

The CFO Perspective

How to Create a Finance COE: 3 Simple & Effective Steps

One of the primary concerns of a strategically-focused CFO, will be to transform Financial Planning & Analysis (FPA) function. This is the case as a business-aligned FPA function aids in the larger purpose of an organization's growth strategy through financial risk reduction and faster adaptation to market changes. From controlling expenses to providing strategic value for organizational growth - recent years have seen a remarkable shift in the CFO perspective.

“Just 40% of finance executives rated their financial planning and analysis capabilities as effective. It's time for a change.”

Mary C. Driscoll

Sr. Research Fellow | APOC

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How can you enable an efficient transformation of the Financial Planning & Analysis (FPA) function?

Consolidation of the finance function into a centralized unit - a Finance Center of Excellence (FCOE) - can help you reach this goal. An FCOE ensures a clear line of sight between strategic goals and day-to-day activities and results in efficient performance management of the FPA. It definitely makes sense to gather every valuable bit of financial information from across the organization and gain from the knowledge it provides.

Right from technology investments and knowledge management to standard reporting and reliable accounting, your Finance COE can be the means for your people, process, and systems to collaborate, leading to better business results.

Also, now, more than ever, technology plays a key role in transforming the FPA function. Present trends like digitization, automation and cloud-based systems promise more accurate results, seamless operations and agility. Latest technologies, coupled with specialized business processing, are increasingly becoming keys to successful financial planning.

How can you as a future-focused CFO and a key strategic partner ensure that you are taking advantage of the latest and most relevant technology trends? A simple way to achieve this capability is to build your FCOE on the IT strength of a service provider and leverage industry-best practices.

How to formulate a Finance COE

Step 1 - Discover

'Discovering' the present organization challenges and understanding its 'impact' on the organization, both in terms of decision making and cost-effectiveness, should be the first step to setting up a Finance COE. Defining your business demographics from a People-Process-System perspective, will help you analyze the investments and dependencies that are currently prevalent in the system. This helps you create the blueprint of a Finance COE. Take

for instance, the multinational technology major had challenges of a dispersed finance organization across the world, with multiple reporting systems and processes. This resulted in 70% executive bandwidth being consumed for reporting and aligning/reconciling corporate Management Information System (MIS) with regional/business MIS leaving little scope for strategic planning, analysis and informed decision making.

Discover the Challenge

Discover business and geographies creating dispersed finance teams and systems resulting in:

- Non-standardized process
- Diversified financial systems
- No single data collection strategy

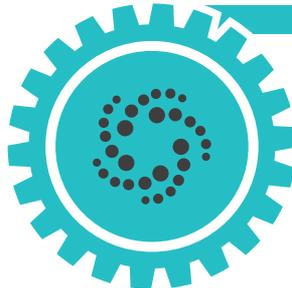
Inability to invest in new systems due to:

- Dependence on legacy systems
- Upfront capital investment
- Lack of insights into new tools and systems

People dependency:

- Existence of long-term & Experienced labor
- Decentralized processes
- Reliance on onshore resources for adhoc activities

Understand the Impact

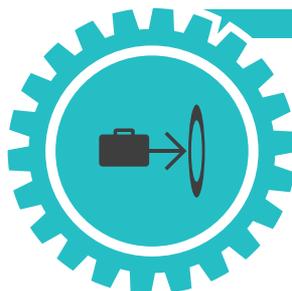


Lack of insights into business:

- Forecasting challenges due to inbuilt complexities
- Reconciliation of business unit data with corporate data
- Inconsistent financial terms across organization
- Delays in resolving discrepancies

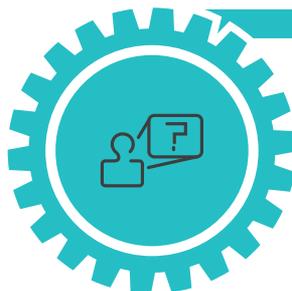
Inability to take real-time decisions:

- Inconsistent interpretation of result across business



High dependency on manual work:

- More time spend on data collation and less on analysis



Losing out on cost reduction opportunities:

- High number of FTEs
- High resource cost
- Redundancies

Step 2 - Evaluate

Once the parameters are identified, you have the opportunity to evaluate specialist service provider solutions that would help achieve your business goals. Specialist business service providers should be able to extend value realization beyond cost savings. Identify the essential

components of the outsourcing solution, and potential benefits that could be realized. Defining the industry benchmarks, best practices and specialization can aid your judgement.

