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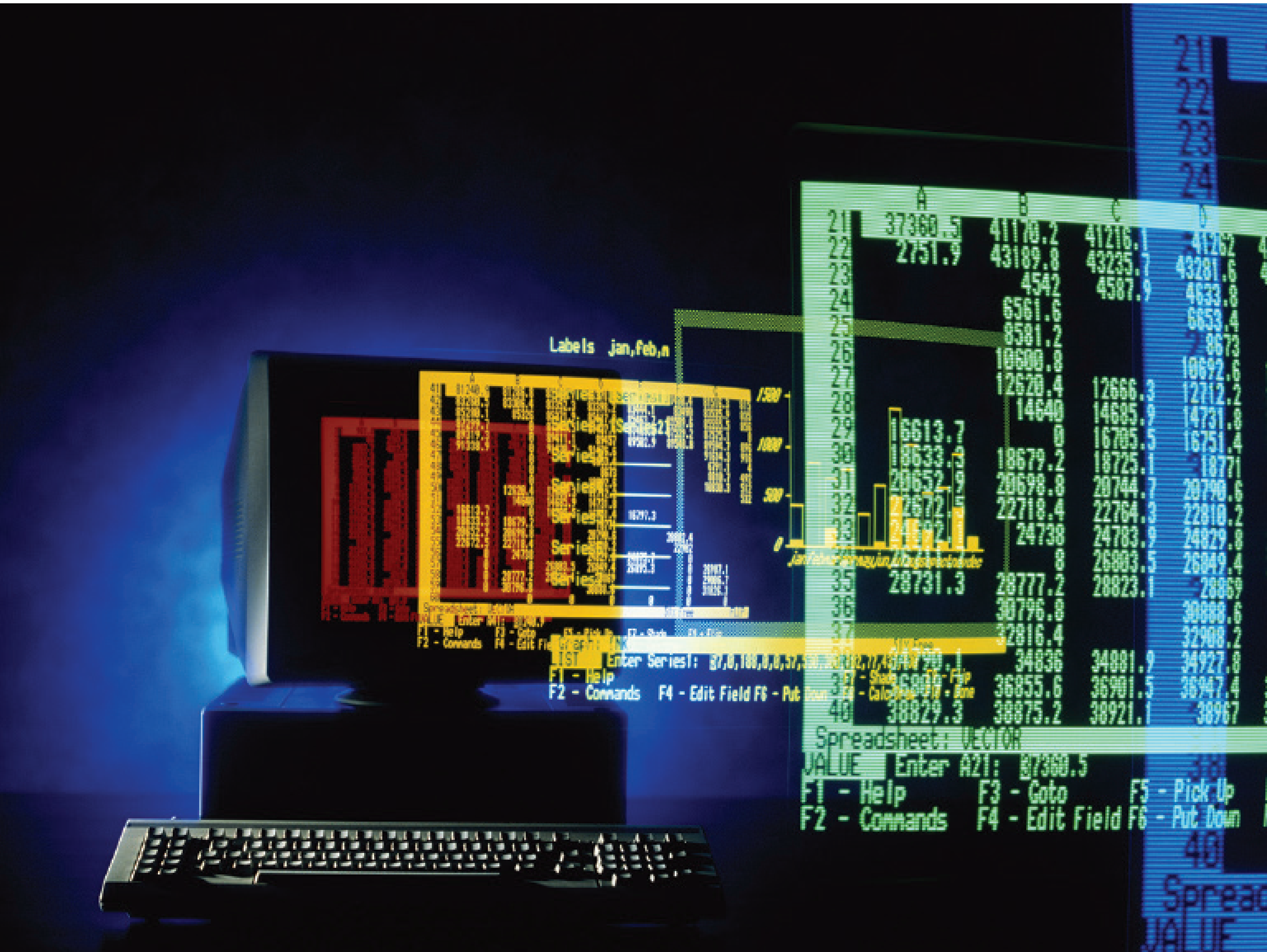

Finance Enterprise Performance Management: Transforming Finance, Treasury and Tax Reporting

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Finance EPM: Transforming Finance, Treasury and Tax Reporting

Relevant, current, and comprehensive financial, treasury, and tax reports are essential to support good decision-making and regulatory compliance. So why are many companies using outdated methods that often achieve neither goal and create additional problems?

