



Juggling lessons The responsive CFO

New findings about today's
finance challenges

No return to business as usual

Key findings from the Deloitte Consulting LLP 2009 CFO Survey

Respondents indicated that:

Optimism about the financial prospects of the corporate sector has risen to the highest level in two years. Most surveyed CFOs expect the economy to recover in 2010.

Credit conditions have improved for the second consecutive quarter, but they remain tough and surveyed CFOs expect this to persist well into the recovery.

CFOs are increasingly looking to equity and bond markets for finance.

The environment for business is expected to remain very difficult well into the recovery.

GDP growth is expected to be sluggish and unemployment is expected to rise for at least a year into the recovery.

CFOs believe the upturn will be marked by tight credit conditions and high levels of risk aversion.

Companies are likely to react to these conditions by reducing debt levels and cutting costs.

Sentiment about issuing debt or equity improved sharply in June, taking it to the highest level since the survey started in 2007.

Equity is now seen as a far more attractive form of finance for companies than bank borrowing, a reversal of the situation in 2007 and 2008.

CFOs are positive about the outlook for mergers and acquisition activity. Their sentiment about M&A and private equity activity has reached the highest level in two years.

The Deloitte Consulting LLP CFO Survey reported “glimmers of hope” in the economy and was one of the earliest indicators to suggest that the economy had, perhaps, troughed. The survey also indicates that among the CFOs who responded, optimism continues to strengthen.

The survey also found a clear, though not universal, conviction among participating CFOs that the economy will recover during next year. However, while for most the end of the recession is in sight, these CFOs see further problems ahead. Answers to the survey’s special questions reveal that EMEA CFOs expect the recovery to be marked by sluggish growth, a strong focus on cost control, and tight lending conditions, hardly a return to “business as usual.”

What does that mean for CFOs who must continue to manage finance organizations on one hand, while delivering more and better services to the business on the other?

It means there’s a lot to juggle.



Many plates, all spinning

Beyond the immediate snapshot of CFO confidence reported in the survey, continuing conversations with CFOs and other C-level executives over the past year have yielded two unsettling findings. First, Finance has been stretched to the breaking point in many companies—with new challenges like IFRS conversion and adoption looming in many countries. And second, that pressure has triggered a retreat, with many finance organizations becoming insular and isolated, and therefore less strategic.

CFO turnover is but one symptom of the sustained and continuing pressures facing Finance. As their roles have become more complex and diverse, many CFOs are juggling their diverse responsibilities. On one hand, they must drive (or adapt to) strategic shifts in their company's business model, while keeping the finance organization attuned to the growing demands

brought by regulatory scrutiny and increasing costs of control. On the other hand, today's stakeholders scrutinize not only performance, but also governance infrastructure and understanding of risk.

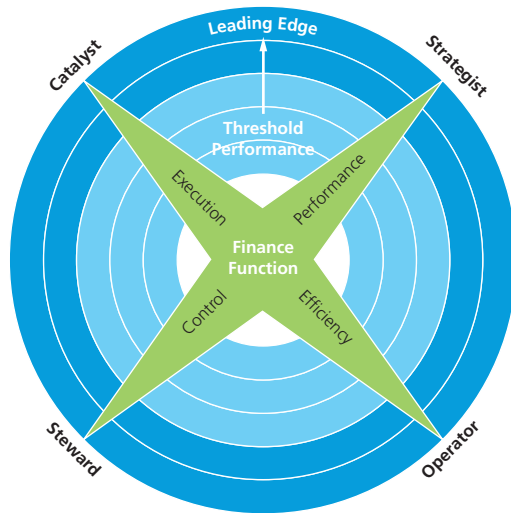
Despite some high-profile promotions to CEO, many surveyed CFOs feel they have not achieved their professional goals and that the "fun has been taken out of the job." And to top it all off, many of them expressed feeling a great degree of personal risk. CFOs are being asked to do more faster—in an environment that can be increasingly unforgiving.

This paper outlines lessons learned from CFOs when it comes to keeping all the balls in the air and all the plates spinning, while walking that all-too-familiar tight rope.

