



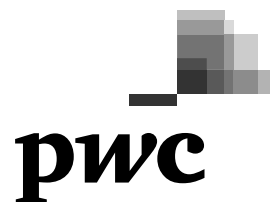
strategy&

Fit for Growth

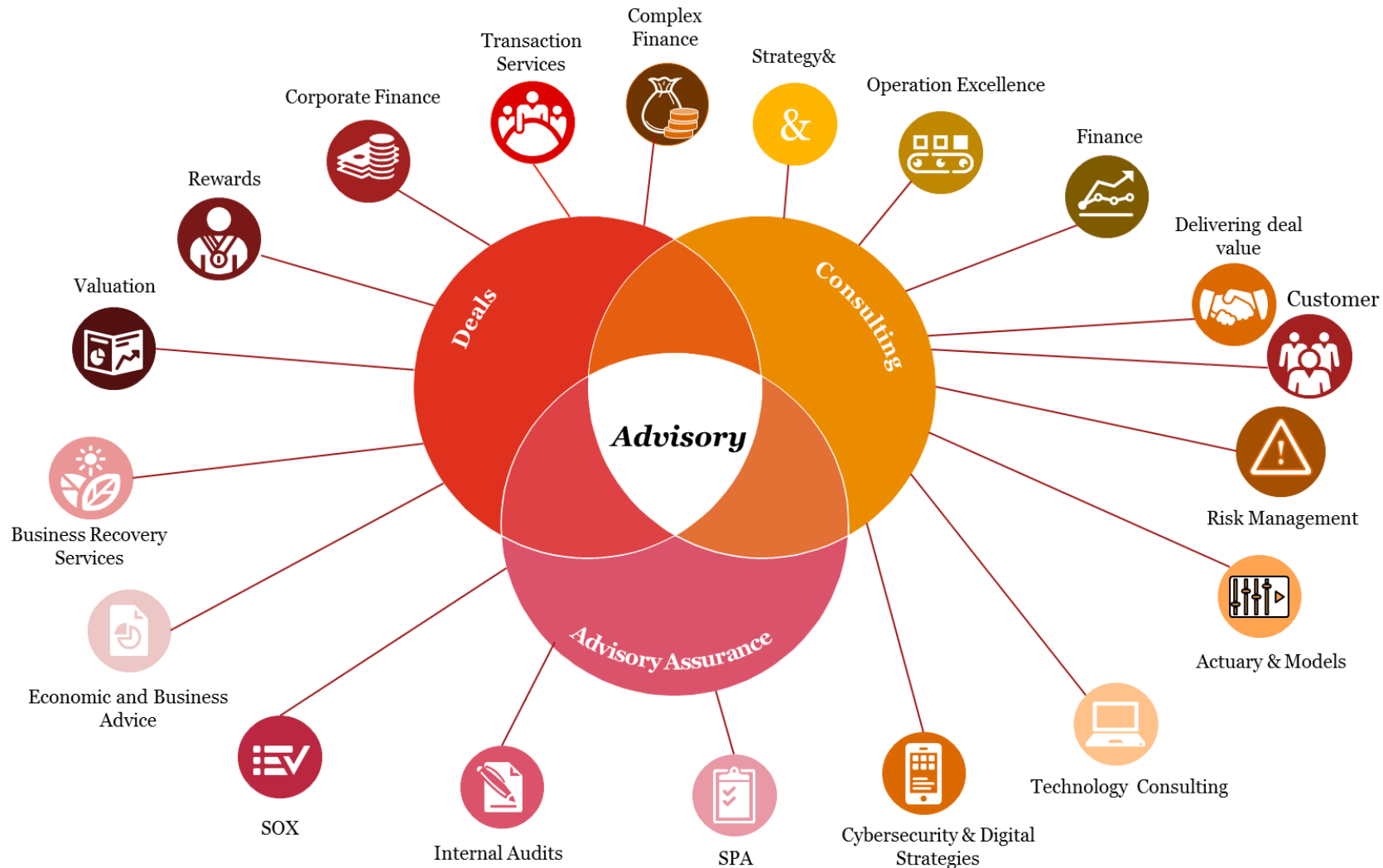
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Allowing Finance to help drive
Strategy

*Aligning the budget process to focus on the
strategic growth drivers of the business*



Brief into to me and PwC Advisory





Strategy to Execution

“However beautiful the strategy, you should occasionally look at the results”

Winston Churchill

Welcome to the “New Normal”!

