

IBM Institute for Business Value

Journey to a Value Integrator

*A companion study to the
IBM 2010 Global Chief Financial Officer Study, The new Value Integrator*



IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value.

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By Carl Nordman, Spencer Lin and William Fuessler

The global business climate is increasingly complex, volatile and uncertain. IBM's 2010 Global Chief Financial Officer Study, conducted amid the global economic downturn, confirmed that enterprises are increasingly dependent on partnering with Finance to help navigate this complexity.¹ The study identified one group of companies, *Value Integrators*, whose Finance organizations excel at addressing this mandate and outperform their peers. Those that aspire to similar success can learn from the journeys of 15 enterprises, whose transformation stories provide a compelling playbook to follow a path to higher value.

The 2010 IBM CFO Study found that one group of Finance organizations, *Value Integrators*, stand out by demonstrating the highest effectiveness across the entire CFO agenda. In particular, they excel at two capabilities: 1) Finance Efficiency brought about by process and data consistency, which helps unlock the power of analytics and 2) Business Insight to drive enterprise performance.

Today's business climate requires companies to be dexterous and leverage information to optimize business performance. However, structural complexity inhibits optimal business execution and analytics capabilities for many. Across the most recent IBM C-suite study series, we see recurring themes related to these challenges.

For example, the IBM 2010 Global CEO Study, "Capitalizing on Complexity," indicates that CEOs identify **complexity** among the top organizational challenges they will face in coming years.² Supply chain executives identify **demand variability and cost optimization** as top challenges in the IBM 2010 Supply Chain Management Study, "New rules for a new decade."³ And in the 2010 CHRO Study, "Working beyond Borders," human resources executives cite **improving operational efficiency** as the top business priority.⁴

During the economic crisis, these conditions were exacerbated. CFOs and their Finance organizations experienced heightened demand from across the enterprise as companies scrambled to cope. Yet, in our 2010 study, most CFOs indicate their Finance organization is not as effective as it needs to be.⁵

How does a Finance organization become a *Value Integrator*? What have *Value Integrators* done to mitigate structural complexity and optimize business performance? How does Finance improve its analytical capabilities to become the fact-based voice of reason for the enterprise?

To find out, we conducted additional case study-based research on 15 high-performing enterprises from the CFO study that share the characteristics of *Value Integrators* (see Study methodology on page 19). Our findings reveal some answers to those questions, presented across the following three themes:

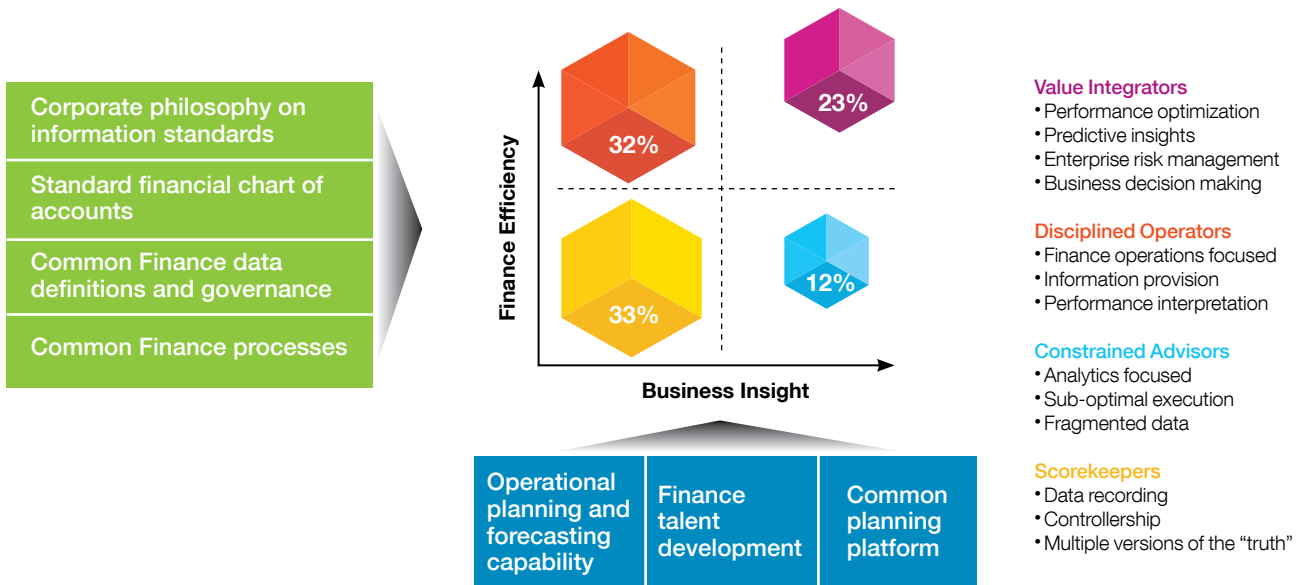
- **Different catalysts, common objectives** – Each company had a specific reason to invest in transformation that related to one of four categories: crisis/survival, growth/margin management, entity restructure or new leadership. At the same time, they all shared common objectives for change, demonstrating a balance between operational and strategic goals. While identifying and achieving tangible benefits was key, executing on the strategy – the long-term view – was even more important.
- **A playbook for Finance transformation** – The study participants’ consistency in approach, scope, expectations and success suggests their experiences can serve as a playbook for others to follow. The enterprises consistently applied five transformation enablers throughout their journeys. Historically, the most prevalent starting point has been to address technology, enabling a sequential adoption of standard processes, new operating models, better analytics and improved workforce efficiency. As technology, delivery models and experience have matured, the transformation journey has become more synchronous and timelines shorter.
- **Success = people and culture** – The journey itself changed the fabric and culture of the workforce to sustain the transformation over time. In both the planning and implementation phases of the transformation, “people and culture” factors played a vital role in driving participants’ success, particularly:
 - Strong resources and unwavering executive support
 - Full-time core team members on the implementation teams
 - A relentless execution focus
 - An evolving culture of continuous improvement.