A framework for effectiveness

The Four Faces of the CFO

Stimulate behaviors across the organization to achieve strategic and financial objectives



Protect and preserve the assets of the organization

Provide financial leadership in determining strategic business direction and align financial strategies

Balance capabilities, costs, and service levels to fulfill the finance organization's responsibilities

While CFOs and their finance organizations may differ in their particular pain points, priorities, and appetite for change, Deloitte's research and work with CFOs reveals some important insights every CFO should keep in mind as the pressure to perform continues to build.

First, take time to understand the four distinct, but interrelated roles of Finance and how Finance resources are aligned with them. Determine how Finance performs against the four roles and how that relates to the changing priorities of the CFO's personal focus.

At the same time, it's important to recognize the inherent conflicts these roles may cause in organization, leadership development models, incentives, and operating models. A CFO's time is a zero-sum game. If you're spending the day refereeing a dispute about data quality, you're not spending the day driving Finance transformation or helping business leaders manage their investment priorities.

To make all this work, you'll need to identify the critical challenges to fulfilling each role individually, as well as the overall mission of Finance collectively. Once your basic operations are properly administered, meaning you are compliant as well as efficient, you can then address the higher value roles of the Catalyst and Strategist.

CFOs also have to understand exactly where Finance drives value, and what it takes to deliver. Any gaps between current capabilities and what the business needs will have to be closed, and closed in the right sequence.

This document shares the challenges most often mentioned in discussions with CFOs, along with perspectives on what they are doing to address them. Deloitte and SAP have the knowledge and solutions to help you fulfill this strategic goal.

Face	Focus	Roles	Competencies	Critical Issues	Top Challenges
Steward	Accounting & control Risk management and preserving assets	Ensure compliance with reporting and control requirements	Accounting & reporting Compliance Applying good judgment	Information quality Rationalizing controls IFRS conversion and adoption	The right information Controls and enterprise accountability
Operator	Efficiency Service levels	Balance cost & service levels Define and adapt Finance's operating models	Leverage system capabilities Program management Problem solving Cross border attitude	Developing & evolving the Finance operating model Talent management Resource allocation to drive desired results	Talent management Cost containment to maximize value Time for tax Global footprint and sourcing
Strategist	Help set the direction of the company to enhance performance and shareholder value	Improve risk awareness Strategic decision-making Integrating performance management Match strategy, investments, and funds	Critical thinking Analysis & presentation of data Global financial perspective & funding Strategic agility Dealing with ambiguity	Innovation Profitable growth Translating capital market expectations into internal business perspectives	Information driving performance Facilitating growth with proper controls Raising capital and funds
Catalyst	Execute strategic choices Changing organization behavior Establish a value attitude	Business alignment to identify, evaluate, and execute strategies by partnering with other executives	Business perspective Change & conflict management Organizational agility Facilitation	Establishing a structure for enterprise accountability Enterprise execution Gaining acceptance from leadership as the organization's catalyst	Value translator Influencing value creation Balancing speed and risk Networking with peers

The right information

Challenges

Many finance organizations face common challenges around the accuracy of the financial reporting information their stakeholders rely on. In many cases, collecting accurate financial results depends on disparate systems and too many human variables. These result in reconciliation steps that can lead to error and an over reliance on IT. Data governance can be diffused, making comparability across units extremely difficult.

What companies are doing to effectively address these challenges

- Getting the Finance house in order to ensure the organization has mastered the information, and reliably delivers the numbers required for routine financial reporting
- Standardizing data definitions, systems, and processes across business units
- Partnering with the CIO and taking ownership of the collection and governance of financial data

Top motives to improve information quality

- Allow us to make better operating decisions faster
- Improve annual planning cycles
- Give us greater confidence in business process controls and planning
- Improve management decisions on strategic direction
- Produce savings by reducing time that users spend reworking information
- Gain time to concentrate on meaningful commentary

Controls and enterprise accountability

Challenges

Controls and enterprise accountability challenges are real and growing—made more difficult by a lack of clear regulatory guidance and individual ownership, complicating key-control identification and operation. Often, control testing practices are inefficient and rely too heavily on the expertise of external parties who focus solely on standard security configuration settings, or on a series of manual

test procedures carried out by the organization's own control teams. Both approaches can leave gaps in the effectiveness and efficiency of the control environment. Add in the confusion of decentralized operating models, which multiply unique processes to be controlled, and many companies have a real challenge on their hands.