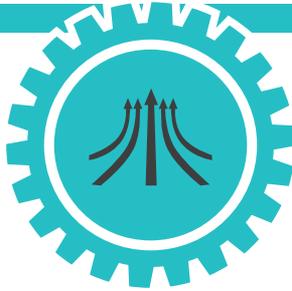
Evaluate Solutions

Consolidate Financial Planning and Analysis under one COE:

- Common data standards
- Common data security standards

Service provider - CFO strategy:

- Service provider drives standardization and automation
- CFO focuses on decision analysis



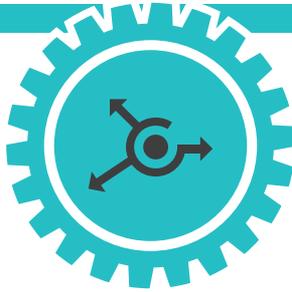
Realize Potential Success

Improved business insights:

- Single source of truth
- Improved forecast accuracy

Introduce new tools and systems.
Help organization choose the most appropriate tool:

- Cloud-based solution
- Robotics process automation
- Divert experts from reporting to decision making



Faster information flow:

- Automated reports with built-in analytical drivers

Provide qualified offshore talent with significant functional knowledge and experience:

- Ramp down through standardization and centralization
- Lower FTE cost



Improved profitability

- Faster and informed business decisions
- Cost reduction improves bottom line

Your FCOE should be built on the IT strength of your service provider to drive successful business outcomes. Consider the following technology aspects when you evaluate a service provider:

- Expertise in cloud-based solutions is an essential. BPaaS solutions and cloud-based planning tools can seamlessly integrate to your existing ERP, and help avoid upfront investments in extensive planning tools.
- Business Intelligence (BI) tools which can upgrade static reporting to web-based dynamic

reports can be a game changer. These BI tools can be on premise or cloud-based, integrated to your various sources of information, including ERPs and other business systems, giving you visibility from multiple sources.

- Specialization in Robotics Process Automation (RPA) can be utilized to initially stage perform your routine repetitive activities, and later bring in machine learning to provide intelligent solutions.

Armed with the intelligence of enterprise-wide financial data for planning and budgeting, Finance COE becomes a source for driving best practices and standardized processes that provide optimum business outcomes.

Step 3 - Create

Create a Finance COE model, combining subject matter expertise, automation, decision support and interactive solutions. Your core focus should be on strategic business outcomes and empowering people to drive best practices. It helps a CFO remain ahead of the competition by bringing down cost and operational inefficiencies.

The technology major with FPA issues (cited above) initiated a successful COE creation by setting up a shared service organization. The shared services model aligned all common key functionalities under one umbrella, including sales analysis and forecast. It also created subject matter expertise in various

domains including business and IT. A Business Intelligence (BI) platform was implemented for business finance and sales organization. The collaboration among IT and business stakeholders led to better and faster analytics in addition to standardized reporting. The BI platforms allow all finance, sales and business team members to generate web-based dynamic real-time reports according to the users' requirement.

About the Author

Prasun Banerjee is Associate Vice President, Corporate Business Services, Business Process Services, Wipro Limited. He has over 20 years of experience in corporate finance, including 10 years in finance outsourcing and shared service domain. He has been involved in multiple projects focused towards improving efficiency and effectiveness of finance process in multiple organizations including Fortune 500 Companies. Prasun is a CA and CPA and is the practice lead for record to report and finance, planning & analysis at Wipro.

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