Deloitte.

Modernizing Finance

Why the time is now and how Finance can get there

Contents

A letter to the CEO

In today's challenging and volatile business environment, most CEOs want a CFO and Finance team to protect and preserve their organization's critical assets while accurately reporting its financial position. However, your CFO and Finance team have much more to offer in both capacity and desire.

For example, Finance could develop scenario-based stress tests that assess the impact of changing economic and market conditions and help your organization determine an appropriate strategic and operational response. Enhanced systems would enable Finance to capture and summarize relevant information, including financial and non-financial performance. Finance might also provide modelling scenarios and predictive analyses that address different capital allocation decisions, return on investment implications and various cost of capital models.

Today, a growing number of organizations are taking steps to unlock the value in their Finance teams. They recognize that Finance team members – who are highly educated, highly qualified, and typically well paid – could offer their organizations much more if they weren't constrained by outdated software tools, incongruent processes and a lack of automated controls for the reliability of information that results in a lot of manual workaround and wasted time. Finance teams are bogged down in generating data, rather than producing insights to better support their CEOs in making important business decisions.

As CEO, we encourage you to make your expectations clear and enter into a dialogue with your CFO about how your Finance function can develop a clear Finance vision that is aligned with the overall vision of your organization. Finance will also need to develop a roadmap that outlines how it will turn its vision into a reality within a three to four year timeframe that clearly scopes out the time, effort and investment required. In return, the CFO needs to be supported as they modernize the Finance function.

As your organization evolves and its expectations and "asks" of Finance expand, Finance will need to grow and to be challenged. Having an integrated and aligned Finance vision and action plan that all stakeholders understand will better assure that your organization's investments in developing Finance will maximize the effectiveness and efficiency of your Finance team, and enable it to contribute greater value to the entire organization.

Regards,

Mike Goodfellow

Partner, Audit Advisory | Deloitte Canada

A challenge for the CFO: Finance needs to modernize

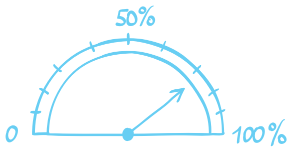
Finance is on the cusp of major disruptive change.

The "asks" of boards of directors and C-suites are continuing to grow in number and complexity as these and other stakeholders look to the CFO and Finance to provide financial insights, forecasts and other information they need in order to understand the impact of different financial scenarios in today's volatile business environment. Unfortunately, many Finance teams still struggle with the same challenges they have faced for years, such as completing the financial close in a timely manner and reporting on an ever growing number of key performance indicators (KPIs), without having the time and/or capability to offer many insights into any of them.

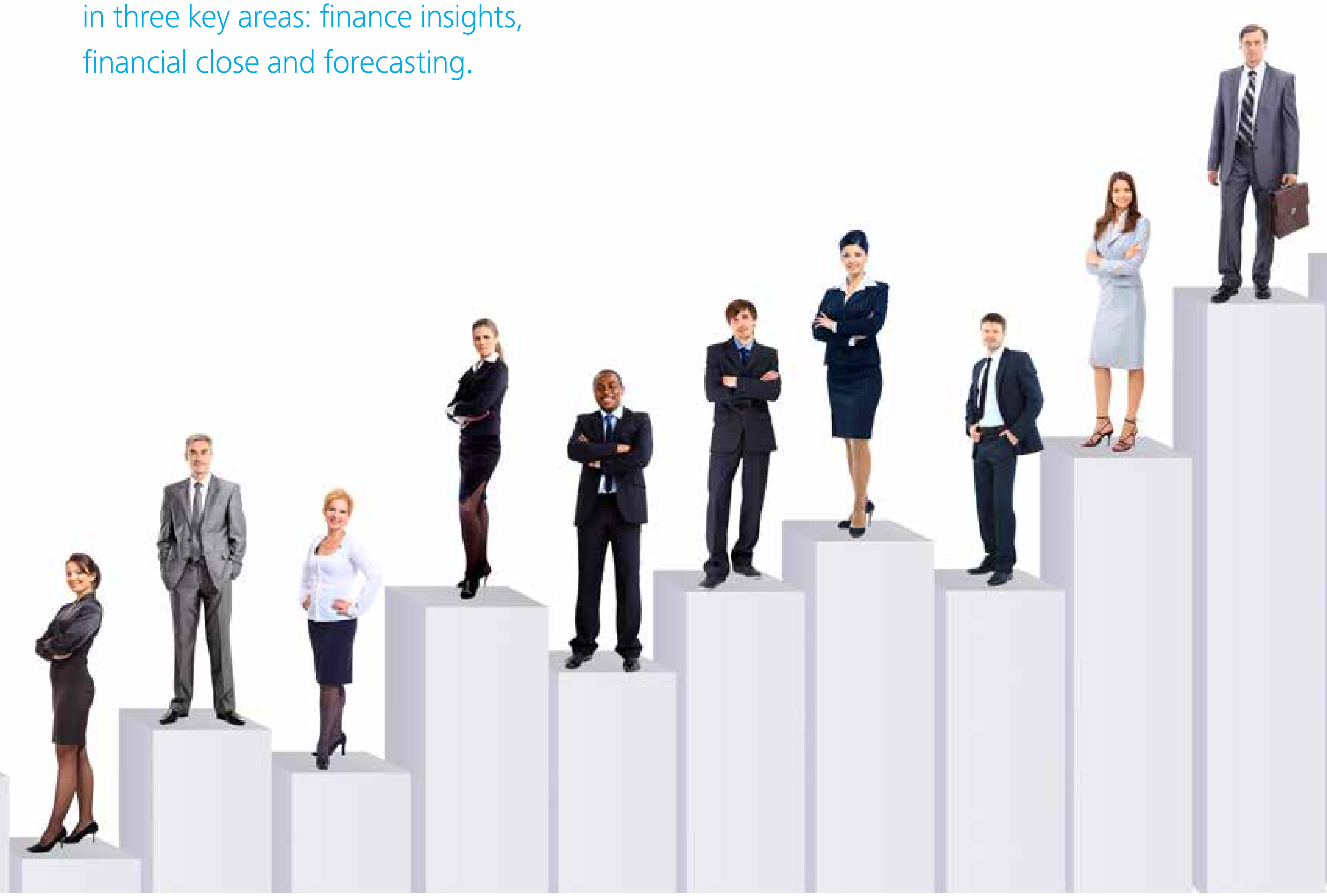
Faced with this situation, many organizations have started taking important steps to modernize their Finance functions. The digital technologies that have radically redefined many industries and turned long-standing business models on their ear are presenting new cost-effective opportunities to enhance Finance's capabilities.

Organizations are looking to their CFOs to take charge of and manage this change. This publication sets out a game plan for them to follow that includes:

- **Determining a vision for Finance** – CFOs need to clearly set out the role Finance will play in the future, and in particular how it will contribute to helping achieve the organization's strategic objectives.
- **Understanding the gap between where Finance is today and the vision** – CFOs need to understand Finance's current capabilities and determine where it needs to change in order to realize its future vision; and
- **Developing and implementing a strategy to close the gap** – CFOs need a plan that moves Finance from its current role to its future one, which will often require building capabilities within three key areas: finance insights, financial close and forecasting.



CFOs need a plan that moves Finance from its current role to its future one, which will often require building capabilities in three key areas: finance insights, financial close and forecasting.



The future of Finance

What will Finance of the future look like?

Perhaps the most visible difference will be that there will be no paper, anywhere. Finance teams will be using cloud-based applications on mobile devices to transact their business, and highly standardized, simplified workflow-enabled business processes to handle the rest.

With operational processes automated and integrated, CFOs will be able to devote greater attention to delivering data-driven insights that enable them and their C-suite colleagues to make smarter decisions.

Day-to-day transactional finance – from payables, receivables and invoices to treasury transfers, journals, capital expenditures and the close cycle – will be managed centrally in shared services centres. Think of them as "finance factories" that handle core finance processes and connect to finance centres of excellence and outsourcing partners in a "hub-and-spoke" model.

Another big change from today: the close process will be continuous. A daily soft close or virtual close will be the norm, made possible by visual close management tools, integrated sub-ledgers, daily time capture, journal workflows, reconciliation tools, as well as automation of consolidation, foreign exchange, allocation and intercompany transfers.

With operational processes automated and integrated, CFOs will be able to devote greater attention to delivering data-driven insights that enable them and their C-suite colleagues to make smarter decisions. Using integrated planning models and sophisticated analytics tools, Finance will be able to undertake rapid, scenario-based planning, cost modelling and risk simulations with forecasting cycles shortened to the point where same-day turnaround is the norm.

The structure of the Finance team will also change. Specialized finance processes, such as tax, risk, treasury and compliance will be undertaken by finance specialists who are embedded into the business itself so they can better provide insights and advice.

After the 2008 financial crisis, "cash czars" emerged with a deep understanding of how cash flows into, through and out of the business that enables them to plan, forecast and manage cash, working capital and liquidity. The Finance teams of 2020 will have other "czars" leading other areas. Many organizations, for example, now have "risk czars" or chief risk officers who are responsible for monitoring the risks facing the organization, including currency, foreign exchange, competitive, demographic, environmental, regulatory changes, new standards and other factors, and assessing the impact those risks may have on the organization's strategy. CFOs will increasingly serve as their organization's chief economist, scanning the wider landscape to monitor larger macroeconomic events and interpreting what they could mean to the business.


CONCEPT
NO
FAIL
strategy
PLAN
TEAM
IDEA
STRATEGY
PLAN
TIME
2x
45% is SALE
15% - ???
MARKETING
A. B. C.
PRODUCT
25% time
consumers
INTERNET
SUCCESS!
LOADING TO SERVER
main
MAIN
SUB
300
2000
100%
25%
75%
50%
A. ASIA
C. USA
B. INDIA
WWW
iDEA 45% is SALE!
25% time
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SUCCESS
CLOUD
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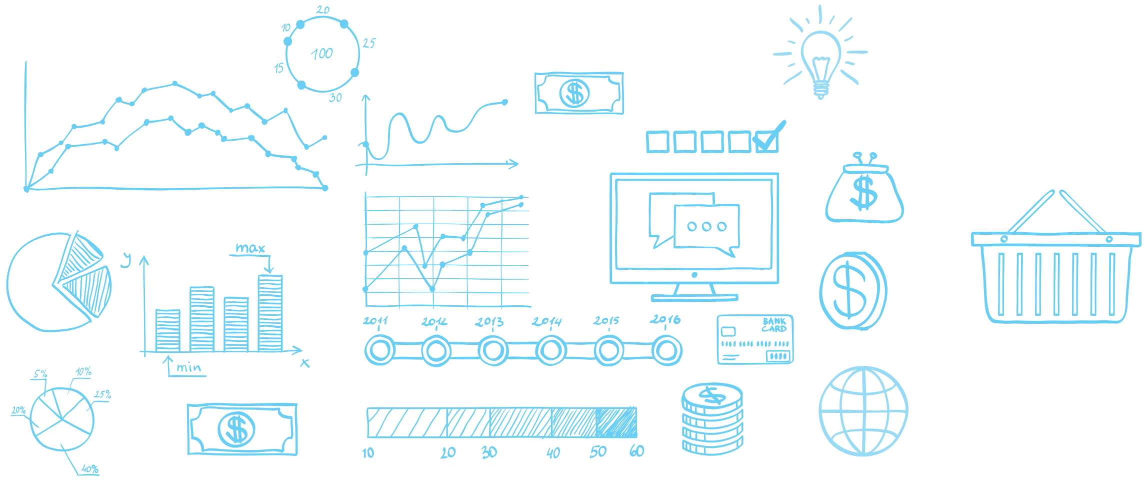


What’s driving the changes in Finance? A retail supplier industry example

Historically, Finance’s role was to record and help manage inventories, payrolls, cash flows, working capital, and taxes and prepare the monthly and annual forecasts and financial statements. But digital technologies used by the company and its retail chain clients are turning the world of retail upside down, and the CFO and the Finance team must adapt and change to meet the needs of their clients and the people that purchase their products. Some things must remain, like meeting payrolls; others must change.

Digital technologies and supporting software like websites, social networking applications, consumer databases, and mobile payment applications are the engines of growth in e-commerce. Investment in software and intellectual capital in order to survive let alone succeed is becoming critical.

For accounting purposes, many of these intangible assets are expensed in the financial statements, which distort traditional profitability metrics. Return on asset computations that measure returns in reference to only physical assets, while ignoring the majority of software and intangible assets, are not likely to be relevant or useful. These distortions may not only make it difficult to understand and evaluate business performance, they may also impair decision making. Quite simply, in a digital world, the most important assets are often left out of the equation.

The Finance function of the future will not be constrained by the traditional accounting paradigm. It will develop new ways of measuring performance, utilize better analytical techniques and provide insights that are relevant to the new digital realities. It will add value by helping boards of directors and the C-suite to make better capital allocation and investment decisions based on new ways of measuring profitability and computing rates of return on investments and total capital employed (physical plus intangibles and intellectual capital). It will require enhanced systems to capture and summarize the relevant information, including financial and non financial performance information, new types of system and data controls, better tools to implement enhanced analytics, and people (both preparers and users) who think beyond the traditional accounting and business models. This future is both challenging and exciting.

What's driving the changes in Finance?

While much may have stayed the same for many years, one major change that has occurred has been in the volume and complexity of Finance's work. What's more, the business support, operating analysis, financing support and one-off reporting "asks" that CEOs, other executives, owners, boards and audit committees are making of their CFOs and Finance teams are continuing to increase.

CFOs are well aware of the fact that, in today's interconnected, volatile global operating environment, their organizations need to be able to understand actual results in near real time, as well as anticipate future developments under different scenarios.

