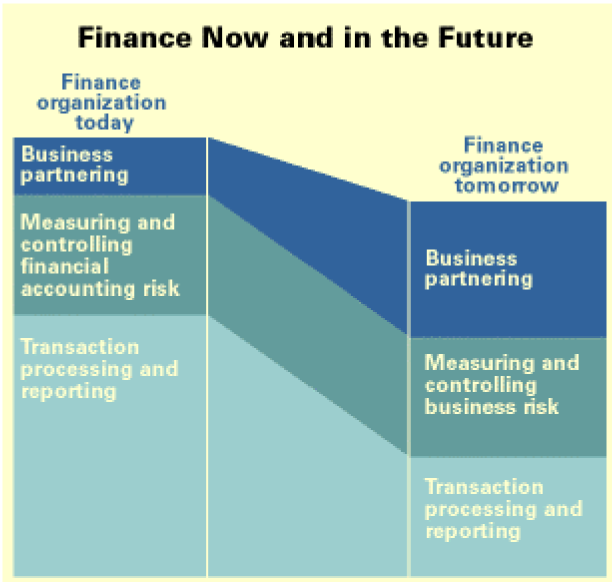
KnowledgeLeader provided by protiviti

Internal Audit and Risk Management Community

The Finance Function of the Future

CEOs are beginning to demand that finance provides more information and counsel, not only to measure performance and to identify and control business risk, but also to create value for the organizations. At the same time, companies are beginning to look outside their own organizations for ideas on how to perform finance processes better, faster and cheaper.
To stay ahead during this period of change, the finance function may need to:

- Re-engineer transaction processing and reporting.
- Become a value-adding business partner, by providing indicators of future performance to enable the flexibility that businesses will need in the future.
- Manage business risks for the entire business through a broader view of business controls and finance function itself.
- Create value by helping in the allocation and re-allocation of scarce resources.



Performance measurement: the vital signs
Never has it been more important that management be able to ask: "How are we doing?" To find the answer they must look at the company's measures; yet, surprisingly, the last thing most companies address in their change programs is their system of performance measurement. There are two serious problems arising from this oversight.

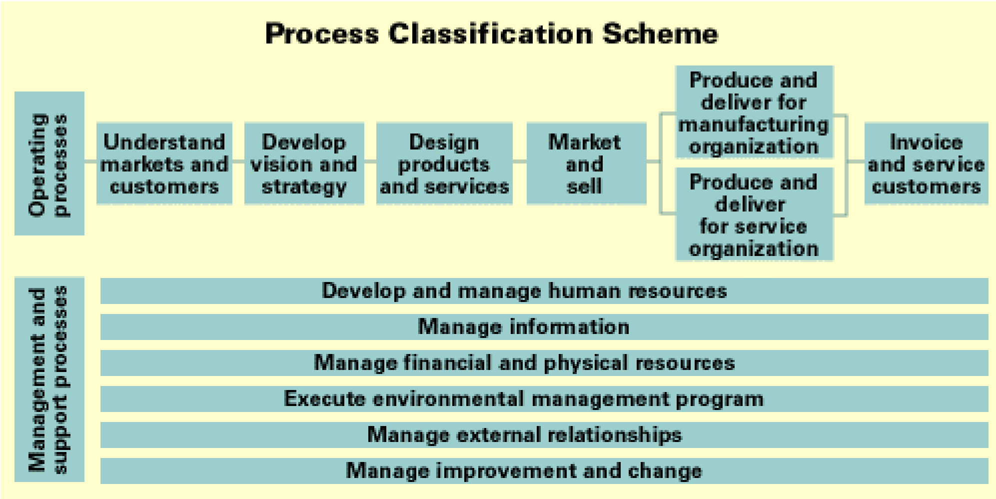
First, to support the new structures, management styles and processes, companies need new performance measures. Second, measures can themselves generate improvement in that they can drive change throughout an organization. People act as they are measured.