The Value Integrator
Highlights from the IBM 2010 Global CFO Study

The term *Value Integrator* is intended to reflect a focus on enterprise *value* creation through cross-functional *integration*, enabled through standardization and analytics. Specifically, *Value Integrators* excel at integrating technology, processes and data, enabling Finance, operations and the business to partner more effectively internally and externally, transcending traditional business silos and focusing on enterprise value.

The CFO Study segmented respondents along two dimensions, creating four Finance profiles: Scorekeepers, Disciplined Operators, Constrained Advisors and *Value Integrators* (see Figure 1).

Value Integrators excel at both Finance Efficiency and Business Insight. Finance Efficiency is the measure of process and data commonality across Finance and operations. This is enabled primarily by process, operating model and technology transformation. Business Insight is the measure of analytical maturity and focus on business partnering that drives improved business outcomes, enabled by data governance, consistency and talent.

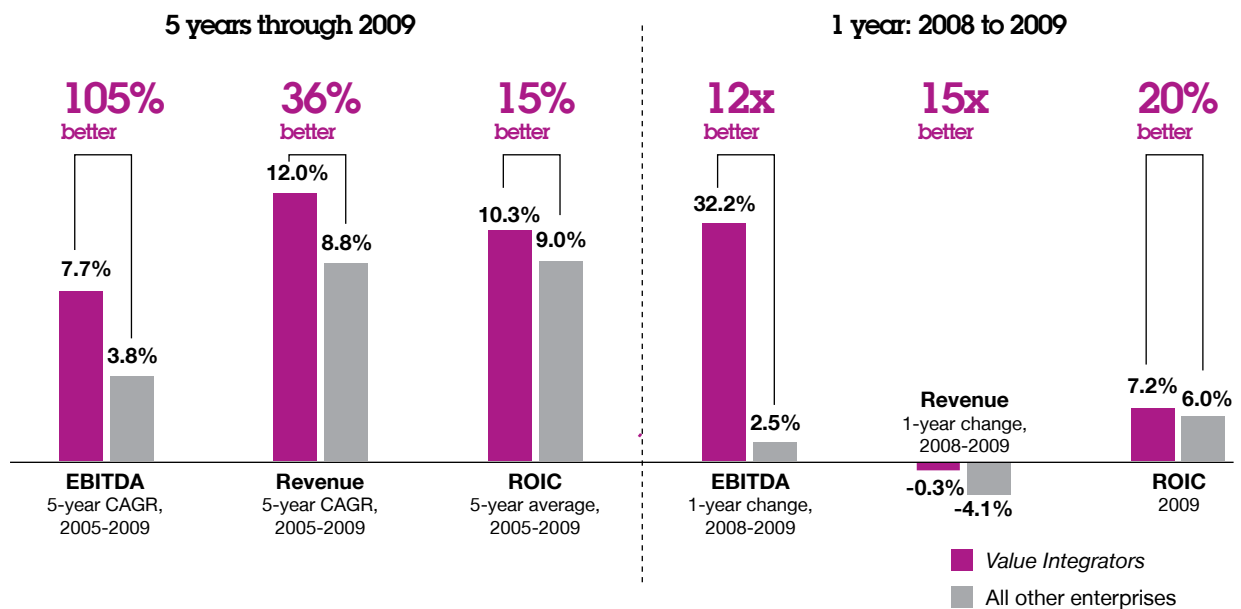


Source: "The New Value Integrator, Insights from the Global Chief Financial Officer Study." IBM Institute for Business Value. March 2010. <ftp://public.dhe.ibm.com/common/ssi/ecm/en/gbe03277usen/GBE03277USEN.PDF>

Figure 1: Value Integrators excel at two capabilities, leading to outperformance.

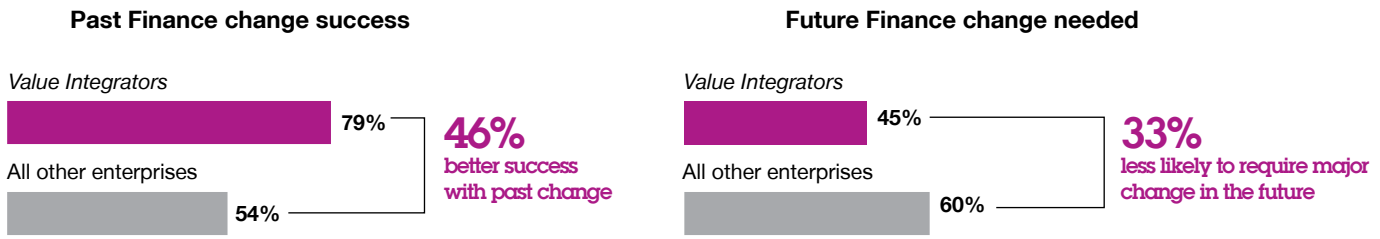
Value Integrators outperform financially on the top four most important financial measures cited by the Global CFO study participants. These are earnings before interest, taxes, depreciation and amortization (EBITDA); revenue growth; return on invested capital; and operating efficiency ratio (SG&A/Revenue). In fact, they had the best five-year performance on all these measures from 2004 to 2008.

That financial performance analysis, refreshed for this study through 2009, reveals that *Value Integrators* continue to outperform financially on all these measures over the five-year period from 2005 to 2009. In addition, their one-year performances from 2008 to 2009 indicate they are better positioned coming out of the economic crisis (see Figure 2).



Source: IBM Institute for Business Value analysis.

Figure 2: *Value Integrators* continue to outperform and appear to be better positioned coming out of the economic crisis.



Source: "The New Value Integrator, Insights from the Global Chief Financial Officer Study." IBM Institute for Business Value. March 2010. <ftp://public.dhe.ibm.com/common/ssi/ecm/en/gbe03277usen/GBE03277USEN.PDF>

Figure 3: Value Integrators have experienced greater success with past change and are less likely to require significant future change.

Value Integrators are rewarded for their greater agility and ability to sense, anticipate and then respond to change. They have invested in mitigating structural complexity and improving analytics capabilities, creating dexterity and better insight. They demonstrate more success managing past change and are more prepared to deal with future challenges (see Figure 3).