CFOs are also well aware of the fact that Finance needs to change if it is to be able to deliver on those expectations. They know that Finance needs to shift from producing data to producing insights. Furthermore, these insights need to be linked to outputs, and Finance is expected to be the connector of a process that extends from the general ledger to forecasting.

CFOs also understand that by strategically coordinating people, processes and technology to extract and communicate relevant insights, Finance will dramatically change the value proposition it brings to the organization. Unfortunately, however, despite clearly understanding that Finance needs to change, few CFOs are even partly down that road.

If CFOs aren't willing to lead the change in Finance, many boards of directors are signalling that they will find a CFO who will. The turnover rate among CFOs has risen to 16 percent, up from 12.5 percent two years ago.[1] More than half of the new CFOs are being recruited from outside the organization as boards search the market for leading talent.[2]

The new expectations that organizations have for Finance is also reflected in the skill sets they expect in a CFO. Among external hires, 25 percent of new CFOs have general management experience (up from 12 percent in 2010), and just 14 percent have a controllership background (down from 21 percent in 2010).[3] Of the CFOs recruited internally, more than one-third came from outside the Finance function, and just 25 percent had controller/chief accounting officer backgrounds.[4]

16%

The turnover rate among CFOs has risen to 16%, up from 12.5% two years ago

25%

Among external hires, 25% of new CFOs have general management experience, up from 12% in 2010

14%

Among external hires, just 14% of new CFOs have a controllership background

Where is Finance today?

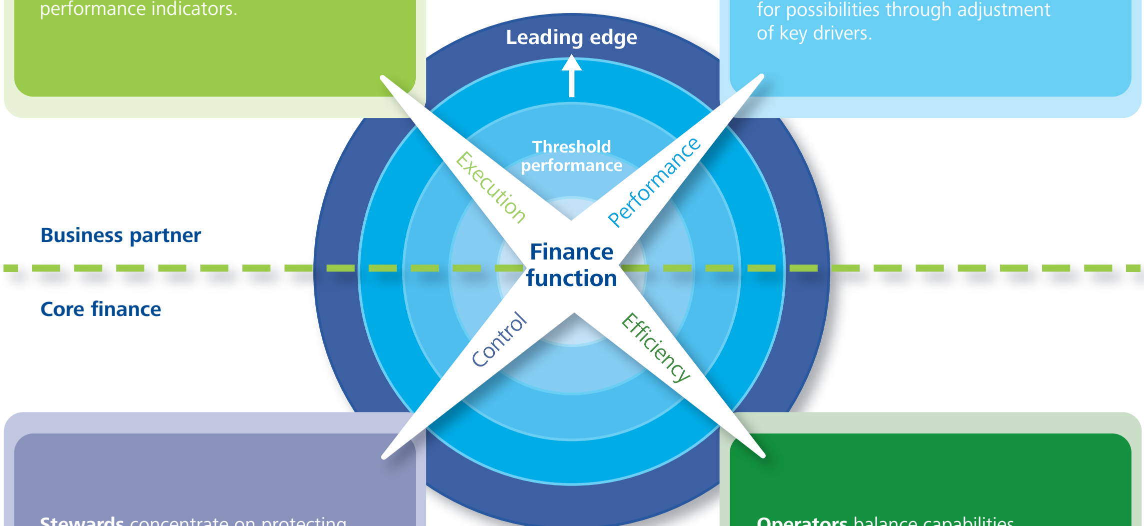
Four faces of Finance

Catalyst

Catalysts drive behaviours across finance and more importantly across the entire organization, to execute strategic and financial objectives while also creating a risk intelligent culture. This is completed by design and deployment of enterprise wide performance management systems, dashboards, effective forecasting processes and tools, and key performance indicators.

Strategist

Strategists participate as financial leaders, help to shape and define the organization’s strategic direction, and align its financial people, processes and systems accordingly. They focus on capital allocation strategies, funding growth, and mergers and acquisitions, completed through comprehensive analysis of relevant scenarios that factor in organizational dynamics, changes in the external environment and planning for possibilities through adjustment of key drivers.



Steward

Stewards concentrate on protecting and preserving the organization’s critical assets and accurately reporting its financial position and operations to its stakeholders. The focus is on quality of information being reported, accounting standards, internal controls and risk management.

Operator

Operators balance capabilities, talent, costs and service levels to ensure that the finance function fulfills its core responsibilities effectively. They concentrate on the efficiency and effectiveness of the core transaction processing processes and systems to ensure a ‘rock solid’ quality based foundation.

A survey of over 1,000 finance leaders who attended Deloitte's *Finance Trends* conferences across Canada in late 2015 and early 2016 confirmed that CFOs understand that they and their Finance teams need to change – 84 percent say they believe they should be spending the majority of their time on strategist/catalyst activities (Figure 1).

They also confirmed that it is still just an aspiration for many CFOs; only 25 percent say they actually spend most of their time on those activities. More than half – 51 percent – still spend the majority of their time in steward/operator roles (Figure 2).

A survey of over 1,000 finance leaders who attended Deloitte's Finance Trends conferences across Canada in late 2015 and early 2016 confirmed that CFOs understand that they and their Finance teams need to change.

Figure 1

Where would you like to spend your time?

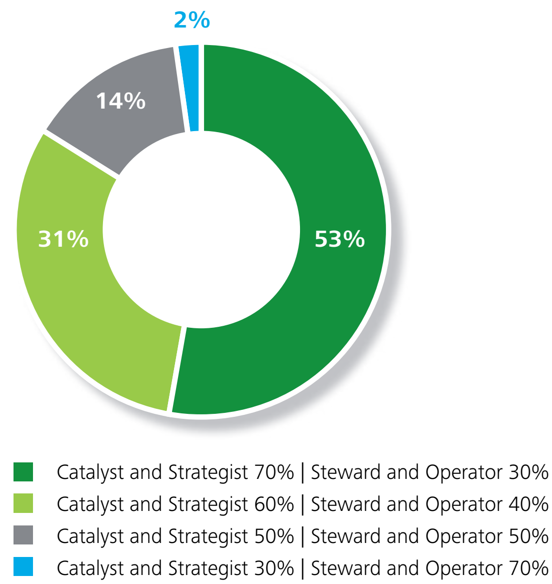


Figure 2

Where do you spend your time currently?

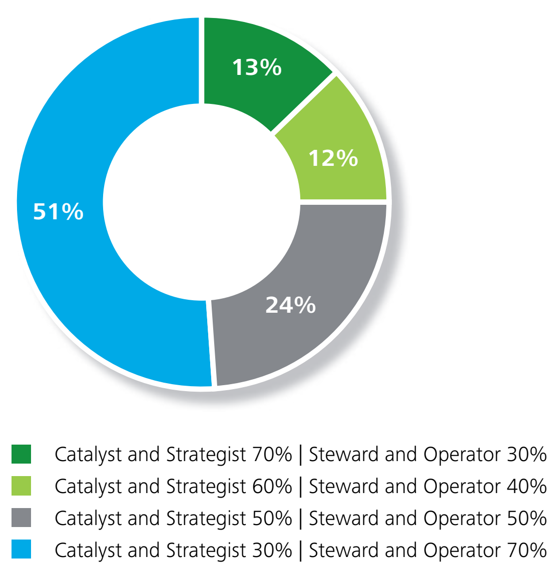
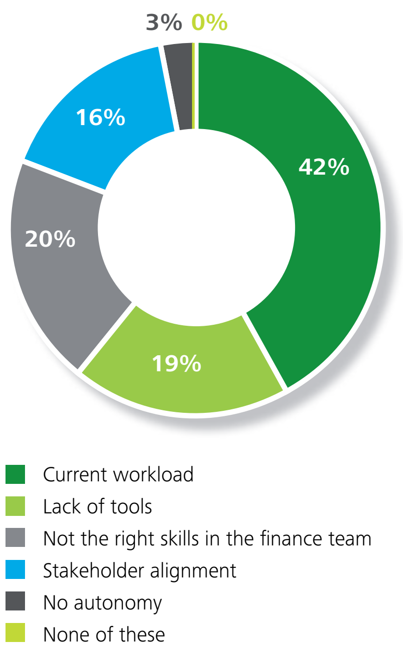


Figure 3

What are the key impediments in your organization that prevent the CFO from being a catalyst and strategist?



So what's holding CFOs and Finance back from spending more time on strategist/catalyst activities?

Today, Finance has the in-house talent, supported when necessary by external resources, to bring the required competencies in strategy, tax, corporate finance, core accounting and systems to deliver Finance's traditional services, such as financial close. The problem for most Finance functions, however, is that they are struggling to keep pace with the continually expanding number of KPIs they are being asked to report on. That, together with poorly aligned processes and the outdated technologies they use to gather information on those KPIs, makes it difficult, if not impossible, for these Finance teams to get off the reporting treadmill and take on other tasks.

In short, many Finance teams are just too bogged down with their current steward/operator tasks to be able to begin realigning the function so that it has the ability and time to devote greater attention to other activities (Figure 3).

Upping your game – Modernizing Finance for 2020

CFOs understand that they and their Finance teams need to reposition themselves if they are to meet the growing asks of the organization and are to bring greater value to it.

To modernize themselves, Finance teams need to:

- **Identify** where Finance is today and determine the capabilities it needs for the future.
- **Create** a compelling vision for Finance that is aligned with, directly linked to and supportive of the overall corporate vision.
- **Define** the characteristics and attributes that describe and can be demonstrated in the actions and activities of the Finance team members as they bring the vision to life.
- **Develop** an actionable roadmap consisting of 180-day "sprints" that describe what Finance needs to do to move towards its desired future state.

Determining where Finance is today and where it needs to be in the future

Every Finance function is different, and some are more mature than others. The *Finance Function Maturity Model* describes Finance capabilities in five areas – data, processes, people, strategy and technology – and also identifies the attributes that best describe the differing maturities of these capabilities.

By matching the Finance function's current capabilities to the descriptions in the *Maturity Model* (next page), CFOs can determine their function's current level of maturity. The model also describes the capabilities that Finance will need to acquire to become a more mature function that will be typical of Finance in 2020. Using the model's description of these capabilities, CFOs can communicate with their stakeholders and the Finance team in a "non-financial speak" way about the current and desired future state of Finance.

Determining Finance's true current state, including all the inputs and outputs within the complete Finance function, and doing so without assumptions or bias can be challenging and requires looking into the "dusty dark corners" of Finance's complete set of people, processes and technology to really understand what is working well and what isn't.

Determining Finance's true current state, including all the inputs and outputs within the complete Finance function and doing so without assumptions or bias can be challenging…

Finance Function Maturity Model

	STAGE 1 Basic	STAGE 2 Developing	STAGE 3 Defined	STAGE 4 Advanced	STAGE 5 Leading
Data	Limited use of systems with key data residing with individuals; no data validation	Data structure is partially defined with some key data stored outside of systems; data validation is reactive	Data is mostly captured and validated through systems; manual manipulation and aggregation is required to support analysis and reporting	Data is captured and validated through key systems; some manual manipulation or aggregation required	Data assets are validated, integrated and accessible; there is a single trusted source for data
Process	Processes are not defined and are entirely manual; no controls in place	Processes are partially defined and highly manual; controls are mostly manual and detective	Processes are mostly defined with varying levels of documentation; controls are defined, documented and mostly detective	Standardized processes and documented policies; controls tending toward automated and preventative	Processes and tools fully defined and optimized; controls are automated and preventative
People	No talent management strategy or performance measurement framework exists	Limited talent management strategy and basic competency definitions exist but are not governed by a formal performance measurement framework	Defined talent management strategy exists with detailed competency descriptions, governed by a basic performance measurement framework	Talent management supports the business strategy through designed programs with a focus on required competencies. Clear performance metrics exist to drive improvement	Global talent management is aligned with the business strategy and has a mature process in place that enables current and future competency requirements to be measured and proactively managed
Strategy	No vision or plan in place for financial improvement	Key improvement initiatives are prioritized and allocated capital	A finance vision statement is created, communicated, and aligned with the goals of the business	Key attributes and characteristics to define the finance vision are defined and understood. CEO and CFO are in agreement and are aligned as to future investments	A 4-5 year executable action plan is defined and used to measure the modernization activities. Stakeholders are aligned and supportive
Technology	Limited use of systems tools and mostly spreadsheet based	Manual use of systems tools prevent full utilization	Latest available tools are assessed, selected and utilized, but with a reliance on manual efforts	High level of systems support, automation and integration across the organization	Highly integrated systems to support operations

Creating a compelling vision statement

Once Finance understands where it is today and what it wants to be in future in terms of the capabilities described in the *Maturity Model*, Finance can then build a compelling vision statement. This statement cannot be a standalone item for just Finance alone. It must be directly linked to and supportive of the overall corporate vision, and be supported by the CEO and key stakeholders (including the Chair of the Audit Committee).

Each of the vision statements shown on this page describes a high-level objective that the Finance team is striving to achieve. Today, many organizations are tying their Finance vision to 2020, which gives them a four year timeframe to achieve that objective; after that, they will have the opportunity to revisit and refresh their vision.

Defining key characteristics and attributes

A vision statement needs to be more than just a "catchy" slogan. In order for it to resonate over the longer term and serve as a call to action, the vision needs to be supported by a set of clearly defined characteristics and attributes that describe Finance's desired future state, and which can be demonstrated in the actions and activities of the Finance team members as they bring the vision to life.

Finance, therefore, needs to define the key characteristics of its vision. For example, what does "being proactive" really mean? How will Finance define accountability? And what is the standard Finance will set for high quality?

