

CFO Services
Addressing the challenges
of the finance function



Introduction

It is challenging being a CFO these days. Complicated decisions have to be made on many fronts, and knowing exactly how to proceed at any given time is harder than it looks. A smart move for one company could be unreasonable for another — and understanding which way to turn requires experience and insight.

This guide introduces a simple and easy-to-use framework to help you reflect on your role as a CFO, and to evaluate the performance of your finance function. It further provides an overview of some of the areas in which we are able to offer our assistance.

We hope that this brochure gives you a lot of thought-provoking impulses. As we know that you face even more challenges, we would be happy to discuss those with you and work out tailor made solutions.

We would appreciate hearing from you.

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About us

Deloitte CFO Services combines all of Deloitte's capabilities to help CFOs improve in the multiple roles they play — from reporting and controls to finance operations or strategy and execution — and address the challenges their finance organisation faces.

The breadth and depth of our expertise is unique in the market and includes consulting, tax management services, corporate finance, financial advisory and outsourcing. Our local and international centres of excellence guarantee that we are at all times up to date with the latest thinking in all finance areas.

Deloitte CFO Services unifies the definition of the functional strategy for the finance department, the detailed design of the organisation and processes and the full implementation of the enabling systems.

We support CFOs in transforming their finance function, while ensuring that the organisation continues to perform its core accounting and reporting duties effectively and efficiently at all times.

Today's CFOs face a variety of big debates. In most cases, there is not only one 'right' answer.

Addressing your challenges

Today's CFOs are under more pressure than ever. Accounting scandals, financial restatements and increased investor activism have put CFOs and finance organisations under the microscope.

At the same time, CFOs face never-ending pressure to cut costs, grow revenue and tighten controls — while assuming unprecedented personal risk for their company's mistakes. Given these internal and external forces, it is no wonder that CFO turnover is on the rise. One reason the CFO's job is getting more complicated is because it comprises four major roles. We call these distinct roles of the 'four faces' of the CFO.

The first role is the **steward**, protecting and preserving the assets of the organisation by minimising risk and getting the books right.

The second is the **operator**, conducting basic finance operations efficiently and effectively.

Third is the **strategist**, influencing the company's overall direction.

And fourth is the **catalyst**, instilling a financial mindset to execution and risk-taking throughout the business.

In addition to these four finance-related roles, some CFOs feel that the rapid disappearance of the COO position is saddling them with a variety of responsibilities (such as human resources, real estate — including facilities and maintenance — and information technology) that have little or nothing to do with finance.

We understand that sometimes, the time or resources to meet all of these conflicting demands are limited and that today's CFOs face a variety of big debates, and in most cases, there is not only one 'right' answer.

Variables need to be considered and good judgement needs to be applied.

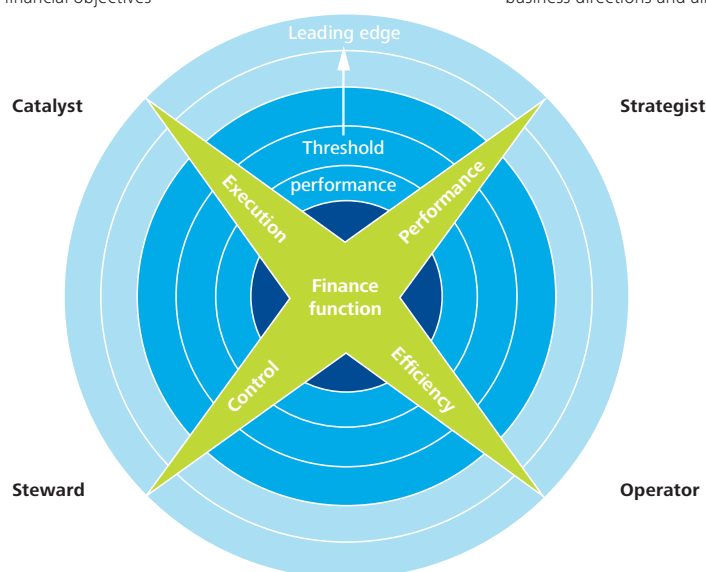
The four faces of the CFO

How can the finance function set the standard for the organisation?

Stimulate behaviours across the organisation to achieve strategic and financial objectives

How can the finance function grow and guide the corporation?

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



Is our controls infrastructure robust - can I sleep at night?

Protect and preserve the assets of the organisation

Given the limited resources, how can the finance function deliver most efficiently?

