



# Accenture Australian Business Agenda 2008 Video Series

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## Finance & Performance Management Finance Transformation

### Michael Pain

Hello and welcome to the Australia Business Agenda 2008 Video Series – a series of interviews with Senior Executives within Accenture's Australian Management Consulting and Integrated Markets practice. The Series tackles some of the key challenges facing organisations operating in Australia today.

### Michael Pain

Just about everyone agrees that one of the most important business functions is finance. Each year companies in the world's five largest economies spend more than two hundred billion dollars on their finance and accounting capabilities. Surveys conducted by Accenture have found that executives in Australia, and around the world, see opportunities within their finance function for major improvements.

### Michael Pain

In this video, Cara Morton, Senior Executive Lead of Accenture's Finance and Performance Management practice, discusses the issues of finance transformation and outlines a range of

steps that organisations can take to get more from this critical business function.

### Question

What are the long term benefits of finance transformation?

### Cara Morton

I see three main long term benefits. One is around a highly engaged finance workforce. A lot of the transformational activities I've been involved in recently are where organisations have low engagement, so it's really around building the story and the picture that finance is a great place to work and that you can have a great career in finance. The second one is making sure that you have your transactional processes set up so that they become extremely efficient and effective in what I call 'no noise'. You know that much more of your time then is focussed on value-added activities, and working more with the business to help them drive their agenda, which leads to the overall goal. That leads to the third one, which is around value-centred culture and really moving your finance organisation to one that's a lot more tied to the business, and really understands what the business is trying to achieve.

### Question

How do organisations know whether they need to transform finance?

## Cara Morton

There can be a couple of ways. First is around what the direction of the company is and where it is heading. If CFO's look at that and they realise that they don't have the skills, or the capability, or the technology to deliver on what they need to achieve what is required as an output from the company in two to three years time, that can be a burning platform. Another one can just purely be around the cost of a finance function, so what are the finance costs as a percentage of revenue, and benchmarking yourself against your peers within an industry to see what capabilities they have, how efficient and effective they are, and seeing where you fit. If you end up being lower quartile you realise that basically compared to your peers, you probably need to change the game.

## Question

Why do transformation projects fail?

## Cara Morton

70 per cent of finance transformations fail because they don't have a clear case for change, and that can come from a number of reasons. What I tend to see is pockets of activity happening – which also tend to be siloed pockets of activity happening within finance organisations which are not coming under an umbrella of activities. There's no clear understanding – for me working in this finance organisation – what is my role going to be in the future. You really have to have that clearly articulated journey of what it's like for me working in finance now, in six months time, in a year, and how my job's going to change over time.

## Question

How can CFOs deliver high performance?

## Cara Morton

Accenture recently undertook research with high performing businesses (high performing businesses are defined as ones that consistently out-perform their peers through economic downturns, through changes in the C suite, etc) and what we identified was that 70 per

cent of high performing businesses also have high performing finance organisations. So we looked at the anatomy of what made up those organisations and we found that they exhibit five key capabilities: the first one being finance operations; the second one being enterprise risk management; the third one being capital stewardship; the fourth one – enterprise performance management; and the fifth one and really the one that underpins them all, is value-centred culture. Having a value-centred culture really talks about the fact that it's important for an understanding of finance to be ingrained throughout the organisation and for it not just to be siloed in a finance organisation.

## Question

How can organisations deliver strategic finance capabilities?

## Cara Morton

Enterprise risk management and capital stewardship basically stand on their own, but finance operations are really the key to getting right first. Finance operations are all around making the back office processes more effective and efficient in order to help you be able to drive the other capabilities forward. So, for example, enterprise performance management, which is all around targeting the future source of shareholder value, is very dependent on data to be able to make those sorts of decisions. That's only going to be able to be achieved if you've got very good processes around basic finance operations and you've got an ERP and a data warehouse that is able to provide the information that you need. Value-centred culture is actually the most difficult of all five capabilities to attain because it's really ingraining finance into all parts of the business, and to do that you need to have moved beyond enterprise performance management into that value-centred culture space.

## Question

How do Australian companies compare with the rest of the world?

## Cara Morton

In capital stewardship and enterprise risk management Australian companies seem to be on par. In finance operations they're catching up because there's a lot of activity happening in shared services and outsourcing, but I would say enterprise performance management and value-centred culture – because it comes from having enterprise performance management – is where the big gap is.

## Question

What are the first steps of finance transformation?

## Cara Morton

The first step is to define the vision for finance – what are the priorities for the finance function? What's my vision? What am I trying to achieve? That's the first step, and obviously that needs to be done in conjunction with strategic planning for the company as a whole, because finance needs to fit into the company vision and strategy. The second thing that needs to be done, to understand the scope of where you can take your organisation, you really should look at what your peers are doing in your space. A benchmarking exercise to understand how efficient and effective you are and also the capabilities you have and the mix of skills and individuals you have within your finance department, compared to your competitors – it's doing a bit of benchmarking and baselining. The third step is actually coming up with what we call the '2B operating model'. So what's my vision? What will it actually look like to work in finance in two years time? The last part is around the implementation plan – How am I going to make this happen? What technology changes do I need to make? If there's outsourcing, what's the timing of that? Really mapping out the whole journey to make it successful.

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