Defining these attributes will usually be a challenging process where each objective involves addressing multiple issues. For example, suppose a desired objective is to provide better and more relevant and meaningful insights. To achieve this, the team might need to complete all of the activities of the financial close process in 14 days in order to get accurate "actuals" quicker. Furthermore, being unable to achieve a 14-day close may often not be due to calendar issues and the tactical close steps; instead, it may be caused by an inefficient "procure to pay" process, the limited use of accruals, a lack of confidence and knowledge among the Finance team to apply and make better estimates, and fragmented or not fully deployed or optimized technologies that result in a pervasive use of Excel.

Some examples of actual Finance function visions:

Our sophisticated team proactively supports and empowers our partners in advancing the organization's strategic initiatives.

Our high performing and engaged team will support and enable our partners to act in the best interest of the organization and its stakeholders.

Foster a mindset of accountability to produce high quality outputs that enable insights and drive value through business partnering.

Developing an actionable roadmap

To move Finance from where it is today to where it needs to be in future, Finance needs an actionable roadmap that sets out the people, processes and technologies that Finance needs to achieve its vision, and how those capabilities will be achieved. This roadmap will also provide key milestones for the Finance team and Finance's stakeholders that demonstrate the progress that Finance is making to achieve its vision. The roadmap also needs to be flexible, and should identify some quick wins and incremental changes that will shape the team's first steps.

The Finance Operating Model (FOM) (Figure 4) provides a framework Finance can use to assess 13 key elements and the time it allocates to the four faces of Finance.

To move Finance from where it is today to where it needs to be in future, Finance needs an actionable roadmap that sets out the people, processes and technologies that Finance needs to achieve its vision, and how those capabilities will be achieved.

Finance Operating Model

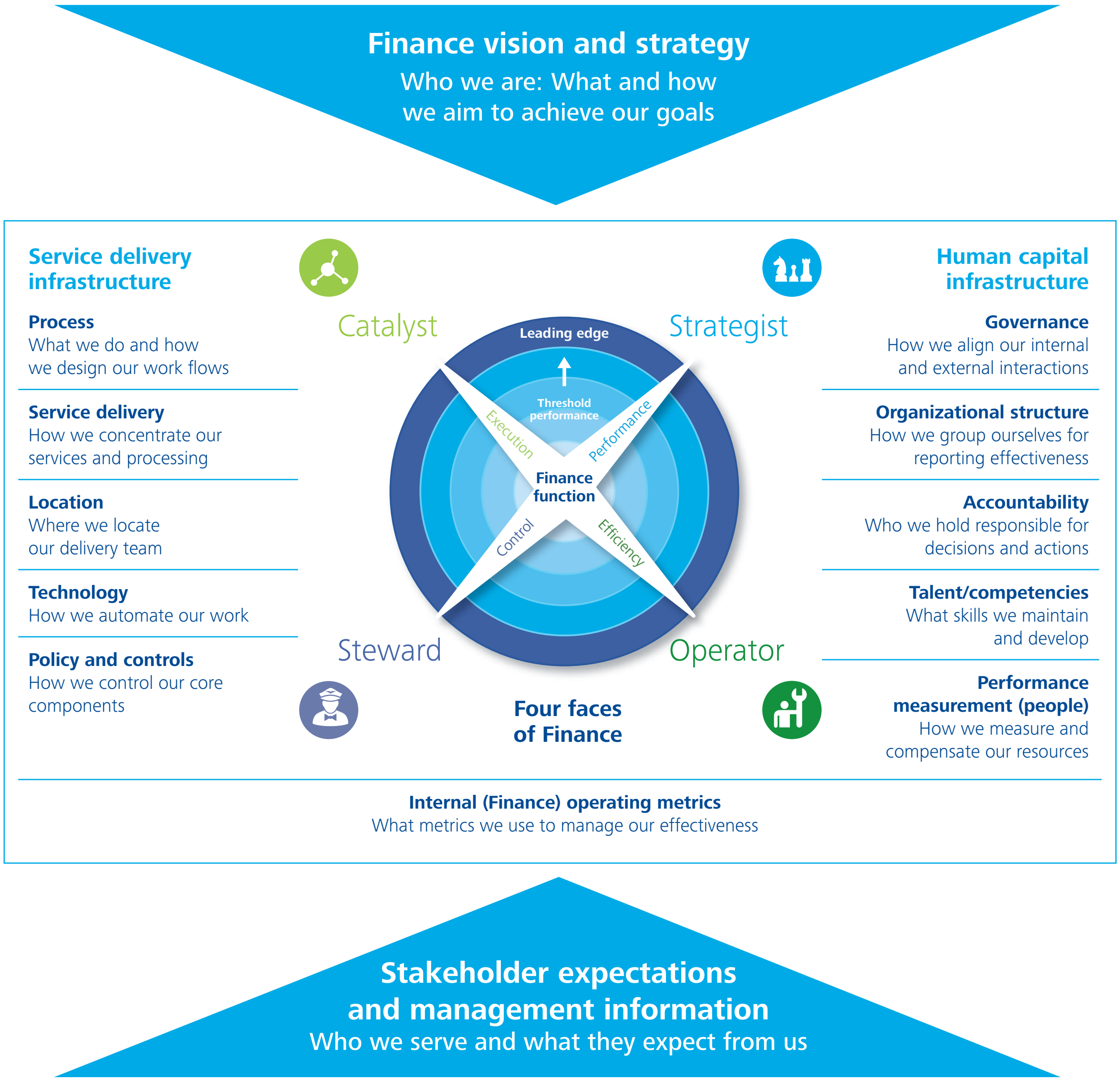


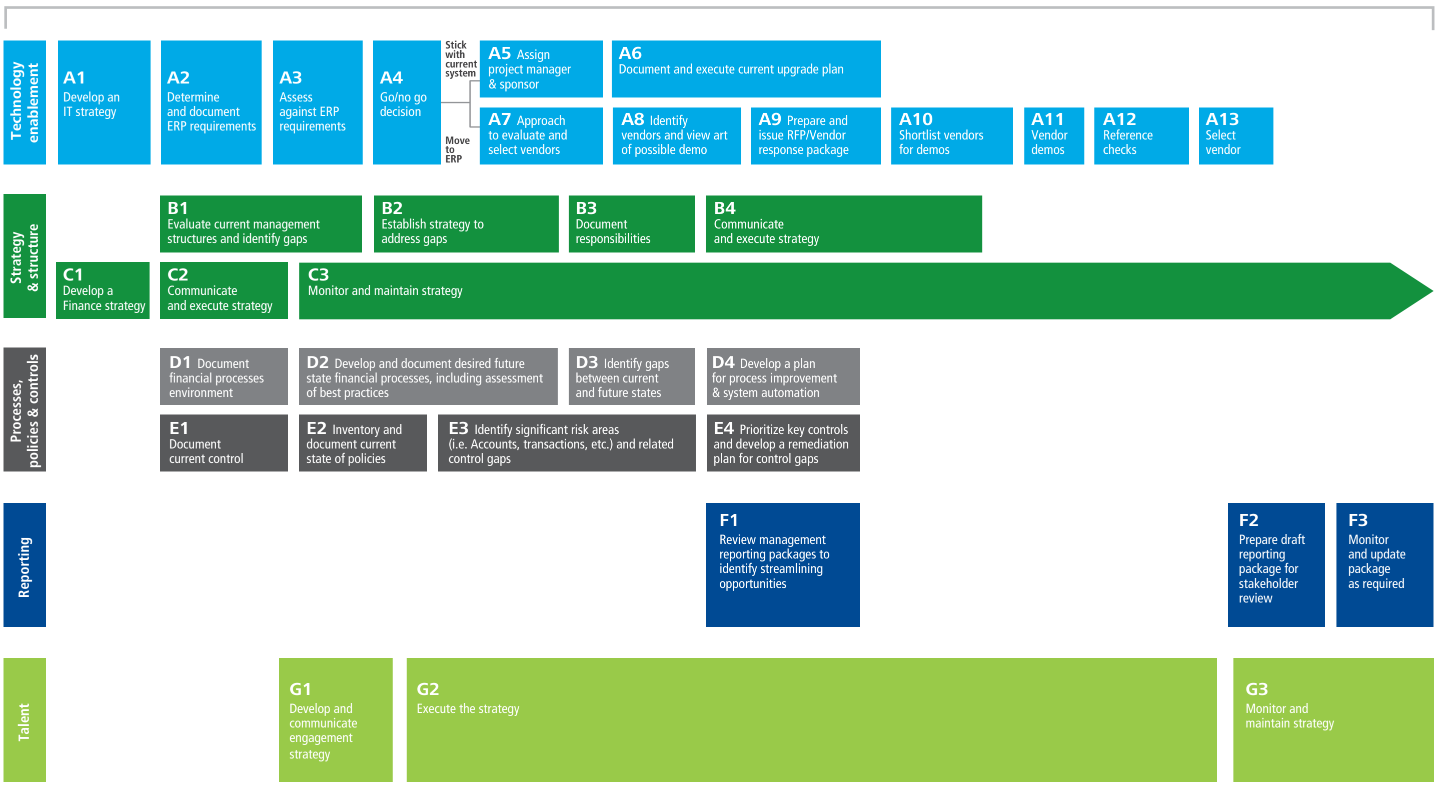
Figure 4 Finance Operating Model (FOM)

Key priorities roadmap

Building the foundation

The graphic below displays the sequencing of activities that can be completed within the next 180 day timeframe

Establish a steering committee and hold regular meetings



To build their function's capabilities, CFOs will need to address the areas where the largest gap exists between the current and desired future state. Typically, these areas will include:

- **Talent** – What skills and competencies will Finance need, and how will these be acquired? Is my team a group of top performers? Do I have the right structure? Many Finance teams will need to compete in the war for talent in order to recruit new people with the required skills and also provide training to develop the skills of their current staff. Finance will also need to manage multi-location, multi-generational and multi-cultural workforces.

- **Processes** – What process will be needed, and how should Finance's workflows be designed? Have I mapped out these critical processes, including all the inputs and outputs? Do I regularly review them for inefficiencies? Many of the inefficient and time consuming activities that currently bog down Finance teams are a result of unsynchronized processes and poorly coordinated activities.

- **Systems** – How will Finance automate its work? How can we make things faster, better, and cheaper? Do we actually have the right systems? Why do we use Excel so much? Many Finance functions currently rely on proprietary in-house finance systems, and will need to move to cloud-based finance systems changing fixed to variable costs.

- **Stakeholder expectations** – What will Finance's stakeholders expect from Finance? Have I asked? Do we have meaningful organizational KPIs? Do our stakeholders really understand and appreciate the volume of reports we produce? Are we really aligned to support business growth? Finance needs to determine what it needs to deliver, when and how, in order to satisfy its stakeholders' expectations.

Understanding the unknowns

Clearly, CFOs and their teams will have a number of complex issues to manage as they develop Finance's capabilities and build its maturity – while also continuing to deliver the services they are already expected to provide. One of the biggest challenges CFOs will face is identifying, understanding and managing the "known unknowns" and "unknown unknowns" that lie ahead. "Known unknowns" are activities that the Finance team knows it needs to undertake but lacks previous experience – for example, the team may know it needs to replace its core accounting system; what it doesn't know are the issues that it will need to manage since it has never undertaken an ERP implementation. "Unknown unknowns" are activities that the Finance team is unaware of and hasn't identified, yet will still need to be undertaken. For this reason, CFOs need to look for knowledgeable advisors and meaningful sources of information to help them identify the appropriate questions that need to be answered, avoid mistakes and missteps, and give themselves an opportunity to learn from the experiences of others so they increase their probability of a successful outcome.

What are leading CFOs and Finance teams doing now to "up their game"?

Many leading Finance teams are expanding their capabilities in several areas. There are three areas that are the current cause of many of the gaps between where Finance is today, and where it wants to be in future. By addressing these areas early in their transition plans, most teams can make demonstrable progress towards achieving their future vision. Each of these areas is discussed in detail in the following sections:

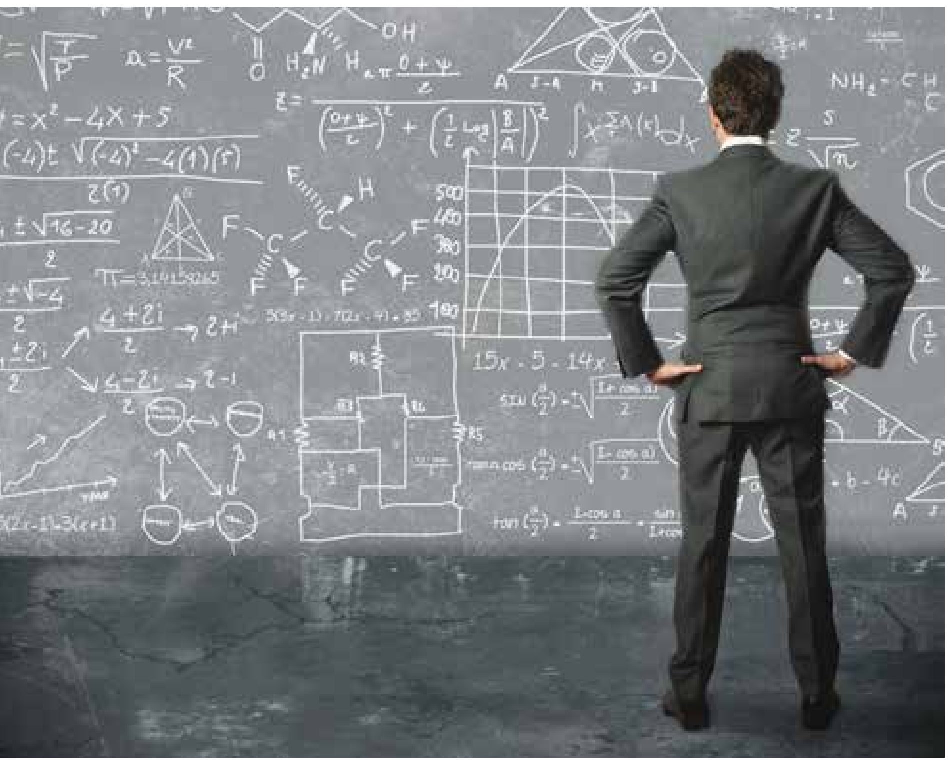
- Interpreting a vast amount of Finance data and converting it into meaningful and easy to understand finance insights for stakeholders

- Improving the speed and efficiency of the financial close process, and

- Providing forecasts and other forward-looking management information to the organization.