Manual maintenance and validation of data sources result in dated reports that can lead to faulty decisions—and the problem is compounded when each unit or division within a company requires individualized reports. If your reporting requirements can't be met at a basic level, consider the impact on your organization when a professional standards organization like IFRS or ASPE inevitably issues new requirements for updating financial processes, validations, and systems.

This document summarizes Wipro Consulting Services' point of view on creating a Target Operating Model and deployment plan to eliminate manual maintenance and validation of data sources, and to create a reporting regimen to support decision-making protocols and meet regulatory requirements.

Target Operating Model

To improve finance, treasury, and tax reporting, it is essential to redesign the reporting process and rationalize report inventory by assessing information needs and key performance indicators (KPIs). You must automate regular reports and establish end-to-end report ownership, as well as improve self-service capabilities that will enable interactive reporting through executive dashboards. This latter task alone will help provide timely information in a consumable format.

The Target Operating Model creates the foundation for driving the decisions made about what your new reporting methodology will look like. It's focused on very specific values that you must incorporate to make your new protocols work and align with the business strategy. These values include strategic insight, financial benefits, improved responsiveness, increased productivity, confident decision-making, and regulatory compliance.

By strategic insight we mean that your operational and financial information is aligned, that it's predictive and not historic, and that it is timely and formatted in a way that makes it easy to consume. Financial benefits include improved contract management and compliance, which leads to lower procurement costs. It improves payables and receivables management, which will optimize your working capital, and it contributes to improved productivity, which results in lower staff costs.

Improved responsiveness facilitates both better resource planning and reactions to consumer demands, which results in satisfied customers, and the ability to predict and plan for future change and investment decisions. Increased productivity releases organizational capacity, thanks to automation technologies, executive dashboards, and user self-service.

Confident decision-making is achieved from data accuracy and integrity that result from established data governance over reported information and a single source of the "truth." Regulatory and statutory compliance is reached as a result of transparent reporting and the ability to adapt reporting to meet changing requirements. With success in compliance, organizations can benefit from incentives from regulators as well as improve their external reputation.

We're seeing some companies developing reporting capabilities that focus on specific user groups across finance, treasury, and tax with a single reporting organization. While the objective of this initiative is to ensure data integrity, it offers additional business benefits:

- It highlights the need for reporting to provide answers to the specific questions asked by business users
- It realigns individual groups based on operational and financial business drivers
- It enables effective decision-making at all levels of the organization and increases control over each function
- It facilitates ease and comfort in timely decision-making based on trustworthy sources, since the reports are group-specific
- It establishes reliable, responsive, and flexible reporting processes
- It creates transparent service management through relevant KPIs

Our Target Operating Model is the pathway to achieving these benefits. It is comprised of four integrated components: business processes, enabling technology, organization roles and responsibilities, and data and reporting requirements. Each component is explained below:

Component 1: Business Processes

Typically, reporting for finance, treasury, and tax can be aligned to the high-level business areas of Purchase to Pay, Lead to Cash, and Record to Report, each with a corresponding process flow.

It is important to understand the process flow and pain points associated with each of these processes. Once they are understood, the enabling technology, organization roles and responsibilities, and data and reporting requirements collectively contribute to solving the pain points, resulting in improved reporting.

Process Flow: Procure to Pay

Procure to Pay, commonly referred to as P2P, refers to the business processes that cover activities of sourcing, requesting, purchasing, receiving, paying for, and accounting for goods and services. Figure 1 illustrates typical P2P pain points. Some of the reports identified in the P2P business process are supplier contract status (expiring and expired), buying channel analysis, retrospective business order, and supplier payment analysis.

Process Flow: Lead to Cash

Lead to Cash refers to the business process for receiving and processing customer sales. The pain points of this process flow are shown in Figure 2.