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Sluggish global growth

Political uncertainty

Regulatory pressures

Digital disruption

Customer expectations

Activist investors



Objectives

APQC research shows that only 2% of FP&A teams are ‘very well aligned’ and only 23% well aligned.

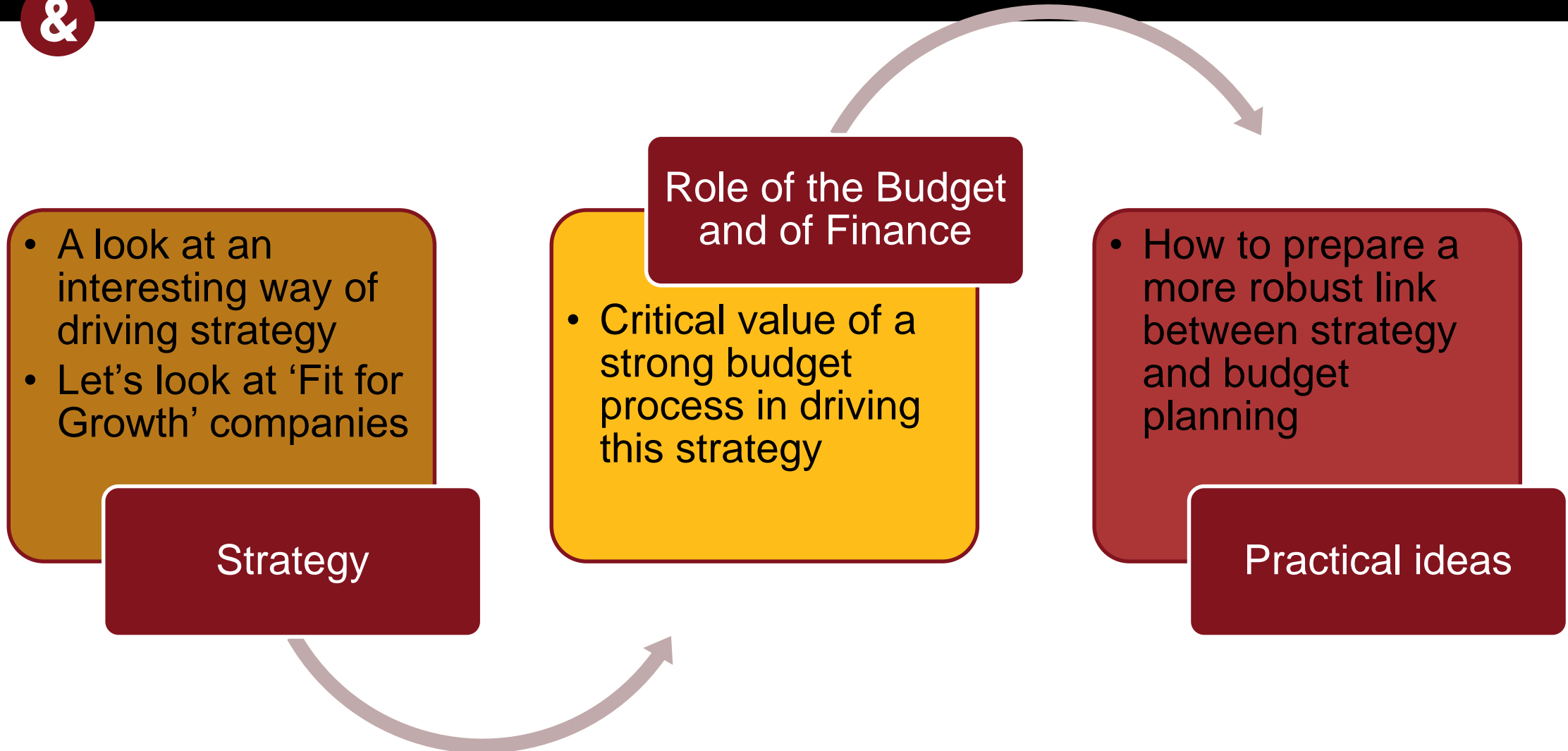
According to PwC research – 78% report that Budgeting is not well aligned with strategy

Yet, the budget/forecasting is the core business process to ensuring spend and investment is pivoted towards strategic areas of spend.

