



Your finance function is ready for change, are you?

Top-performing finance functions are keeping automation high on their agendas, but it's just the start of a bigger push for performance.



CFOs step up

Industry convergence, changing business models, regulatory shifts, talent wars—all of these changes in the corporate environment necessitate a push toward a more modern finance function that can be ready for anything.

We're seeing CFOs challenge the very core of the functional operating model. They have a digital mind-set and focus their functional transformations where they'll get results—with their people, their transactional processes, or straight to the heart of risk and business performance.

Our insight, supported by analysis from company interviews and benchmarking data from more than 700 finance functions, shows how companies are making this shift in 2019. They're including business thinking at every step.

To accelerate your own progress, the only thing you need to do is ask the same questions they did. What business problems are we trying to solve? What needs to change and for whom? How much and at what speed? Then, based on your company's culture, vision, and strategic goals, choose where to push.



People:

Give finance teams new ways to use underutilized skills

5 of 6

steps to improve finance effectiveness are about people.



Process:

Have a roadmap for finance effectiveness, not automation

30-40%

of time can be reduced with finance automation and behavior change.



Performance:

Drive insights with connected, self-service financial data

75%

of time in top performing finance functions is devoted to data analysis and insights

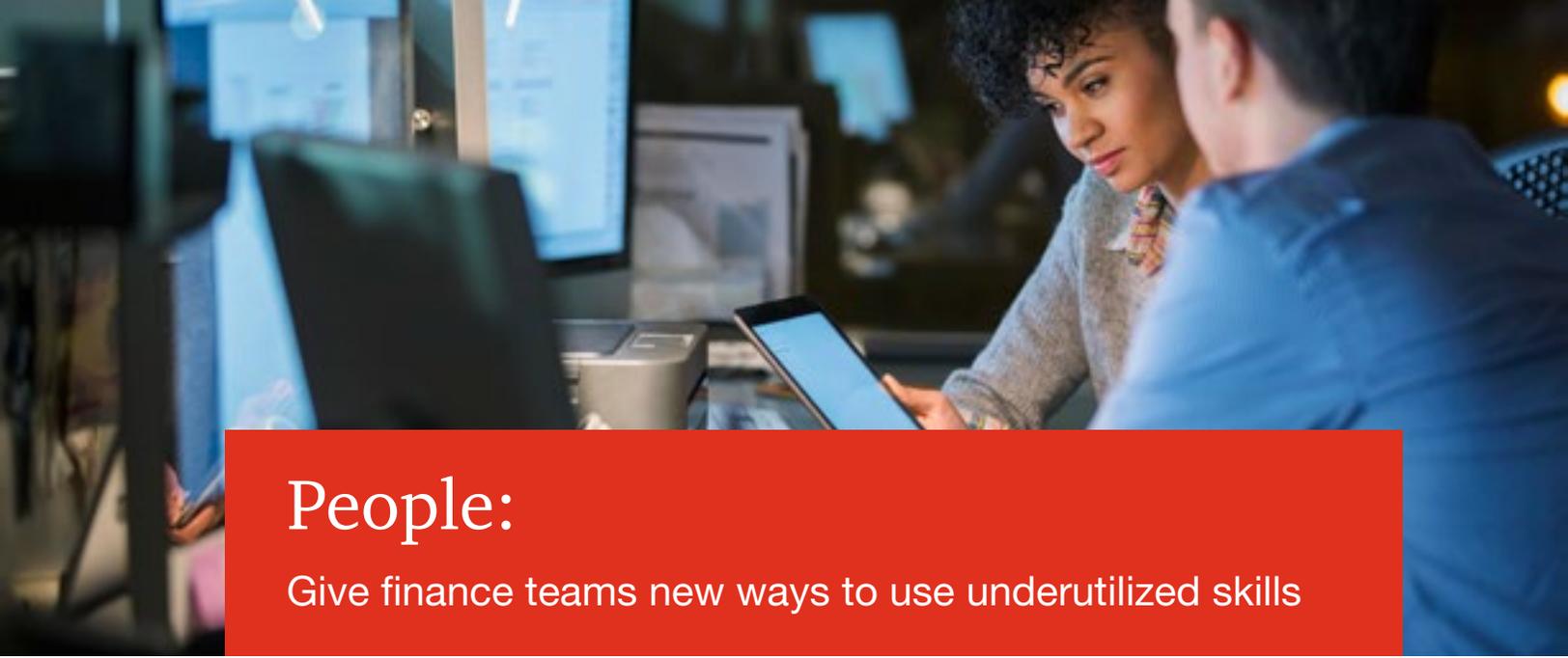


Is your finance function cost efficient?
Here's how to know.



See how they're doing it

Devro, Dixons Carphone, Elsevier, Grupo Colón Gerena, KAYAK, KPN, Leonardo, The UK's Royal Air Force



People:

Give finance teams new ways to use underutilized skills

Why it matters

A new generation of educated, diverse and digitally savvy talent has entered the workplace. They're seeking meaningful roles and the ability to work across functions. And they have the skills to use emerging technologies to test new ideas.

All this is happening at a time when finance's customers—external (e.g., regulators), internal (e.g., business units) and strategic (e.g., investors)—are demanding accurate, insightful and forward-looking information. You need to know how to motivate and assemble teams to meet these changing demands.

What's working

There's a lot you can do to get existing teams focused on smarter work now. Start with thinking of how stakeholder needs are changing and what new roles you're likely to need. Two areas are top of mind today.

Core, yet fluid skills: The modern finance organization runs on finance athletes, professionals who can easily toggle between roles and functions. These are not roles with narrow expertise—for example only supply chain, procurement or reporting expertise. Rather, they have core finance skills, but they can also embody personas like techno players who can bridge IT and finance, or value drivers who can anticipate risk issues like corruption before they even bubble up.

Their hybrid skills are in demand for emerging finance function jobs such as global process owner, business growth partner, analytics and value manager, and data scientist. Core roles like financial analysts and accounting managers are stretching their problem-solving skills too—empower them to identify pain points for the business and learn to create automations that can improve their own cycle times.

Expect needs to keep changing for different skills, but don't expect to pin down how every role will change. What you can do is understand today's underutilized skill sets and create opportunities for people to build their athletic muscle so they can grow and play new roles as needs emerge. Pay close attention to opportunities for learning and development, which can have big payoffs.

Across our finance effectiveness benchmark groups, those who invest in learning and development have half the resignation rates than those who don't. Lower turnover means lower replacement costs, less drag on productivity, and less time for retraining—and when it's tailored

to your situation, company provided learning grows more stable teams who are capable of understanding the business and raising their performance game.

Working habits of modern finance: Team building is now about assembling power players in finance that can work at a more collaborative, faster pace to influence business decisions. Stronger business acumen and collaboration skills are a must for teams wanting to partner with other functional groups or third-party providers like outsourcing providers and analytics support vendors. This requires a work environment that supports cross-teaming and agile ways of work.

[The UK's Royal Air Force \(RAF\)](#) created the modern finance workplace to enable just that. The components of change sound familiar: daily stand-up meetings and huddle boards to improve interactions and give teams clarity on how what they do impacts somebody else. The RAF's new working practices get people comfortable with sharing and managing variable workloads at a faster pace. The result: finance is now influencing business, including those who don't intuitively grasp numbers, by communicating insight in creative ways.

Our benchmarking data shows that [finance budgets, overall, are not shrinking, but rather shifting](#) as savvy finance leaders plow cost savings into the next round of transformation, starting with their people.

In fact, this type of leadership is key to transformation. When we ask what needs to change for a more effective finance function five of the top six areas of change relate to leading people.

5 of 6



steps to improve finance effectiveness are about people

61% Improve technology



55% Improve communication protocols



46% Improve collaboration



42% Improve interactions and relationships



41% Upgrade skills



40% Clarify roles and decision rights



Source: PwC Finance Effectiveness Benchmarking, August 2019.
Base: 2,929 finance function managers to executives, global sample.

Takeaways

- **Think pro-finance and pro-people at the same time.** Assess where people's skills are today for the specific outcomes in your finance transformation. Think rotational programs, shadowing and learning that allow people to demonstrate underutilized skills.
- **Use personas to imagine new roles for finance.** A persona is a fictional representation of who will play a role. Thinking in this way helps you design your future-state organization. Do you need "problem solvers" with business acumen? "Value drivers" that can look at trade-offs across a wide range of scenarios? "Dreamers" who can visualize stories, innovate and experiment?
- **Take down productivity barriers.** Use workflow automation tools, digital social hubs and chat tools to modernize the workplace. But it's just as important to break organizational silos and recognize how spans and layers, work habits or cultural traits hold people back from trusting each other and collaborating.



Brian Furness | Global Finance Consulting Leader | PwC UK

Q: What type of finance leaders are getting the people aspects right?

The most successful leaders think outside of their field, collaborate with others and influence all types of decision makers. Look for people who feel comfortable with collaborative problem solving on their own teams, but also with cross-functional teams, including third parties—outsiders are increasingly key to help drive greater performance.



Tabitha DeFrancisco | Director, Finance Transformation | PwC US

Q: How do we overcome people's fears about automation?

The key to moving past the fear of automation is to stay focused on what you'll get, not what you'll lose. Most people will embrace automation if it allows them to deliver more value. Data automation, and visualization technologies in particular, are freeing up capacity in a meaningful way, allowing people to spend significantly more time on analysis, insight and real business partnering.



Katya Reuk | Director, Organizational Strategy | Strategy&

Q: What do I do right now to help my workforce with career paths?