Figure 1 – Purchase to Pay: Typical Pain Points

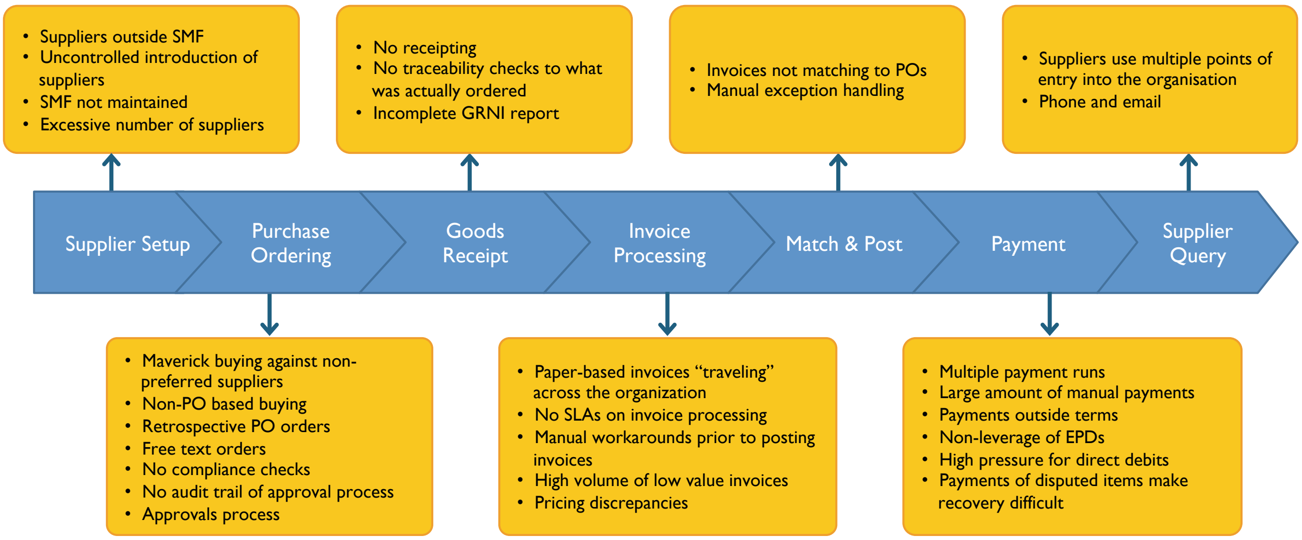
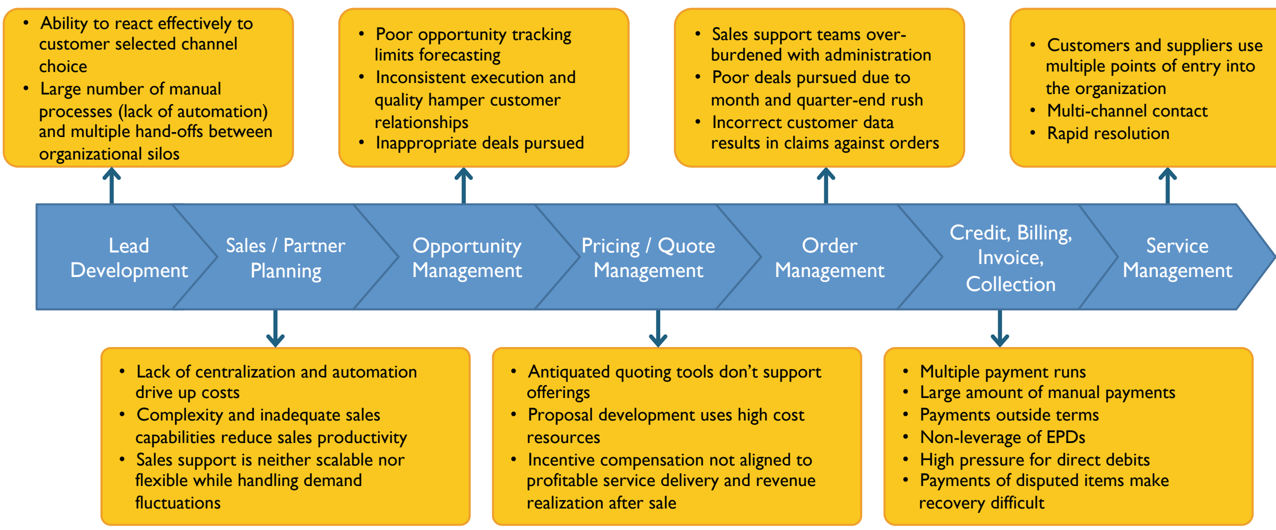


Figure 2 – Lead to Cash: Typical Pain Points



Some of the reports in Lead to Cash include quotes to sale performance, order fulfilment, billing performance, debt analysis, collection and allocation analysis and invoice/ credit analysis.