Let’s spend a few minutes looking at this link rather than the purely tactical discussion we too often have

Presentation in a nutshell

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Fit for Growth companies do three things consistently

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Too many companies are not fit

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Do not have well defined, clearly articulated strategy

32%

“Highly confident **strategy** will lead to **success**”

24%

“Strategy **converted** into operational initiatives”

17%

“**Strategy** is well understood across the organization”



Source: PwC Strategy& *Fit for Growth* Index Survey

Too many companies are not fit

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Do not allocate resources in line with strategy

66%

“Low-priority initiatives get **too much funding**”

78%

“Budgeting is **not well aligned with strategy**”

81%

“Executives **don’t spend their time in line with strategic objectives**”



Source: PwC Strategy& *Fit for Growth* Index Survey

Too many companies are not fit

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Have not set up organization to enable growth

77%

“Decision making is slow”

79%

“Executives not highly accountable”

81%

“Performance management does not differentiate stars”

83%

“Culture is not fully aligned with strategy”

Source: PwC Strategy& Fit for Growth Index Survey

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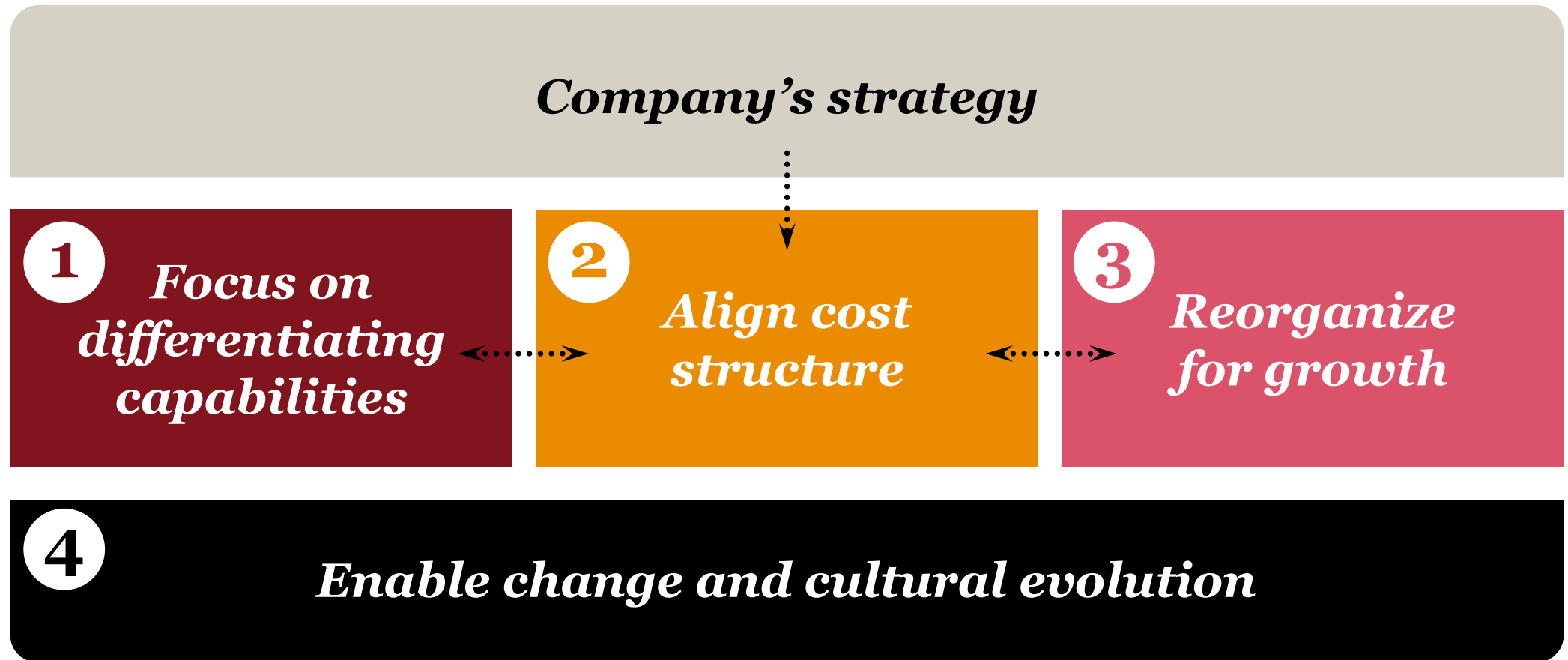