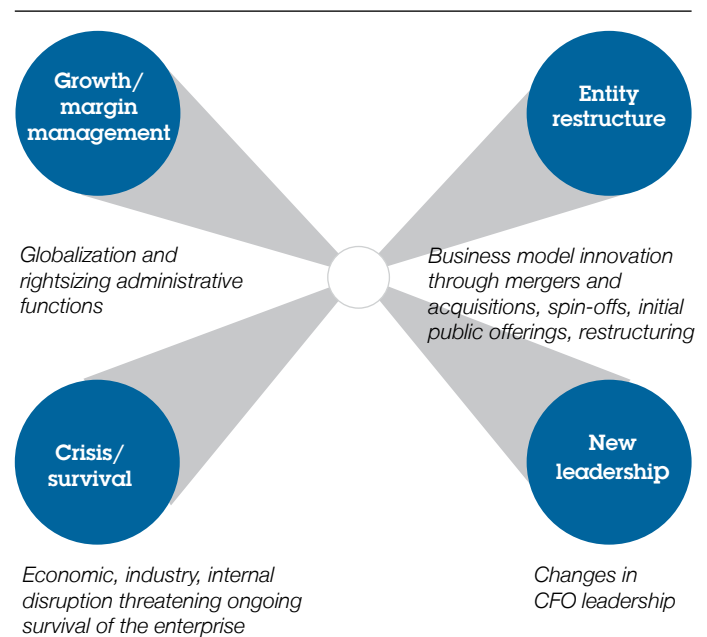
Different catalysts, common objectives
How Finance transformation begins

Our study participants each had a specific reason that served as a catalyst for transformation. While their reasons for change differed, the participants all shared a common objective to more effectively and rapidly execute on business priorities through improved discipline, scalability and business analytics.

Different catalysts

Why did Value Integrators undertake costly, disruptive and potentially risky transformations? What sparked them?

While study participants cited many different reasons for embarking on their Finance journeys, we discovered that – in general – the catalysts generally fall into one of four categories (see Figure 4).



Source: IBM Institute for Business Value.

Figure 4: The catalysts for transformation fall into one of four categories.

Growth/margin management: Whether organic or acquisitive, an effective growth strategy aims to increase revenues profitably and achieve synergies in cost structures. For study participants in this category, transforming Finance and operations was strongly aligned to their strategic goals and required standardized processes, scalable operating models and common technology platforms.

For example, Adani Group, seeking to capitalize on tremendous growth opportunities in India and South Asia, did not have a scalable model suited to its growth aspirations. The company anticipated the needs of its growth ambitions and invested in systems, processes, people and analytics to scale efficiently in its growth phase. Similarly, Kao Corporation and Kuehne + Nagel embarked on their transformation programs to support growth and globalization strategies with scalable business models.

Entity restructure: Whether due to an initial public offering (IPO), merger, acquisition or new legislation authorizing an independent operation, companies whose catalyst is entity restructure have a unique opportunity to use a greenfield approach. As companies build new operations, it is common to see gaps in resources such as people, technology and reporting capabilities. This presents a rare opportunity to design and build a new operating model from scratch. With mergers and acquisitions, a greenfield approach is used to establish the go-forward model, combining the best of legacy solutions with new, proven designs. This applies as much to people, processes, analytic frameworks and delivery models as it does to technology.

When Celanese went public in 2005, the bar was set higher on financial reporting and compliance requirements. Celanese needed to build a world-class Finance operation from scratch. Highmark was formed by the merger of two Pennsylvania licensees of the Blue Cross and Blue Shield Association in 1996. The combined enterprise needed to establish a common set of Finance and operations applications, processes and reporting.

Crisis/survival: Failed acquisitions, industry raw materials crises, industry disruptions, severe capitalization declines and aging business models with deteriorating margins are all crisis events that can trigger significant change. For our study participants, there was a recognition that business as usual – the status quo – no longer worked and change was vital. Although some catalysts were hard to predict or control, each of the companies acted with speed and enterprise-wide collaboration to transform.

IBM's 1990s business mix was weighted toward commoditizing business lines with eroding profit margins. The company established a new strategy to divest low growth, low-margin product lines and invest in higher-margin business lines, while driving cost optimization across the enterprise. IBM's transformation created a globally integrated enterprise with the necessary Finance and operations information transparency to succeed.

New leadership: New management brings a fresh vision and strategy, which can trigger change across the enterprise. For example, when Bank of New Zealand hired a new CFO in 2007, he created a vision for a world-class Finance team that could significantly increase its contribution to the bank's success. Transformation goals were to drive efficiency, provide greater transparency, build skills and be viewed as trusted advisors to the rest of the business. Similarly, both Hays plc and Dublin Airport Authority brought in new leadership that drove a fresh perspective that initiated change.

Common objectives

Across these different catalysts, study participants shared similar impediments to success in the forms of structural complexity and lack of information transparency. Some were already experiencing these issues and needed to quickly address them, while others anticipated such challenges and launched transformation to reduce or eliminate future impact. Ultimately, the objective for all was the same: position the organization to more effectively and rapidly execute on business priorities.

The case for change as expressed by our study participants included a balanced mix of strategic, operational and financial goals. Some could not recall the specifics of the tangible business case but were clear that, in hindsight, the strategic objectives were sound and achieved. Most took a broader view of the benefits, linking the transformation to financial and operational improvements, as well as intangible benefits, incorporating projections of improved revenue growth, expense management, operational performance and balance sheet performance that extend beyond Finance. Regardless of whether the catalyst is a crisis or positioning for growth and new opportunities, the objectives and business case elements are similar.

Limitations to the traditional Finance-centric business case approach

Tangible measures have always been a critical concern for enterprises considering significant investments, so there is no escaping the need for a compelling business case when considering a transformation. However, traditional narrowly focused business cases frequently fall short of expectations.