Process Flow: Record to Report

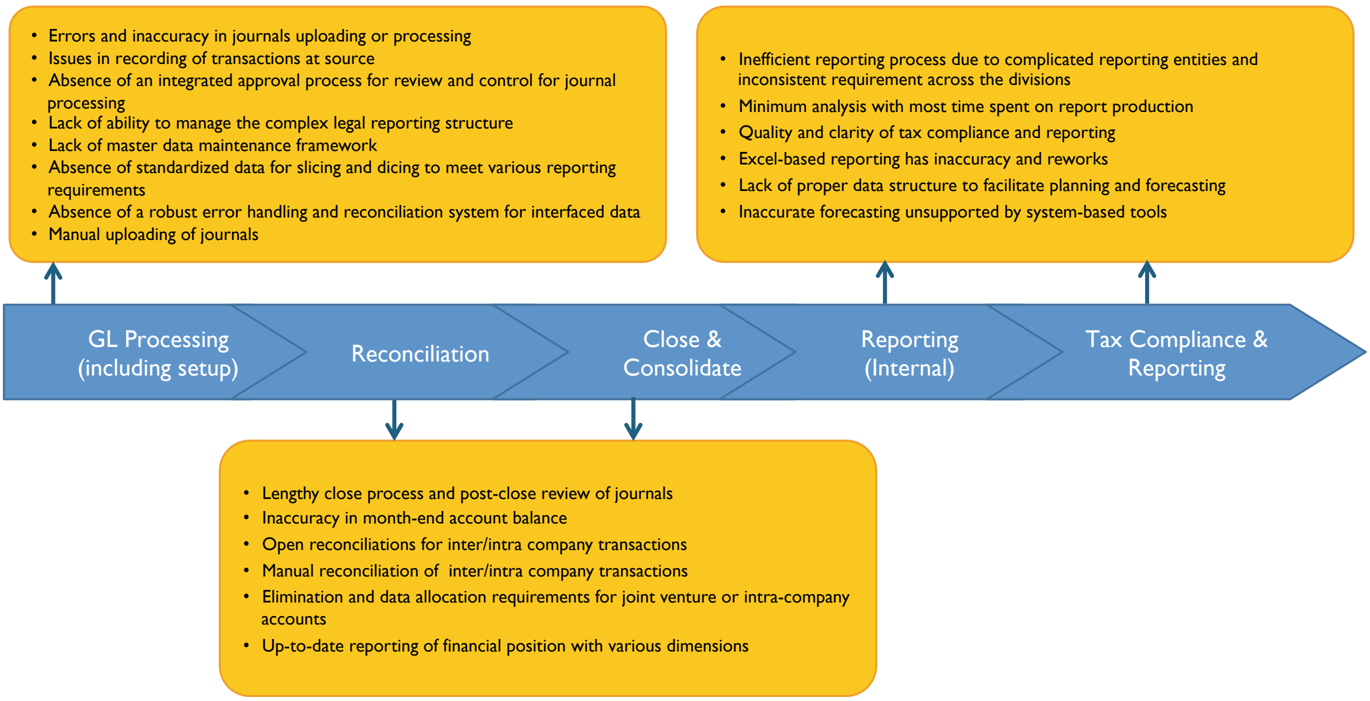
Record to report, commonly referred to as R2R, is the management process for providing strategic, financial, and operational feedback to understand how a business is performing. R2R pain points are shown in Figure 3. The key to effective RTR reporting is the combination of operational and financial information. It is important to provide business users with an insight and ability to track the cost drivers that impact business and financial performance.

Component 2: Enabling Technology

Once the business processes are detailed, technology plays a key role in implementing them. Adoption can come in two forms: an introduction to new technology, if the existing processes have been manual, or improvements to current technology that incorporate new processes. Of course, regardless of the approach, any introduction of new technology into the system will affect governance.

Component 2 Pain Points: High technology adoption might lead to less control over unit-specific processes, which could result in resistance to change at the individual or unit level, thereby invalidating the entire change process. Once you have changed processes, the ideal state is to have high technology adoption and high control and governance.