Few companies are “Ready for growth”



Follow a Fit for Growth approach to emulate these companies' success

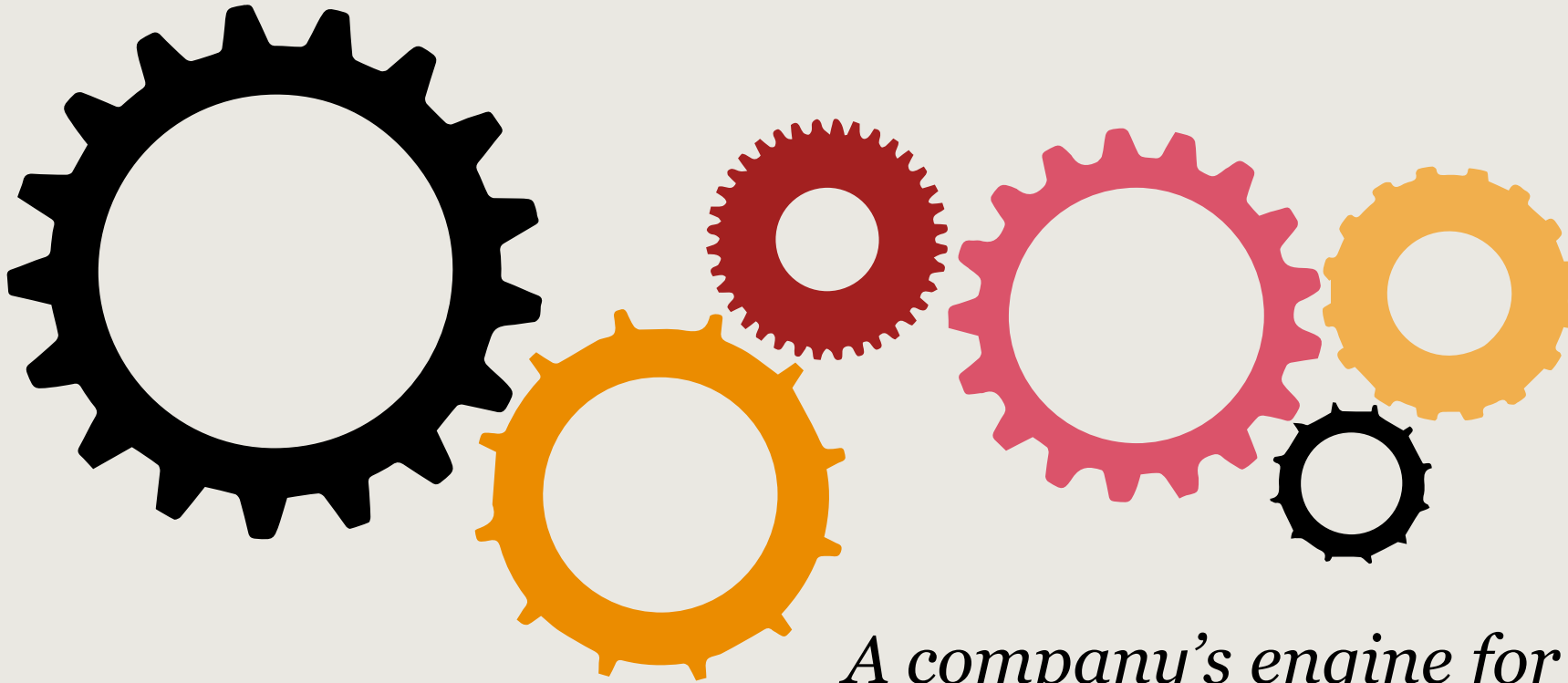
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1 Focus on differentiating capabilities

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Focus on
differentiating capabilities