Upping your game: Finance insights

In today's transforming world, organizations need CFOs who are able to translate numbers into opportunities.



Operator/steward roles will always be critically important to Finance's mandate, however with a solid foundation across people, processes and technology, Finance can become a more efficient and meaningful business partner able to more quickly provide better information and insights to the business.

As CFOs and their teams spend more time on catalyst/strategist activities, they will need to shift from generating data to producing insights. This will be essential since Finance will need to be at the table for strategic discussions to help drive the conversation and contribute key information to help guide critical decisions.

Currently, many of Finance's stakeholders tend to view Finance as a "black box." They don't clearly understand what Finance does, or what it can do for them. As a result, their "asks" of Finance are often for more data, or to have existing data presented differently – which keeps Finance tied to the report generating treadmill. Providing finance insights is an opportunity for Finance to break out of the black box and begin communicating to stakeholders from a business perspective rather than just a finance perspective.

Advances in technology and talent, together with the increasing volume and variety of available data assets, create both challenges and opportunities for Finance as it strives to become a better business partner. In today's transforming world, organizations need CFOs who are able to translate numbers into opportunities.

What are the opportunities?

Only about one-third of the participants at Deloitte's *Finance Trends* conferences felt their Finance team provides very good insights. Half of the respondents said Finance uncovers and shares some relevant insights, but had inefficient and/or ineffective processes and media for distributing them (Figure 5).

Depending on its current level of maturity, there could be significant opportunities for a Finance team to provide greater finance insights, particularly given the increasing demand from audit committees and public company boards for better insights and perspectives that are presented clearly and concisely.

Understanding Finance Insights

Today, the typical Finance team tracks and captures more data than ever before, but organizations are still struggling to leverage that data the right way.

In order for Finance to liaise effectively with other functions, it needs people who are technically proficient and also have strong communications skills and general business acumen. This talent team also needs to be supported with the appropriate tools and resources – one of the most relevant and impactful of which is data visualization, which enables Finance to move from Excel-based analyses (which are both error prone and time consuming) to more efficient, flexible and powerful means of analyzing key data assets.

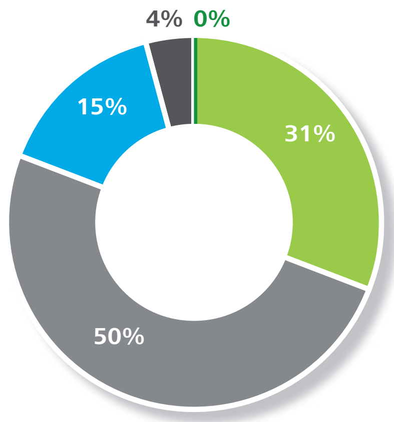
Data visualization also changes the way information and insights are communicated throughout the organization. Instead of management reports that consist of many pages of rigid tabular and narrative information (which are time consuming to prepare and present), dashboards display information in a visual format, which can increase the consumption of key information and streamline the supporting processes.

As organizations report greater numbers of non-GAAP measures – which are often synonymous with the organization's KPIs – Finance needs to understand the business and its operational complexity in order to report these non-financial KPIs. And since they don't always come through the same accounting system as their financial counterparts, non-financial KPIs may not be supported with the same degree of rigour, and they can also be harder to contextualize. Nevertheless, there is a growing appetite for non-financial KPIs, and Finance is often seen as the conduit for building rigour into these metrics. Effective processes and dashboards with the right controls will give Finance the ability to track and communicate these metrics and give stakeholders the ability to get under the surface of the reported data to understand the "why" and not just the "what."

In short, the business need for insights gives Finance the opportunity to become the catalyst helping to lead the way to better defined and reported corporate performance. Since Finance is the group that typically generates and/or manages the data, it can also take a leadership position in defining the organization's corporate performance objectives and indicators, and translating them so they can be monitored and reported.

Figure 5

How you would you rate the quality of insights currently provided by Finance?



- **Excellent.** Insights are aligned to our strategic priorities and disseminated to key stakeholders through interactive and/or self-serve mediums
- **Very good.** Insights are mostly aligned to strategic priorities and provided in a reasonably timely manner. Traditional reporting mediums used
- **Good.** Some relevant insights are uncovered and shared, but the processes and mediums to distribute are inefficient and/or ineffective
- **Developing.** Few insights are uncovered and shared, reporting is rigid and inefficient
- **Poor.** We don't currently share many insights

Data visualization and dashboarding

Key benefits: Analysis of data, consumption of insights – Efficient, effective and reliable

Easily implemented: Flexible fit within the current IT infrastructure, cloud-based applications, real-time access

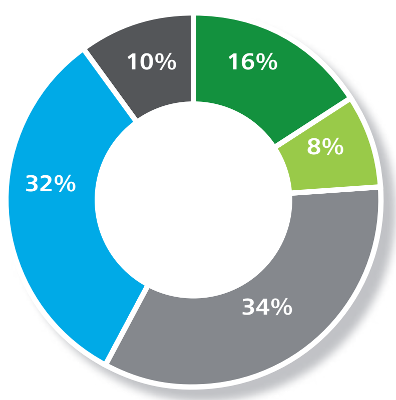
Extracting value: Exploiting the potential within your (internal and external) data assets

Supporting talent: Enables the next generation of finance talent to succeed

A great first step: A pre-cursor to advanced analytics

Figure 6

Does your organization have current or planned use of data visualization tools?



- Yes, it's currently leveraged throughout the organization
- Yes, it's currently leveraged, but Finance isn't a user
- Yes, we plan to leverage data visualization but haven't done so yet
- No, we are interested but have no immediate plans
- No, we have no interest at this time

Data visualization tools

Solutions are provided by an already large and growing number of vendors, including traditional ERP and CPM suites and niche players who provide a range of solutions across data capturing/processing, analytics and data visualization. One solution that is growing in popularity are cloud-based technologies; as more organizations have moved to cloud-based IT models, the applications have followed suit in offering greater scalability and improved security.

Although most major ERP systems include an analytics or visualization module, most pure visualization products (i.e., those that are not part of a suite from SAP, IBM, etc.) are easy to connect, making this a reasonable investment that almost every organization can make without having to rework or overhaul its current IT systems.

The benefit of these tools is that all relevant data is stored in one place and in a format that is easily consumed and analyzed. Data that is highly intimidating when contained in a 500,000 row spreadsheet is easy to navigate and understand with a data visualization tool. While it allows users to see the big picture, its interactive capabilities also allow them to drill down to the granular details to investigate items of interest. Unlike traditional Excel-based analyses, the tool is also capable of providing answers to multiple questions, and once the data connections are established, real-time reporting becomes a real possibility.

Given the opportunities, it isn't surprising that almost 60 percent of CFOs surveyed say their organizations are already using data visualization tools or are planning to do so (Figure 6). That said, the percentage of organizations that are using their visualization tools effectively is much lower.

Enabling an insight-driven Finance function isn’t about revolution, it’s about evolution.

Roadmap for change

Enabling an insight-driven Finance function isn’t about revolution, it’s about evolution. It’s not a matter of throwing out all of Finance’s current systems and processes and starting over from scratch – something that would be both impractical and ineffective.

Data visualization can be a big project, and Finance teams need to keep it manageable and ensure that their focus on visualization isn’t confined solely to operator/steward activities.

Moving to an insight-driven organization will be a learning experience for everyone in the organization – not just Finance. Often, a good first step will be a strategic pilot or Proof of Concepts (POCs), which are designed to deliver a quick win and demonstrate the value of an approach. Such projects can build momentum and provide learnings and experience that will be helpful to the Finance team and the organization as they move forward.

Upping your game: Financial close

The success Finance has with data visualization and the provision of finance insights depends in large part on its ability to improve the financial close – having accurate actuals when they are needed is critical to being able to provide timely insights.

Currently, the financial close is one of the most time consuming tasks for many Finance functions. It's not just about closing the general ledger, but also producing statements, reporting to management and the board, and at the appropriate time of year, the audit. For many Finance teams, the close is an endless treadmill; as soon as one period is closed, work begins immediately on the next.

The objective for Finance is to deliver actual results sooner, but without creating an incredible burden on the Finance team. Often, the devil is in the details, but with financial close the devil is in the definition; different parts of the organization often have different ideas of when close occurs. Business units/divisions often consider that close has occurred when the general ledger is closed. Corporate will consider the books closed when the consolidation is complete. Management won't consider the close cycle completed until the internal and external reporting is completed. Even among CFOs, the definition of close may differ.

Why are these different definitions a problem? Different definitions result in a close process that is siloed and different parts of the organization don't appreciate how their piece fits into the overall reporting timelines and how they can affect efficiencies.

The first step in improving the close process is to understand where close sits on the maturity model:

- Developing – the process is partially defined and informally communicated
- Defined – the process is defined and informally communicated
- Advanced – the process is defined, documented and introduced throughout the organization
- Leading – continuous improvement is fully integrated into all parts and aspects of the organization

In 2014, just 3 percent of companies said they had a "leading" close, and almost one-quarter considered their close as "advanced." Half of companies said they had a "defined close."

Once CFOs and their teams understand the maturity level of their close process, they can then determine where it needs to be. Having a "leading" level close process may not be appropriate for all organizations. While none of the CFOs polled by Deloitte believe a "developing" level close process would be the right one for their organization, almost one-fifth feel a "defined" level close would be sufficient, and more than one-third believe they should strive for either an "advanced" or "leading" level close process (Figure 8).

"Advanced" or "leading" close processes have the following characteristics:

- Processes and internal controls are defined and standardized across the entire organization. This usually requires formal documentation with regular review, updates and training to ensure that standardization is maintained.
- Roles and responsibilities are clear and reviewed on a regular basis to enable accountabilities to be enforced. Comparison between intended responsibilities and the tasks taken on by individuals can be useful in highlighting process misalignment or inefficiencies.
- KPIs have been developed and implemented enabling review on a regular basis. A framework is in place to interpret the results and take action where required to ensure continuous improvement occurs.
- The majority of processes and procedures are automated thereby reducing risk of manual error. In a leading process, the production and circulation of reporting will also be highly automated with pre-defined distribution lists and timelines.
- All systems are integrated and effectively work together to add value to the organization.

Figure 7

How do you define the end of your financial close cycle?

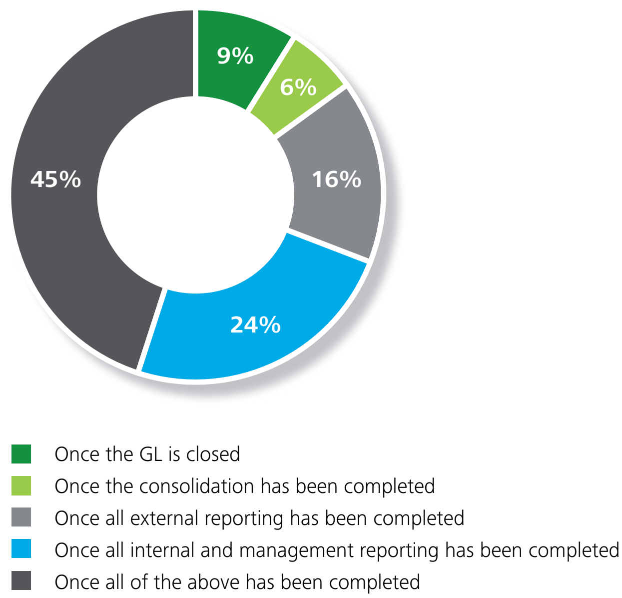


Figure 8

Which financial close maturity is right for your organization?

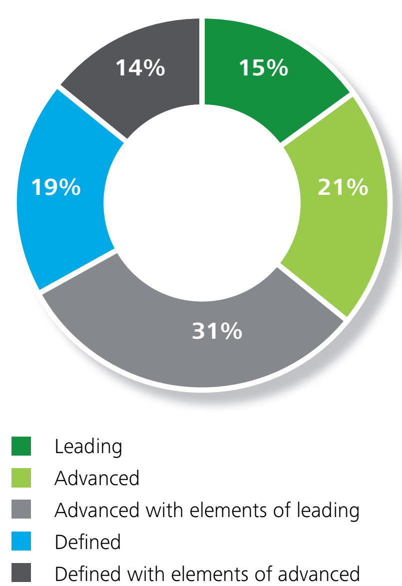
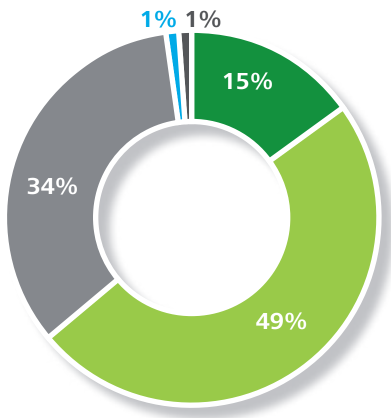


Figure 9

Which potential improvement would most benefit you?



