Finance Effectiveness Consulting

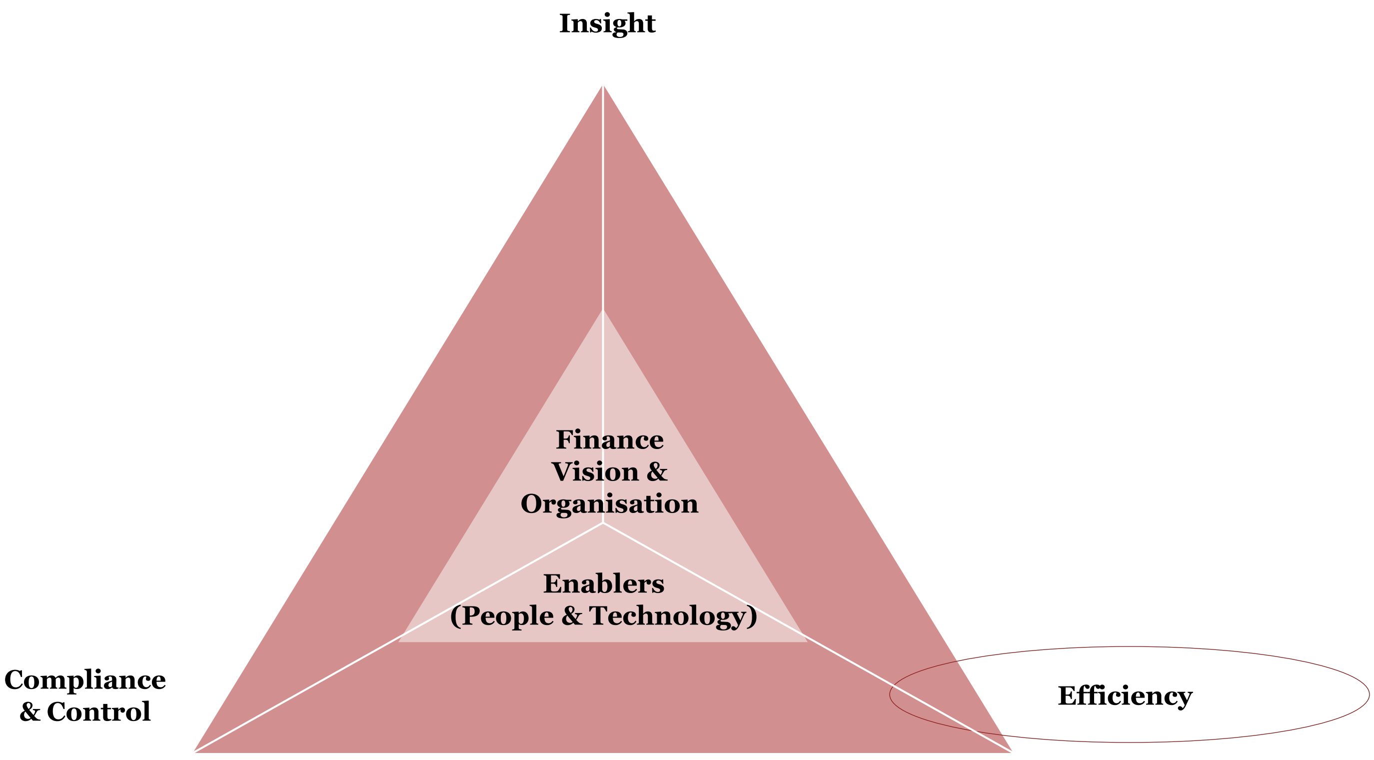
The 'Efficiency' Dimension

Finance Effectiveness – Efficiency

2012

pwc

Key Finance dimensions



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Section 1
Efficiency – An Overview

Efficiency

Efficiency in finance means performing tasks in a timely and cost effective manner typically via simplified and standardised processes that leverage technology and consolidation / elimination of non core activities through shared services / outsourcing. It covers:

- Corporate Reporting
- Accounts Payable
- Accounts Receivable
- General Accounting

Corporate Reporting

Good Corporate Reporting : involves providing the external investor community with information that enables them to get a good understanding of the quality and sustainability of underlying operational performance. It involves financial and non-financial/contextual information and both an both historical and forward looking orientation.