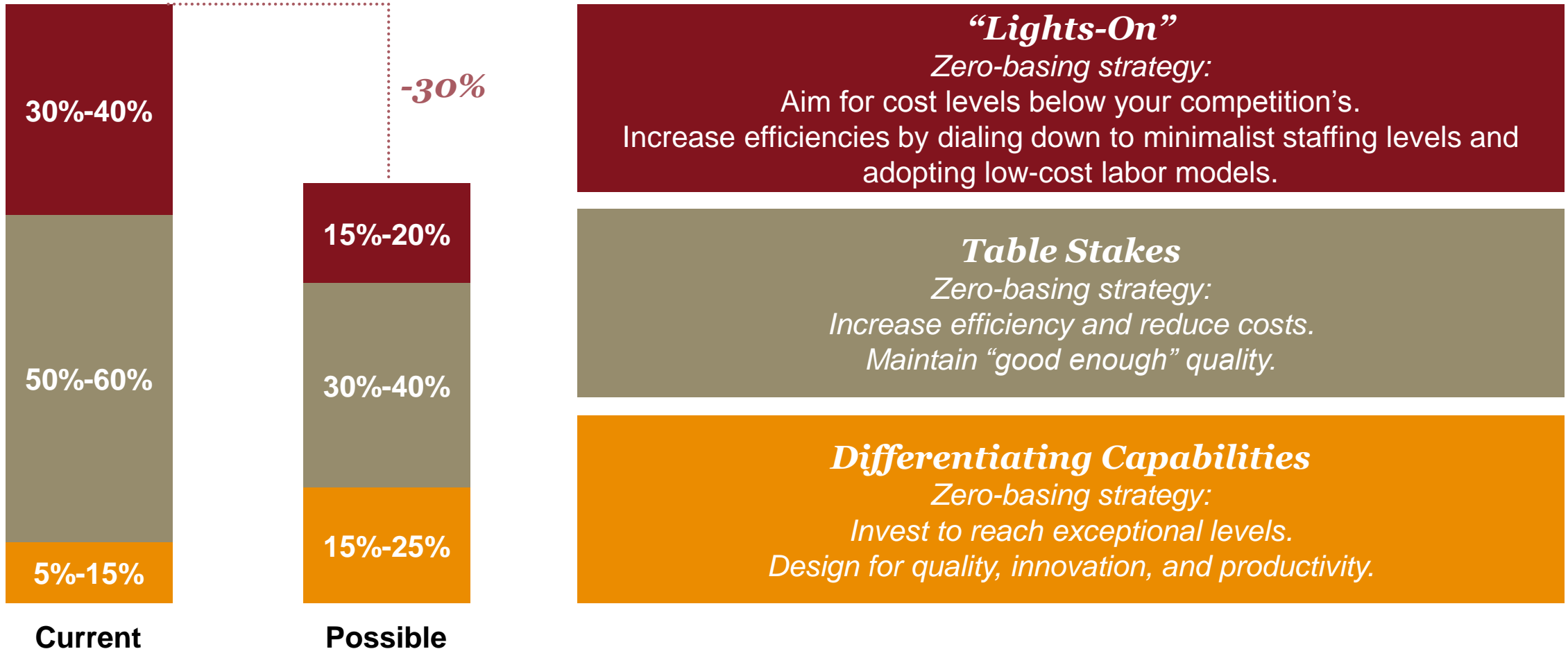


*A company's engine for growth is its **system of a few capabilities** that distinguish it from **competitors** and contribute disproportionately to its **success***