- Defined monthly reporting
- An earlier start to the process
- Setting materiality levels for variance analysis and late entries
- Better system integration
- Improved resource skillset

Why aim higher?

There are tremendous benefits for organizations that up their close maturity.

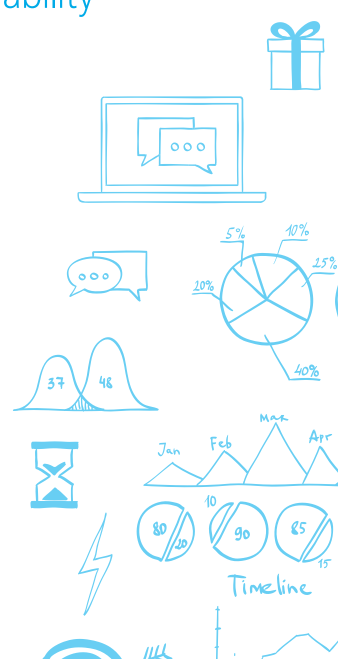
Public companies need an efficient close cycle if they are to meet their tight filing deadlines. Investors rely on the results that are reported to make their decisions, and organizations with an inefficient close may face increased scrutiny from external regulators.

A tighter close process will ensure that management has accurate results faster, thereby enhancing management's ability to make timely decisions. It also frees up time to spend on more value added activities, such as providing the insights behind the numbers. There is also the potential to reduce the manual effort required by the close process, thereby reducing resource costs and freeing up the time available for Finance to focus on higher value activities.

Employees benefit because the increased accuracy of information ensures that everyone in the organization is working with reliable information. A more efficient process can also help improve employee job satisfaction levels since it reduces the manual effort and time required for the close, while limiting errors and overtime, and allows team members to become more involved in strategic, engaging activities.

CFOs polled by Deloitte identified a number of benefits from having a more mature close (Figure 9).

A tighter close process will ensure that management has accurate results faster, thereby enhancing management's ability to make timely decisions.



Roadmap for change

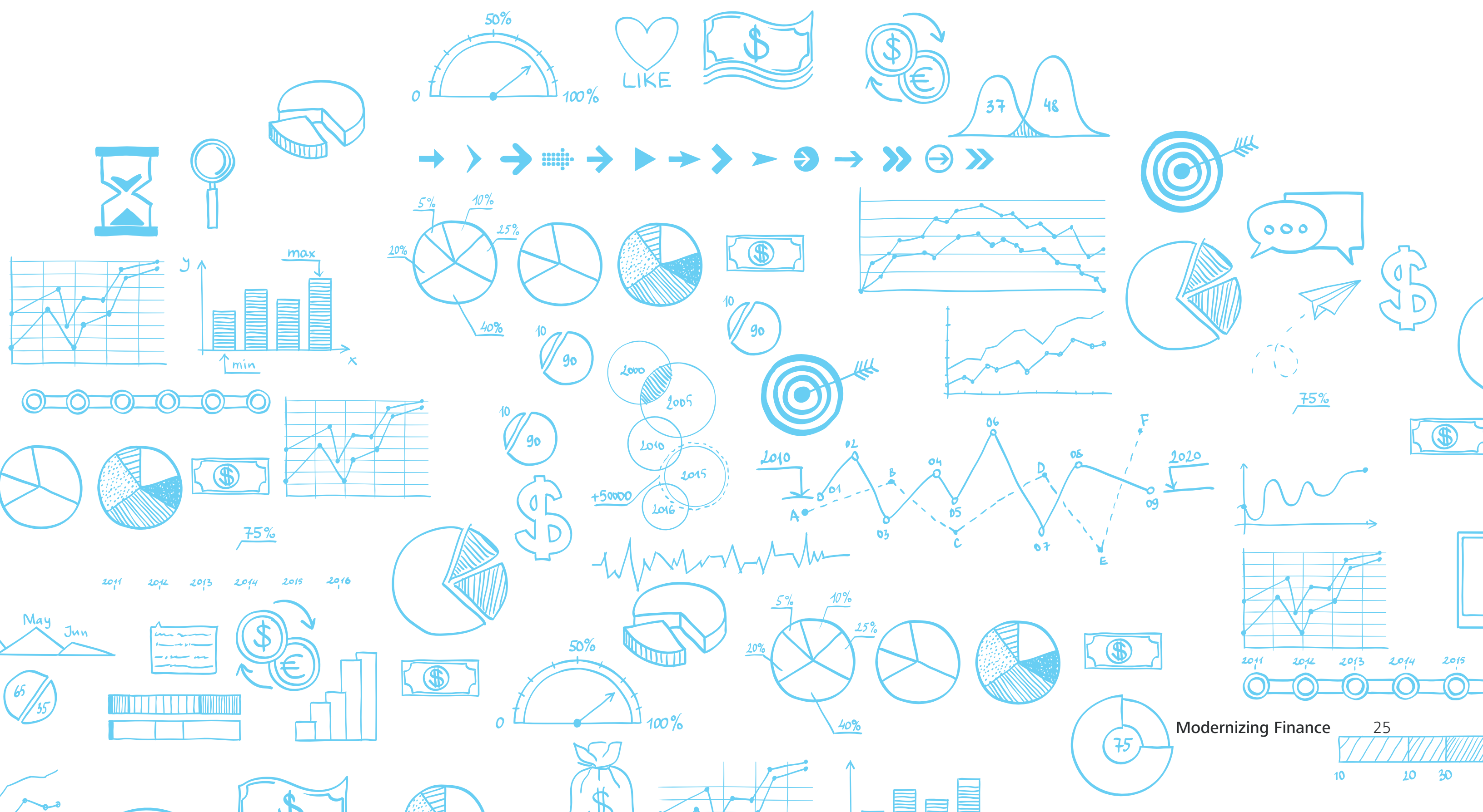
Finance teams that want to move towards a higher close maturity should begin by reviewing their current critical path to identify any activities that can either be removed or repositioned to a point ahead of day one. Ensuring that all participants in the close process have a holistic appreciation of it will also improve the close, since people will better understand the interdependencies of the process and may be able to reprioritize their workload based on that understanding.

This holistic understanding of the close should be documented in a detailed close calendar, to better ensure that everyone works to the same deadlines and appreciates the impact their work has on others. The close calendar should also set out responsibilities so the accountabilities for each step are clearly understood and can be enforced.

While technology is an important enabler, it will only be as good as the inputs. Instead of focusing solely on technology, CFOs and their teams should put people and processes first.

Fully documenting the close process and developing a comprehensive manual is important to ensuring consistency across the organization, which, in turn, is essential to maintaining efficiency. It will also reduce the risk of a concentration of knowledge and having a process that comes to depend on the talents of a few specific individuals.

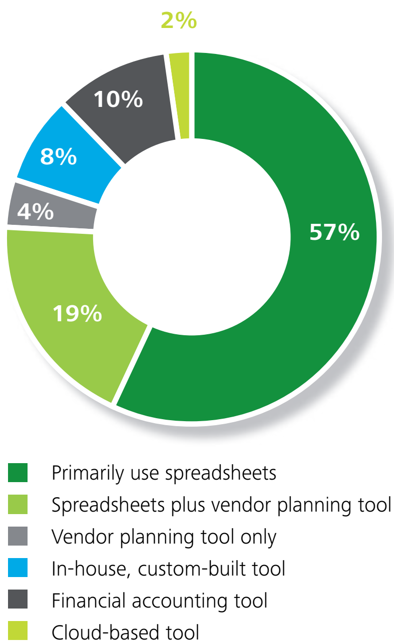
Finally, it is important to continually review and update the close process. When a formal model is put in place, ongoing reviews and updates become part of the process and give team members an appropriate channel for continuous improvement.



Upping your game: Forecasting tools

Figure 10

What is the main technology you use to prepare budgets and forecasts?



In today's operating environment, forecasting is more valuable than ever – and also more difficult than ever. Nevertheless, one of the biggest demands placed on Finance is for it to develop forecasts with a degree of accuracy that enables scenario planning and modelling on demand.

One reason why so many Finance teams struggle with forecasting is that they attempt to do so using spreadsheets (Figure 10). Spreadsheet tools such as Microsoft Excel are popular because they are familiar, easy to use and are essentially free since they come bundled in Microsoft Office packages. The problem, however, is that they are manual tools and there are often errors in the formulas and in the links from different spreadsheets. Furthermore, there is no audit trail of changes, no collaboration (because these are offline files) and no data security. And their greatest weakness: spreadsheets are not budgeting and forecasting tools; they were never really designed for those purposes.

… the game-changer for most Finance teams are cloud-based tools, which are comparatively new and very cost-effective alternatives for budgeting and forecasting. They are easy to use, don't require IT support, and are collaborative, scalable and affordable.

Until recently, however, spreadsheets were the only cost-effective tool available. Some Finance teams did implement on-premise or legacy tools for budgeting and forecasting, which are flexible and have powerful features. On the downside, these tools are expensive, complicated to implement and maintain, and IT support is needed to make even small changes.

Finance has always struggled with the challenge of proving to the organization that a particular tool is worth the time, effort and money required to get it implemented. In this regard, the game-changer for most Finance teams are cloud-based tools, which are comparatively new and very cost-effective alternatives for budgeting and forecasting. They are easy to use, don't require IT support, and are collaborative, scalable and affordable. They do have some limitations, however; they can be less flexible than custom build legacy tools and the organization's data may be stored outside the country depending on the location of the server.

Many Finance teams recognize the need to improve their forecasting capabilities. While just 11 percent have already implemented either an on-premise or cloud-based automated forecasting tool, 43 percent intend to do so at some point within the next five years (Figure 11).

In addition to their ease of use, automated forecasting tools have a number of advantages over spreadsheets. They offer Finance better control of the forecasting process and integration with legacy financial systems; forecasting can be done by each department and rolled up into an organization-wide forecast; and data quality is enforced by rules and permissions. But their most attractive features are their dashboards and reports (Figure 12).

Figure 11

Is your organization planning to implement an automated forecasting tool?

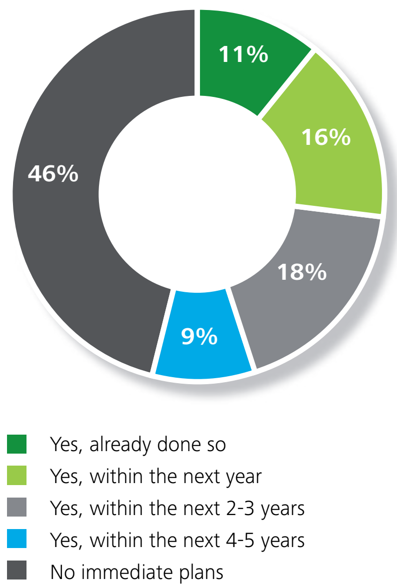
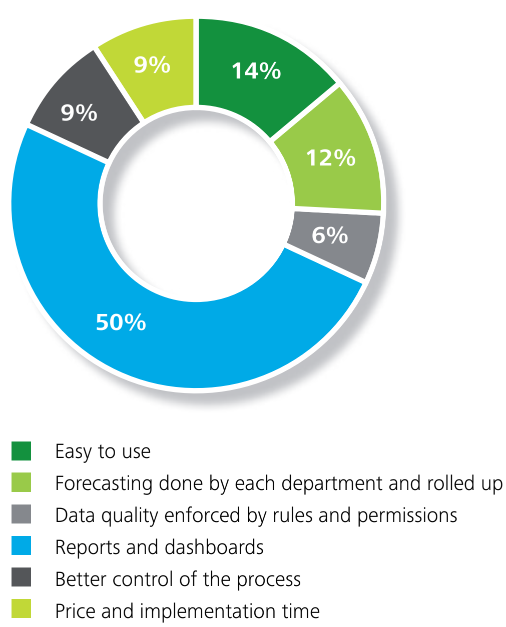


Figure 12

Which features of a forecasting tool are the most relevant for your organization?



Roadmap for change

A Deloitte survey conducted by OnResearch in 2015[5] of 500 executives from mid-market companies across different industries found that:

- 48% of executives consider technology as key for growth, which means it is a good time for Finance to get the buy-in to invest in new technology.

- C-suite executives not only think technology is important but 62% of them are actively involved in those initiatives. When Finance has a strong sponsor, it increases the chances of the project being successful.

- 80% of the individuals surveyed are already using an analytics tool, up from 65% the year earlier – a big jump that may indicate that no one wants to be left behind.

- 42% of the organizations are moving to the cloud and 21% are already there.

- At least half of respondents across a number of key business functions reported these functions are already cloud-based or in the process of shifting to the cloud. The biggest increase was among finance and accounting, the area most likely to be cloud-based among firms in the survey.

Today, a growing number of organizations appear to be more comfortable with the cloud and have found cloud-based products that meet their needs. While information security is cited as their biggest concern, the vendors are making significant investments to address that issue so it should not be an obstacle when considering a cloud solution.

The time and cost required to implement a cloud forecasting tool will vary from one organization to another depending on the tool being implemented, the organization's requirements for that tool, and the availability of key users to undertake the required learning.

The implementation of a cloud-based forecasting tool begins with a discovery phase to determine the organization's requirements, which the vendor then uses to configure the system using some of the organization's inputs. Before going live, the tool needs to be tested to ensure that it meets requirements and that the people using the tool are properly trained in its use.

CFOs need to play a leading role in the planning, design and implementation of cloud-based forecasting tools. These tools aren't like traditional ERP solutions, which are technologically challenging and typically require a deep knowledge of IT to implement. By contrast, cloud-based tools are primarily business tools, and the majority of planning and implementation considerations are business-related, rather than technology-related.