First and foremost, identify the hotspot areas that require career pathing—those roles that are being disrupted by new trends and technologies. Mine for talent in those roles and prioritize upskilling and repathing.



Thomas Hojnacki | Managing Director | PwC US

Q: What skill gaps are finance leaders seeing?

Automation of the last 20 years has brought great efficiency to linear thinking and process work. And because of that, we now have a gap in skills for more right-brain activities like telling a clear story using data.



Brian Urdike | Partner, Finance Transformation | PwC US

Q: How are people's use of analytics changing?

We're seeing a renewed focus on simplifying. Teams have figured out that you don't have to have every data point or run the most advanced analytic calculations to get new information. It's much more about the right data, presented clearly for business users, and then building on that foundation with increasingly intelligent analytics.



Bob Woods | Partner, Finance Consulting, Technology, Media & Telecom Industries | PwC US

Q: Will robots replace people?

CFOs should have an "augment" not a "replace" strategy that enables "smart people to do smart work." Augmented roles provide new opportunities for people. And redeploying people helps build resilient organizations that can deliver cost efficiency and new capabilities, all while preparing for business model change or industry disruption.



Process:

Have a roadmap for finance effectiveness, not automation

Why it matters

It typically doesn't pay to be strictly focused on radical changes to processes through automation, centralization or offshoring, without looking at trade-offs such as its impact on people as well as implications for tax and regulatory structures. The potential needs to be balanced against overlapping goals for people and performance. How do you aim for process excellence?

What's working

In leading companies, rather than addressing the demands of specific segments, finance is systematically making connections—and choices—that create value for the whole business. That was the goal of finance transformation at the Dutch telecom provider [KPN](#). Previously, vital information was getting lost in massive reports. Today finance is using interactive dashboards and KPIs in real time, and engaging in more productive discussions with business. For example, First Time Right (FTR) is linked to Net Promoter Scores, and ultimately to customer churn. Internal stakeholders are more satisfied now, while the cost of finance has declined by a double-digit percentage. Every company is not that data-driven, but here are two things that'll help drive focus:

A technology road map that weighs the finance function's culture, goals and appetite for change: A case for change will surface any number of opportunities to automate, reduce costs, and increase efficiency of transactional and compliance-related processes. Our analysis of activity data shows that 30-40% of the processing time for several key finance processes could be eliminated with automation and behavior change. A quick look points to high automation potential for management reporting (40% of time spent on these activities could be automated), tax accounting (27%), credit management (23%), general accounting (23%) and billing (23%). Still, don't consider automation without a good look at the organization's culture, goals and appetite for change.

Tackling redundant systems and services is where most companies start. When [Dixons Carphone](#) merged to form Europe's largest electrical and telecommunications retailer, it knew it had to clean up redundant systems and services—particularly its back-end finance systems. With a road map that defined achievable, momentum-building chunks, Dixons Carphone implemented a single, cost-effective ERP system in 18 months—ready for layering in additional technologies.

Roles fit for the work: Process redesign often requires new levels of coordination and collaboration across the enterprise. Yet 59% of companies in our benchmark sample aren't set up for global oversight of processes that drive transactional efficiency (procure-to-pay, order-to-cash and record-to-report processes). Instead, multiple process owners drive what the business needs.

Slowly, new roles are forming based on automation's potential. For example, we're seeing an increased interest in single end-to-end process owners who are responsible for standardization of

Takeaways

- **Stage improvements carefully to increase finance's contributions to the business.** Move forward in line with the capabilities most needed for the business and stage different technology solutions and role changes carefully. [Elsevier](#), a global information analytics business, conducts periodic benchmarking analyses to identify the process redesigns that would yield the greatest returns and moves forward sequentially.
- **Match finance roles to outcomes.** Transformation efforts are less likely to succeed when there's not a clear understanding of the target operating model and specific business outcomes. Change roles to get the right role-to-outcome match. Today's global process owner role, for example, helps standardize end-to-end processes for automation.
- **Check taxes and compliance before you commit.** Process simplification and automation can have trade offs. Thinking of automating shared-service processes and moving them offshore? Remember changing where work gets done may subject you to different regulatory considerations or it may alter your total tax costs or legal entity structure.



Samir Bishara | National Finance Effectiveness Leader | PwC Canada

Q: How do process automation and AI work with ERPs?

Look at your end-to-end processes: The parts that can't be taken care of by your redesigned efficient processes and cloud-based ERPs should be taken care of by RPA, then kick in artificial intelligence, enabling decision support and insight.



Michael Engel | Emerging Tech and Intelligent Automation Leader | PwC US

Q: Should we be looking at headcount reduction with our automation efforts?

Automation creates capacity, but the first question is not about reduction. Instead ask, how can we take advantage of new capacity to ensure that there is a financial return for the investment? And how can we help people do their jobs differently? This gets you more value.



Sultan Mahmood | Partner, Intelligent Automation Leader | PwC UK and EMEA

Q: You use the term digital workers for RPA and AI, why?

When you think this way, you frame what type of work AI and RPA can support. Digital workers, just like human workers have various skills and are well suited to undertaking high volume or repetitive activities with minimal or zero error. This allows finance functions to deliver at speed and remove friction out of the process when dealing with their customers.



Jim Berres | Director, Finance Consulting | PwC US

Q: Is automation more cost effective than outsourcing?

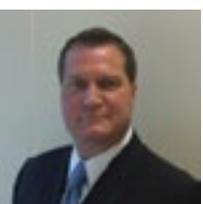
Automation and outsourcing are not mutually exclusive, so a cost analysis should be based on the processes you are trying to impact and an understanding of both automation and outsourcing benefits. Without a true understanding of that, you're just going to be spinning in circles.



Reagan Strey | Partner, Finance Consulting

Q: Should we be aiming for quick results with RPA?

RPA solutions are great sources to drive value. In order to improve the realization of those benefits, it's important to be thoughtful up front about how you will identify, prioritize, govern, support and scale these solutions. Just because you can automate something doesn't mean you should. Finance functions should think holistically about transforming processes to determine where to strategically apply RPA.



Bill Gilet | Partner, Finance Consulting | PwC US

Q: How is automation changing decisions about shared services and outsourcing?

Whether to centralize or outsource is less about automating transactional activities and more about weighing opportunity. For example, letting staff automate processes rather than moving the work may give them growth opportunities they want. But automation applied to more standardized processes will result in larger efficiencies, and having processes consolidated (captive or outsourced) will help achieve that in a timely way.



Rob McCargow | Director of Artificial Intelligence | PwC UK

Q: What's the level of AI adoption in finance organizations?

Forward-thinking organizations are running several AI proofs of concept and projects consecutively, and in the majority of cases developing the technology themselves on Open Source.



Performance:

Drive insights with connected, self-service financial data

Why it matters

When teams from finance and business focus on performance, they can reach any goal: increase future profits, break into new markets, protect against new entrants or increase the sustainability of earnings. Together, their data analysis uncovers insights that drive the enterprise forward.

In food and beverage companies, for example, finance teams can pair historical sales data with all sorts of data—from the number of children in the household to weather to traffic to trending menu items—and personalize offers to increase same-store sales. Spotting where and when to revitalize or replace menu items becomes clearer, too, as teams begin to hypothesize where tastes are going next.

Getting management support for investing in your [competitive differentiators](#) helps to balance short-term profitability with long-term value creation. Yet we know from studying [how companies drive their strategies](#) that only 13% of business leaders believe the few most important capabilities are reflected in the company's management processes (reflected in budgets, leaders taking on responsibility for building those capabilities, and the management team reviewing progress toward building them).

What's working

Close collaboration among finance, IT, and business teams is necessary to get agreement on the underlying building blocks in place that will drive competitive differentiators. Typically dynamic data models, these working models are evolving to get faster, more secure or more efficient with automated data cleansing and [intelligent automation](#). Uses of [artificial intelligence](#) or even [blockchains](#) are part of the value creation, if there's a business case using these technologies.

Outside of data or technology choices two things are working now:

Skills for hypothesizing: A winning hypothesis articulates assumptions, then it needs data to back it up, otherwise there's no basis for action. For the finance function, the second half of that

equation, backing up assertions with numbers, isn't new. What's new is the mind-set for creating granular hypotheses about what could give the business an edge and testing it with people who can act on it.

At [KAYAK](#), the travel search-engine provider, the CFO seeks to identify this mind-set in the hiring process. The team looks for people who can be put in front of large data pools and work with software engineering teams to find insights that matter. They're given the freedom to state their own hypotheses and they're asked to be critical of their own progress against what they think they can find.

Getting out the story in the data: Delivering insight is a far cry from generating hundreds of pages of static reports. The goal is to zero in on key questions for where the business is now, and what's needed to move forward. This may mean shaping dynamic self-service dashboards to show comparisons, automating flags or ranges, or linking more detailed data so that business users can get more context (like being able to drill into social media posts from dynamic dashboards).

Voice search tools, too, are helping to drive this shift. Instead of having to pull down a report, users can ask basic questions like: Can you send me a balance sheet? What's selling in China? In leading companies, finance has anticipated some common questions for voice search to help the business be nimbler and faster.

Dynamic reporting means you may need to get used to different insights as models evolve. As more unstructured data gets incorporated into data models, and AI is layered in to analyze it all, your teams will need to understand new patterns and trends—and their implications on the business.