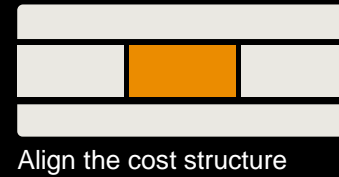
2 *Align the cost structure*

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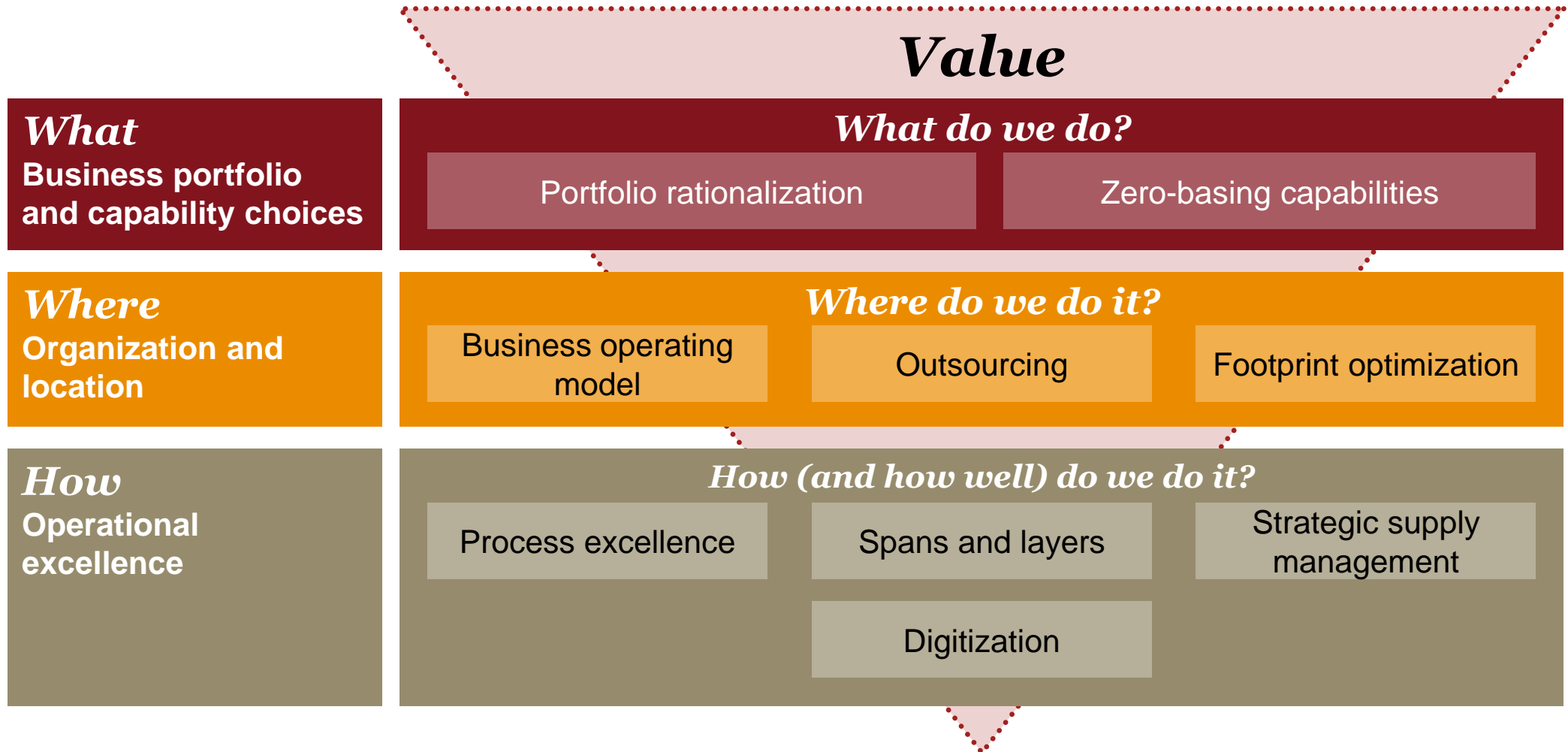
A Capabilities-Based Cost Structure



2 *Align cost structure by rethinking what, where and how to do the work*



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3 *Redesign the organization to support frugal growth*

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Centralize and share resources

Standardize and tailor processes

Outsource

De-layer and re-level

Enable and sustain cost reductions

Empower managers

Clarify decision rights

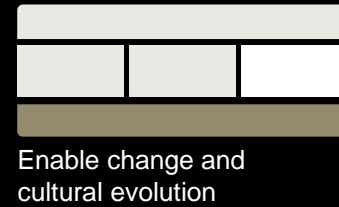
Sharpen accountability

Align incentives with strategy

Enable growth

4 *Evolve the culture*

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Culture does not change fast



Balance culture, operating model, and organization design

Culture is a source of energy



Use “viral methods” to propagate change

Things aren’t all bad



Identify the “critical few behaviors”

In summary

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Identify three to six differentiating capabilities — things your company does better than anyone else — that enable you to compete most effectively in the areas where you choose to do business.

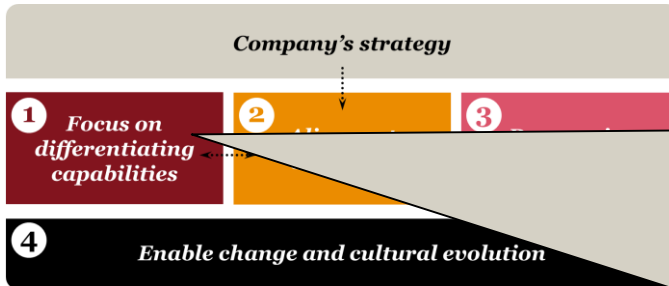
Deploy your investments (costs) against your key competitive strengths — your few differentiating capabilities — protecting “good costs” while pruning “bad costs”

Build an organization that can sustain cost reductions and that enables managers to drive growth.