Features of good practice:

- Corporate reporting provides better – not more – information with a commitment to transparency
- Clear alignment between stated strategy, management actions and performance in information reported
- Corporate responsibility is an integral part of the reporting focused on key strategic issues for the business and its stakeholders
- Quantified data that support the qualitative statements made
- Metrics that, where relevant, illustrate performance against peers
- Granularity and consistency in segment reporting enables the reader to make effective comparisons
- External reporting reflects the internal data set used by management.
- Finance function works closely with the investor relations function
- Corporate reporting is highly automated, easily accessible and available to the appropriate people.

Accounts Payable (inc. Travel and Entertainment Accounting)

Accounts Payable : Routine AP transaction processing of tasks in finance has historically taken up much of finance's time. That balance has been shifting in best practice organisations with the goal of reducing time spent on mechanical tasks that add little value by leveraging EPI and EFT technology, thereby freeing up resources for more value added activities.

Features of good practice:

- Standardised processes delivered using automation technologies (such as EIP and EFT) wherever possible which interface directly with ERP systems
- Consolidation, where above economies of scale exist, of back office processing into shared service centres or outsourcing to third party providers to drive down cost and ensure processes are delivered by focussed teams
- Highly efficiency processes hitting best practice benchmarks for volume and accuracy of transaction processing
- Fully integrated approach to working capital management across the organisation
- Proactive management of payment timing by maintaining open line of communications and negotiation in order to maximise company cashflow
- Payables management managed as an integrated operation
- Travel expenses processed promptly and efficient authorisation procedures in place
- Fraud prevention and detection measures in place
- AP professionals shift focus from transactions-oriented processes to value-adding activities such as building relationship with suppliers

Accounts Receivable, Credit and Collections

Accounts Receivable : The AR process manages money owed to a business by customers who have bought goods or services on credit. Its effectiveness is vital to a successful company's healthy cash flow and working capital.

Features of good practice:

- Standardised processes delivered using automation technologies to process remittance and wherever possible, interfacing directly with ERP systems
- Consolidation where above economies of scale exist, of back office processing into shared service centres or outsourcing to third party providers to drive down cost and ensure processes are delivered by focussed teams
- Highly efficient hitting best practice benchmarks for volume and accuracy of transaction processing
- Receivables managed as an integrated, cross-organisation set of related processes
- Customer oriented approach to ensure prompt payment (such as continuous improvement to the order fulfillment process)
- Formal dispute management process in place
- Receivables performance is formally reported to Finance and managed
- Maintenance of customer credit ratings
- Automated controls with appropriate independent overrides to enforce credit terms and credit limits
- Align credit and sales initiatives to educate customers about payment issues

General Accounting

General Accounting: The process used to reconcile, consolidate and report financial information on a periodic basis. Includes ensuring validity and consistency in charts of accounts, administration of general ledger database reporting/consolidation structure and journal processing. Accounting for inter-company transactions includes maintaining accounts, settling balances and reconciling balances monthly. The process to close the books and GAAPs used for statutory financial reporting.

Features of good practice:

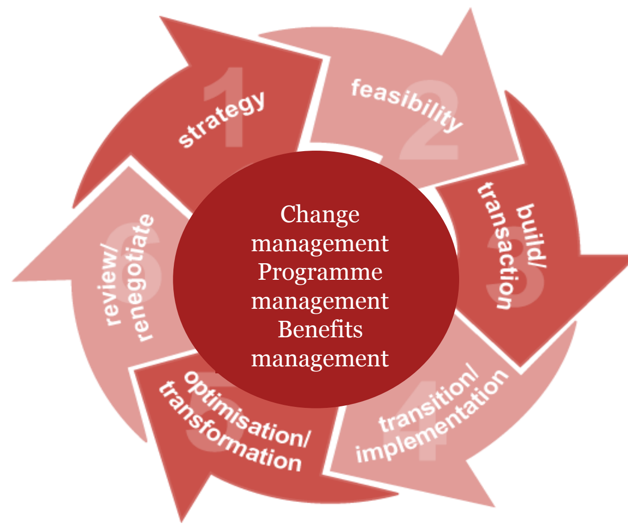
- Standardised chart of accounts with clear descriptions
- Clear guidelines and common procedures for inter-company transactions
- Minimal manual processing of journals
- Cost accounting managed through a standardised technology platform
- Automated, standardised expense capture
- Fully integrated single fixed asset systems that include tax data, revaluation data and leased assets and a fully maintained central repository of all intangible assets
- Widespread knowledge of the close process and timescales
- Good relationship between the group and operating units causing them to strive to meet or beat deadlines
- Reporting is highly automated, easily accessible and available to the appropriate people
- Financial close is a timely process and/or virtual close is in place
- Few re-allocations or corrections required and performed in a timely manner at month end
- GAAPs aligned with finance systems flexible to report in different GAAPs if required
- Up to date policy and procedures manual is widely available providing clear guidelines on how to apply GAAP compliant accounting policies and other external reporting requirements. Includes definitions, examples and ownership of key financial and non-financial metrics

Section 2
Our Services

Shared Services Advisory

Has your sourcing strategy delivered the expected benefits?