For example, within the narrow scope of a Finance transformation, it is rare to find a business case with a compelling return on investment achieved from extracting benefits from Finance alone. Why? As a cost center, Finance may benchmark between 1 and 2 percent of revenue. Hypothetically, a US\$10 billion revenue company would have a total Finance cost base of US\$100 to US\$200 million, a large portion of which is typically fixed technology and labor costs. Even if the company projected US\$30 to US\$60 million in total savings (a hypothetical stretch target of 30 percent savings), it might not be a compelling investment case since it might cost this much to transform over three to five years. *So, how do you create a winning business case for change?*

Case study excerpts: Common objectives

Scaling for growth

Adani Group sought to scale its business to support rapid, profitable growth in its markets across a diverse set of businesses. The opportunity was orders of magnitude greater than the investment needed. To successfully execute its growth strategy, Adani Group needed a scalable Finance and operations model that would support a complex conglomerate business.

The investment in infrastructure, enterprise resource planning (ERP), process workflows, shared services operations, people and analytical tools to accomplish this was viewed as relatively small compared to the revenue and profit growth opportunities the company was pursuing. Having the ability to pursue commercial opportunities with dexterity in the rapidly growing emerging markets of India and Southeast Asia was of paramount importance.

Rightsizing

For The Williams Companies (Williams), the case for change was triggered by a restructure resulting from a significant decline in the telecommunications and energy markets. Through years of significant growth, Williams invested in infrastructure, applications and people. When the business environment suddenly changed and significant divestiture followed, Williams was not positioned to quickly scale down related general and administrative cost structures.

Williams focused on rightsizing the support structure through outsourcing, systems consolidation and common processes. Williams engaged a third-party partner to accelerate the path of change and also obtained a commitment from the third party to deliver on the target cost savings for in-scope functions.

The enterprise benefits case for change

To make the case for change, a much larger prize needs to be articulated. The Finance transformation can achieve benefits far beyond Finance through a combination of operational cost savings and improved business outcomes. The case for change should incorporate anticipated revenue growth, earnings, working capital and operating expense improvements across the enterprise. For instance, improved supply chain management, order-to-cash and procure-to-pay processes can drive days sales outstanding (DSO), cash management and spend management benefits. And this is only part of the picture.

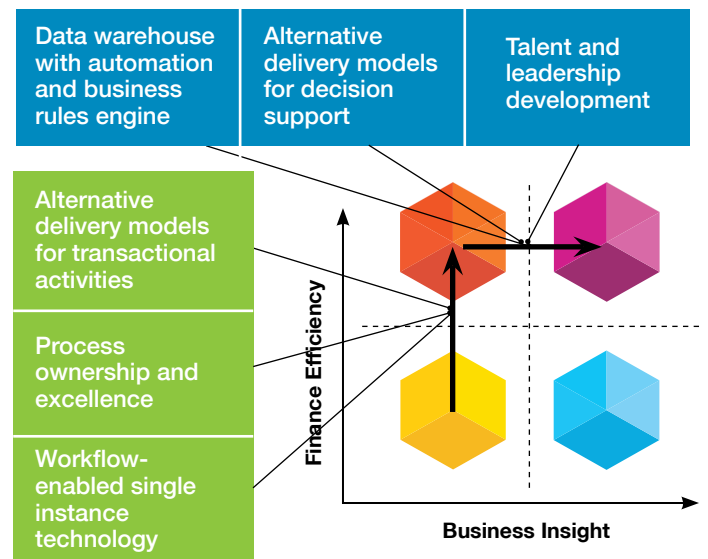
Improving the quality of data and decision outcomes can drive better strategic investment decisions related to commercial opportunities. An example of this might be optimizing the product development lifecycle decision process. Coupling improved analytical information with institutional knowledge can direct the company to change how it invests capital into research and development and manages the enterprise product portfolio. This can have a material positive impact on revenue sources, growth and margins.

Finance's expanding mandate, driven by increased demands from the enterprise, provides permission to build a case for change based on a broader, cross-functional view. The true benefits extend well beyond Finance because the transformation optimizes operations and improves business outcomes across the value chain. Examples of broader enterprise benefits experienced by study participants include:

- Cost of Finance reduced to less than 1 percent of revenue
- Up to 70 percent reduction in Finance and operations applications and associated costs
- Up to 80 percent improvement in DSO
- Up to 35 percent reduction in discretionary spend
- Up to 25 percent improvement in cash flow.

A playbook for Finance transformation How aspiring enterprises can become *Value Integrators*

The *Value Integrators* in our case studies followed very similar paths, addressing Finance Efficiency first, then Business Insight (see Figure 5). However, this was not necessarily by design. Very few developed a strategic roadmap or master plan for the entire journey. Each company's objectives, the enablers employed and the order in which initiatives were staged were, by coincidence, very similar.



Source: IBM Institute for Business Value.

Figure 5: It is common to first address Finance Efficiency and then improve Business Insight.

Transformation enabler framework

Transformation enablers are the essential tools used to fundamentally transform (see Figure 6). These include traditional People, Process and Technology enablers. In addition, Operating Model and Data and Analytics are added to highlight their increased role in an optimal transformation solution.

Technology and **Process** enablers are essential to create a foundation of consistency and standards, leading to improved efficiency. The benefit of implementing today's enterprise resource planning (ERP) solutions is not just about getting to one system with one chart of accounts, one vendor file or common stock keeping units (SKUs) – it's about transforming and sustaining more efficient processes across the value chain.

Similarly, business intelligence (BI) solutions for compliance, budgeting, planning and forecasting and other predictive analytics incorporate similar functionality. These allow a standardized and improved process to be configured to automate preparation, review and approval workflows or even drive the creation of broad ranges of forecast scenarios based on input assumptions.

Technology and Process transformation is about leveraging the best practices imbedded in the ERP and BI solutions and establishing the necessary foundation to drive greater impact from the other three enablers.

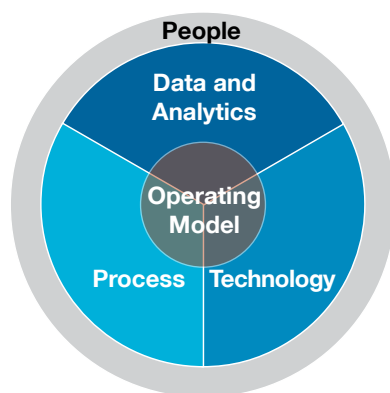


Figure 6: Five transformation enablers achieve higher performance.