48%
of executives consider technology as key for growth

80%
of the individuals surveyed are already using an analytics tool

42%
of the organizations are moving to the cloud and 21% are already there

For Finance, the status quo is no longer an option

The "asks" being made of Finance and CFOs are continuing to grow in number and complexity, and CFOs recognize that they and their teams need to up their game to spend more time on higher value strategist/catalyst activities and work as a strategic partner with their C-suite colleagues. The option of the status quo is no longer viable.

CFOs and Finance teams need to begin now to take the necessary steps to up their game. That begins with identifying a vision of what Finance will be in four to five years. That vision must be aligned with the CEO's and organization's overall corporate vision and strategy and describe how Finance will create value for the organization. The vision must also be supported with a clear description of the key characteristics and attributes of Finance in the future; these need to be carefully defined since they will be the benchmarks against which Finance and the organization can determine how well Finance is achieving the objectives set out in its vision.

Finance also needs to develop a roadmap with specific actions that will move it from where it is today to where it needs to be in 2020. This plan needs to be flexible, since it will likely need to be adapted and adjusted in response to different circumstances. Therefore, it should be tactical, setting out 180-day sprints that have clear objectives and realizable goals, which can be frequently refreshed as Finance makes progress towards achieving its vision.

With the increasing inbound requests and challenges placed on Finance, most Finance teams will need to introduce efficiencies, standards and automation in their operator/steward capacities in order to free up greater time to devote to strategist/catalyst roles. For many Finance teams, there are significant opportunities to do that by focusing on three critical tasks:

- Producing and providing finance insights
- Improving the speed and efficiency of the financial close, and
- Improving Finance's forecasting ability.

Today, Finance is still a "black box" to many of its stakeholders, who don't truly understand what Finance does and, more importantly, what it is capable of doing. These stakeholders also don't typically talk the language of Finance. By upping their game, better aligning its activities to the needs of its stakeholders and communicating to them in the language of the business, Finance can break out of the perceived box and become an even more highly-valued strategic partner in the organization.

Appendix

In late 2015 and early 2016, over 1,000 finance leaders attended Deloitte's Finance Trends conferences held in Quebec City, Montreal, Ottawa, Toronto, Burlington, Vaughan, Kitchener, Winnipeg, Edmonton, Calgary and Vancouver. At each session, attendees were asked to provide their responses to questions about various aspects of their organizations and Finance functions.

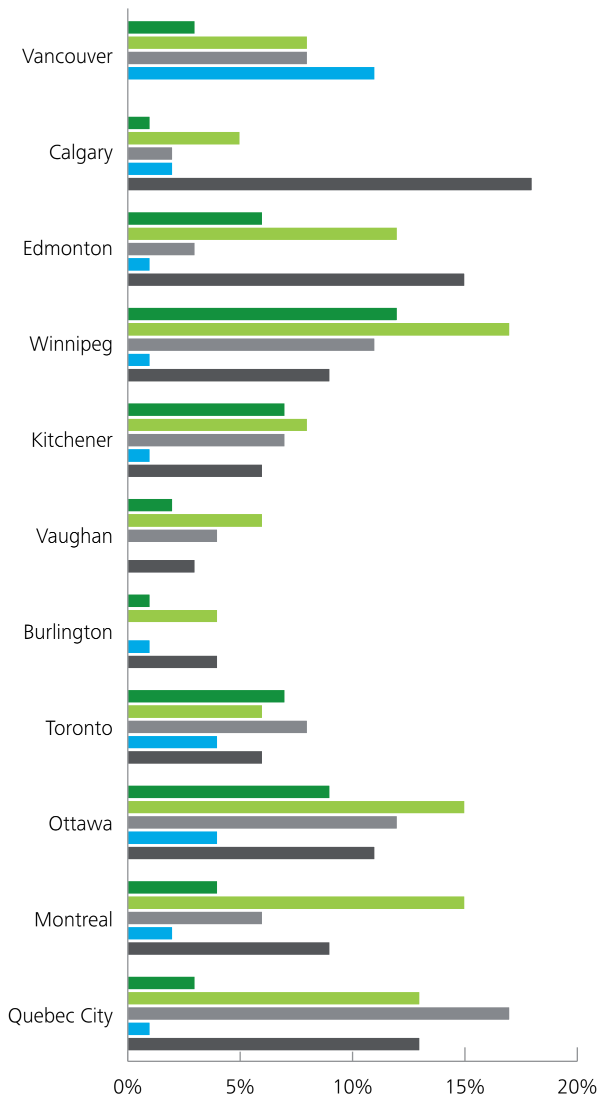
The questions are presented in this Appendix and show the responses from each location as well as a combined response from all centres.

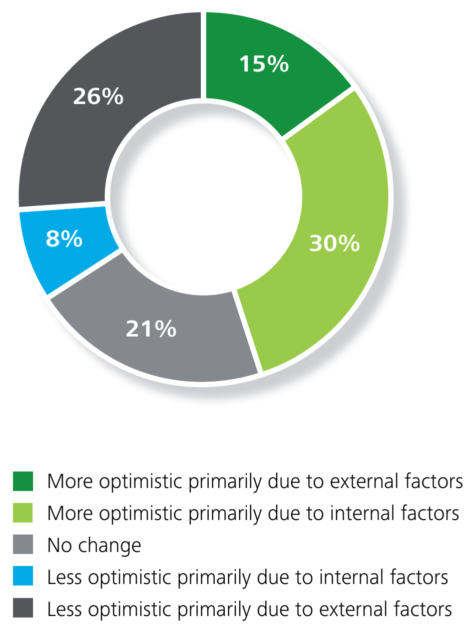
Survey results

Question 1

CFO focus | CFO focus for the year ahead

How do you feel about your company's prospects relative to last quarter?

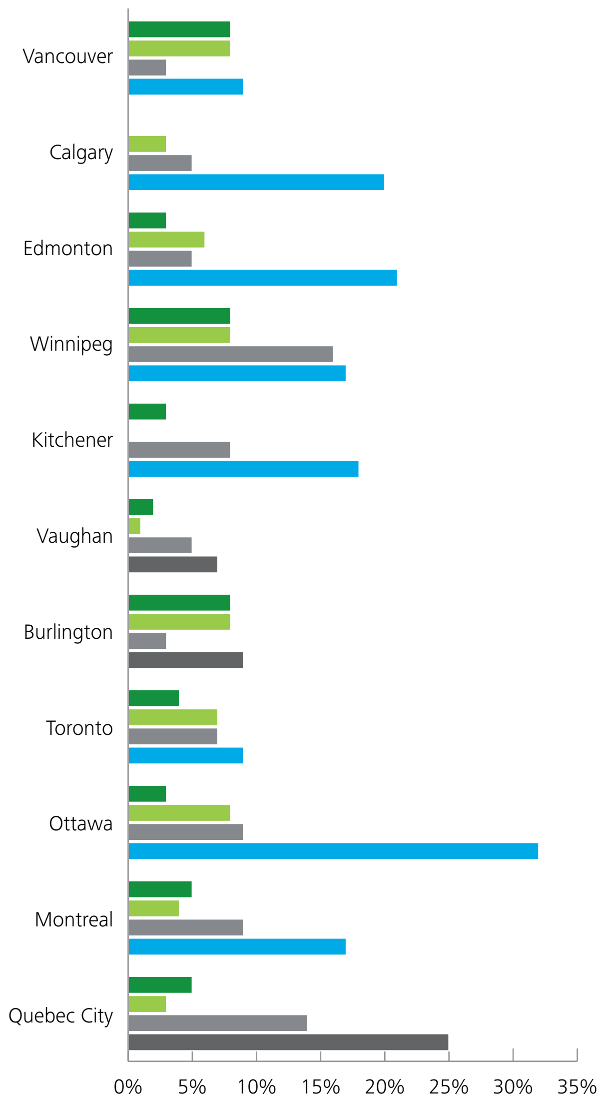


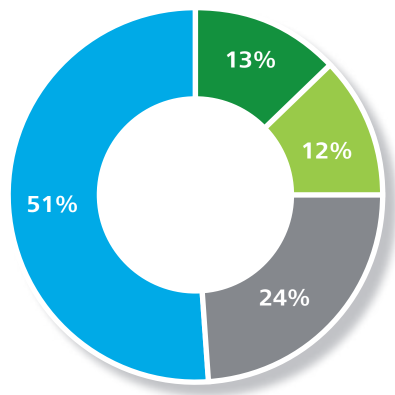


Appendix

Survey results
Question 2

CFO focus | The four faces of the CFO
Where do you spend your time currently?

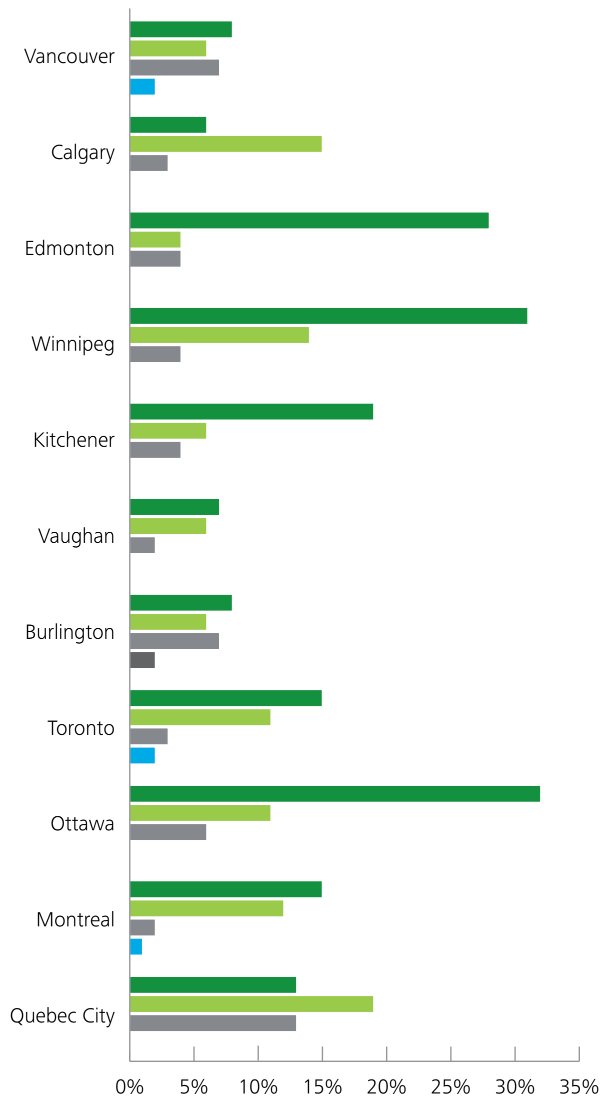


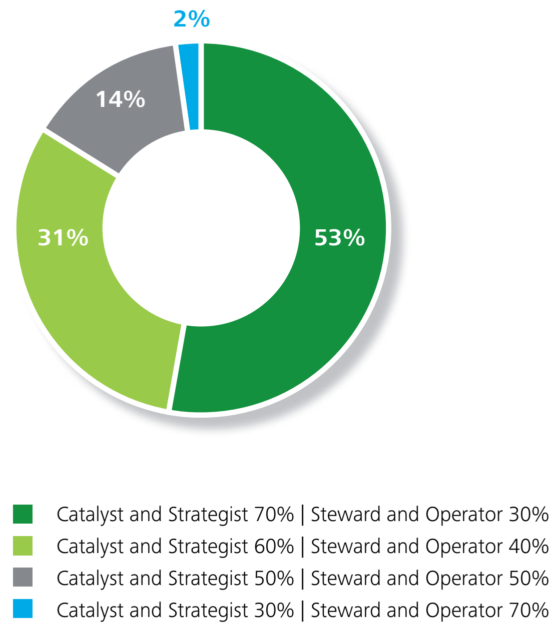


- Catalyst and Strategist 70% | Steward and Operator 30%
- Catalyst and Strategist 60% | Steward and Operator 40%
- Catalyst and Strategist 50% | Steward and Operator 50%
- Catalyst and Strategist 30% | Steward and Operator 70%

Survey results
Question 3

CFO focus | The four faces of the CFO
Where would you like to spend your time?