75%

of time in top performing finance functions is devoted to data analysis and insights



2013



2018

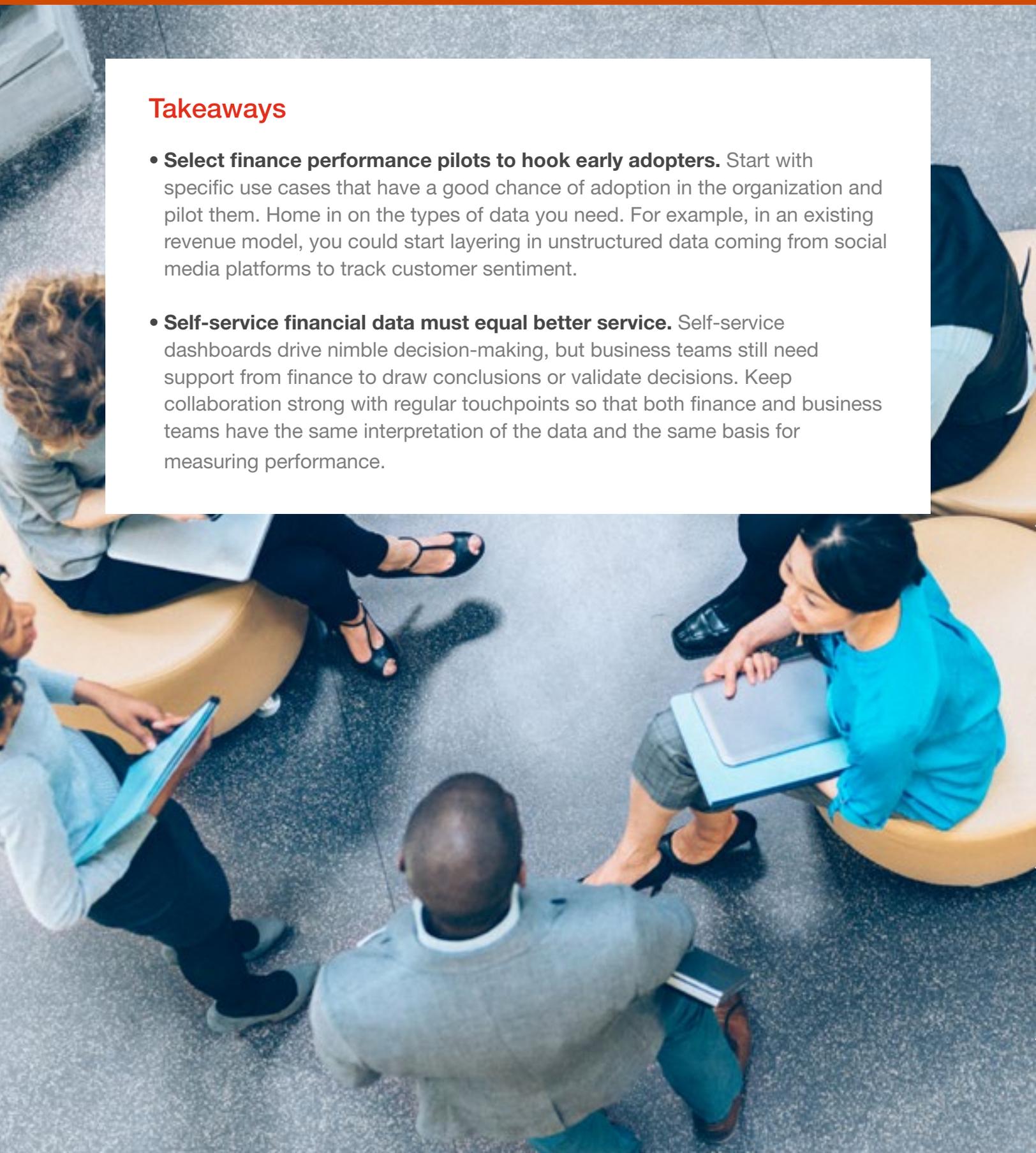


■ Top quartile
■ Median

Source: PwC, Finance Effectiveness Benchmarking, August 2019.
Percentage of staff time spent on analysis vs. data gathering in finance function roles.

Takeaways

- **Select finance performance pilots to hook early adopters.** Start with specific use cases that have a good chance of adoption in the organization and pilot them. Home in on the types of data you need. For example, in an existing revenue model, you could start layering in unstructured data coming from social media platforms to track customer sentiment.
- **Self-service financial data must equal better service.** Self-service dashboards drive nimble decision-making, but business teams still need support from finance to draw conclusions or validate decisions. Keep collaboration strong with regular touchpoints so that both finance and business teams have the same interpretation of the data and the same basis for measuring performance.





Richard Wyles | Enterprise Performance Management Global Leader | PwC UK

Q: How are transformation projects getting funded?

Many of our clients are competing with agile start-ups, so the investment is based on a desire to change an existing operating model. There's a strategic need for finance to have a different dialogue with the business, because that's what helps the business become more agile.



Mu Hassan | US and Global Enterprise Performance Management Leader

Q: Where do you see performance management heading?

We're helping make the connections from the strategy and business plans down to specific investments that are linked to them. This creates a new view of the business and new perspectives on how the business is performing. When it's tied to planning and data and analytics, it's a very powerful new area of insight.



Katie Wonders | Director, Finance Consulting | PwC US

Q: What happens when you partner with the business on cost allocations?

When we partner with the business, we help them understand how cost allocations really work—and we can come together on understanding the drivers of cost. We also help business leaders avoid management decisions that end up being numbers games that mask other issues.



Don Rupprecht | Partner, Finance Consulting | PwC US

Q: Does finance lose control over data when reporting becomes self-service?

It's an opportunity. Finance can step up and own performance measures. For example, if you are measuring back-office performance by cost per revenue or HR cost per employee, finance should own those metrics, publish them and ensure their quality. They should also report what the drivers of those costs are.



Scott Pollak | Partner, People Analytics | PwC US

Q: Where's the best opportunity for finance to partner with HR?

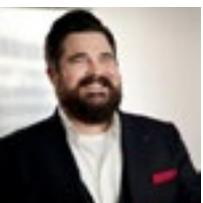
People data is a way to get a consistent look at human capital across any organization. Both functions should want standardized, well-governed data. It provides a comparable way of looking at how the whole enterprise hires, evaluates, promotes and rewards employees.



Jocelyn Plamondon | Senior Manager | PwC Canada

Q: How will self-service reporting change finance's relationship with management?

Finance should be moving away from producing P&L statements and toward management information and management reporting that's rich in analytics and insight. All this relies on data and processes that are strong and common across the business.



Corey Gallon | Director, Finance Analytics Consulting | PwC US

Q: How do you make the business case for expanding the role of finance?

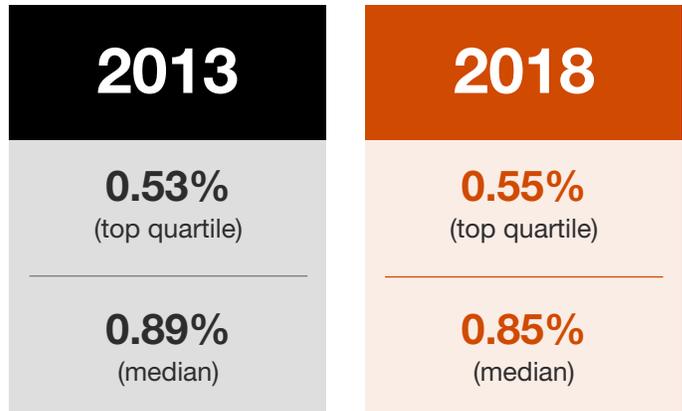
Bring finance use cases closer to revenue-generating use cases, because that's where the value is. For example, if treasury gets an earlier predictive signal on the availability of working capital, it can lead to a higher rate of return. Business is more likely to invest in such use cases.

Is your finance function cost efficient? Here's how to know.

Today's finance budgets are shifting, but they are not necessarily shrinking

Efficiency and cost reduction have been a major focus in recent years, but finance leaders are investing those gains to improve the insights they provide to the business units and the company leaders they support.

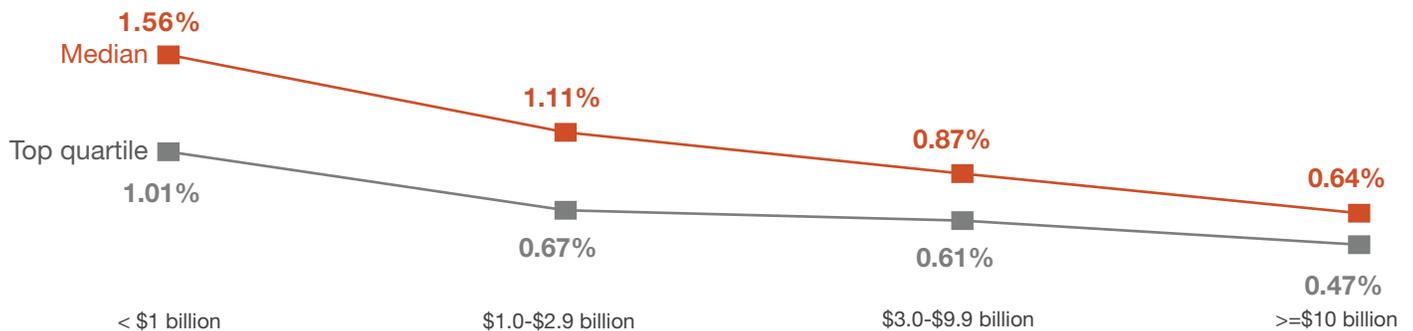
Still, most CFOs want to know: What does good look like now? And how do I set cost goals? When comparing your finance function against benchmarking metrics, it's important to consider your company's situation. Here's how to do it.



