performance drivers in terms of what their companies can achieve. They will need to understand the interdependencies of their systems, processes, resources, and the importance of standardizing information within their enterprises. They will need to provide the vision and champion the change management critical to building a finance function that delivers cost-effective, real-time, trusted information. They will need to develop the right skills across their organization to effect, manage and monitor the evolutionary processes now underway. Only then will they ultimately become business performance experts capable of defining and driving the strategic imperatives that will determine the success, profitability and well being of their enterprise.
For more information on how you can prepare your company for a new kind of financial leadership, please visit our Web site at www.pwc.com/advisory. Or call us today.

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