Balance capabilities, costs and service levels to fulfil the finance organisation's responsibilities

Diagnosing the finance function: how well are you doing?

Many CFOs recently debated whether to focus on accounting excellence or to become a strategic business advisor. For the most part the debate is over. Finance organisations today have to fulfil both of those functions, and even more.

The 'four faces' model offers a simple but useful framework to initiate discussions within an organisation, and to understand the key challenges and priorities of internal and external clients of the finance department. Priorities vary from organisation to organisation and industries.

According to our experience — and conversations with CFOs — these are the challenges we often see cited for today's CFOs:

- Producing accurate and timely financial reports
- Keeping internal controls lean and balanced
- Acquiring, developing and retaining finance talent
- Reinvesting in finance capabilities
- Factoring tax into every business decision
- Staying focused on finance and value
- Generating more insight from less data
- Promoting informed and intelligent risk-taking
- Linking business activities to shareholder value
- Expanding the influence of the finance function

In the current global economic and financial context, a number of other priorities have made it to the top of the list:

- Cash and working capital management
- Cost containment and expense management
- Availability of capital and management of funding

Finance organisations are addressing these challenges with varying degrees of success. Some still struggle to get the books right. Others play a leading role in business strategy and execution.

The vast majority, however, fall somewhere in between. Their core finance operations are reliable and they are actively improving efficiency while at the same time aspiring to play a more strategic role in the business.



Deloitte CFO Services solutions

The Deloitte CFO Services offering focuses on solutions that address the challenges the CFOs of today face.

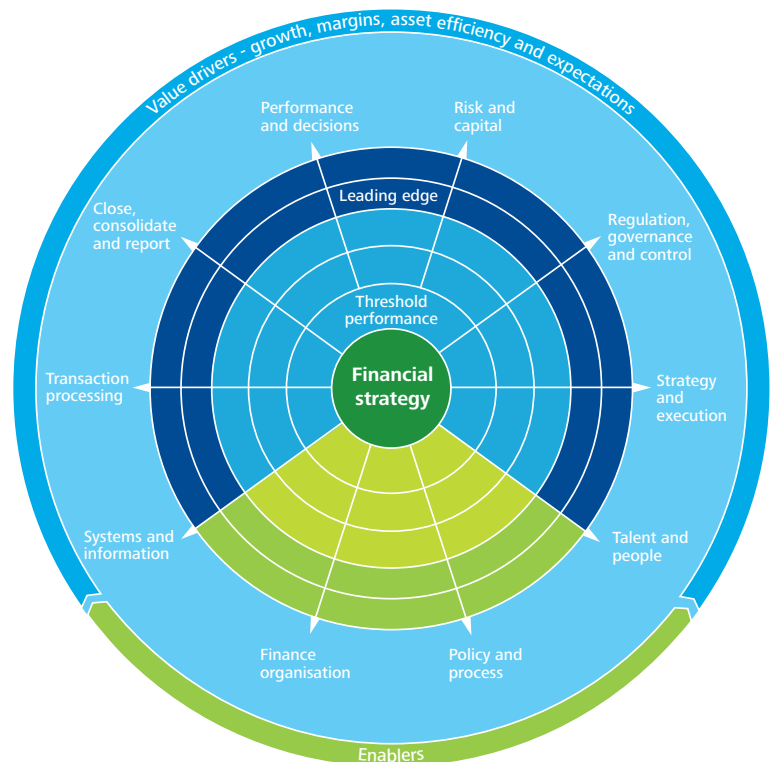
To help your finance function meet — or even exceed — the expectations of all stakeholders, solutions that cut across a variety of disciplines are needed. We offer integrated services to meet your organisation's business needs, while strictly adhering to regulatory and professional requirements.

For all the featured solutions we have a proven track record and all the relevant know-how through the breadth of our cross-functional finance expertise. We seamlessly integrate expertise in consulting, corporate finance, financial advisory, assurance and tax as required.

A comprehensive overview of the core Deloitte CFO Services solutions is provided on the following pages.

Deloitte CFO Services range from the definition of the functional strategy for the finance department, over the detailed design of the organisation and the processes, to the full implementation of the enabling systems. We provide a comprehensive suite of CFO services to support CFOs in their unique position as integrator of corporate governance, operations, performance management and business strategy. Deloitte CFO Services offers strategy, diagnostics, design and implementation support covering all areas of the finance function.