Figure 3 – Record to Report: Typical Pain Points



To enable scalability, the reporting transition is done gradually across multiple processes—initially with the transactional Procure to Pay and Order to Cash, followed by the consolidation processes of Record to Report and Statutory Reporting. This is done to minimize the implementation risk to business customers through the transition of transactional-based reports, followed by management reporting, with the enablement of greater operational and dashboard reporting.

As your organization digs deeper into reporting, you need to ask fundamental questions: What are your reporting objectives? What is your vision? What capabilities do you need to meet those objectives? What controls do you need around it?

Figure 4 identifies the balance of technology and control/governance. For example, a high level of both governance and technology, as represented in the upper right quadrant, would likely be most appropriate for the needs of a large, regulated business, while a Research & Development focused enterprise would need a significant analytical capability requiring a high level of technology and less controls on how information is adapted and transformed.

Component 3: Organization Roles and Responsibilities

For the Target Operating Model to work effectively, there must be strong governance and a clear understanding of the roles and responsibilities held by those who set and direct strategy, those who establish the processes, and those who actually run and support the system. The relationships between these groups must also be understood, as shown in Figure 5.

Figure 4 – Reporting Vision and Capabilities

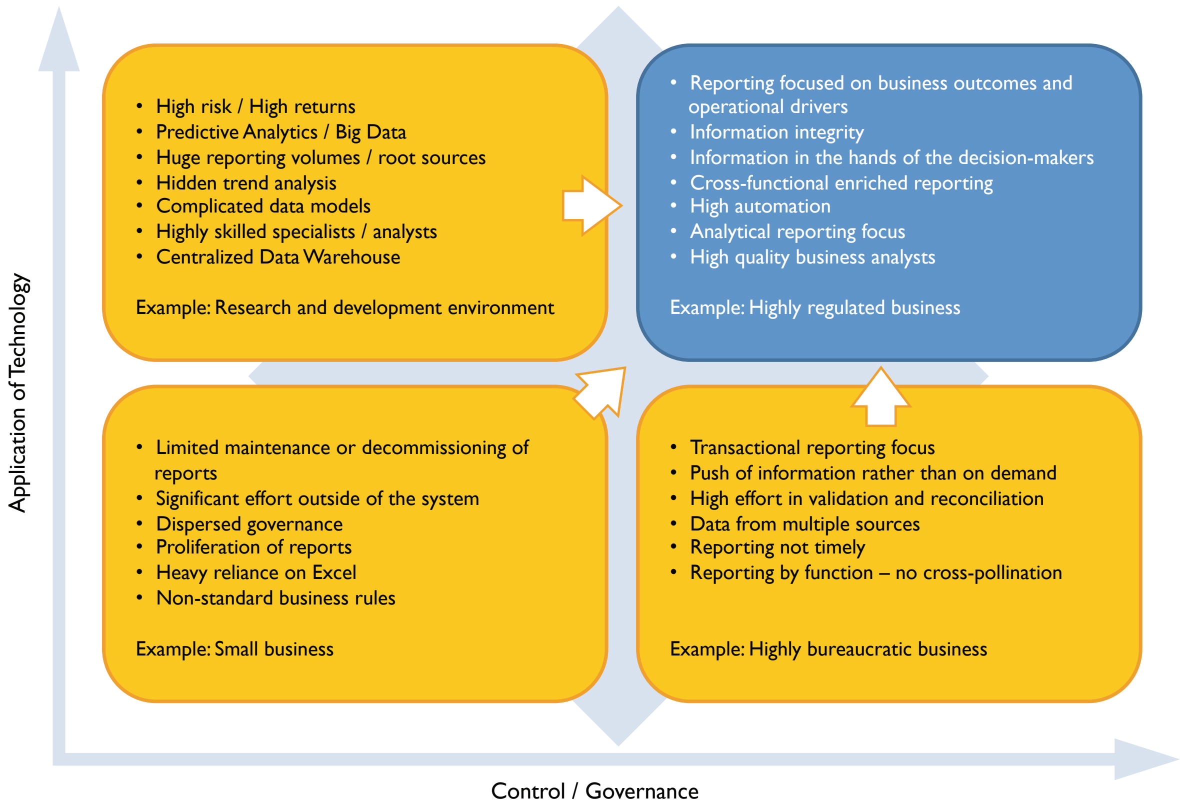
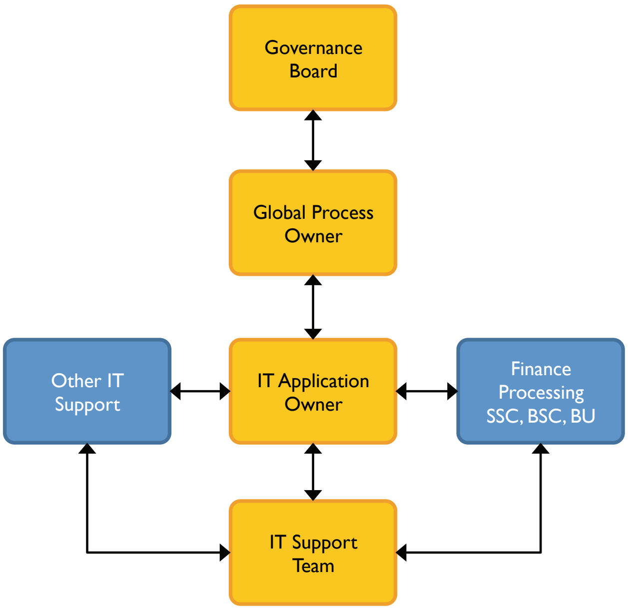


