



# **CFO Forum**

**Finance Trends - Common Issues  
Facing Today's CFOs**

**April 20, 2011**

A discussion paper

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# Role of today's CFO is changing and growing

**“Move Over, CEO: The Time Is Right for the Chief Financial Officer to Be a Co-Leader”**

“It's time to make room at the top for co-equals: leadership by the CEO and the chief financial officer— with equal authority and accountability”

# CFOs are taking on the issues

Taking on the issues means focusing on key areas to become effective strategic partners

## Business Issues Impacting CFOs

1. Economic Uncertainty

2. Investments for growth

3. Tight Credit Markets

4. Federal Deficit

5. Globalization

## Activities to Address

Improving  
Business Decision Support

Prioritizing Capital  
Investments

Adjusting the Finance  
Operating Model to  
accommodate international  
growth

# Key Areas of Focus

# How Finance Earns Its Stripes

“High performing finance organizations spend about 50% of their time collecting and processing information. The other half of their time is spent providing decision support”

so...

## What is decision support?

# Improving Business Decision Support

## CFO Concern

Decision support enables companies to respond to a rapidly changing environment but many organizations struggle to do it effectively

### Common Challenges

Relying on manual activities

What are the business drivers?

Lack of data governance

Aligning effort with value

Availability and timeliness of information



### What leading companies are doing

- Defining information based on decisions that need to be made
- Integrated Performance Management versus independent finance cycles
- Partnering with IT to take ownership of data governance

#### Do what Cisco does

"Finance, while it doesn't actually own the strategy, is responsible for being the institutional memory of the company and offering a framework against which we can present our strategic choices of how we're going to develop as a company. Finance makes sure the right choices are framed up."

Jonathan Chadwick, Vice President of Corporate Finance and Planning, Cisco

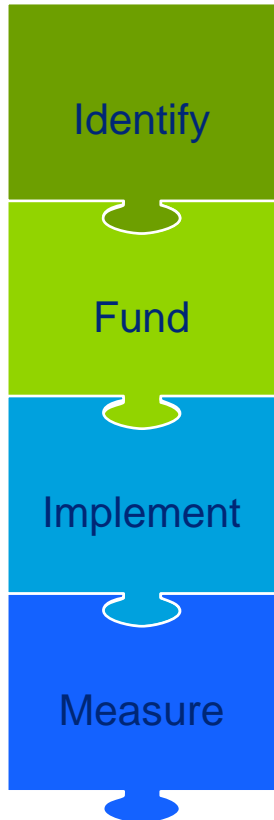
Source: CFO Research Services and Deloitte, "Different Paths to One Truth"

# Prioritizing Investments: Not as easy as 1, 2, 3

## CFO Concern

Capital budgeting may seem straightforward but many organizations struggle with how to effectively

### Common Challenges



- Evaluating and prioritizing
- Aligning to overall strategy
- Managing cross business unit expectations
- Obtaining funding, resources, and buy-in
- Balancing long-term plan and short-term needs
- Accounting for global uncertainties and risks
- Managing to budget
- Holding project sponsors accountable
- Understanding impact on shareholder value
- Tracking that benefits are achieved

### What leading companies are doing

- Implementing a value-based approach
- Ranking projects by benefit-to-cost ratio (divide benefits by costs) to prioritize capital allocation
- Translating hard and soft benefits into common shareholder value measure

In a recent analysis performed by Deloitte, on average over 25% of the market value of the S&P 500 companies was attributable to expectations from future investments that have not yet been identified.

# Going Global: The Finance Operating Model

## CFO Concern

To rein in costs and improve the value of Finance, organizations are re-examining their global operating models with a focus on how to efficiently deliver a standard and consistent set of services

### Common Challenges

- Struggling with defining what is the optimal global operating model for their organization (e.g. delivered locally at the BU vs. shared service vs. center of excellence vs. outsourced)
- Managing the drive toward globalization without duplicating the infrastructure and capabilities in every new location
- Having an operating model that evolved over time, but was not created with any vision or purpose
- Managing the trade-off between customer service and cost
- Balancing decision-making accountabilities of global, regional, and local leadership

### What leading companies are doing

- Developing a common global Finance operating model that considers all of the services Finance delivers (not only transactional services) with a standardized approach across geographies
- Developing a global Finance operating model that provides an optimal mix of services based on cost, location, in-house staffing, and outsourcing
- Expanding the use of shared services and COEs that drive greatest efficiency without sacrificing quality or control
- Enhancing global processes and systems through redesign and automation

