



*cutting through complexity*

# Financial Managers Driving Transformation

David Dennis/David Roberts

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# Agenda

- ◆ The Evolution of the Role of the Financial Manager
- ◆ The New Role of the Leading Financial Manager
- ◆ Finance Driving Transformation
- ◆ Closing
- ◆ Q&A

# The Evolution of the Role of the Financial Manager

- ◆ Governments across the nation have been and are continuing to navigate the worst economic environment in decades. Demands on Financial Managers are intensifying, especially for cost cutting, forecasting, and data accessibility
- ◆ Financial Managers and finance functions are evolving to assume multiple new responsibilities
- ◆ Historically, Financial Managers have served as stewards of an organization's assets
- ◆ Today, the role of the Financial Manager is no longer confined to accounting, financial reporting and risk management. It's about leveraging the information that already resides within finance and being a strategic business partner of the Organization Leader
- ◆ No longer are Financial Managers only preoccupied in building credibility for the finance function, Financial Managers have to instill a sense of confidence among employees, customers, and partners as the one person who has all the answers
- ◆ Financial Managers have an important role to play in reading and understanding evolving business drivers and helping their departments plan strategically and seize opportunities

*CFO's/Financial Managers have emerged as key business and strategy partners to organization leaders*

# The Evolution of the Role of the Financial Manager

- ◆ Financial Managers have been striving to transform the finance function from an inward-looking organization to one that spends more time focused on strategic decision-making and value creation
- ◆ The long-term need, however, remains for finance to play a more strategic role in the business
- ◆ According to a CFO Research Services/ KPMG report,

***“The role of the finance function in developing and executing business strategy”***

<b>Five Years Ago</b> <b>49% smaller role</b>	<b>Five Years from Now</b> <b>62% larger role</b>
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***“You have to make the finance function a visionary of the business and not just a ‘storyteller.’  
And you have to make sure that you have in your team people who understand this role.”***

***–CFO Participating in CFO Research Services/ KPMG report***

# The New Role of the Leading Financial Manager: *Organization Wide Perspective*

## ◆ Increased Business and Operation Awareness

- Shift focus from traditional accounting and controls to business fundamentals
- Focus on more long-term strategies rather than short-term financial positions

## ◆ Increased Dependence from Organization Leader

- Clear and close collaboration with executive management
- Increased expectations for the Financial Manager from Organization Leaders
- Own and drive the organizational vision up to the office of the CEO

## ◆ Increased Focus on Talent Management

- Provide comprehensive training throughout the organization allowing all employees to have insight into departmental objectives, goals, and operations
- Understand the different mindsets, career paths and aspirations of team members to be able to offer various alternatives for growth

*“The Finance function of today is much more than the bean counter of the past.”*

*– Jochen Pampel, KPMG Global Head of Financial Management*

# The New Role of the Leading Financial Manager: *Traits Driving Success*

- ◆ The finance function has come to contribute more substantially to developing and executing business strategy. In the years ahead, Financial Managers will need to seek opportunities to further improve their abilities and obtain crucial traits to support the highest-value activities that lead to better business performance
- ◆ With the above points in mind, successful Financial Managers in today's marketplace share common traits:
  - Ability to manage risk
  - Ability to demonstrate leadership and team building
  - Ability to communicate at all levels
  - Ability to drive transformation

*“In the past, we have been viewed as the numbers-crunching and reporting people- the people who deal with the past. But business leaders nowadays have a different need: to use financial advice to look forward to the future and help shape a sound business.”*

*–Veronica Tsang, Director/CFO of Arup Group*

# Finance Driving Transformation

- ◆ Finance is uniquely positioned to identify and lead organizational transformation based on the information within finance and because the discipline inherent within the finance organization
- ◆ To ultimately be successful, transformation initiatives must instill structural changes that both reduce overall complexity and provide greater flexibility, insight and value throughout the organization
- ◆ Financial managers need to move beyond simply observing the impact of decisions; they should be a clear contributor of value, with equal responsibility for strategic decision-making throughout the business
- ◆ The more successful financial departments are successful in building bridges with the business, for example, by sending some of their own people on temporary assignments into other parts of the organization to pick up practical experience on how the business works, and which welcome staff from other departments into the finance function as well
- ◆ The following percentages represent the percentage of Financial Managers surveyed in a CFO Research Services/KPMG report stating that there was a “great to moderate” opportunity for the finance organization to increase its contribution to the company’s performance, in the following areas, within the next two years
  - ***Providing greater support to line-of-business management- 94%***
  - ***Providing greater support of business growth- 89%***
  - ***Engaging more closely with external stakeholders- 79%***