An effective **Operating Model** offers flexibility in how corporate and operations services are delivered. The operating model can accelerate the adoption of process and data standards. Having a scalable operating model with well-defined and efficient processes supports a faster transformation and delivers measurable and predictable outcomes.

Today, mature operating model strategies incorporate a hybrid model that encompasses a globally managed combination of captive shared services and outsourced services to optimize performance.

Data and Analytics provide the essential foundation to support both efficiency and insight. Data quality and robust analytics are dependent on common standard technology and processes. For example, analytics that measure internal processes and outcomes (e.g., order-to-cash and working capital) are less reliable when measuring across multiple business units' non-standard processes. Further, the reported outcome measures may not be reliable if aggregated from multiple dissimilar charts of accounts, inconsistent transaction records and data standards.

A single version of the data and analytical truth is dependent on a common repository in which financial, operational and risk data are combined. Accuracy and speed are achieved through data governance processes and utilizing an automated business rules engine.

The **People** enabler addresses transforming the workforce by changing the nature of the work performed and increasing the time spent on value-creation activities. The other four enablers contribute to enhancing efficiency and shifting workload from transaction processing to decision support.

Increased productivity and focus on analysis and managing outcomes allow human capital resources to contribute more value to the company. This can lead to improved job experience, satisfaction and career progression for employees. This benefits the company with lower attrition rates, a greater ability to attract and retain talent, and improved leadership development.

Most experienced a journey consisting of two stages, with the first being a series of significant investments in major transformation projects and the second a stabilization period with an evolution to a continuous improvement culture.

Common steps in their journeys include:

- Employed all five transformation enablers
- Started with technology-enabled process transformation
- Implemented a scalable operating model
- Matured data and analytics
- Enhanced workforce effectiveness.

Employed all five transformation enablers

All of our case study participants employed each of the five transformation enablers throughout their journeys. All case study participants:

- Rationalized the technology platform, including workflow-enabled single instance financials/enterprise resource planning and common analytical and information delivery tools
- Initiated process transformation by establishing process ownership as the first step in driving process standards and then institutionalizing those processes using the enabling technology
- Adopted some form of alternative delivery model, whether by centralization, a captive shared service center (SSC), outsourcing or some hybrid
- Developed data governance and standards and then institutionalized that into a common data platform marrying financial, operational and risk data
- Evolved a culture of continuous improvement and experienced significant improvements in workforce effectiveness and operational efficiency.

Our case study participants began their respective journeys from as early as 1993 to as recently as 2004, employing all five transformation enablers along the way. Comparing the approaches taken, we observed a significant evolution in Finance transformation: Companies today are more likely to take an integrated and synchronous approach to transformation, and this is accelerating the time to benefits. Participants who began their journeys in the early to mid 1990s took a sequential approach, implementing the enablers in stages. Those who began at the turn of the century (1999 to 2003) approached it more synchronously, implementing multiple transformation enablers simultaneously. Many that started their journeys in the latter part of the last decade (2004 to 2007) tended to address the five enablers simultaneously. We attribute this to several factors including:

- Advances in the design of service delivery models, particularly with respect to outsource service provider capabilities and/or methods for successfully deploying captive SSCs
- Greater maturity of application solutions functionality, data integration and process modeling
- Significantly larger pools of resources available with past experience implementing application solutions, deploying service delivery models and executing a transformation program.

Started with technology-enabled process transformation

The majority of the case study participants started by addressing technology or technology and process (see Figure 7). All of them ultimately achieved process transformation using ownership/accountability and leveraging technology and operating models to institutionalize and sustain the process improvements.

For Dublin Airport Authority (DAA), technology was the key enabler for its Finance transformation but not a silver bullet. DAA launched synchronous workstreams, addressing technology, process, operating model and data all at the same time. Kuehne + Nagel, a Swiss-based global logistics company, started its journey in the early 1990s. At the time, no vendor solution met the specific requirements of its logistics business, so the company built a custom ERP solution. The system integrated front- and back-office functions seamlessly into one platform, also enabling global standard processes.

Those that did not employ technology first had to address a fundamental gap in resources, data or ownership that was essential to move forward. Once they did, technology and process enablers were the next step.

Celanese and DC Water shared a similar catalyst – entity restructure – and a greenfield opportunity that necessitated addressing resource and skill gaps first. As a new publicly traded company, Celanese needed to build its management team and technical resources first. As a newly commissioned utility authority, DC Water had a similar need to build reporting and compliance teams first. Both of these new entities moved to technology and process initiatives as their next step.

IBM, with a focus on margin improvements, pursued data and analytics to better understand and manage its business portfolio. This required rationalizing and consolidating the

	Technology	Process	People	Operating Model	Data and Analytics
Dublin Airport Authority	✓	✓		✓	✓
Bank of New Zealand	✓	✓	✓		✓
The Williams Companies	✓	✓		✓	
Isetan Mitsukoshi Holdings	✓			✓	
Highmark	✓	✓			
Adani Group	✓	✓			
Kao Corporation	✓	✓			
Air New Zealand	✓		✓		
Kuehne + Nagel	✓				
Hays plc	✓		✓		
Rhodia Brazil		✓			
Celanese			✓		
DC Water			✓		
Statoil				✓	
IBM	✓		✓		✓

✓ Starting transformation enabler(s)

Figure 7: Technology simplification is the most common starting point.

financial application system portfolio almost immediately. This effort became the means to achieve standard processes as well. As Finance and operations personnel were migrated from the decommissioned legacy system to the surviving application solution, global owners were named to drive process commonality and ensure data standards were maintained.

Statoil developed a plan to centralize corporate services in 1993 as part of a longer-term strategy. This plan drove 20 percent cost savings across corporate services by 2000. But it also had the added benefit of driving process ownership and control to better manage and execute on future initiatives, which included standardizing work processes, implementing a common ERP solution and evolving to a true multi-function shared services center (Finance, IT and human resources) by 2006.