What companies are doing to effectively address these challenges

- Applying a top-down, risk-based approach to develop lean and balanced controls
- Focusing efforts on significant accounts, processes, systems, and locations only
- Rationalizing existing controls and redesigning test plans based on identified financial reporting risks
- Leveraging automated controls and enabling technologies
- Standardizing and centralizing processes

“Can we use software to perform tasks like inter-company reconciliations and transaction posting? Then you begin to really drive value because you’ve moved from a manual detective control environment to a preventative, automated environment.”

VP Business Controls, large consumer business company



Operator

Talent management

Challenges

If you're like most CFOs, this is one of your toughest issues. You're being asked to do more and more business partnering while becoming less insular, but the current mix of skills in your organization may not meet your company's needs, while the costs of finding and retaining top talent continue to increase.

It's a double-edged sword. Managers work hard to keep their trained people right where they are. Unfortunately, this can result in low job satisfaction and morale, often forcing the best people to move out so they can move up.

What companies are doing to effectively address these challenges

- Hiring people based on their potential to achieve results, not just technical skills and previous experience
- Moving their finance people around the business so they can create more value and grow
- Developing a vision for talent and assessing current programs against that vision to identify improvement opportunities
- Designing performance management programs that effectively measure the performance and development of a finance employee

Optimal skill sets for finance teams

1. Leadership
2. Accounting and auditing
3. Deep industry knowledge
4. Business process expertise
5. Specialized finance skills
6. Finance systems skills

Cost containment to maximize value

Challenges

The challenge of maximizing value lies in the paradox that many outside of Finance see your organization as a cost center. That's a perception problem that many companies face, and it's made worse when there's no standard approach for evaluating finance investment decisions. Few companies have a structured framework for assessing the real value of better information, improved talent retention, and risk mitigation.

What companies are doing to effectively address these challenges

- Identifying the top three finance investment opportunities that enable a timely ROI
- Building business cases that include the value of better information, improved talent retention, and less risk
- Designing an operating model that considers and promotes Finance's contribution across each "face"
- Using benchmarking of key business processes to drive improved efficiency
- Developing a global footprint to take advantage of worldwide sourcing opportunities

“Complex processes and systems and a lack of training often inhibit Finance's effectiveness. Broad finance participation to correct these problems offers an opportunity to develop leadership and to build a world-class finance organization network.”

Ralph Nicoletti, Senior Vice President Finance, Kraft

Time for tax

Challenges

Business leaders make decisions every day without regard for tax implications, which has the potential to leave substantially reduced profits and cash unrecognized. Disadvantaged by information systems that are designed without the ability to track tax-related details, these companies often struggle with basic reporting and compliance requirements.

What companies are doing to effectively address these challenges

- Raising awareness of potential tax benefits
- Taking a more active role in the process of getting Tax engaged in the business
- Requiring tax specialists to participate at the front end of any major decision that has tax implications (which is just about all of them)
- Building after-tax business cases

Tax people are the rock stars of the bottom line—and that's usually the line that matters most.

Fact: Up to 40% of the increased profits generated from global supply chain improvements could be consumed by taxes.

Information driving performance

Challenges

Understanding changes in business strategy and bringing the organization in line with them can be difficult when the organization has to struggle to get everyone working from one version of the truth. Information overload can trump insight as executives become dissatisfied with the usefulness of data, even though there are numerous reports available. Also, evaluating strategic options and models for financing them is increasingly critical in today's environment.

What companies are doing to effectively address these challenges

- Starting at the "end" by thinking about the actual decisions that need to be made
- Working backwards to determine what specific information is required to support each decision, and where that information should come from
- Defining information needs based on the decisions that need to be made rather than by the reports that are expected to be delivered
- Making the strategy actionable, aligning the organization to it, and managing the progress
- Building financing models into implementation plans for strategic options

What Cisco does

"Finance, while it doesn't actually own the strategy, is responsible for being the institutional memory of the company and offering a framework against which we can present our strategic choices of how we're going to develop as a company. Finance makes sure the right choices are framed up."

—Jonathan Chadwick, Vice President of Corporate Finance and Planning, Cisco

Facilitating growth with proper controls

Challenges

For many companies, the products and services that will drive profitable growth in the future are unclear, with the job of nurturing promising ideas left to chance. Sometimes that's because Finance is cut out of the innovation process, and sometimes it's because Finance doesn't take advantage of opportunities to weigh in. Without standard processes to track and measure the risk and return of all investments, everyone is left guessing.