Shared Services help in the consolidation of common corporate administrative systems and functions among departments and agencies. This in turn helps in improving efficiency, effectiveness and lowering costs of service delivery. It usually refers to the provision of a service by one part of an organisation or group called Shared Services Centre (SSC), where that service had previously been found in more than one part of the organisation or group. We have helped numerous clients in assessing, designing and setting up Shared Service Centres.



Our methodology enables us to address various issues that arise at different points in the SSC lifecycle ; the emphasis on change and benefits management is key to the success of the Shared Services journey.

Shared Services Advisory (contd.)

Our services

- Prepare the business case supporting the establishment of an SSC
- Confirm the scope of the services to be provided by the SSC, define SSC management and support infrastructure requirements, and prepare a conceptual model of the optimised processes to be relocated to the SSC
- Move processes and SSC staff and stabilise until all ‘Go –live’ criteria have been met
- Establish a management team, locate a city and premises and implement infrastructure; build interfaces and prepare data for migration; recruit and train staff
- During the steady state, implement a continuous improvement program to ensure that service levels meet or exceed expectations

Value add

- Clear separation of responsibilities
- Higher information consistency, better analysis and decision making
- Defined (quality) standards for input/processing/output
- Establishment of internal customer and supplier relationship management
- Focus on core operations in various business areas
- Standardised processes and reporting
- Established performance production and control through SLAs
- Company-wide utilisation of available knowledge

Outsourcing Services Advisory

Are you geared up for the requirements of the evolving outsourcing stages?

- Our performance and process improvement professionals can help your organisation rightly outsource your information technology, human resources and F&A functions
- We can help bring together the different elements that drive efficiencies for your outsourcing engagements
- Our multi-disciplinary team, consisting of strategic sourcing and subject matter experts in tax, transfer pricing, customs matters, regulatory, HR, IT, financial modeling, governance, controls and risk management, independently advise our clients and tailor practical solutions to suit clients' strategic and operational goals

Different stages of the outsourcing lifecycle and typical challenges

Strategy development

1

Project type - Driven by certain business objectives (e.g. need to improve performance, create competitive advantage, reduce costs), the organisation is considering outsourcing
Typical issues and challenges - Ensure that an appropriate blend of sourcing options that align with the organisation's business objectives, is defined.

Embarking on Optimisation / Transformation

2

Project type - The organisation outsourcing contract is distressed
Typical issues and challenges - Address poor supplier relationships, cost overruns, poor performance against SLAs or fraud, enforcement of punitive clauses and implementation of the right governance model.

Maturing in Optimisation / Transformation

3

Project type - An outsourced environment is in place and needs to be assessed due to change in management, market changes, the need to improve performance etc.
Typical issues and challenges - Improve service delivery and/or supplier management or determine why the originally defined benefits of the sourcing model are not being realised.

Review/Renegotiation

4

Project type - The organisation has outsourced but the contract(s) is due to expire
Typical issues and challenges - Decide whether to re-negotiate, terminate the contract or continue to source the delivery of the service externally, or terminate the contract and return to a self-provision model.

Outsourcing Services Advisory (contd.)

Our services

- Assess business drivers for the outsourcing initiative
- Conduct services portfolio assessment using process candidacy framework
- Develop and float RFI/RFP to a set of identified service providers
- Evaluate service provider responses and benchmark against industry standards
- Help in negotiations and contract structuring
- Align interests to develop a partnership model with the service providers
- Monitor and track transition
- Develop reporting and tracking mechanisms to manage ongoing operations