The first step in devising better measures is to realize that they should be the vital signs in an organization. They should quantify how well the activities within a process, or the outputs of a process, achieve a specified goal.

To help companies use performance measures to optimize their value and service, a tool, the Quantum Performance Measurement Matrix, can help. Quantum performance is the level of achievement that optimizes the organization's value and service to its stakeholders.

Best practices: creating the competitive advantage
Through its Global Best Practices Knowledge Base, Protiviti catalogues the business processes that it comes across worldwide. That approach already is helping companies in a variety of industries achieve "best results" -- meaningful change that not only creates short-term results, but helps users set leadership standards, year after year.

Protiviti's Process Classification Scheme can help users focus on fundamental business processes, regardless of industry or geographic location.

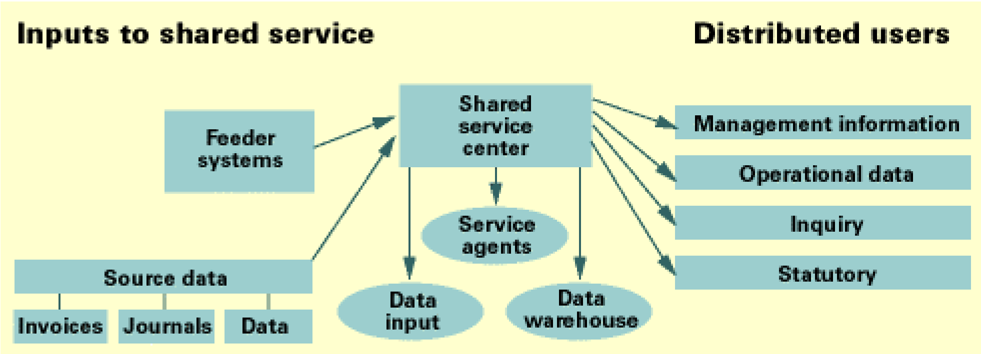


Shared services: for service orientation
A shared service is a term that describes the establishment of a single service center for functions that are common to a number of business units. Shared services differ from other centralized functions in two ways: They are set up essentially as profit centers, where customers pay for the services they use and, where possible, use advanced communications technology to make up for being situated remotely from the business unit.

Shared service organizations typically show significant cost and quality benefits compared to non-shared service environments. The cost savings generally arise from the economies of scale of a larger center, the standardization and simplification of the finance processes and the more effective leverage of technology. Quality improvements arise because the shared service becomes a center of excellence with specialized skills in its chosen processes, and the customer/supplier ethos typically leads to a more customer-focused culture, and accordingly to higher levels of performance and improvement.

Research by Protiviti and others indicates that organizations can achieve savings of 25 to 50% by moving toward a shared service.

A typical shared service might look like the following:



Technology enablement: making it happen
Many of the aforementioned "visions" can be achieved cost effectively only through the use of technology. The current generation of client/server application packages enables these changes through technologies such as:

- Package integration, i.e., the seamless connection of package modules within the application to provide transparent movement of data between parts of the business without need for expensive interfaces.

- Work flow, i.e. electronic routing of transactions to relevant people.
- Powerful analytical decision support and reporting tools embedded in the application.
- Document image processing.
- Data warehousing.

Your business may benefit from some of these technologies if it has one or more of the following characteristics:

- Large numbers of separate spreadsheets or databases used to manipulate data extracted either manually or electronically from "core" accounting or operational systems.
- Significant re-keying of information between various systems.
- Large volumes of circulating paperwork.
- Long-time delays between the close of books and release of accurate and trusted management information.
- Large numbers of time-consuming "batch" processes resulting in delays before management information becomes available.
- Expired maintenance contracts on mission-critical software applications or "version locking" where the system has been so heavily customized it can no longer accept software upgrades (and thereby loses the advantage of the modifications to follow "best practice").

Source: Protiviti KnowledgeLeader http://www.knowledgeleader.com

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