First, consider revenues

Companies with larger revenues typically have lower-cost finance functions. They take advantage of economies of scale and operating model design to deliver efficient finance activities.

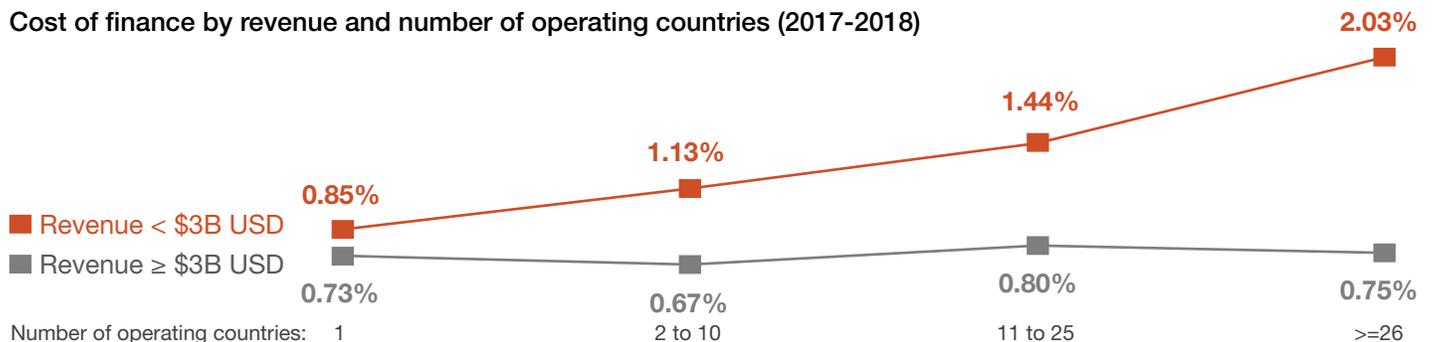
Cost of finance by company revenue (2017-2018)



Next, know why geographic footprints matter for smaller companies

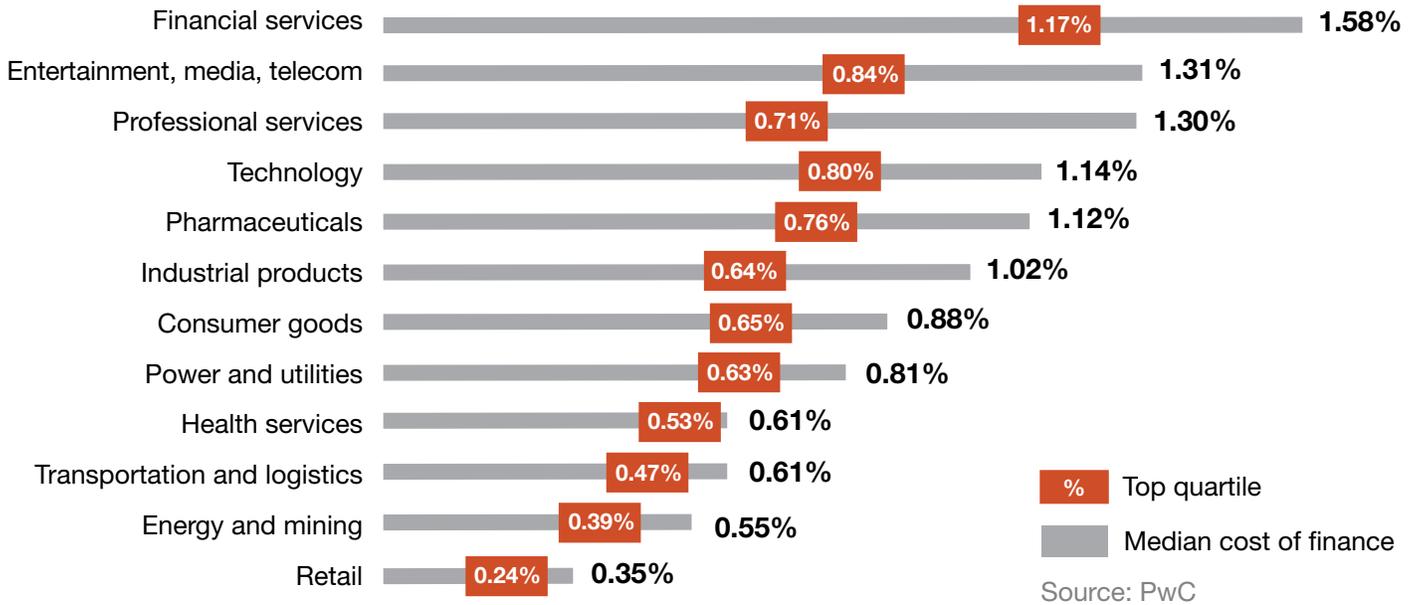
Large companies (≥ \$3B USD revenue) have no excuse for an increased cost of finance when operating in a more geographically complex environment. A multi-national footprint often adds complexity for smaller companies that may not have the benefits of scale or a global operating model.

Cost of finance by revenue and number of operating countries (2017-2018)



Source: PwC

Finally, gauge where you stand against your industry peers



Financial services have higher costs thanks in part to heavy regulation, complex business models, fragmented product-based or geographical IT landscapes, and often higher remuneration rates.

Retail tends to have the lowest cost of finance due to intense focus on cost control and margins, processing efficiency, and centralization.

The ultimate goal: More for less

-

Efficiency

- Transactional processes
- Purchase to pay
- Quote to cash
- Record to report

+

Innovation

- Technology
- People experience
- Business partnering



Company profiles

How Devro's CFO drove rapid transformation across a multinational company

The meat goods manufacturer collaborates across teams to reduce costs and bolster its differentiators: high-quality products and solid customer relationships.

What defines a CFO as a business partner?

Increasingly, finance is being called upon to provide the business with insight and commercial support, and to serve more generally as a trusted partner. But there's a considerable debate regarding what this means when put into practice.

Questions include: Where should the CFO set the vision for finance, and their own personal aspiration? Will the CFO truly serve as the CEO's right-hand person? Should finance be at the center of helping the business execute its strategy? Is finance driving change, not just for finance, but for the entire business? There are not many CFOs that can answer "Yes" to all these questions, but there is one who can.

Devro plc is the world's leading supplier of collagen casings for food, used by customers in the production of sausages and other meat products. The company is headquartered in the UK and has manufacturing sites there, in the US, Netherlands, China, the Czech Republic and Australia. Devro has over 2,000 employees worldwide and 2017 revenues of £256.9 million.

The challenge: Focusing on differentiating capabilities

In 2018 Devro's newly appointed CEO, Rutger Helbing, articulated a refreshed and clarified strategy for the company.

This strategy is not academic—it requires an absolute focus on what differentiates Devro in its market, as well as an investment in the capabilities that drive that differentiation.

But above all, it requires that the organization tackle the "Must Win" battles quickly. In the past, the funds for such investment simply hadn't been available. But Rutger turned to his recently hired CFO, Jackie Callaway, to make the necessary changes happen.

To begin, Jackie tested to see whether or not there was room to reduce operating expenses and at the same time reduce cost. The first step came in the form of a quick benchmarking exercise, which examined the total sales, general and administrative (SG&A) cost. This high-level view confirmed the "size of the prize," and proved that there was a significant opportunity for Devro to realize cost savings which could be reinvested in high-priority strategic initiatives.

Creating ownership for the change

Jackie and Rutger wanted to act fast. Jackie recognized that a robust approach to cost savings required external help, and they would have to make sure that the solution was optimized and, crucially, that all the senior executives felt included in the design process and were fully committed.

"We pulled a cross-functional team together, which was really important," Jackie explains. The team included representatives from commercial, supply chain, product development, HR, finance and IT. "It was multi-jurisdiction as well, so we didn't just take people from head office. They came from all around the world, 12-15 high-potential people from across the group."

Commitment in a few short weeks

Utilizing a series of surveys, strategic discussions and management interviews, Devro's top differentiators quickly became clear. Rather than diffusing efforts across all areas, Devro would focus on its high-quality products and superior customer relationships. Company activities were then analyzed to clarify what supported this differentiation, which were necessary to "keep the lights

on,” which were “table stakes” activities and which were non-essential and could be eliminated.

The evidence and thinking was solidified in an intensive and carefully planned three-day workshop. The time investment from Devro was significant, bringing together senior executives from around the world.

“The organizers claimed they could get three months’ work done in three days, which made us all smile,” said Jackie. “However, it turned out to be true! Start-to-finish the process took seven weeks, and that speed was essential.”

The plan in action

Devro is currently executing on the strategy it devised during this transformational process. In the area of product quality, Jackie explains, “product excellence is about ways of working, but it’s also about investing in product development.

For instance, adding more category management and product development roles.” In terms of cost savings, she says, “where we’ve managed to find most of the savings is really in back-office support services that you can bring into a shared service.” Devro is also working to strengthen the intimacy of its customer relationships. “We innovate with our customers and make them as efficient as possible, because we want them to be successful,” Jackie says.

What enabled early success

Having defined the plan, the team worked hard to communicate a vision of the future to the organization, with the CEO acting as a key figure in the process. The project has quickly moved to execution, maintaining the speed and momentum that was established at the outset.