# Finance Driving Transformation: *Five Dimensions of a Successful Transformation*

- ◆ The Financial Manager should focus on the five key areas when leading a successful transformation
  - Stakeholder Management
  - Effective Risk Management and Compliance
  - Effective and Efficient Back Office Operations
  - Managing Operational Performance
  - Delivering Strategic Growth and Value
- ◆ These five areas focus on both Value Creation and Value Preservation within the organization



# Finance Driving Transformation: *Five Dimensions of a Successful Transformation*

## Stakeholder Management

- ◆ **Identification of Key Stakeholders-** Obtain a complete inventory of stakeholders
- ◆ **Stakeholders Agenda-** Gain an understanding of the current views of the key stakeholders, including any issues
- ◆ **Stakeholder Management-** Proactively manage stakeholders to address any issues and to help ensure achievement of the Financial Manager's agenda goals
- ◆ **Leadership and Direction-**
  - Provide Clarity over the future direction and priorities
  - Ensure the Financial Manager organization fully understands the vision and strategy
  - Ensure alignment of the leadership team
  - Build a 'high-performance' team

# Finance Driving Transformation: *Five Dimensions of a Successful Transformation*

## Effective Risk Management and Compliance

- ◆ **Risk Management and Compliance-** Identify the roles and the responsibilities of the finance department
- ◆ **Risk mitigation and Business Performance-**
  - Determine the right balance of value added initiatives and the amount of acceptable risk
  - Foster a culture of innovation and risk-taking
- ◆ **Compliance with Internal and External Requirements-**
  - Consider whether the organization has the right structure and reporting lines to facilitate appropriate risk management and compliance and make changes when necessary
  - Evaluate whether there are sufficient and appropriately skilled resources to manage risks and comply with reporting requirements
- ◆ The goal is to effectively mitigate risk and comply with regulation obligations, while maintaining a level of efficiency that supports business performance

# Finance Driving Transformation: *Five Dimensions of a Successful Transformation*

## Effective and Efficient Back Office Operations

### ◆ **Efficient and Effective Operations-**

- Gain an understanding of current business processes, noting areas of strengths and weakness
- Determine the right technology tools to facilitate efficient and effective operations in the finance department
- Understand and communicate how the transformation will effect the current processes and IT and the benefits it will bring

### ◆ **Flexibility-** Build contingencies into the transformation plan for possible changes in the business environment and the organization's needs

### ◆ **Resource Management-** Financial Managers should leverage the finance department by having them perform the routine tasks of the finance department so he/she can focus on more strategic, value adding areas with his/her key staff

### ◆ Leverage the organization, process, and technology to streamline processes, thereby reducing costs and freeing up time for more strategic work

# Finance Driving Transformation: *Five Dimensions of a Successful Transformation*

## Managing Operational Performance

### ◆ **Manage Operational Performance-**

- Determine if finance is using leading practice measures and approaches and helping drive operational business performance
- Determine the right technology tools to help finance facilitate analysis and decision support

### ◆ **Delivering Operational Performance-**

- Consider whether the resources and organizational structures in place are appropriate to provide decision support, and make adjustment where necessary
- Establish operational planning and forecasting to help drive effective business performance

# Finance Driving Transformation: *Five Dimensions of a Successful Transformation*

## Developing Strategic Growth and Performance

### ◆ **Shape, Develop and Manage Business Strategy-**

- Monitor the strategic planning process to ensure effectiveness and make adjustments when necessary
- Evaluate the effectiveness of finance's resource allocation in the transformation and make changes when necessary

### ◆ **Show Finance as an Effective Business Partner-**

- Keep finance involved in the transformation strategy development and key initiatives
- Effectively communicate to the organization that finance is a 'value adding' organization on strategic matters

# Closing

## Recent trends:

- ◆ The role of finance is expected to grow further over the next five years
- ◆ More transformational projects are being lead by the Financial Manager
- ◆ Executives are now increasingly driven by trend forecasting, rather than monthly and quarterly numbers
- ◆ The Financial Manager can bring strong analytics into a particular business decision
- ◆ The finance function is seen more as a center of relief from the complexity that has grown out the recent financial crisis
- ◆ The finance function has the combination of skills, organizations scope, and analytical mid-set that will provide support central to overall business success in the next half decade

*The Finance function has the combination of skills, organizational scope, and analytical mind-set that will provide support central to overall business success in the next half decade.*

# Questions?

# With You Today



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