Figure 5 – Roles, Responsibilities, and Relationships



Governance Board: This organization has global responsibility for the strategic fit and direction, policy, compliance, and change control, as well as management of the governance framework.

Global Process Owner: The owner controls process refinement, rollout, data compliance, dispute resolution, lead issue resolution, SLA exception resolution, and financial close compliance.

IT Application Owner: The IT application owner ensures smooth running of the system, and owns the support model, the execution of upgrades and improvements, the issue resolution and testing of issues, the maintenance of SLAs, and the performance reports given to other teams.

Finance Processing: The responsibilities include initiating intercompany transactions, compliance, reference data setup, assisting with issue resolution, and testing by shared service centers, accounting units, and subsidiaries.

IT Support Team: The IT support team's responsibilities include issue tracking and resolution, performance monitoring, system tuning, integration, and interface management.

Other IT Support: This can include providing assistance with issue resolution, upgrades, and testing.

Component 3 Pain Points:

Weak leadership means new technology business processes will not be adhered to, technological enhancements will not be accepted in the organization, and a shift from the old to new will not occur. It also means that changes in organization roles and responsibilities will be unclear, and data and reporting requirements will not be clearly defined to improve efficiency. Lack of buy-in from process owners will mean rationalization between process areas will not be achieved.

Component 4: Data and Reporting Requirements

Data integrity is essential for accurate reporting and is the primary driver for the business process and technology design, as well as the organization roles and responsibilities. As such, information requirements should be established at the start of the design stage and reviewed throughout the implementation. The reporting requirements should be assessed at an early stage to ensure most data can be extracted as a product of the design without additional intervention.

Component 4 Pain Points:

Failure to involve all information providers and users, and the failure to agree on requirements in the design stages, will result in expensive rework and reimplementation at a later date.