Whilst many CFOs would feel comfortable supporting and advising major strategic change program, how is it that this CFO ended up in the driving seat? “The CEO has to invite you into the process, and Rutger, as the former CFO, was comfortable with that,” says Jackie.

She also gives credit to her team.

“You have to have a finance team that gives you complete confidence, so that you can invest the time and your own energy,” she says. If a company’s transactional, compliance, and control processes are not functioning well, the CFO is unable to rise to the challenge.

How talent grows: Spending time in the business

And how should CFOs look at building talent for the future? “There is huge value in working with different cultures in different countries and quite difficult circumstances. It’s good to be out of your comfort zone, and work outside traditional finance on the way. For a finance person to be a true business partner you need to spend time in the business.”

Rutger, Devro’s CEO, started this program by borrowing inspiration from Jack Welch’s quotation “You’ve got to eat while you dream”—meaning that the company must deliver on its commitments, while developing and implementing a long-range strategy and vision. The vision is there now, and is certainly being delivered.

Dixons Carphone solidifies its merger with “One Finance for Business”

The European electrical and telecommunications retailer resolved back-end inefficiencies and saved millions of dollars to enable ERP adoption.

The challenge: Uniting Dixons and Carphone on a single ERP system

Dixons Carphone’s core retail business is the largest multi-channel specialist electrical and telecommunications retailer in Europe. The company was formed in 2014 by the merger of Dixons Retail and Carphone Warehouse Group, creating an electrical and telecommunications retailer and services company based in London, whose numerous brands are instantly recognized throughout the United Kingdom and Europe. The company employs over 42,000 individuals and had a revenue of £10.53 billion in fiscal year 2017-18.

In 2014, after Dixons and Carphone merged, the new company found itself with numerous redundant systems and services. Blair Robinson, Dixons Carphone’s Director of Central Business Services, joined the company after the merger.

He explains that “for every single function and every single part of the business there were two processes, two systems.”

Plotting the roadmap

The newly unified company needed to find efficiencies, build controls and have visibility around these functions. Additionally, it was a merger of two retail businesses that had historically underinvested in their back offices. In Blair’s words, there were “lots of very old systems, lots of manual work-arounds, very disaggregated back offices, a mix of shared services, a mix of outsourcing, a mix of in-house.” They needed an infusion of capital in order to modernize.

It was readily apparent that Dixons Carphone needed to plot a road map from its current situation to a place where systems were efficient, cost-effective and served the business with a single ERP.

Blair explains, “the journey was about what on earth do we want the back office to be, and what do we want it to look like? What are the various steps along the way? And because we were coming from the point of a merger, we needed to get value out quickly while knowing there was a longer road map to come.”

Dixons Carphone knew that in addition to focusing on its immediate needs, it needed to plan three or four years ahead, in order to roll out shared services, and ultimately build a single ERP for the organization.

Identifying where to take action

The company began its process by investing in a benchmark program. It sought to set goals on their journey from the multiple legacy systems brought in by the merger to the desired end state with one way of doing things with one set of operating models, one set of processes and one technology stack.

“We needed to make things clearer, simpler, faster,” Blair says. The benchmarking project assisted the company in envisioning what the new company would look like and how it might get there. It helped Dixons Carphone to size its goals and identify priorities for change. Blair says that starting the process with a benchmark helped the company get “clarity on where we needed to go and it helped us prioritize and start to plan, because we were able to see what a good organization in this area looks like.”

Putting finance at the heart of the business

The benchmarking initiative also helped Dixons Carphone's senior executives realize that finance functions would be instrumental in ensuring that the company could make the best offerings to its customers and create the ideal technology landscape. For that reason, the project was branded "One Finance for Business" and presented as a finance transformation enabled by technology.

In order to achieve the company's goals around supply chain, technology, point-of-sale transactions, website improvements and customer interactions, it was imperative that Dixons Carphone simplify its back-end systems. Resolving massive inefficiencies in finance processes would ultimately offer the cost savings that would enable many of the other necessary improvements, ultimately including a companywide ERP.

Building momentum, one chunk at a time

Once it had established the road map, Dixons Carphone worked its way through the journey in achievable chunks. The company built the business case for leadership one piece at a time and took each bit in turn to get funding.

| The team's ability to demonstrate early benefits made it easier to get approval for the next piece of the plan.

However, everyone understood that in the end, progress would only be sustainable with a long-term plan for an ERP system.

First the company standardized business processes, then moved on to simplifying them and then to changing the operating model. Each of these actions in turn freed up cash to help move forward with the next step. Dixons Carphone realized savings through headcount reduction, streamlining processes, moving certain functions to lower cost shared service centers in India, and ultimately implementing robotic process automation for certain finance functions.

Today, as Dixons Carphone enters the next stage of its transformative journey, it is happy to review how far it's come. The company has realized millions of dollars in savings through its transformation and implemented its desired ERP system.

Evolving with effective change management

Blair attributes success to a combination of factors that are all about effective change management. These include the initial benchmarking project, the step-by-step approach to its desired endpoint, and taking a "show don't tell" approach to moving the project forward.

| As he explains, "at every stage of the project right from the inception of design, we let people see what the solution was going to look like. And we evolved in front of their eyes."

So there was no paper-based design. There were process maps developed at the back end, but really from day one we had a working model of the ERP. And every single workshop that we ran with the business, we showed them the relevant part of the ERP for the process that we were talking about."

The organization has won awards for the project due to this approach to business adoption and change management. Dixons Carphone was also able to implement its new ERP in 18 months from start to finish. It completed the project on time and under budget, and was able to complete reporting on time in the first month.

HR transformation is coming soon

Looking forward, the focus from the finance perspective is around further embedding the company's gains and optimizing further around robotics. Taking a wider view, the company is in the process of implementing a significant HR transformation over the next year. Dixons Carphone plans to standardize HR processes, move to a single payroll and change the delivery model for HR the way it has already done for finance.

Why Elsevier puts employee engagement at the center of its finance transformation initiative

A global information analytics and publishing business hits the books to deliver higher value through finance, and a culture of continuous improvement.

The challenge: Chasing the horizon on Finance transformation

Elsevier is a global information analytics business specializing in science and health, serving institutions and individuals around the world. Elsevier has partnered with scholars for over 140 years to curate knowledge, originally operating bookstores and publishing companies and expanded to publishing journals in the 1940s. Its products include important scientific journals such as The Lancet and Cell, reference works such as Gray's Anatomy and data analytic tools and services such as Scopus, SciVal and Clinical Key.

Today, Elsevier publishes more than 430,000 articles annually across 2,500 journals. In recent years, Elsevier has expanded into the area of information analytics and has amassed significant databases which serve the needs of professionals in science and medicine.

When asked about transforming its finance organization, Stuart Whayman, Elsevier's CFO, describes a continuous journey. "It's not one where you can say, right, I've done finance transformation—done," says Stuart.

"There is a continuing need to drive efficiency for shareholders, and with technology that is constantly changing and evolving, the horizon continues to move away."

Sharpening the focus

When Stuart first joined Elsevier five years ago, the company was partway through a significant finance transformation process. While he recognized that there were still improvements to be made, he was cautious of launching a new improvement program in the same areas, noting that "if the whole organization is constantly in a state of flux and strain and stress, everyone is just going to burn out and break and disappear."

Stuart decided to begin with a benchmarking project to identify what processes would yield the greatest returns and—equally important—where not to focus. He knew that there were opportunities for improvement in several areas, but he stressed that the benchmarking exercise helped quantify the benefits, prioritize the opportunities and gain wider buy-in. His teams then focused on the target processes in sequence, leveraging what was learned in benchmarking about the processes most in need of transformation.

Stuart outlined a strategy for continual finance transformation that rotates around the different finance functions:

"Maybe there's a four-year cycle, with 12 to 18 months of disruption in a particular area. And then we give the team two-and-a-half years of being able to sit and stay, and feel human again, get the benefits. And then the cycle begins again, you identify new things that you can apply to that area and move it to the next level."

Going beyond lower costs

Stuart stressed that while cost reduction is certainly an important reason for transformation, increasing effectiveness and business insights in each area must also be prioritized. Elsevier has managed to reduce cost significantly throughout the finance department while dramatically improving the quality of service it provides to the company.

Stuart explains that this combination of benefits stems from multiple factors: “It’s about changing organization structures. It’s about location, offshoring, but it’s also involved working to improve culture and behaviors.”

In credit risk and receivables (CR&R), for example, along with reducing cost, a major program refocused the team on metrics and teamwork. Investments were made in existing team members and they were provided new tools, including new ways of working, to make their jobs easier. Stuart says, “They could see that there was a positive aspect of the transformation on a personal level, which I think is really important.”

Measuring success

And how do you measure effectiveness? “I would like to make it more quantitative and more measurable,” says Stuart.

“But reviews of finance are consistently positive. All involved agree that finance at Elsevier is delivering at a level significantly higher than seen five years ago. Also, over the past 18 months, there has been a big improvement in employee satisfaction within the finance department.”

Stuart believes that this is the result of Elsevier’s philosophy of driving change in a thoughtful way that engages those involved. It proves the case that it is possible to take out cost and improve, not reduce, effectiveness.

Every business decision is a Finance decision

The role of finance in the business might be slightly different in Elsevier to many companies.

“We are a data analytics business,” says Stuart, “so there’s lots of people in the business who are very, very data savvy—very okay with best tools, with machine learning, data science and all its facets.”

Other organizations have built data analytics capability in finance that then flows out to the rest of the organization. “We don’t have to do that, but we do want the business to focus on the customer.”