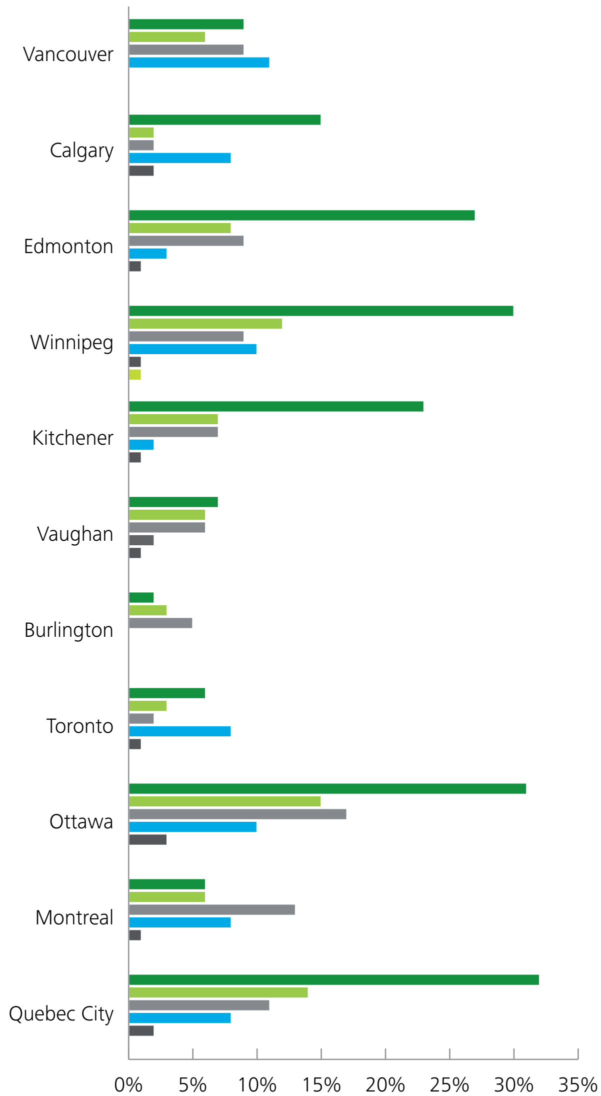


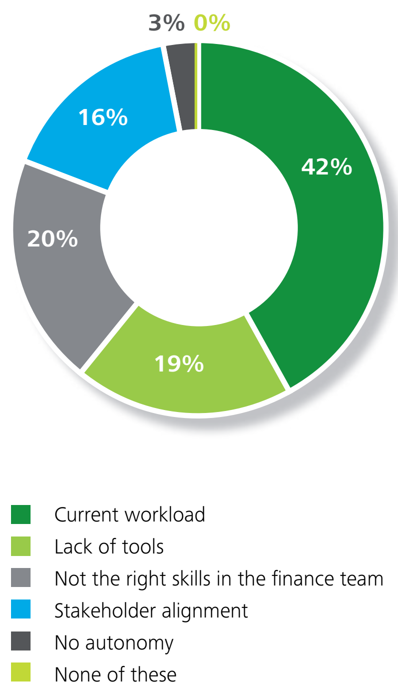
Appendix

Survey results
Question 4

CFO focus | Key impediments to being a catalyst/strategist

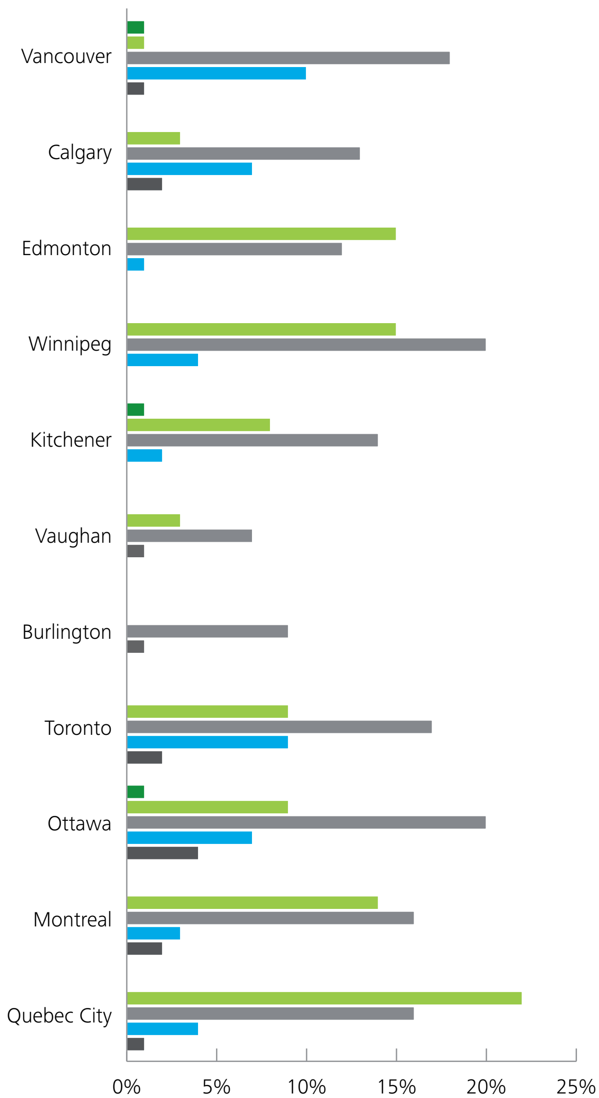
What are the key impediments in your organization that prevent the CFO from being a catalyst and strategist?

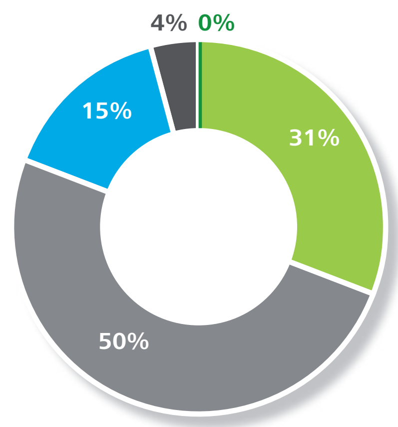




Survey results
Question 5

Finance insights | CFO insights
How you would you rate the quality of insights currently provided by Finance?

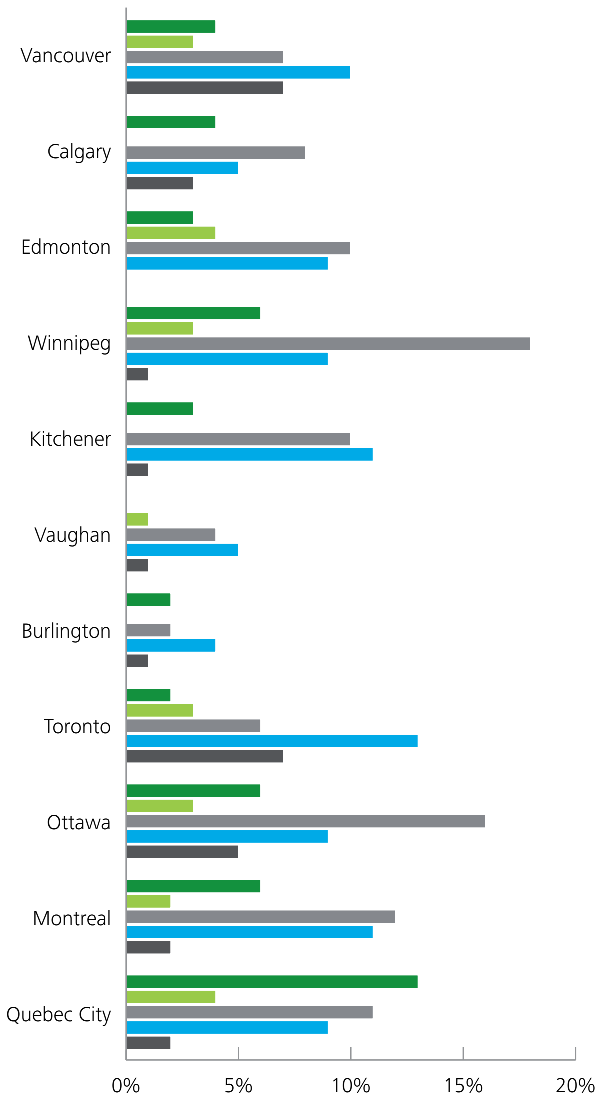


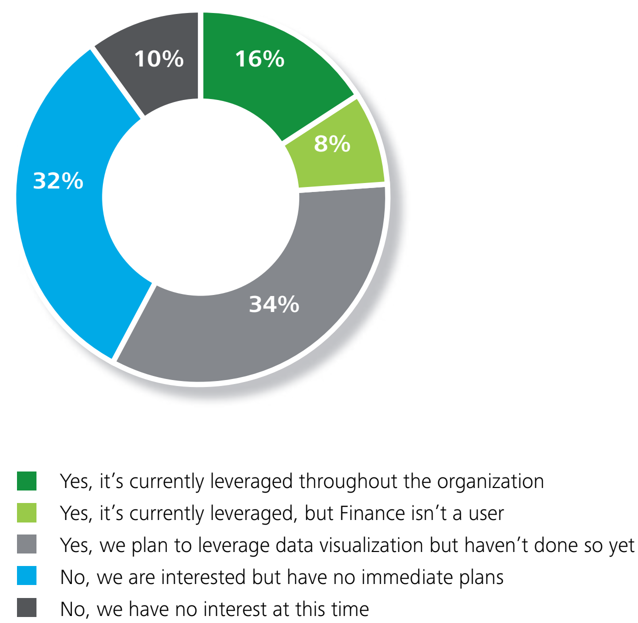


- **Excellent.** Insights are aligned to our strategic priorities and disseminated to key stakeholders through interactive and/or self-serve mediums
- **Very good.** Insights are mostly aligned to strategic priorities and provided in a reasonably timely manner. Traditional reporting mediums used
- **Good.** Some relevant insights are uncovered and shared, but the processes and mediums to distribute are inefficient and/or ineffective
- **Developing.** Few insights are uncovered and shared, reporting is rigid and inefficient
- **Poor.** We don't currently share many insights

Survey results
Question 6

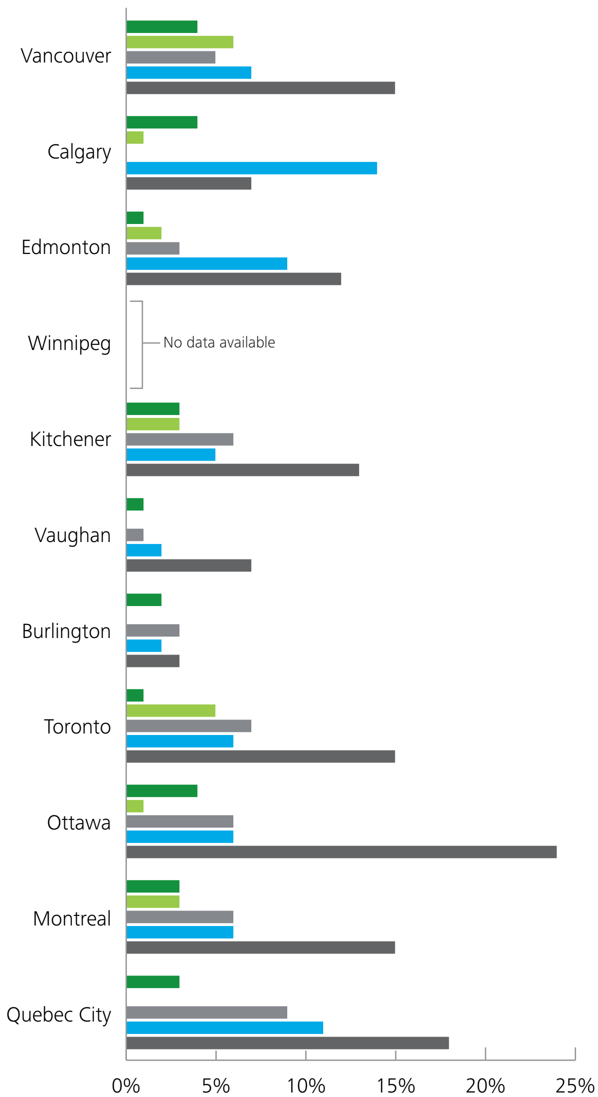
Finance insights | CFO insights
Does your organization have current or planned use of data visualization tools?

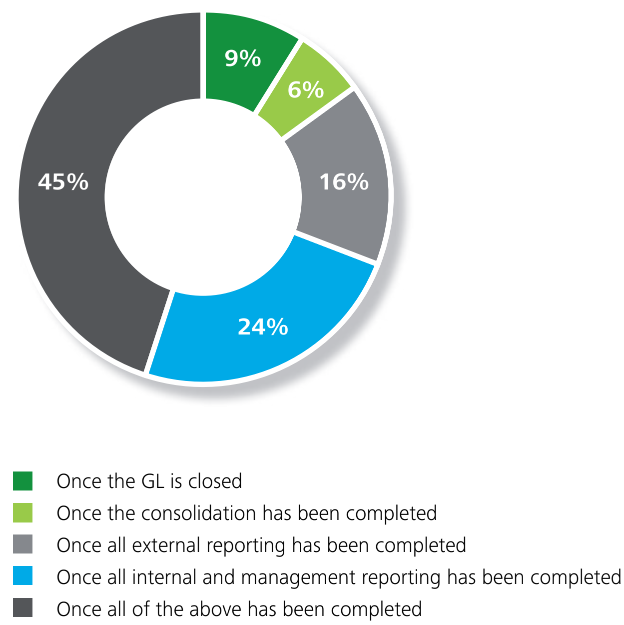




Survey results
Question 7

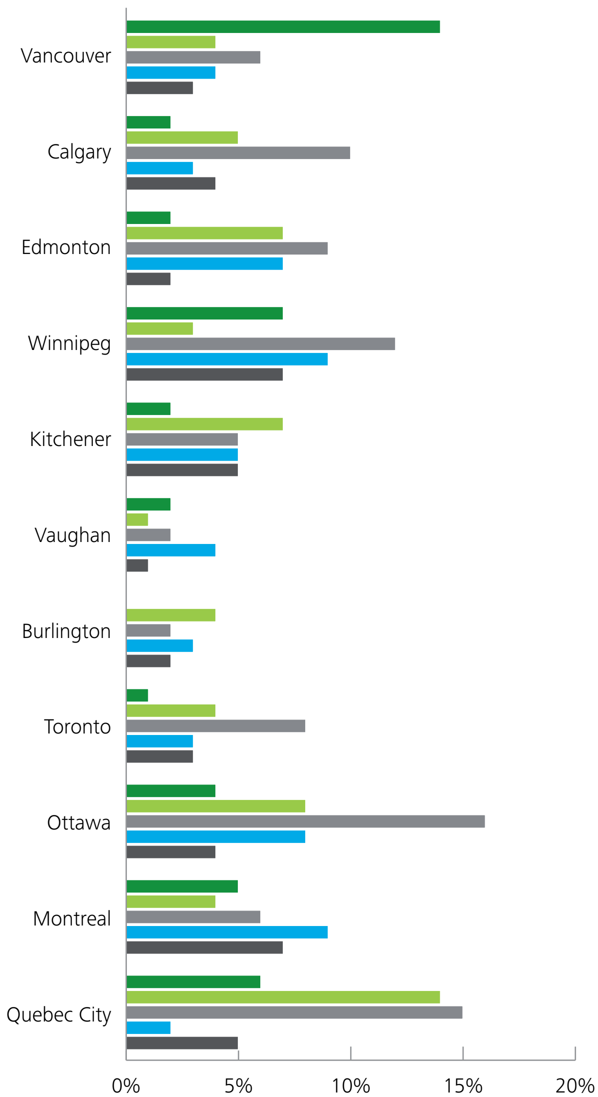
Financial close | Defining the financial close
How do you define the end of your financial close cycle?