Regardless of their first step, all participants shared common objectives for the technology and process aspects of their transformation journey and experienced measurable improvements (see Figure 8).

Implemented a scalable operating model

Operating model innovation helps accelerate and sustain transformation, create service scalability and variabilize costs. Strategic outcomes like flexible delivery models and sustained, high levels of customer satisfaction led to operational benefits for many study participants, including headcount reductions, lower transaction processing costs and the ability to quickly respond to changes in market conditions.

An effective and scalable operating model depends on a foundation of standard processes and common data. These companies found that consolidating their resources into shared services or outsourced models enabled more rapid adoption of common process and technology, accelerating the journey.

Air New Zealand transformed its operating model as part of its journey. Prior, Finance was decentralized, reporting on a solid-line basis into each business unit. In 2002, Finance was centralized, reporting directly into Corporate Finance. This change set the stage for the company to establish financial shared services that encompass transaction processing, data management, credit risk, financial controls and reconciliation.

Technology and Process improvement objectives	Benefits achieved	Benefits measured
<ul style="list-style-type: none"> • Institutionalize and sustain the transformation • Achieve world-class capabilities • Increase process automation using workflow • Improve controls • Reduce application and integration costs • Reduce data complexity • Improve information access. 	<ul style="list-style-type: none"> • Enabled a scalable operating model • Enabled world-class practices • Automated processes • Mitigated process and technology complexity • Lowered technology maintenance costs • Increased information and reporting self service. 	<ul style="list-style-type: none"> • Up to 80 percent faster close cycle • Up to 50 percent process efficiency improvement • Up to 50 percent headcount reduction • Up to 70 percent reduction in number of applications and associated costs • Up to 98 percent reduction in the number of late closing entries and errors • Up to 80 percent improvement in days sales outstanding • Up to 35 percent reduction in discretionary spend • Up to 48 percent reduction in audit fees.

Figure 8: Participants experienced tangible benefits from Technology and Process improvements.

Case study excerpts: Alternative delivery models

Finance and accounting outsourcing

As part of its restructure, Williams selected outsourcing to accomplish a rapid right-sizing effort. Williams outsourced transaction processes and technical support shared services, which included:

- Transaction processing such as accounts payable and travel and expense
- Record-to-report functions, including general accounting, general ledger and journal entry processing; inter-company accounting and account reconciliations; fixed assets, sales and use tax accounting services; compliance and controls; monthly close process; financial consolidations and financial statements; and cash application.

Williams' approach demonstrates how leveraging an experienced third-party service provider can accelerate the journey by addressing multiple transformation enablers in parallel, shortening the transformation journey and accelerating time to benefits realization.

Shared services for transaction processing

Having become a publicly traded U.S. corporation, Celanese needed to meet more stringent financial reporting requirements, as well as reduce the cost and improve the efficiency of its decentralized financial organization. Celanese sought a variable cost model for Finance using lowest-cost resources where it made sense to do so. The company wanted a center staffed by Celanese employees that could leverage the company's global platform and provide global support and world-class customer service.

Celanese embarked on a multi-phased approach to improve processes, reduce risk, eliminate redundant systems and upgrade the talent and capabilities of its Finance team. Celanese built a SSC in Budapest, Hungary, to centralize its 23 high-cost locations. Today, Celanese Shared Services operates in three hubs: Budapest, Hungary; Nanjing, China; and Dallas, Texas.

Shared services for decision support

Within Finance, Bank of New Zealand has created the Business Intelligence Center of Excellence (COE), which provides vital data including performance management reporting. Local branch managers receive monthly profit-and-loss statements and other financial information so they can compare their branch performance against targeted goals. The COE provides BI tools to improve business processes for the bank, such as:

- Self-service BI functionality, allowing employees to do more of their own analysis
 - Delivery of detailed information to uncover data that may have been overlooked in the past
 - Accessibility to information that increases collaboration across the bank.
-

Operating Model improvement objectives	Benefits achieved	Benefits measured
<ul style="list-style-type: none"> • Become scalable • Optimize/variabilize cost structures and performance • Improve measurement and monitoring of processes • Implement continuous improvement methods • Develop a service orientation • Service level agreements • Governance model • Globally consistent service delivery • Drive cross-functional/cross silos support. 	<ul style="list-style-type: none"> • Operational flexibility • Optimized, variabilized cost structures • Sustained, high levels of customer satisfaction • Significant headcount reduction • Significant reduction in transaction processing costs • Shifted resources to lower cost shores • Shifted resources to centers of excellence. 	<ul style="list-style-type: none"> • Achieved benchmark Finance cost/revenue below 1 percent • Up to 20 percent reduction in total Finance functional costs • Up to 50 percent reduction in headcount • Up to 60 percent reduction in transaction processing costs • Up to 91 percent reduction in Finance centers through consolidation • Up to 42 percent of resources migrated to regional centers.

Figure 9: Operating Model improvements yielded scalability and cost variabilization.

The objectives and benefits cited by our case study participants associated with implementing a new operating model include those outlined in Figure 9.

Matured data and analytics

Analytics depend on a foundation of standard processes and common data definitions, which technology and process transformation enables. To address data access and quality, almost all participants implemented a data warehouse, and many leveraged their ERP vendor’s business warehouse or online analytical processing (OLAP) tools.

Common among the analytics solutions was implementing a business rules engine to address data quality and efficiency. Many participants integrated financial and operational data into a common repository and were able to develop more robust operational and financial reporting capabilities as a result. This enabled self-service reporting and analysis capabilities via portals and dashboards with drill-down capabilities, improving information transparency and granularity.

Improvements in analytics spanned a broad range of operational and performance reporting capabilities. More accurate billing, cash receipt and DSO reporting improved transparency across order-to-cash. Clean vendor files and consistent purchase transaction mapping to a common chart of accounts supported improved spend management. All improvements tended to contribute to better cash flow and working capital improvements. Other benefits included improved revenue, profitability and cash forecasting; better capital returns; reduced operating costs; and a fundamental shift in workforce efficiency to higher-value decision support activities.

Some of the data and analytics objectives and measured benefits achieved by the case study participants include those outlined in Figure 10.