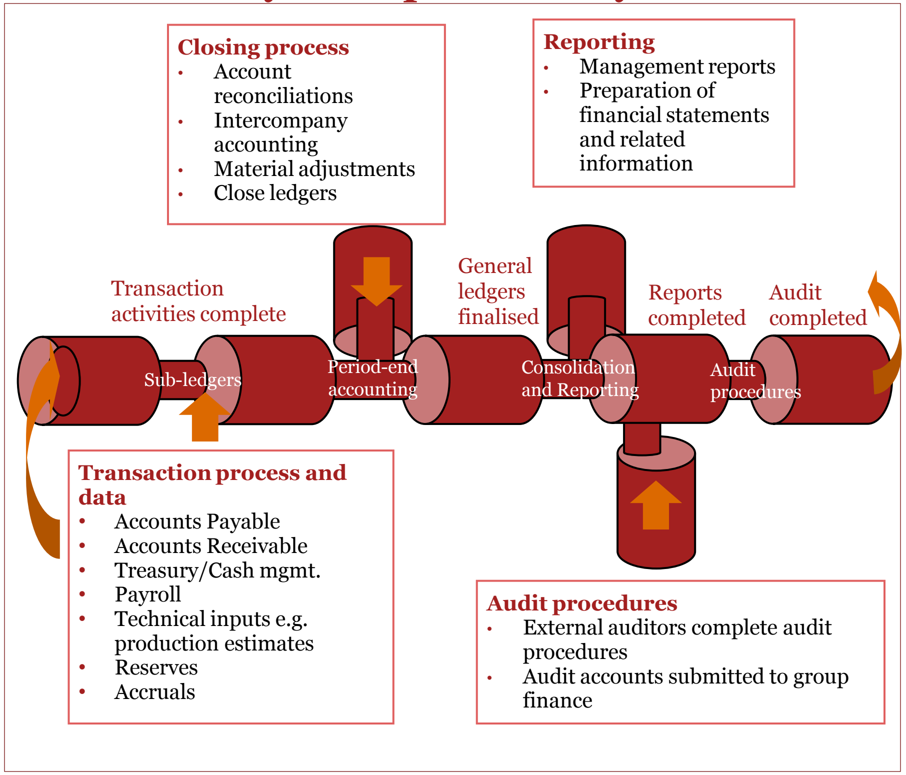
Value add

- Outsourcing strategy that is well aligned with the organisation strategy
- Defined engagement parameters measurable against business needs
- Best efforts from clients and from service providers brought about by structured and transparent evaluation process
- Mutually beneficial partnerships driven by results rather than by inputs
- Timely completion of transition activities and attainment of a steady state
- Clear visibility of the health of the outsourcing partnership for the senior management
- Less downstream risk and liability

Record to Report optimisation

Do you get the right picture behind your numbers? Are your reports timely?

- Statutory and management reporting is a key responsibility of any finance function
- The frequency for statutory reporting is generally quarterly/annual, whereas management reporting is more frequent
- The depth of information and analysis for management reporting is also much higher and very context specific
- Companies adopting best practices try and ensure that the reporting is timely and there is minimum duplication of effort in preparing statutory and management reports and both provide one version of the truth
- To this effect, they adopt automated, faster and transparent reporting processes



Record to Report optimisation (contd.)

Our services

- Work with the finance stakeholders to assess the 'As-Is' process and define a high-level 'To-Be' strategy
- Perform a detailed assessment to identify specific bottlenecks in the closing process; define solutions for a streamlined closing and reporting process
- Execute programs to implement the defined solutions, which could include new processes and system changes
- Identify continuous improvement processes to enhance the quality of the reports generated

Value add

- Faster, simpler book close and reporting processes
- Streamlined reporting process that will enable meeting stakeholder expectations
- Closing and Reporting process becomes
  - quicker
  - more reliable
  - more transparent
  - more cost-effective
  - more reliable assessments of financial reporting risks and the strength of related controls

Section 3
Case Studies

Shared Services design and implementation

Client context and challenge	The client is a leader in the wind energy market, involved in manufacturing, installation and maintenance of wind turbines. The group is divided into 13 companies for managing the different business aspects. • Different accounting processes across the 13 group companies. • Varied level of efficiency of F&A team across the group. • Redundancy of resources with similar skills across companies. • Delay and difficulty in consolidation of accounts.
Our approach	•Understanding the organisation and its accounting processes • Preparation of detailed 'As-Is' Process maps • Design and documentation of standardised processes for all group companies • Development of the standard operating procedure for seven process verticals across 13 companies • Development of organisation structure and change management (including training) • Support on development of a document management system • Development of strategic and operational dashboards
Value delivered	• F&A Shared Services is in place for five companies • Standardised processes based on best practices across the group • Published well defined standard operating procedure • Flatter organisation structure established • Objective performance measures and capability to benchmark verticals • Cost savings expected as the scale of business grows

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