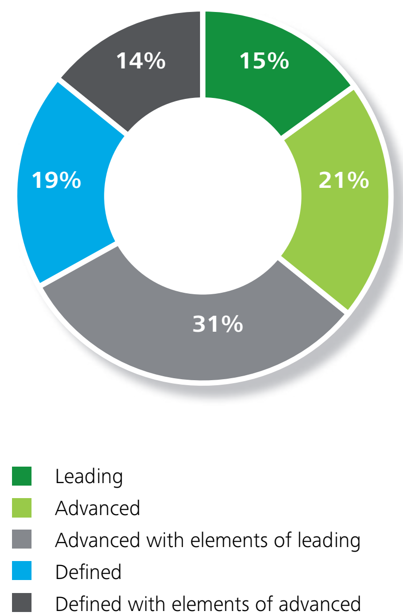




Survey results
Question 8

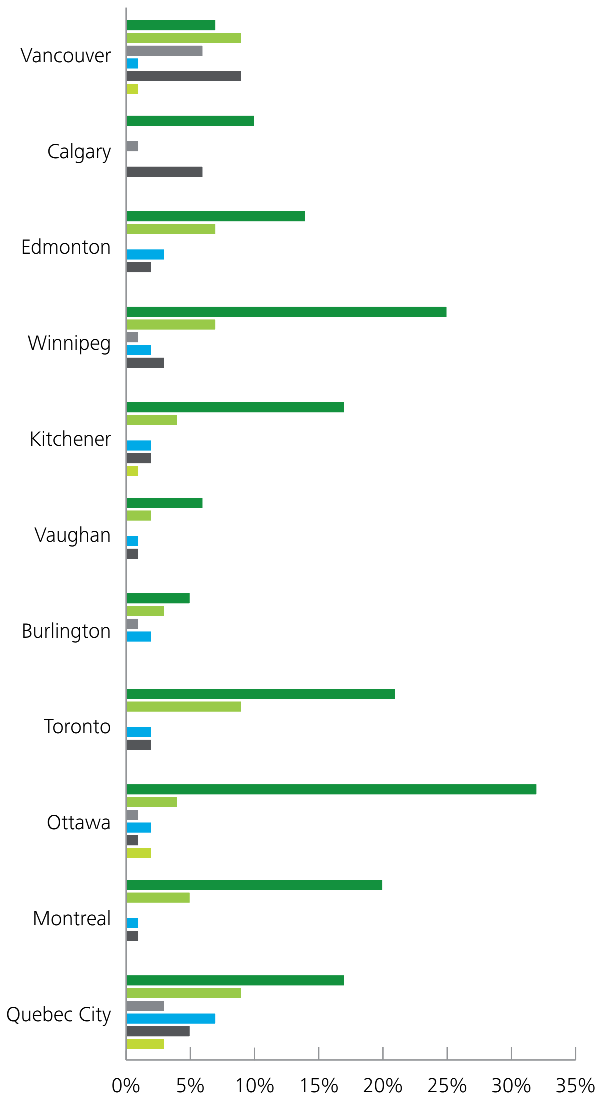
Financial close | What level of maturity is right for you?
Which maturity level do you believe is right for your organization?

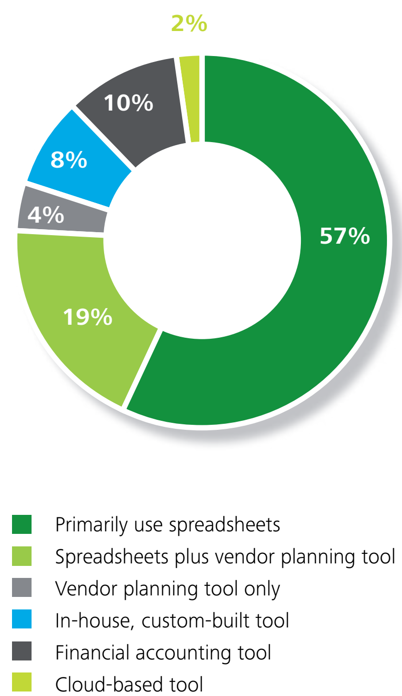




Survey results
Question 9

Forecasting | Any changes since last year?
What is the main technology you use to prepare budgets and forecasts?

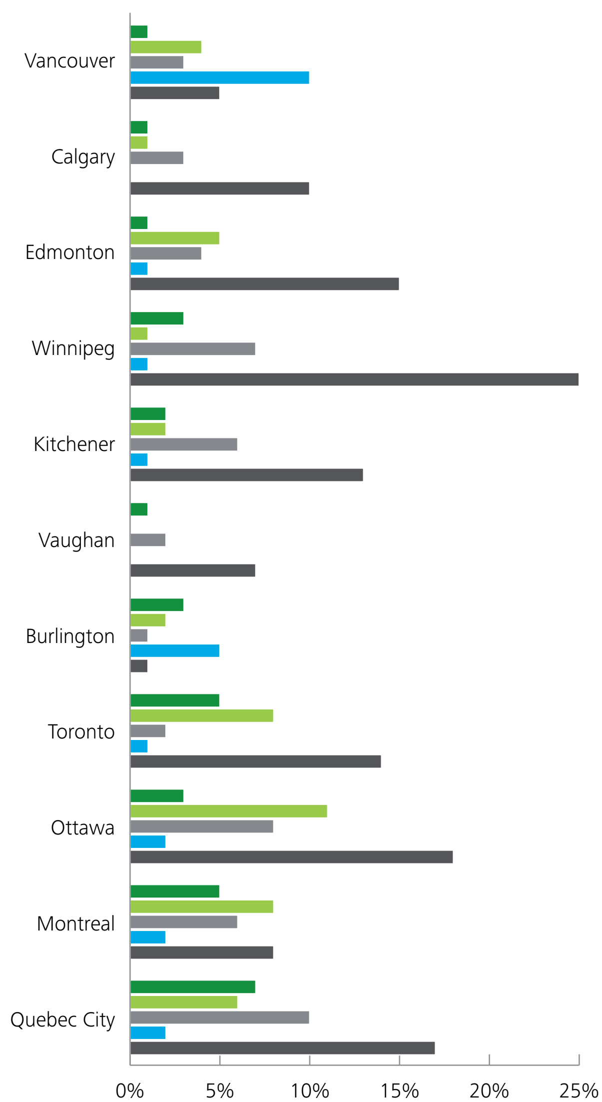


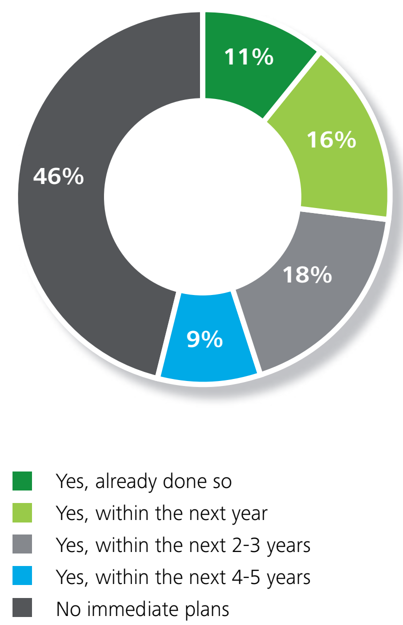


Appendix

Survey results
Question 10

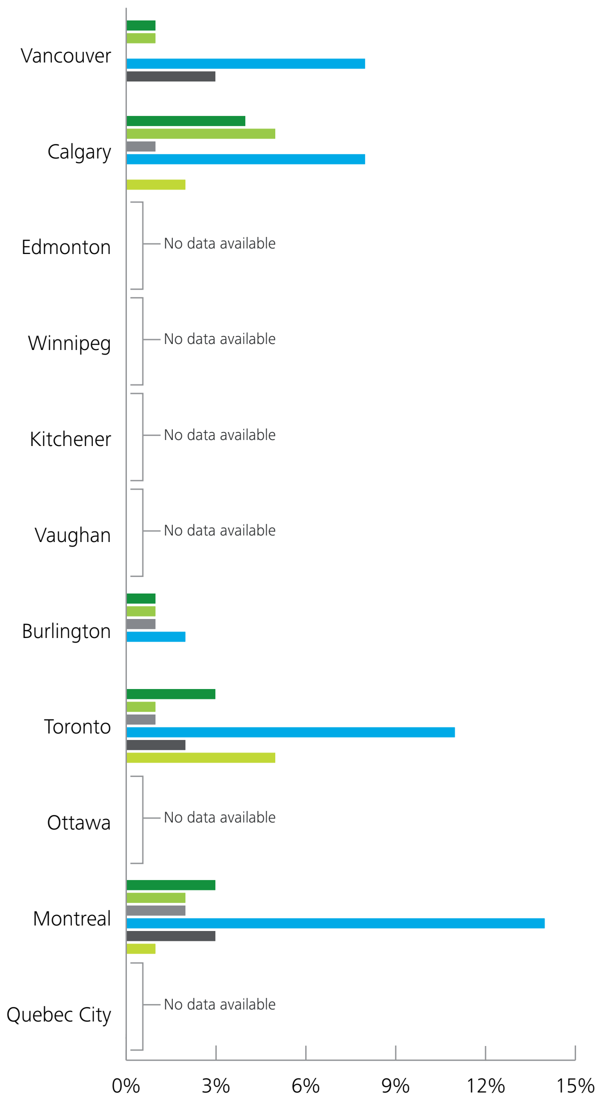
Forecasting | Forecasting tool adoption?
Is your organization planning to implement an automated forecasting tool?

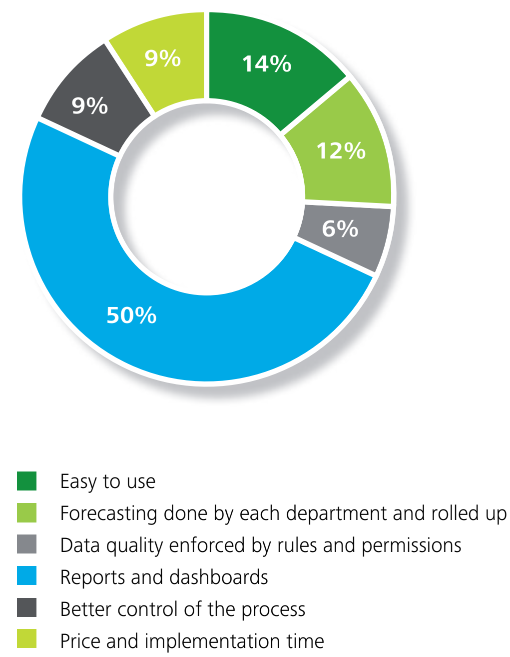




Survey results
Question 11

Forecasting | Forecasting tool adoption?
Which features of a forecasting tool are the most relevant for your organization?





Audit Advisory

Audit Advisory

At Deloitte, our Audit Advisory practice offers a range of services to meet the complex and evolving business challenges you face on multiple fronts. These include the heightened expectations of management, investors, regulators and other stakeholders; increasingly complex financial reporting and accounting standards; transaction and transformation issues associated with mergers, acquisitions and divestitures; actuarial insurance needs; and a shortage of qualified finance resources and talent.

Optimizing the efficiency and effectiveness of the accounting and finance functions means that, more than ever, organizations must augment their capabilities with external knowledge and experience in areas like complex accounting advisory, transaction advisory, finance, and actuarial insurance. With targeted services in all four of these practice areas, Deloitte's Audit Advisory practice can help you:

- Apply appropriate expertise and experience to accounting and reporting matters, as needed
- Achieve greater reliability in financial reporting
- Manage risk to effectively avoid or quickly handle last minute surprises
- Accelerate your financial reporting calendar, providing investors with more timely information
- Evaluate the quality and requirements of M&A opportunities
- Enhance your ability to meet or accelerate transaction timelines
- Streamline the finance function following a transaction or restructuring
- Optimize the finance functions, processes and systems

With Deloitte, you can leverage a full range of advisory services to extend your internal capabilities and address specific issues as they arise.

Audit Advisory Finance

Today's finance teams are working in an environment in which the landscape is constantly shifting and stakeholder scrutiny and demands seem to be ever increasing. Audit Advisory Finance provides practical insights and advice to enhance capacity, capabilities, and performance.

We have found that the following issues are common nationwide, across all finance organizations:

- Difficulty providing meaningful business insights
- Lack of alignment on a vision for finance and a strategy to get there
- Undefined, underdeveloped and ineffective finance operating models
- Ineffective use of technology and automation

Audit Advisory Finance was created to meet the growing demand in the marketplace for support and assistance in addressing these issues, which have been consistently echoed through our direct interactions with CFOs.

Who we are

We are a team of more than 80 professionals located across the country with expertise across public sector, financial services, real estate, consumer business, and manufacturing sectors.

Audit Advisory Finance advises our clients on finance function modernization, through the assessment and enhancement of finance strategy, talent, processes, and technology. We provide practical insights and advice to enhance capacity, capabilities, and performance. In short, we make finance better at executing their mandate for stakeholders.

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