Elsevier has built a data and analytics group that focuses on back-office data, with its own identity, independent of finance, but reporting to the CFO. But the role of finance is crucial. “Essentially, every business decision is a finance decision. You can augment the finance team with people who come from other backgrounds and other skills, but at its heart you need a finance team that has the financial competencies.”

A culture of continuous improvement

Over the next five years, Stuart anticipates an increase in automation in Elsevier’s finance function. While Elsevier is early in its adoption of robotic process automation (RPA) today, Stuart believes that over time more and more processes will be automated, freeing up time for finance professionals to take on additional roles in the business. And, of course, attention will shift to the next set of areas prioritized in the benchmarking process. Elsevier’s culture of continuous improvement will continue to move forward.

How Grupo Colón Gerena unified 113 of its restaurants on the cloud in six months

A Puerto Rican restaurant management company cuts expensive and time-consuming processes with a quick and painless move to the cloud.

The challenge: Unifying legal entities and standardizing financial systems with cloud-based ERP

Grupo Colón Gerena (GCG) is a Puerto Rican restaurant management company founded in 1979. GCG owns 113 restaurant franchises including multiple locations of Wendy's, Applebee's, Famous Dave's, Sizzler, Longhorn Steakhouse, Olive Garden and Red Lobster across Puerto Rico. GCG has more than 6,500 employees.

In 2016, after multiple acquisitions and mergers, GCG consisted of 15 different legal entities run across two completely different accounting systems.

Every time GCG needed to run a company-wide report, it had to pull data for each legal entity out of the system where it resided, reconcile divergent accounting processes and re-input data into the organization's primary system to run a company-wide report. This process was both time-consuming and costly in terms of FTEs.

Taking the long-view on the cloud

GCG decided to consolidate and standardize its financial systems on Oracle's ERP cloud solution. GCG took a long-term view of the costs and benefits of moving to the cloud. While in the short term the move would be more expensive for the organization, over the long term, there were multiple sources of potential cost savings.

As Ramon Vazquez, IT Director of GCG, explains, a move to the cloud meant less money spent over time on hardware, servers, software upgrades, deployments and consulting services for those upgrades. Moving to the cloud also meant that GCG did not need to invest in on-site disaster recovery systems.

Ramon believes that GCG will break even on its move to the ERP cloud in only three to five years.

ERP= security, speed, convenience

Moving all of GCG's legal entities to the Oracle cloud system allowed the organization to standardize accounting practices across legal entities and realize a significantly streamlined consolidated reporting process. As part of that process, the organization standardized fiscal year calendars, general ledger accounts, and accounting and reporting processes. Impressively, GCG managed to complete this major upgrade in only six months, and went live with a unified system in January 2017.

As Ramon explains, GCG's Oracle cloud solution saved its IT department from having to administer on-premises hardware and software solutions. At the same time, Oracle offers GCG the security of a huge, multinational company with extremely sophisticated data centers and "backups of their backups of their backups."

The company was also able to integrate its new cloud solution with their restaurant management software, allowing it to directly integrate restaurant sales and inventory data into the accounting system without human intervention.

In addition to accounting, GCG has moved several other functions onto cloud-based solutions. Today, finance, purchasing and inventory are all in the cloud. The back-of-house systems for all 113 stores are on a cloud system which runs inventory, sales and point of sale data. Employee

time card data runs on a cloud-based HR system. In the past year, GCG has moved its disaster recovery system to the cloud as well. Finally, GCG is currently launching a business intelligence project in the cloud using Microsoft's Power BI solution.

The benefits: saved time and increased efficiency

GCG has seen numerous benefits from its new cloud solutions. In the area of accounts payable, the Oracle ERP automates invoicing, saving the work of four to five FTEs. Suppliers are now able to easily access the status of their purchase orders and payments, saving time spent importing invoices into a database and handling supplier inquiries. And, of course, the standardization of GCG finance data on a single solution has vastly increased efficiency in the organization's financial planning and budgeting processes.

Reductions in transactional entry requirements have also allowed GCG to foster job growth for its finance employees. Rather than entering data all day, finance personnel are able to prioritize value-added activities for the organization. Additionally, as finance FTEs naturally attrite over time, GCG is able to identify new hires accomplished in data analysis and insight, bringing a different skill base to the company.

Working through natural disasters

Having their systems in the cloud also allowed GCG to get up and running quickly despite extended power outages following Hurricane Maria in September 2017. Carlos Garcia, EVP and Chief Administrative Officer for CGC explains:

“As soon as the electricity comes up, we're up and running on our cloud. It doesn't matter if all of my local servers are still booting up, the cloud solution is running 24x7, and we can start working immediately. So even with a major hurricane, on the financial side, we are never actually down. And we are sure that our data is safe and everything is up and running in the cloud.”

After Hurricane Maria, despite numerous power and communications breakdowns across the island, GCG quickly reopened restaurants, often with portable generators and limited menus. During this time, finance employees went out to restaurants and used cellphones and laptops to get online, upload point of sale data to the cloud, and kept the central office informed and able to make the best possible decisions during the island's difficult recovery period.

Expanding without additional headcount

Looking toward the future, Grupo Colón Gerena is planning to open nine new restaurants in 2019. As a result of its cloud solution, GCG foresees doing so without adding to the main office headcount at all. Due to the efficiencies and standardization offered by its cloud ERP solution, GCG is well prepared not only for the next hurricane, but also to tackle future company growth.

How KAYAK works to stay lean and agile through waves of growth

Operating with a start-up's mind-set and an obsession with metrics and data, the travel search specialist pushes for continuous improvement.

The challenge: Never do anything twice that a computer can do

Founded in 2004, KAYAK developed the first travel metasearch engine. KAYAK searches hundreds of travel sites to show visitors the information they need to book flights, hotels, rental cars and vacation packages. The company processes more than two billion searches every year, and employs more than 1,000 people across seven international brands.

In 2013, KAYAK was acquired by Booking Holdings, which also owns Booking.com, Priceline, OpenTable and Agoda. Chief Financial Officer Peer Bueller and Finance Systems Head Stelian Epure say that KAYAK's lean and agile finance function helps keep KAYAK growing.

KAYAK's employees have a passion for data and continuous improvement. The company's culture values measurability, metrics and an agile mind-set. The majority of employees are engineers working to improve the company's web services. The engineers "build the software. They develop it. They break it. They put it back together. They try to make it faster, smarter, lighter, easier to use," Peer Bueller says.

Once the company became successful and grew well beyond its original 14 employees, it added HR, finance and legal departments as a matter of course. Consistent with the unique culture of the company, those departments have worked to remain lean and efficient, and to ensure that the work they do drives the business. KAYAK has just 38 people in its finance organization. "My tax is tiny. My FP&A is tiny," Peer says. "In comparison, I have a slightly bigger finance systems team." That's where Stelian Epure comes in.

A focus on growing the business

In its quest to remain lean, KAYAK's finance function has been tapping Epure's systems team to improve finance processes through automation and technology wherever it can.

Peer explains: "Finance here is focused on seeing whether there are pieces of software out there, pieces of connectivity that we can either buy or build that make us faster." An example is leveraging AuditBoard to improve oversight and progress tracking for their vast global control environment. This is an investment that pays itself back by saving time on audits and control testing.

While compliance and controls are central to finance, the department's duties extend well beyond those areas. In addition to "not messing things up," he says, finance needs to stay "innovative and focused on growing this business, and making sure it's relevant next year and the year after. Our competition is very much alive and changing the way they play the game as well."

He stresses that it is a rapidly changing space, with many new entrants, and a relatively low cost of entry. "We have to constantly evolve to stay competitive in both the value and quality of the service we provide, and the customer experience."

Save time, find what really matters

For Peer and his finance teams, to stay focused on innovation and growing the business, it is important to save time.

Peer says he and his teams strive to "never do anything twice that a computer can do for us."

As an example, he explains, “If we have to build a three-year plan for the first time, and it takes two days to do it, I’d be very disappointed if it takes more than a day if we need to do it again a year later.

I really need everybody in a mind-set where if you do that kind of work, it’s going to be very easy to redo it, to update it, to do it for another business. We build things in a way that can be repurposed.”

Peer says that “where we can automate, we automate. Where we can simplify, we simplify. Where we can get it done, we get it done straight away.” This goal is shared throughout the KAYAK organization. Employees inspire each other to keep things simple and effective. Peer notes that automation not only saves time, it also improves accuracy. But that doesn’t take away for the need for humans—in fact—quite the opposite; Peer Bueller believes employees are the main ones to benefit. Optimal automation decreases repetitive work, decreases the need for manual review and ultimately increases the time our people can spend on tackling new challenges.

“Any time I walk into a business to understand a new process and people say, ‘well, I download this and then I copy it here and then I paste it in there’—it just makes me want to pull my eyeballs out! Finance encompasses many tasks that computers can do faster with higher accuracy. And computers won’t get bored doing them.”

Peer says that he tells employees “We have more data than you will ever be able to get through, so don’t try to understand it all.

Just find what really matters and start chewing on that. And whenever you feel you found something valuable, let’s turn it into a process that we can automate and then move on to the next thing.”

Stelian Epure notes that the focus on automation at KAYAK has meant that “we’ve been automating before the term RPA existed.” He described that, true to the company’s roots, they’re engineers, and they can program bots themselves. He says, “We’re automating fixed assets, or automating if we need to estimate revenue, or any process that has repetition and logic behind it. And we’ve done that for quite a few years.”

