

Finance & Performance Management

Finance mastery (V): The foundational mastery of finance operations

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This Finance & Performance Management article series has focused on the distinctive characteristics of companies Accenture has termed "masters of finance." Our research has identified the unique capabilities possessed by the finance organizations of high-performance businesses, including the pervasiveness of a value-centered culture; the depth of enterprise performance management; sophistication of capital stewardship; and the effectiveness of enterprise risk management.¹ One essential capability remains to be discussed: the efficiency and value-generating capability of finance operations.

The paradox of finance operations is that it is so basic and essential that its importance can be overlooked. Although a small number of companies have achieved high performance by focusing on other essential finance capabilities first—say, risk management or enterprise performance management—our research shows conclusively that it is extremely difficult to create the infrastructure necessary to develop those more advanced capabilities without first achieving absolute command and control of the basics. To generate high performance, finance organizations must achieve excellence within their basic accounting and administrative operations.

The evolving role of finance operations

Four competencies underpin effective finance operations:

- **Transaction processing:** Providing maximum efficiency in core finance functions—such as accounts payable and general ledger—which are increasingly delivered through shared services or outsourcing strategies.
- **Financial and regulatory reporting:** Accurately and fully capturing regulatory and tax reporting requirements from a transactional and systems perspective.
- **Management reporting:** Delivering comprehensive data for management decision making. Although specific analytic capabilities are part of enterprise performance management, the underlying technology and transaction-driven capability is within the purview of finance operations.
- **Internal controls:** Providing the disciplined oversight of financial, accounting and audit systems required for business support, and which help avoid liability, fraud and unnecessary risk exposure.

The traditional focus of finance operations has been on cost and efficiency in operations and processes. The primary means by which companies increase efficiency is either through information technologies such as enterprise systems, or through newer management techniques such as shared services and outsourcing. Most finance organizations that have achieved high performance began their journeys by creating an efficient engine to capture and process

¹ The essential capabilities of finance mastery are explored in more detail in a new book from Accenture: *CFO Insights: Delivering High Performance*, by Mike Donnellan and Mike Sutcliffe (John Wiley & Sons, 2006).

data. This efficiency helped them achieve superior cost performance and gave the CFO needed organizational credibility. However, the masters of finance do not see efficiency alone as the end; instead, efficiency is the means to achieve more strategic objectives.

The finance operations groups of the masters of finance do much more than simply process financial transactions faster and more cheaply, or take their shared services operations to a lower-cost location. Instead, the high performers have made finance operations more strategic by internalizing the notion of process elimination: removing waste from end-to-end processes, which speeds up cycle times and improves service to both internal and external customers. The next-generation finance organization must play an active role in driving value into the whole organization by creating end-to-end process connectivity. It must eliminate artificial barriers created by functional silos and understand the process and information needs across the enterprise. It must ensure that decisions and information flows are transparent, consistent and shared.

Such process connectivity then creates the capability for information-driven analytics, which leading organizations use to achieve competitive advantage. As Nick Rose, the CFO of consumer products company Diageo, puts it: "Technology has an important role to play in helping us achieve better standardization across the enterprise; we need to establish greater end-to-end process connectivity so that our systems can extract transactional data at speed. We can then use this data to drive our business analytical tools—providing high-impact decision support information to management teams at the front end of our business."

Finance operations: Lessons from the masters

In addition to their ability to achieve superior cost performance and to create enterprisewide process connectivity and standardization, masters of finance demonstrate excellence in several other key areas.

Governance and controls

Finance must play a key role in establishing data standards and governance structures to achieve the elusive "single version of the truth." To effectively deliver insights, the data from which insights are derived must

be timely, action-oriented and in a format easily understood by decision makers. High performers also make internal controls a corporatwide responsibility and embed controls in their mainstream business processes. Embedding appropriate controls in these upstream processes and directly capturing data not only reduces work within finance operations but also reduces the need for secondary detective controls within finance. This, along with standardizing processes throughout the enterprise, significantly reduces the compliance burden.

Shared services

Although a shared services strategy is now an accepted part of improving finance operations—and many companies claim to have shared services in place—most of these companies have simply centralized their disparate back-office functions. To create a scalable shared services capability, high performers balance both the economies of scale and synergies that come from consolidating processes and systems that are distributed across locations. To the masters of finance, the goal of shared services is not just efficiency but service *capability*—a service culture that delivers higher levels of quality and effectiveness, and which also helps improve the controls area just discussed. As Graham Skeates of insurance giant Prudential puts it, "We are not implementing shared services just for cost efficiency or staff efficiency. The finance section in a life insurance company is not dependent on expenses, but on control factors such as environment, process controls and international standards. You need to develop these so that you can sleep at night, rather than just looking at cost savings."

The best shared services centers have created continuous improvement teams to ensure that costs and processes are always optimized. They look beyond the center itself and analyze current processes from a holistic perspective. This vantage point gives them the opportunity to incorporate evolving business requirements into process designs. For example, the capabilities within the shared service functions can be an effective means of quickly absorbing new markets or acquisitions. Finance operations are at the back end of many core business processes; without a holistic view of these processes, the overall impact of a center's service offerings will be suboptimized.

Outsourcing

Outsourcing provides additional levers to a finance organization by which to improve both efficiency and the value delivered. While some organizations begin with an internal shared services center and move to outsourcing as a second step, many others choose to leapfrog their peers and competitors by moving directly to an outsourcing model. Such a strategy enables these organizations to immediately acquire essential capabilities, mitigating their risks by partnering with a provider whose core competency is finance and accounting operations. Access to such a provider also delivers instant scale and resources.

Finance operations and high performance

As the foundation for the other capabilities of high-performance finance—risk management, performance management, capital stewardship and a value-centered culture—finance operations also enables better integration of those capabilities. That is where the best organizations truly demonstrate mastery: with a more powerful engine delivered by a value-generating finance operations group, organizations improve the speed at which they advance toward high performance.

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