Deloitte's core CFO services



“We do not offer a standard toolbox. Our solutions are building blocks, to be integrated into a tailored offering to meet your requirements and priorities.”

Finance transformation strategy

How we can help CFOs organise their finance function

Given increased expectations of finance in many organisations, CFOs need to adapt their finance function to be able to meet new requirements. CFOs need to combine different roles in the organisation in order to combine their responsibilities in terms of internal control, efficiency, performance measurement and strategy definition. **Finance transformation strategy** helps managing complex situations by visualising and shaping the future state of your finance function.

“Complicated decisions have to be made on many fronts, and knowing exactly how to proceed is harder than it looks.”

What can we offer?

Finance transformation strategy helps CFOs identify the weaknesses in their finance organisation to prioritise the required change initiatives, and supports CFOs in defining an optimal operating model that will increase its influence in the organisation, support the business and manage key finance activities more efficiently. With our structured analysis tools, covering all the finance function processes, and using enablers, we can help you redefine the finance function in a relatively short period of time.

What are the benefits of our approach?

- Clear understanding of how your finance function supports the business organisation in achieving corporate strategic goals
- Mirror to evaluate the current performance of your finance organisation and processes against expectations of stakeholders, best practice and external benchmarks. This comparison allows setting new goals for the future finance function and prioritising the gaps between the current and desired, future, state
- Clear view of the key principles behind the future operating model for the finance function
- Detailed roadmap with proper sequencing of improvement efforts, required resources and appropriate measurements for implementation

What is a typical situation in which you might require assistance?

- Newly appointed CFO is confronted with the legacy of his/her predecessor, uncertain about the efficiency and reliability of the finance function and looking for assurance
- Internal clients are not satisfied with the quality of services provided by the finance function: information quality, timely reporting, risk management, frequent financial restatements
- Cost reduction in the finance function requires a clear view on finance's priorities and on its efficiency compared to similar organisations through benchmarking
- Major shift in business strategy or organisational restructuring requires the finance function to reorganise its activities or rethink how it adds value to the business
- Frequent financial restatements or evidence of other financial reporting issues, indicate the lack of quality and reliability of the finance function
- Upgrade or implementation of new financial systems, with significant impact on finance processes and required competencies of finance staff



Financial close and reporting optimisation

“Production of error-free financial statements should be a routine that does not require unusual heroics.”

How we can help CFOs improve the close process

Increasing complexity in the business environment and regulation puts pressure on the finance department to improve the financial close and reporting process. The CFO needs to make sure that the close is error free and meets regulatory compliance within a limited timeframe. **Financial close and reporting optimisation** can help you addressing these challenges by visualising and shaping a time-efficient and cost-effective close process.

What can we offer?

- A 'one-stop-shop' for entities in need of enhancing the quality, improving the timeliness and/or reducing the costs connected to their financial close process
- Identification of process inefficiencies and best practice solutions tailor made for the entity
- Assistance in writing policies and procedures in line with the latest regulatory framework based on best practices
- Temporary resources during peak periods to enable the entity to deliver timely reporting, meeting the quality expectations of stakeholders
- Temporary specialists for activities outside of the entity's normal business activities such as mergers, acquisitions or other special projects

What are the benefits of our approach?

- Increasing the quality of financial information helps to build investor confidence, facilitates performance management and enhances decision-making by management
- Increasing transparency enables management to manage risk and make decisions more effectively
- Improving the effectiveness of the close process facilitates corporate governance and regulatory compliance
- Improving the efficiency of the overall process can result in cost reductions

- Concentrating the focus of the finance team on value-added analysis helps the business to achieve its strategic objectives, leading to improved job satisfaction and quality of work

What are typical situations in which you might require assistance?

- Policies and procedures are not clearly established or defined for the month-end close process
- Dissatisfaction of investors, affiliates, etc. as time has become a key performance measure which defines the perception of information and management quality
- Merger and acquisition activities demanding an alignment with the acquired company's financial close, consolidation and reporting processes
- Cost reduction in a finance department with manually intensive close processes depending on key person
- Allocating costs to business units is tedious, time-consuming and overly complex
- Business unit or joint venture data is not submitted to the corporate level in time
- Multiple adjustments are needed to conform to GAAP at the corporate level due to lack of competence and effectiveness in local accounting
- Intercompany transaction accounting is not streamlined and has become more complex due to tax strategies and vertical integration in the marketplace
- Existence of multiple systems requiring significant manual intervention to post entries to the General Ledger (GL)
- Frequent issues related to information system quality, local regulatory and statutory reporting requirements, retention of key staff

Treasury and working capital optimisation

How we can help CFOs optimise the treasury and working capital situation

Most companies have significant amounts of cash locked up in operations and could sustainably increase their profitability and company value by managing working capital more actively. The optimisation of **treasury and working capital operations** is one of the few remaining areas which can deliver significant cash to the business in a relatively short period of time, without the complications that come with major changes or restructuring programmes.