Finance + operations = new opportunities

Analytics are also a backbone for KAYAK, both outside and within the finance function. The company sits in an industry where almost everything is measurable. Peer believes that at least 90% of the people at KAYAK would classify themselves as analytical, and most have access to data.

The key is to find the right metrics to analyze in the right way to help drive the company forward. He says that finance’s role is to “put things into perspective when it comes to ROI, when it comes to revenue and expense growth, into all kinds of ratios on a per-head, per-entity, per-dollar of revenue kind of metric, which are, I think, beautiful metrics to sum up the performance of initiatives.”

At KAYAK, finance serves as a true business partner to operations, as the two groups work together to identify and evaluate business opportunities, make pricing adjustments and determine marketing initiatives.

Peer attributes the company’s strong focus on automation and analytics to KAYAK’s history as a software centric start-up. He says, “As a start-up, you want to be profitable or at least you don’t want to burn money like there’s no tomorrow. And you’re starting off with a culture of ‘let’s do what matters and don’t waste money. Don’t waste time. Stay ahead of it. And, hey, given that it’s so measurable, so trackable, let’s make use of that.’”

Peer also describes a tension at the company between speed and efficiency on the one hand and “making things future proof” on the other. He says that it is important to build processes to be flexible enough to easily incorporate modifications, because he stresses that KAYAK is an internet company and things are constantly changing.

Hiring for the entrepreneurial mindset

At a company that's so focused on automation, analytics and continuous improvement, hiring the right talent is of utmost importance. Peer explains that when hiring for the finance function at KAYAK, he looks for candidates with analytical thought processes and a strong appetite for change and risk. He also notes that employees really need to be able to function autonomously to succeed at KAYAK.

Finance employees are given access to enormous amounts of data and are expected to find their own challenges and be critical of their own progress. They are not given a daily list of tasks to accomplish or intrusive managerial oversight. Additionally, KAYAK prioritizes quality talent over lowering headcount costs.

The majority of the company's employees work in places like Copenhagen, Berlin, Zurich and the northeastern US. None of these are low-cost labor markets. Peer notes that this is by design, as "the money we could save on putting people in low-cost labor countries doesn't stack up to what KAYAK can add to its valuation through innovation and growth right now."

He also says that even as the company has grown beyond its start-up stage, "most people have the right entrepreneurial mind-set. People treat the company's money like it's their own. I'd be the last person to think of classic budgets and telling people here's how much you can spend on travel next month.

I'm very drawn towards the aggressive transparency model that we see out there: "Spend whatever you want to spend, but let's be transparent about the intended impact of the spend. Then open up this ROI target as well as the actual performance for everyone to see. I love those kinds of innovations."

Experiences that build careers

KAYAK has grown but its finance organization has stayed lean and agile while preserving creativity. Looking to the future, Peer tells his finance employees "the world is going to change more and more, and change is more inevitable than it's ever been. And getting better at change is vital in everybody's career.

I want them to know that a year of experience at KAYAK should be worth more than a year of experience anywhere else. And we try to make that true with acquisitions, with change, with challenge, with empowerment." Ongoing changes in the company and the industry will require continued agility and business improvement. He says, "the reality for finance in KAYAK is that there will continue to be increases in complexity and automation." However, he firmly believes that his KAYAK teams are up for the task, adding, "we'll deal with those challenges. And I think a lot of people here will actually enjoy it. As we have before, I think we'll get on top of it, make it a process again, and automate it and make it smart."

A Dutch telco taps the next generation of finance to focus conversations around the customer

KPN's revamped financial philosophy has allowed it to reduce costs, shorten processes and invest in its customers.

The challenge: A leading Dutch telco overhauls its finance department to compete in its market

KPN is a leading telecommunications provider and market leader in the Netherlands, with revenue of €5.6 billion and over 13,000 employees. With fixed and mobile networks for telephony, data and television, KPN serves private customers and business users, both within the Netherlands and abroad.

In 2016, KPN embarked on a finance transformation project with a strong focus on digitization. Called "NextGen Finance," the transformation encompassed digital upgrades, process simplification, organizational transformation and a change to the culture of the finance department.

The goal of NextGen was to transform the finance department and create more value for the entire company, while reducing the cost of the finance function overall. As explained by KPN's Head of Finance Transformation, Bart Meussen, the ambition was to make finance both more effective and more efficient. According to Bart, finance aimed to move from a backward-looking role in the company, with reporting, compliance and status updates primary, to a more business-oriented, forward-looking organization.

Agility needs stability

As former Dutch Minister of Finance, KPN's CFO Jan Kees de Jager has a very clear view on the role of finance in supporting business strategy and improving business decisions. He says that when he joined KPN in 2014,

"80% to 90% of finance time was spent reporting the past, rather than comprehending the present and foreseeing the future. And comprehending the present and foreseeing the future allows finance to steer and navigate the business into better decisions."

Jan recognizes that accurately reporting the past is a basic requirement for finance. In fact, it is essential as the foundation of agile businesses in the highly competitive telecoms market. "Agility needs stability," he says. However, he stresses that reporting needs to be completed with maximal efficiency, so that finance can focus on being "the Navigator of KPN's business in creating sustainable value."

Setting the right tone through culture

Jan recognized from the start that such a significant transformation required not just organization design and supporting systems, but a significant cultural shift as well. And those involved in day-to-day running couldn't make the change alone. They needed a dedicated transformation leader (Bart Meussen's role) and a team including young talent with fresh ideas.

When Jan joined the company, half of the employees in finance told him they thought they reported to the business, rather than to the CFO. It was important to help them understand that "reporting to finance, your first obligation is to do right for the value creation of the whole company and not for your own segment."

As a result, it is important that finance representatives are "able to stand up against the business person, and say, 'No, here I draw a line in the sand, and we have to do it this way.'"

Focusing the conversation on customer retention

The finance transformation also produced a significant shift in finance reporting and discussions around reports. Before NextGen, reports were hundreds of pages long and vital information would get lost in the sheer volume. Based on the work of the transformation group, KPN now works with interactive dashboards which report KPIs in real time and allow for more productive discussions, and analyze a rich mix of data.

Jan says, “We start with the outside in view. How are our competitors doing? What do buy-side and sell-side analysts say about how we are performing? And how our competitors are performing? With our customers, what is the chatter on Twitter or other social media? What’s the chatter about our company and our competitors?” Then the focus turns inward, focusing first on financials and then on more forward-looking non-financial KPI’s.

Examples include Customer Lifetime Value and First Time Right (FTR). FTR measures the rate a process was done correctly the first time. It’s used for processes like the on-boarding of new customers, customer migration to other systems or the activities the field engineers perform.

FTR has been linked to Net Promoter Scores and, ultimately, to customer churn. Jan explains that when FTR occurs “customers will be more satisfied and thus stay longer and be more likely to acquire more services. This then increases our average revenue per address.”

Three years in, Finance costs shrink by double digits

Three years in, NextGen Finance has resulted in significant positive impacts for KPN.

The finance chain is shorter, all finance staff follow Lean training, transparency has increased and manual handling of transactions is substantially reduced. New IT tooling has been implemented and the monthly closing process has been shortened by more than 25%.

Success is assessed in both hard and soft measures. There has been a double-digit percentage decline in the cost of finance, driven by a substantial reduction of FTE’s. Softer measures look at business impact. Finance is accomplishing much more, with greater impact to the business, which is reflected in increased satisfaction from internal business managers. Also, KPN attracts a lot of positive attention from the market on what is happening within this core function.

Eliminate, simplify, standardize and automate

In the next three years, Jan foresees an increasing impact of data analytics for several areas, including continuous forecasting, process-mining and machine learning. Data-driven insights will allow finance to be even better business navigators, with more significant impacts on the business.

Bart notes that productivity and efficiency will keep improving through further use of process streaming, automation and robotics. He outlined the ESSA methodology KPN is using: “First focus on the Elimination of activities within processes, then Simplify, then Standardize and ultimately Automate, when possible.”

In the future, they both see finance continuing on the path set by NextGen; an efficient and impactful finance function.

How Leonardo brought independently run subsidiaries to one single chart of accounts

A complex high-tech outfit leverages leadership support, cooperative people and motivation to become one company.

The challenge: Bringing together multiple subsidiaries under a single CEO

Achieving finance transformation that delivers the expected business benefits is not easy. The larger and more complex the business, the harder it becomes. But the “One Company” project at Leonardo proves that it is possible, and can be successfully achieved at high speed even in a very large and highly complex business. How has it been done?

Leonardo is a global high technology company focused on the aerospace, defense and security industries. The company employs over 45,000 people, with a revenue of €11.5 billion. Headquartered in Italy, Leonardo also has a significant presence in the UK, the US and Poland; as well as industrial and commercial operations in over 20 countries worldwide, with about 170 sites. Founded in 1948 as Finmeccanica, the company has been involved in numerous mergers and acquisitions over the years and was ultimately renamed in 2016 in honor of Leonardo da Vinci, a universal symbol of genius and creativity.

Leonardo began a large-scale finance transformation, called “One Company,” in 2016. At this time, the company integrated multiple subsidiaries into one industrial company under a single CEO, Mauro Moretti. The new vision of the company and its CEO was described as “one name, one voice, one company.”

A key goal of the transformation in the first project phase was to bring all the different former organizations into a single ERP system and a single chart of accounts, with standardized processes enabling the One Company.

At the beginning of the transformation, the seven divisions of the new company had their own rules, systems and custom processes.