# Globalization is forcing CFOs to rethink how work gets done

Shared services continue to move toward the high end of the value chain, from cost saver to a value and flexibility enabler on a global scale

## Trends for shared services

- **Extended geographical footprint**
  - Consolidation of shared services centers in fewer locations
  - Relocation of shared services centers
- **Multi-functional Shared Services Organizations with hybrid service delivery model**
  - Increase of functional scope
  - Mix of on-shoring, off-shoring & outsourcing

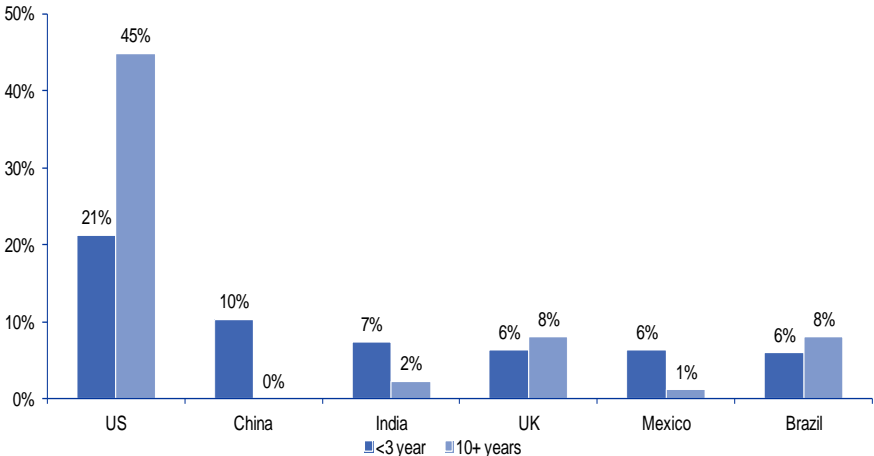
## Impact on finance organization

- **Common governance for global Shared Services**
  - Increase standardization
  - Share best practices
  - Reduce overall costs
- **Formal mechanism to manage customer relationships**
  - Common governance bodies, e.g. Customer Counsels
  - Service level agreements
  - Process owners

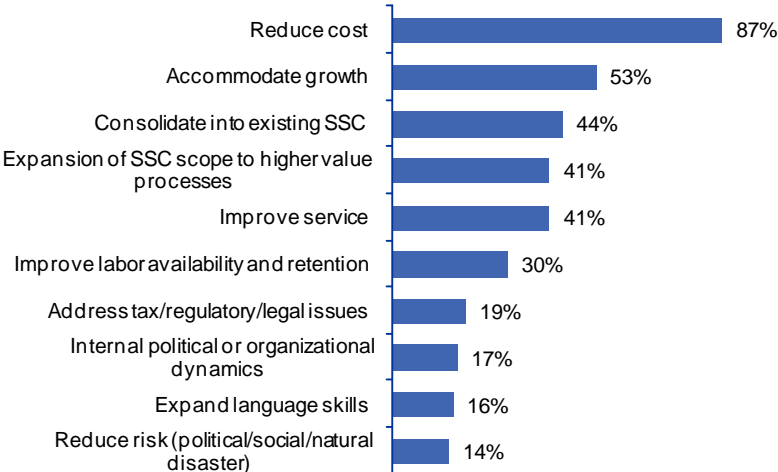
**Strong executive support, securing internal customer buy-in and clear stakeholder communication as key success factors for implementing common SSO governance**