What can we offer?

We can help you by reviewing your organisation to identify and assess the potential optimisation of working capital needs in close collaboration with the management to include the commercial and operating perspective.

We base our analysis on a detailed review of the different cycles of each key factor — accounts receivable, accounts payable and inventory — in order to identify and quantify potential cash flow improvement and forecast cash flow evolution.

Further we are able to provide you with assistance in defining and implementing key indicators regarding the evolution of the performance and working capital needs.

What are the benefits of our approach?

- Maximising recoveries and protecting shareholder investments
- Enhancing the operational structure to free up cash for future investments or lowering debt
- Identifying and monitoring the risks associated with working capital management
- Boosting the confidence of stakeholders thanks to an improved working capital structure
- Improving efficiency of the order-to-cash and purchase-to-pay processes leading to additional cost benefits
- Increasing flexibility by reducing supply chain complexity and streamlining business practices

We work together with the company to develop and implement sustainable cash and working capital improvements. We transfer appropriate skills to the company through 'on the job coaching' to ensure that the improvements are maintained long after our involvement has ended.

What are typical situations in which you might require assistance?

The questions you may be asking yourself are:

- How to properly plan for cash flows and need for cash and what solutions can be implemented (bridge financing, credit lines, etc.)?
- How to determine the potential for cash release?
- How to successfully manage working capital requirements to undertake future projects?
- How to improve the efficiency of your operational structure?
- How to achieve a sustainable reduction in working capital?
- How to improve cash flow volatility and working capital forecasting?

“Success in treasury is not based on luck, it's based on knowledge.”

Debt advisory and credit assessment

How we can help CFOs optimise their funding

The changing financial environment has resulted in funding solutions for companies becoming more complex and time-consuming to put in place. Senior management is now faced with a more challenging business environment that requires new funding solutions to match changing business models and strategies.

“The perfect financing becomes a more and more scientific exercise.”

What can we offer?

- Analysis of existing debt arrangements and suggestion on how to improve cost and flexibility of debt (cost of financing)
- Preparing investment documentation that aim at attracting and informing potential new lenders (banks, private equity, SNCI) and facilitating of discussions with potential new lenders
- Assessing of possibilities to obtain grants and subsidies (LU, EU)
- Financial modelling and current credit assessment including tax optimisation
- Assessing proposals from lenders and advising on the negotiation of proposals
- Assessment of exaggerated personal guaranties asked by banks
- Access to international financing sources via the Deloitte global network and assistance in structuring and arranging highly customised financial solutions

What are the benefits of our approach?

- Facilitating lower-cost project funding
- Ensuring appropriate debt (re)structuring to optimise company assessment from stakeholders
- Ensuring successful and timely completion of debt (re)structuring
- Ensuring only adequate covenants and reasonable warranties are given to banks
- Helping to provide stable, sufficient and adequate funding sources to finance growth or investment projects over the coming years

What are typical situations in which you might require assistance?

- Optimising your funding structure from a financial, tax and risk perspective
- (Re)negotiated of credit facilities
- Significant parts of your debt will mature within the next two years
- Evaluate different types of debt and financing options
- Need of temporary or additional liquid funding or working capital
- Current balance sheet structure doesn't maximise shareholder value
- Lack of clear visibility on your outstanding debt (maturity, credit institution, rate, covenants, warranties, etc.)



Integrated Performance Management (IPM)

“How far should finance really push to automate decision support?”

How we can help CFOs in closing the insight gap

“If you don’t drive your business, you will be driven out of business (B.C. Forbes)”. Unfortunately, it’s hard to drive when you cannot see. Despite massive investments in ERP, CRM and other enterprise systems, many companies still do not have the information they need to make good business decisions. The problem is not a lack of information — it is a lack of insight. Leading organisations have started to close the insight gap using **Integrated Performance Management (IPM)**.