Data and Analytics improvement objectives:	Benefits achieved	Benefits measured
<ul style="list-style-type: none"> • Single version of the analytical truth • Actionable analytics • Enterprise performance dashboard • Operational dashboard • Data governance • Common data definitions • Integration of operational, financial and risk metrics • Reduce manual involvement in data sourcing, cleansing, correction and reconciliation • Automated business rules gateway • Align process activities, performance, behaviors and strategy. 	<ul style="list-style-type: none"> • Consistent global data definitions • Greater focus on analysis and actions versus information preparation • Outcome based analytics focus • Improved operational analytics • Improvements in DSO, cash management and forecasting, controls, risk and fraud • Improved performance analytics to support growth strategies, capital investments, M&A and operations • An aligned view of strategy and performance • Workforce efficiency and focus on analytics • Greater speed in production of information. 	<ul style="list-style-type: none"> • Plan and forecast cycle time reduced by 50 percent • Up to 25 percent improvement in cash flow • Up to 80 percent improvement in DSO • Forecasting accuracy improved up to 50 percent • Up to 99 percent data automation • Up to 70 percent of workforce time spent on analytics versus transaction processing.

Figure 10: Maturing Data and Analytics capabilities yield tangible benefits.

Case study excerpts: The power of Data and Analytics

Aligning workforce behaviors with enterprise strategy using a dashboard

Statoil achieved data commonality enterprise wide through implementation of a common enterprise platform. Coupled with process and reporting standardization, and leveraging a common performance reporting framework, the platform has evolved to become a sophisticated dashboard system. Statoil has moved “beyond budgeting” with the implementation of an actions-based dashboard with approximately 1,100 “ambitions to action.” These are specific activities with goals, groups of which are tied to employees’ performance scorecards based on roles and responsibilities. Personal metrics are directly tied to the corporate dashboard across five management functions: People and Organization, Health and Safety, Operations, Marketing and Finance.

Projects/capital investments are analyzed taking into consideration both internal financial and operational metrics as well as external metrics, such as projections of

commodity prices. Statoil has also incorporated a significant number of risk factors into its performance reporting framework.

Optimizing discretionary spend

Leveraging common process and data standards across IBM has greatly improved overall performance management, operationally and financially, yielding significant cost savings and efficiency.

Operationally, for example, IBM has implemented a global standard travel and expense solution, including global standard policies, procedures and systems for booking travel and submitting/processing expense reimbursements. A single source of consistent travel and expense data allows IBM to mine the data and apply analytics to optimize spend across the workforce and to negotiate the best vendor rates and terms for travel services (airline, hotel and car rental). The flexible system design enforces global common policies and processes, while still supporting specific internal and compliance needs country by country.

Enhanced workforce effectiveness

Breakthrough changes in workforce effectiveness are dependent on the other four enablers to a very large extent. However, addressing even deeper benefits of workforce effectiveness, such as increased job satisfaction, lower attrition, attracting and retaining talent, leadership development and succession planning, do not come about automatically.

The transformation approach must incorporate new designs for job roles, responsibilities, career paths and performance assessment criteria. A big change associated with a Finance transformation concerns the skills set needed. Analytical skills are more important in the new environment, and this is not necessarily in line with the old model of reconciliation and data validation. New skills requirements should align with the vision for technology, process, analytics and operating model design.

For our study participants, the people aspects were undeniably factored into their approaches. Hiring and development plans were heavily influenced by the suggested future needs of the transformed enterprise. These included technical accounting and operations skills, experienced technology and transformation project managers, and additional Finance and business analysts.

Technology and process transformation drives workforce efficiency and allows more time to be spent on higher-value activities such as continuous improvement projects, analytics and business partnering. Data and analytics improvements help increase the business acumen of Finance employees as they transition from preparing and discussing the veracity of information to analyzing business performance implications to drive more effective business decisions.

Operating model transformation creates more career paths across Finance, operations and the overall business, providing employees with better opportunities to match their skills and career paths to business needs. Employees with leadership ambitions can rotate across different areas to gain a broader business perspective and experience, which contributes to developing the strong leaders that many companies claim to desperately need. This naturally leads to improved job experience, satisfaction and career progression for employees. This further benefits the company through lower attrition rates, a greater ability to attract and retain talent, and improved leadership development and succession planning.

Our study participants shared the benefits and outcomes associated with the workforce aspects of their transformation (see Figure 11).

People improvement objectives	Benefits achieved
<ul style="list-style-type: none"> • Focus on business outcomes • Build analytical and business knowledge • Attract and retain talent • Develop higher-order skill sets • Develop leadership • Develop succession plans • Change culture, promote continuous improvement. 	<ul style="list-style-type: none"> • Higher-performing workforce focused on business outcomes • More time spent on analytics, less on transaction processing • Lower attrition rates/retention • Reduced risk of institutional knowledge loss • Behavioral alignment to strategic goals • All study participants implemented a continuous improvement methodology and culture.

Figure 11: Participants significantly enhanced workforce effectiveness as part of their transformations.

Case study excerpts: Enhancing the workforce

Career and leadership development

Celanese has employed several methods to drive greater focus on people and skills development. It implemented a three-year rotational program for MBA hires in which they spend time in both Finance and the business. They have established clear career paths across Finance and encourage cross-pollination of Finance talent across the business. Employee career and leadership development programs include individual development planning and an annual review process in which the top 100 employees' progress is reviewed by the CEO.

Business alignment

Rhodia's Finance resources are oriented by process with an emphasis on servicing the business. In addition to formal recognition and succession programs, Finance has created a program that identifies the top 20 services Finance provides and asks the business to evaluate its performance in these areas to help identify performance gaps.

Success = people and culture

Basic success factors common to virtually any effective change management program include transparency and clear communication during the planning process, as well as a holistic approach that is contextual, workable and timely. In terms of implementation, speed and resolve are vital, as are executive-level leadership, sponsorship and understanding of the program.

In addition to these standard essentials, people and organizational culture played huge roles in driving our study participants' transformations. Based on their experiences, we have identified four distinguishing "people and culture" success factors: strong resources, a full-time team, an execution focus and a continuous improvement culture.