# Shared services going global

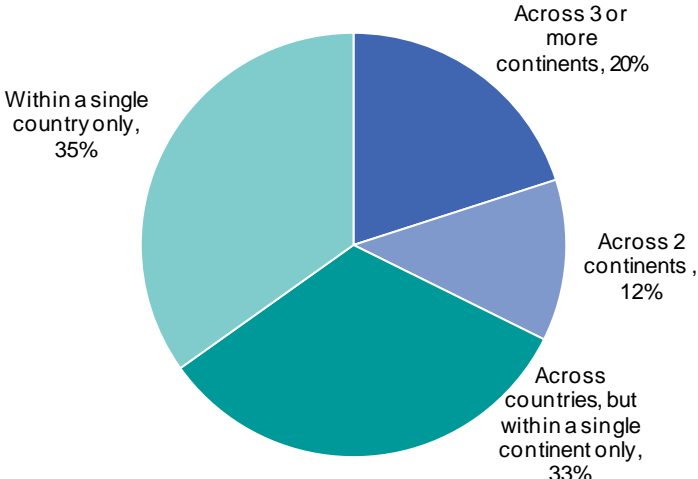
Top 5 locations by maturity of center



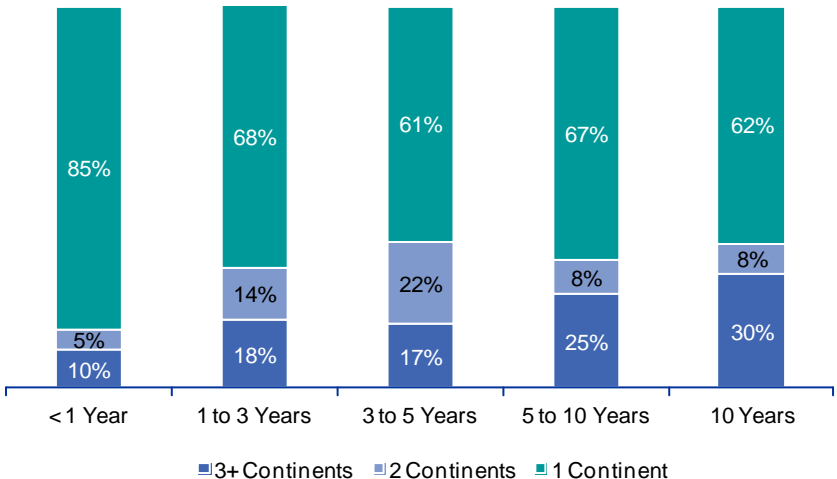
Most important reasons for relocation



Geographies served by SSCs



Geographies based on maturity of center



Other topics on Finance  
executives minds

# Other topics on Finance executives minds

Finance is Not a Concierge Service

**Finance Talent Management: It's Not an On/Off Switch**

Tax: The "Rock Stars" of the Bottom Line

**Regulatory Changes are Coming: Don't be Afraid, be Excited**

**Financial Risk Management**

**If Cash is King, How Come No One Else Seems to Care?**

**Prioritizing Finance Transformation Investments**

# Key Challenges and Critical Success Factors of Finance Transformation

# Success depends on how well your team plans, manages, and executes throughout the journey

## Key Challenges

**Choosing the right destination**

**Defining and orchestrating the path**

**Attracting and retaining the right people**

## Critical success factors

- Visioning at the beginning of the project
- Be Clear About Goals
- Don't Boil the Ocean
  
- Its about the data
- Run the project like you want to run the function
- Use existing standards and processes where possible
  
- Employees that are critical to day to day operations must be part of FT
- Make the "FT team" the place to be for high potential employees
- Internal communication

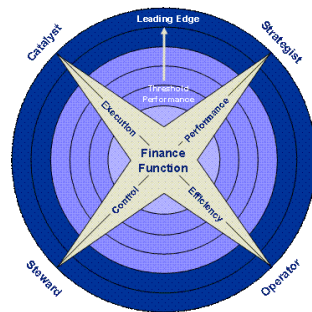
# The Deloitte Finance Transformation Approach



- Understand current state
- Incorporate internal and external perspectives



- Generate vision across 4 faces of Finance relative to specific needs and business considerations



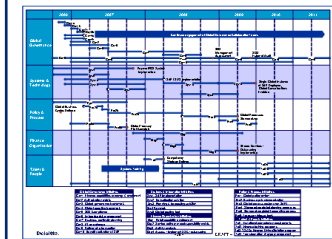
- Identify strategic objectives that support Finance's vision



- Identify gaps between current state and strategic objectives
- Identify and synthesize initiatives to achieve the strategic plan

Initiative Description	Initiative Enabler	Initiative Impact
<p>Initiative 1: Review of global governance structure and reporting lines to ensure clarity of roles and responsibilities.</p> <p>Initiative 2: Review of global business system architecture to identify global areas of duplication and consolidation opportunities.</p> <p>Initiative 3: Review of global financial reporting and consolidation processes to ensure consistency and accuracy.</p> <p>Initiative 4: Review of global tax and transfer pricing policies to ensure compliance and optimize tax efficiency.</p>	<p>Establish a global governance framework to ensure consistency and accuracy.</p> <p>Consolidate global business systems to reduce complexity and improve efficiency.</p> <p>Standardize global financial reporting and consolidation processes to ensure consistency and accuracy.</p> <p>Review and optimize global tax and transfer pricing policies to ensure compliance and improve tax efficiency.</p>	<p>Enhanced global governance and reporting structure.</p> <p>Improved global business system architecture and consolidation processes.</p> <p>Standardized global financial reporting and consolidation processes.</p> <p>Optimized global tax and transfer pricing policies.</p>

- Define sequence initiatives to achieve “step-change” improvements
- Align across finance value drivers and enablers over time



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