What companies are doing to effectively address these challenges

- Giving business leaders a way to evaluate the risks associated with the opportunities they're facing
- Distinguishing between rewarded risks, like acquisitions or new product development, and unrewarded risks, like regulatory compliance
- Making sure the leadership team understands the organization's risk profile
- Focusing the organization on its key risks and how to best manage them

Avoid risk and you can also avoid reward

Ask most people why cars have brakes and they'll say, "So you can slow down." But the real reason is so you can go faster and still be in control.

Value translation

Challenges

In many companies, managers don't yet understand the full impact of their decisions on shareholder value. That's partly because they're usually busy with other things, but it also reflects the reality that not all value levers are really understood. Driving a value discipline is difficult for many organizations because they're constrained by their current information and metrics. In such environments, it's not easy to see how projects and investments are aligned to value-creating strategies.

What companies are doing to effectively address these challenges

- Deconstructing daily operations to show the workforce how decisions and actions affect shareholder value
- Understanding how value is measured in both financial and non-financial terms
- Using Finance as an evangelist/proponent for value, providing a common language of value
- Evaluating the project/investment portfolio in terms of value drivers

“Employees are now at the point where they start to understand the income statement and balance sheet relationships and the corresponding metrics, enabling them to comprehend an earnings release from an engineering perspective and to draw a direct correlation from Wall Street to the production line.”

Mike Gabaly, Director of Investor Relations, Lockheed Martin

Influencing value creation

Challenges

Sometimes Finance holds critical information and insight too closely, so it doesn't reach the field effectively. When that happens, nobody wins. And the job of aligning targets, measurements, management units, and incentives becomes even more challenging.

What companies are doing to effectively address these challenges

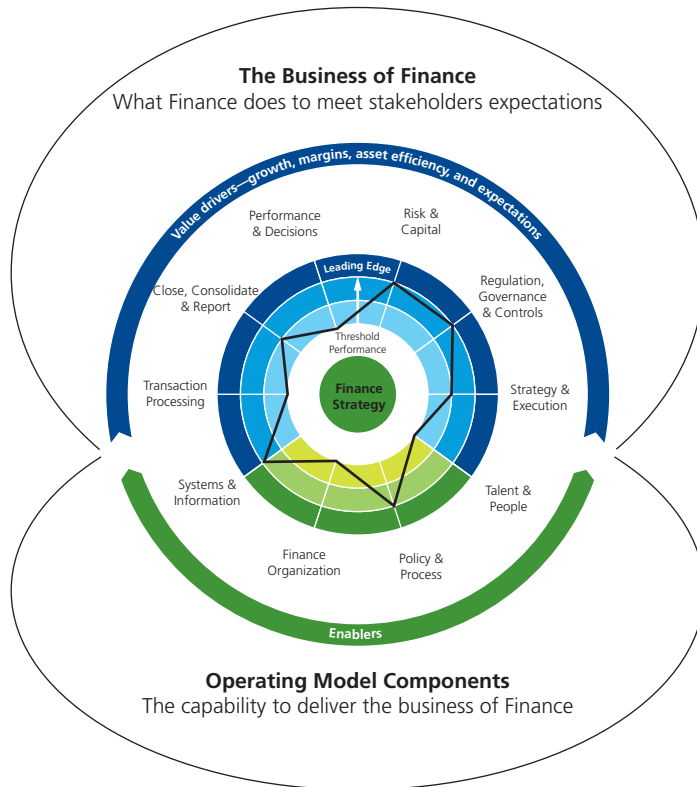
- Building a framework for execution through a structured, fact-based approach to decision making and proactively sharing information
- Building on strong relationships to instill a rigorous perspective throughout the organization, focused on creating more value for shareholders
- Connecting the most talented, financially literate people throughout the enterprise to partner with the business
- Using contacts with business leaders to connect with outside perspectives

“One of the things that we talk a lot about here is creating financial literacy in the organization. That sounds like a lofty term, but what it really means is making sure that when the sales guy goes into a store, he has the tools to understand what the right price points are, what the right package mix is.”

Alfred Drewes, Chief Financial Officer and Senior Vice President, Pepsi Bottling Group

Where are you?