Building new divisions and bringing them together

Sponsored by the CEO, a crucial early decision was the choice of leader of the One Company program. Jean Paul Giani was previously a CFO of one of the integrated subsidiaries, and as one of the most senior leaders in finance with deep experience, he was the ideal choice to lead the finance transformation alongside the CEO and CFO.

Jean Paul explained how Leonardo managed the transformation, building some new divisions from scratch, such as aircraft and defense. In particular, the defense division, resulting from the merger of two companies OTO and WASS, was chosen as a pilot for the implementation of the new standardized processes for accounting and the new ERP based on SAP S/4 HANA technology. This initial step was highly successful, widely celebrated, and it created momentum. Leonardo followed by rapidly defining the road map to bring other divisions onto the new standard ERP.

The One Company project, started in Italy, was then exported to the UK, where a new One company, Leonardo MW, has been created, based on the same principles and on the same model previously defined for Leonardo. The transformation journey is currently in progress, having launched the roll out of the new standard ERP SAP S/4 HANA for the two divisions of the aeronautic sector in September 2018.

Gaining the right support, planning and people

Jean Paul notes that one of the keys to the success of the finance transformation and integration was the fact that the project had strong support from the leadership team.

There was full commitment from the CEO, stating “I’m the CEO of the group and I’m the first project manager of this program.”

Jean Paul described how the top management of the group saw the transformation as a key strategic initiative, he stayed involved in the transformation, and he made sure the whole company knew it was a top priority.

The importance of this strategic initiative was also confirmed in 2017 by the new CEO, Alessandro Profumo, who continues to sponsor it alongside the CFO, Alessandra Genco.

Building a house, not switching apartments

Jean Paul also outlined how top management was fully behind the investments required for the success of the initiative, knowing what benefits a successful transformation would provide to the company. Staffing the transformation initiative was also critical. Jean Paul described how he insisted on getting the best finance people from each division assigned to work with him on the transformation.

He emphasizes the importance of working with the right people, rather than just whoever was available. In the end, he says, the success of such a project is about “having the right support, doing the right planning, choosing the right people, it’s those kinds of things that organizations don’t do right, and you have to do right to get this kind of technology-enabled transformation program working.”

Although adoption of a new ERP was a key part of this process, Jean Paul emphasizes that the process that Leonardo is going through is a business transformation, not an IT transformation.

Leonardo is not simply swapping out systems for each division, but rather building an entirely new structure. He likens this to building a house, rather than changing apartments; and “to build a house, you need an architect.”

A single view across the entire business

Leonardo has realized huge benefits through this finance transformation. Jean Paul stresses that they are no longer an Italian parent company with independently run subsidiaries. “Leonardo is now truly one global company.” Having a single ERP system with a single chart of accounts really enables this. For the first time, the company can see across the entire business and, for example, compare the margins of selling a product in Italy to the margins of selling that same product in the United States. Invoices can be processed more quickly, with more working capital freed up for new ventures.

A single chart of accounts across Leonardo means that the company is able to achieve a single version of the truth organization-wide, with better business decisions as a result. “Previously, we were comparing apples with tomatoes!” Jean Paul explains that now the head of manufacturing in any division can “trust the numbers you have delivered to them and trust the figures when they know that you have processes and the system that make those figures perfectly available and accurate.” Technology has been a key enabler to get here, and in the future this brings a need for new skills in finance.

“These are not IT people, but we need skills in areas like data analytics, big data and robotics. However, these systems and processes need to be maintained by finance people who really understand the CFO’s needs.”

Jean Paul is very excited about the progress they have made, and the speed with which they’ve transformed their business. He summarized their “keys to transformation success: top-level support and leadership, outstanding people and a strong motivation to succeed.”

The Royal Air Force achieves organizational efficiencies by investing in its people

How the RAF rallied behind a “OneFinance” transformation that benefits the whole organization.

The challenge: Arming Finance with new tools for planning and strategy

The United Kingdom’s Royal Air Force (RAF), the world’s first independent Air Force, celebrated its centennial year in 2018. Its primary objective is to keep UK citizens safe, and to that end it is engaged in 15 missions on four continents. The RAF has a broad set of objectives, including responding to threats, delivering aid, preventing conflict and working in partnership with other organizations.

In many ways, Air Command finance operates within constraints similar to those of a division of a major corporation. It has its own priorities in supporting the RAF and developing its people, but operates within a finance operating model framework and uses technology chosen and operated by the parent company—the Ministry of Defence (MoD).

Despite those constraints, Steve Lock, manages to have a huge impact.

Steve, the Head of Finance for Air Command, says, “if you’re going to make a change within a function, the change has got to come from the people. That’s where you invest and make a real difference.”

In 2017, the RAF initiated a major efficiency and transformation program, aiming to save over £6 billion from the RAFs ten-year expenditure plans. The RAF has consistently delivered on its defense responsibilities and has been on operations continuously for 28 years, but senior officers tasked with managing organizational spend and investment could not access all the tools and financial information they needed to effectively plan annual spend, manage budgets throughout the year and ensure the balance of strategic investment was undertaken.

Breaking through silos and changing the culture

The finance function was under increasing pressure to deliver. A previous reorganization had centralized activity and reduced staff to streamline the function, but investment in ways of working and building capabilities had not followed as originally planned.

And according to Steve, there were difficulties in how the individual finance teams worked together as a single unit. There were about 120 people in finance, split across 11 separate teams, and there wasn’t a sense of a cohesive finance entity. Many working practices were over ten years old, and relied heavily on the use of individual spreadsheets and underutilized current reporting technologies.

Finance lacked a clear vision of what its role was and where it was headed.

Steve describes facing a significant challenge in changing the group’s culture. He wanted to encourage people to work together as opposed to seeing only their roles and the stovepiped teams they worked in. “One of the things that we did early on was benchmark the investment and the numbers of people in our finance function against other organizations’. That produced a startling result—we were underinvesting in heads. But we needed to invest in the right roles, not just more of the same.”

Striving for a OneFinance model

To make changes as quickly and effectively as possible, Steve turned to external help to support the RAF's "Value Improvement" program. "I would describe the program as 'lean'" he says, "which is powerful."

The components are familiar: daily stand-ups, huddle boards, real clarity on what's going on in your team, and how that's impacting somebody else. While there was nervousness about change at the outset, now there's real enthusiasm. As an added bonus of introducing these new working practices we've learned a lot about people's skills and capabilities that we didn't know before."

The RAF's finance leadership team first worked to build a shared vision and operating model that would support not just the finance function, but all officers in the organization with financial responsibility. At its core, the new model would adhere to the UK government's OneFinance campaign, which places finance at the heart of decision making.

The process began with extensive discussions with the entire team about finance's requirements

| In this way, the group developed a vision that hadn't existed before. Steve explains, "We were having conversations around what is it we want to deliver? How do we want to contribute?"

Teams thought pragmatically about how finance could deliver successful change in the months and years to come. To that end, Steve and his senior leaders worked with individual teams to strengthen their ways of working and build continuous improvement into their day-to-day activities. Clear, engaging communications were planned to involve all people in the function in the changes taking place.

Today, the finance executive team has united around a vision and operating model that will allow the function to support the organization's strategic agenda, champion central government finance strategy, and attract and retain more people wanting to build their careers.

Working better together

As a result of the Value Improvement program, finance teams now follow routines and problem-solving techniques in their daily work that allow them to manage variable workloads and load-share effectively, enabling them to provide support to financially accountable officers across the organization.

Everyone in the organization now understands how their responsibilities interact with others on the team. Steve reiterates the point about understanding skills and capabilities. "Now we're identifying people that are good at communicating, are great at creating some visual piece of information that can turn a spreadsheet into a fact which the business wants, can understand and relate to," he says.

| "People are more confident in stepping out of those boxes that had previously been limiting them."

The teams employed supporting technology, balancing finance's need to minimize additional expenses on technology solutions, to understand the benefits and limitations of the systems available and to demonstrate to the executive board what value technology could add.

As part of their finance transformation initiative, Steve and his teams piloted an interim business information dashboard that illustrated how technology will enrich the breadth, depth and accessibility of the financial information that teams have access to, making expenses transparent and allowing accountable officers to manage their budgets effectively.

The transformation initiative injected energy, pace, direction and creativity to a finance team that was struggling to meet everyday business demands, while lacking the capacity to operate strategically.

Investing in people

A clear communications strategy ensured finance's people were brought on the transformation journey along with the leadership team. This was facilitated by the presence of many finance staff members who participate in change networks, off-site meetings and events.

As Steve explains

“I think to be successful in finance much more now than ever before, you have got to invest time in your skills and capabilities and how you engage with people. We make a difference through working with the rest of the business. The rest of the business is populated by people who want to engage, don't naturally understand some of the financial numbers, so it's all about how you create that information and how you create that contact to be able to influence them in the future.”

While the RAF's finance function continues on its transformative journey, it has already become a cohesive organization that offers better value to the business and better opportunities to the individuals within.

The transformation has changed the culture of the organization, increasing interaction across teams, and encouraging initiative, ownership and pace. It has built the capability of the function, developing a comprehensive approach to change, communications and stakeholder management. Finally, it has created momentum toward delivering the MoD's finance strategy and government's OneFinance vision, raising awareness regarding important gaps and communicating how finance transformation can resolve them.

And what's next? “People feel we've invested in them,” says Steve, “and there's an energy and enthusiasm within the function to push things forward. We've got a fantastic platform now to accelerate the changes that we need to make in terms of our impact into the business.”

Ready to start?

Let's connect

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