What can we offer?

IPM is a structured management approach to translate strategic objectives into operational results, through a lens focused on value creation. IPM creates value by combining the power of technology, information, people and processes through all stages of the management cycle, from planning and targeting to measuring and intervention.

We further provide assistance in identifying KPIs that are aligned with strategy.

Tailored to the size of the company, the complexity of the business and the intentions of management, our scope can be adapted accordingly.

An IPM project is a collaborative exercise between Deloitte and the management. Deloitte contributes with the methodology and the expertise in the performance management area and management contributes with specific company knowledge, needs and visions.

What are the benefits of our approach?

Driving strategic change through the organisation

- Integrated planning, measurement, evaluation and intervention processes enable changes in strategy to flow through to measurable actions
- Common language of performance with a framework for communicating strategic changes to the operational level
- Focus on value-adding initiatives with leading indicators providing early insight into areas of challenge or opportunities

Improving alignment of operational behaviour to strategy

- Reward, learning and development linked to strategic objectives
- Visibility of performance against target helps identify opportunities for improvement
- Project portfolio ensuring strategic spending of capital

Providing a platform of control and security

- Efficient and tightly-integrated budgeting and reporting processes based on a single data set
- Improved information quality leads to improved mitigation of enterprise risks
- Integrated financial and management reporting processes provide timely and transparent information

What are typical situations in which you might require assistance?

- Strategy does not relate to long-term planning activity
- The budget process is an extensive exercise in guessing
- KPI targets, where they exist, are based on information that is not aligned to strategy
- Reporting struggles to analyse the vast array of data
- Forecasting has become a regular, mechanical activity rather than a dynamic intervention tool to deploy and align resources
- Increasingly stringent regulatory requirements such as Sarbanes-Oxley, PCN (plan comptable normalisé — standard chart of accounts) and structured financial statement reporting
- Modernisation directives are imposing improved controls, transparency and best practice
- You want to take advantage of improved software capabilities

Financial transaction process optimisation

How we can help CFOs create high-performance finance processes integrated with IT

Today's CFOs are under continuous pressure from senior management to evolve into a proactive, forward-thinking business partner. In order to drive business decisions better and faster while also managing risk, finance organisations must have quick, seamless access to high-quality financial and operational data.

Financial transaction process optimisation can help you achieve maximum efficiency by improving and integrating the transaction processes with appropriate information technology.

What can we offer?

Financial transaction processing is more than merely capturing financial data or performing accounting transactions. It involves a set of activities essential to day-to-day business: accounts payable, inventory and fixed asset management, general ledger accounting, project accounting, travel and expense processing and treasury management. These processes are key fundamentals for a finance department to be cost and time efficient and able to deliver high quality information. Our services in this area include:

- Reviewing information systems and processes against world class benchmarks to identify opportunities for optimisation
- Analysing current information system configurations
- Designing and implementing processes and/or technology to optimise the processing of GL and sub ledger transactions on an ongoing basis
- Designing processes to optimise accounting transaction processing in the area of internal controls, access and IT controls and segregation of duties. Designing and implementing remediation plans and sustainable process improvements

- Identifying, designing and implementing systems to capture tax relevant financial data in support of tax compliance activities
- Reviewing of system capacity to deliver business-defined objectives
- Reporting on misalignment, including issues and corrective recommendations

What are the benefits of our approach?

- Optimising finance processes, such as closing the books, reporting, accounts receivable, accounts payable and other labour-intensive processes reduces finance costs. By streamlining finance processes, finance professionals can spend more time on higher value responsibilities
- Financial value chain automation gives companies a competitive advantage — the best implementers have significant lower finance department costs than the average company
- World-class finance automation results in significantly increased productivity, for example in accounts receivable and payable

What are typical situations in which you might require assistance?

- No alignment of systems and data, complicating the consolidation of information across business units
- Excessive manual processing, increasing the potential for human error
- No clear connection between reports and performance measures of transaction processes
- No clear connection between day-to-day operations and shareholder value
- Data environments that rely on manual/poor controls
- Lack of clear governance over data
- Lack of clear regulatory guidance, making it hard to identify the most critical controls
- Decentralised operating models and lack of standardisation, which multiply the number of systems
- Inadequate technology for automating process controls
- Difficulties in providing timely, accurate and meaningful financial and operating information at the end of each period

“You need to keep pushing for improved productivity and efficiency — appropriate information technology is part of the answer.”

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