Strong resources

Successful transformations have strong support both from an executive and project level. This clear, continuous commitment from leadership is unwavering both during planning and implementation.

Celanese built a leadership team in Finance to drive its transformation. The company then charged these individuals with leading the future organization. Hays plc appointed a new Group Finance Director with significant Finance transformation experience, a new CIO and SSC leader, and assigned 25 of its top staff full time to drive the transformation. Isetan Mitsukoshi Holdings leveraged a third-party advisor to assist with transforming its financial systems and shared services.

Full-time core implementation team

In addition to obtaining strong leadership and resources, *Value Integrators* also secure a dedicated core transformation team consisting of top talent. A "part-time" team is not sufficient; full-time talent is necessary.

Value Integrators involve the best subject matter experts in their projects, as Highmark did when it dedicated full-time resources to its Finance transformation. Bank of New Zealand's Finance transformation was initially staffed with part-time resources, resulting in drifting progress for the first four to five months. The transformation program accelerated when the company hired a full-time project manager and brought in full-time resources to drive the workstreams.

Execution focus

Value Integrators have an extreme focus on execution. They secure the talent they need – whether via in-house resources, external hires or a third-party advisor – and they relentlessly pursue their goals. Successful initiatives are conducted in a project-based environment with aggressive timeframes and deliverables that can impact an overall critical path.

For example, Hays plc built a team that could drive change, held regular steering committee meetings, ensured it had the right resources and brought in different resources when necessary. As another example, Celanese set stretch but achievable goals to provide a sense of urgency and employed clear metrics for tracking progress.

Culture of continuous improvement

A culture of continuous improvement helps ensure benefits gained from a transformation extend into the future. In such an environment, process change is driven by the employees themselves, who also strive to continuously improve their own skills.

Kao Corporation embraces a culture of continuous improvement, through which it has been an early adopter of Finance best practices over several decades. The Bank of New Zealand embraced the Kaizen approach. Kaizen drives a focus on quality, efficiency, communication and the customer experience and defines how the bank puts the customer at the center of everything it does. Rhodia embraced Six Sigma as part of its transformation to a process-based organization. More than 80 percent of the Finance employees at Rhodia are Six Sigma yellow or green belts.

Where are you in the journey?

The path to becoming a *Value Integrator* is a continuous journey because change is constant. It is a journey traveled in two stages. The first stage is highly transformative, challenging, disruptive and risky. This is the uphill portion of the journey, where the company invests to build a foundation of better

efficiency and insight. The second stage is more stable, characterized by more discrete, highly focused continuous improvements that respond with dexterity to change.

Our study participants fall into both camps. Some are close to completing the first stage, while others are embarking on the second stage by continuously improving and sustaining for the future. For those participants nearing completion of the transformative stage of their journeys, the focus is on continuing to drive that particular enabler across the enterprise or expanding the scope and functionality of that enabler.

Change is never easy – and the change required to become a *Value Integrator* is no exception. But the ability to cope with future challenges and take advantage of opportunities, enabled by process optimization and improved analytics, can yield benefits. The investment typically returns considerable rewards. While pondering future changes and transformation for your own organization, we suggest you consider the lessons exemplified by our participants' experiences:

Planning:

- Leverage the “playbook” for Finance transformation suggested by the case studies.
- Base your business case on broader enterprise benefits.
- Drive greater transparency through commonality before improving insight.

Implementation:

- Leverage your best people and dedicate them full time to transformation.
- Implement sustainable technologies that enable process efficiency and improve information integration across the enterprise.
- Relentlessly execute on the transformation initiatives to achieve budget and improvement milestones.
- Promote a continuous improvement culture across the enterprise.

Our case study participants have achieved a level of operational dexterity and analytical maturity necessary to outperform in today's increasingly complex and volatile business environment. These Finance organizations are excelling on the broader, enterprise-wide mandate. For those aspiring to similar success, take a proactive approach to drive Finance Efficiency and Business Insight. Leverage the lessons learned from the study participants to assess where you are in your own journey to becoming a *Value Integrator*.

Study methodology

The Journey to a *Value Integrator* study is based on case study interviews with 15 enterprises that participated in the original 2010 IBM Global CFO Study (see Figure 12).

The case studies were designed to delve deeper into the participants' experiences to analyze and document their

respective transformation journeys, from inception through today.

A consistent, scripted approach was followed to document their experiences based on the following questions:

- What was the catalyst and business case for change?
- How did the transformation begin and what was the path taken?
- What were the challenges and lessons learned?
- Were the expected benefits achieved?
- What are the future plans?

In addition to the half-day sessions, we also conducted follow-up fact-checking and confirmation reviews. By design, the 15 participating enterprises vary by industry, geography and size.

Enterprise	Headquarters	Industry	FY10 Revenues
Adani Group	India	Energy & Utilities	Rs.25,923 crores
Air New Zealand	New Zealand	Travel & Transportation	NZ4,046 MN
Bank of New Zealand	New Zealand	Banking	NZ1,642 MN
Celanese	United States	Chemicals & Petroleum	US\$5,918 MN
DC Water	United States	Public	US\$363.7 MN
Dublin Airport Authority	Ireland	Travel & Transportation	€547 MN *
Hays plc	United Kingdom	Professional Services	£2,691 MN
Highmark	United States	Healthcare	US\$13.7 BN
IBM	United States	High Tech	US\$99.87 BN
Isetan Mitsukoshi Holdings	Japan	Retail	¥1,291.6 (1 BN ¥) *
Kao Corporation	Japan	Consumer Products	¥1,184 (1 BN ¥) *
Kuehne + Nagel	Switzerland	Travel & Transportation	CHF17,406 MN *
Rhodia Brazil	Brazil	Chemicals & Petroleum	€4,031 MN *
Statoil	Norway	Energy & Utilities	NOK576.7 BN
The Williams Companies	United States	Energy & Utilities	US\$8,255 MN *

* FY 2009

Figure 12: Journey to a *Value Integrator* case study participants.

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit:

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Rhodia Brazil
Statoil
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