The assessment wheel, composed of value drivers and enablers, provides a starting point for examining responsiveness within the four faces of the CFO. Finance should drive to deliver four high-level enablers in order to operate effectively and achieve its objectives.



How CFOs enable excellence

Talent & People		Policy & Process	
Responsibility	Define and monitor talent through enterprise-wide training, deployment, and performance management Supply staff with education necessary to meet responsibilities	Responsibility	Influence process development, management, and enforcement Facilitate enterprise-wide adoption of policies
Attributes	Change management Influence	Attributes	Deep process knowledge Broad business understanding
Finance Organization		Systems & Information	
Responsibility	Identify and execute enterprise-wide organization structure design Manage required roles and responsibilities	Responsibility	Support enterprise-wide financial applications and upgrades Rationalize and manage system data governance
Attributes	Broad business understanding Influence Change management	Attributes	Deep process knowledge Broad business understanding

Hands-on value drivers

	Strategy & Execution	Regulations, Controls, & Governance	Risk & Capital
Responsibilities	<ul style="list-style-type: none"> Influence corporate strategy through financial insight Facilitate enterprise-wide adoption of strategy Execute Finance strategy 	<ul style="list-style-type: none"> Monitor regulations and facilitate compliance with laws Operate and monitor internal controls Rationalize and manage required governance bodies 	<ul style="list-style-type: none"> Identify and manage enterprise risks Ensure access to capital and strong capital structure
Attributes	<ul style="list-style-type: none"> Broad business understanding Influence Change management 	<ul style="list-style-type: none"> Deep process knowledge Understanding of letter and spirit of laws Risk intelligence 	<ul style="list-style-type: none"> Financial market knowledge Cause and effect understanding
	Performance & Decisions	Close, Consolidate, & Report	Transaction Processing
Responsibilities	<ul style="list-style-type: none"> Define and monitor enterprise performance metrics Supply the information necessary to make decisions 	<ul style="list-style-type: none"> Capture, summarize, analyze, and report financial results and related disclosures to management and external stakeholders 	<ul style="list-style-type: none"> Process financial transactions efficiently and effectively
Attributes	<ul style="list-style-type: none"> Broad business understanding Analytical mindset 	<ul style="list-style-type: none"> Speed Accuracy Transparency 	<ul style="list-style-type: none"> Accuracy Consistency

If you're a CFO, ask yourself these questions

- How do I ensure that the financial reporting data the company relies on is accurate so that we deliver the right information?
- How do I reduce the burden of maintaining my control environment without compromising its integrity?
- Given the heterogeneous nature of Finance's roles, how do I attract, develop, and retain the talent required to fulfill Finance's mission?
- In what areas of Finance should I be reinvesting to drive innovation and improved performance?
- How can I effectively evaluate tax considerations at the front end of major decisions?
- How can I manage my responsibilities to focus in on the activities that create real value for the business?
- How do I ensure that the data the company relies on provides the most useful information?
- How do I become a more risk-intelligent CFO and take my foot off the brake to drive profitable growth?
- How do I create a common language that empowers management to see themselves the way investors do?
- How can I increase my sphere of influence to instill a deep focus on value-creation throughout the organization?

How Deloitte and SAP can help

Some CFOs face critical challenges that seriously affect the ability of the business to operate effectively. If that's the situation you're facing, focus on fundamentals, and put off worrying about the value-added roles of Strategist and Catalyst.

For those whose houses are already in order, an assessment of priorities is a good first step. Certain capabilities or functional areas can serve as the foundation for others, and you have to understand those dependencies. Foundational capabilities should be improved before others, to avoid rework later.

Each solution you'll consider has a cost associated with time and resources spent, in addition to more obvious costs like new technology. Insist on a robust cost/benefit analysis before considering any major investment. Along the way, look for quick wins, solutions that can be implemented quickly with relatively low cost.

Finally, each finance function has certain capabilities that are especially critical to the success of the business. Within these areas, CFOs should select "sweet spots," areas of Finance that would represent world-class capabilities and drive business performance.

Together, Deloitte and SAP have built a strong global alliance to support CFOs in their efforts to define and implement Responsive Finance programs through services and technology.

If you're looking to build a more responsive finance function to better deliver the services your internal partners expect today, we're here to help.

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