Don’t just work on the lines and boxes, but change the way the organization works.

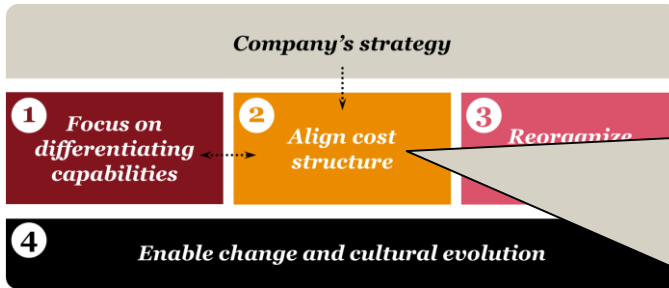
Put your culture to work: Help people change what they do and how they do it, by focusing on a few critical behaviors.

The role of Finance and the Budget Process



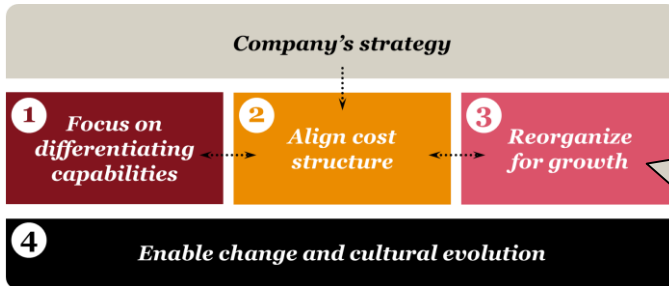
- Business insight to help identify the differentiators e.g. CAC/CLV, ROI from R&D initiatives
- Align with Corporate Strategy to make sure that Step 1 of the annual budget process is the laserlike focus on the differentiators
- Budget process/templates which ensure that the link is preserved between the detailed numbers and the differentiators
- Use this information to feed Board, Analyst and Investor relations

The role of Finance and the Budget Process



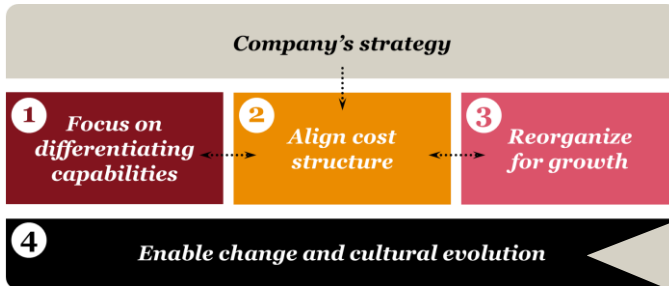
- Budget process where the business is tasked with identifying 'Lights On', Table Stakes and Differentiating Capabilities – element of zero based is ideal if major change is required
- Play business partnering role to help support analysis of the Differentiating Capabilities and helping distil them into actual plans
- Provide a budget which shows clearly the levers by which the change will be made starting with Project Rationalization process

The role of Finance and the Budget Process



- Work with the business to translate the budget into action plans regarding transformation activities
- Work with HR to address the right incentives to focus on the key areas of differentiation
- Provide strong reporting of progress against target costs – not just over spend but equally under spend in key areas
- Forecasting process to adjust against success

The role of Finance and the Budget Process



- Use the Finance FP&A Business Partners as an agent for change – to help the business with the economic steps and approval mechanisms necessary to achieve success
- Create the right culture through the budget process – warm and tough
- Provide BP support in line with the focus on differentiation

Being practical.....

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Set up the annual budget process to enable....

- CEO/LT** Agree budget process in line with strategy - FFG
- Finance** Set up process well in advance of the annual process
- VPs** Educate the organization on the process
- Finance** Skill Finance BPs to deliver



Source: PwC Strategy& Fit for Growth Index Survey

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Being practical.....

Tangibly link the budget process to Strategy

Strategy

What do we really have to excel at?	How do we know if we are actually excelling at this?	How good do we need / want to be at this?	What initiatives are needed to reach our target?	What do we need / want to invest to reach our target?
Value drivers	KPIs	Targets	Initiatives	Budget
Measurable factors that impact strategy execution and create value	Measurement of success in realising the strategy	Level of desired success or indication improvement potential	Main initiatives to realize objectives	Financial mandate needed/given to execute these initiatives



Thank you

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