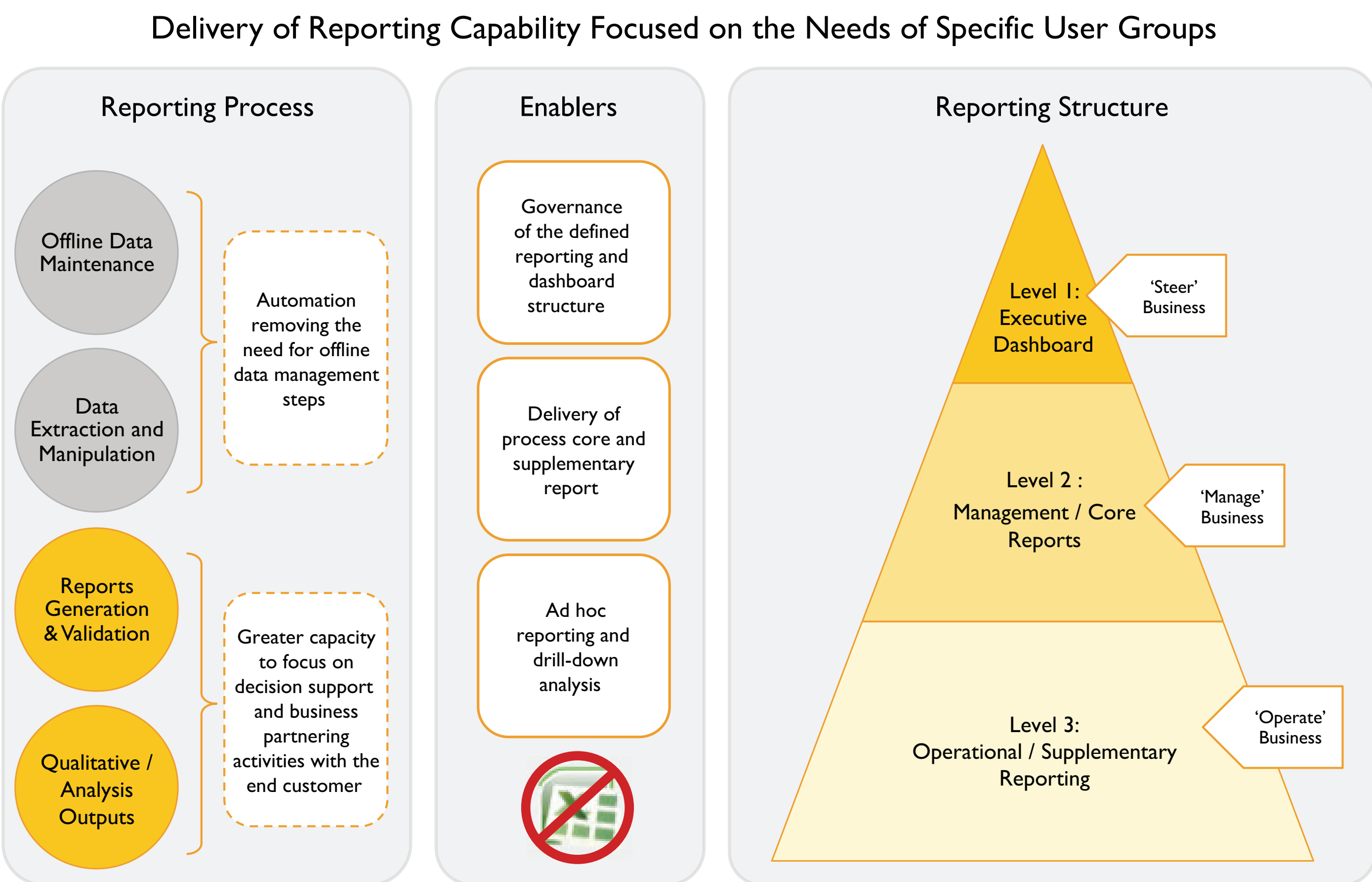
Different levels of the organization require their own levels of information. As shown in Figure 6, the executive level won't require the same level of granular data as management, which in turn won't need the level of detail that operations requires.

The reporting process moves from manual extraction and manipulation of data from multiple sources to greater automation and transformation from a limited number of sources. This enables greater control over reporting governance, delivery, and analysis that is specifically targeted to meet the needs of the various business customers. While the detail of the data may be different, depending on who the user is, the organization still benefits from having one version of the truth.

The Target Operating Model Roadmap

A program of this magnitude requires multiple stakeholders and changes to business processes and roles. To get started, you should gather a small senior team to identify the change management program, which should address:

Figure 6 – Enterprise Performance Management Framework



- The program's top-level sponsorship and ongoing commitment to success
- The program's goals, scope, quality regime, and success criteria, and how it aligns with corporate strategy
- The appointment of a Program Board and the stakeholder who is ultimately responsible for the program
- The production of a program brief that outlines the objectives, benefits, risks, indicative costs, and timetable
- An assessment of the current status of reporting and the implications of doing nothing, along with a comparison of the present with your future vision
- The establishment of an independent review process
- A plan to obtain management approval to proceed

Once you've successfully completed the starting steps, there are still several decisions that must be made before the program roadmap can be defined in detail. These decisions include:

- **Internal or Hosted Solution**: Do you want to use a pre-existing solution that is not specific to your company but is used across the industry in a hosted environment?

- **Internal or Outsourced Development**: Do you have a development team with the ability to develop a solution in the near-term? Do you have the organizational capacity to lead and staff a project of this magnitude?

- **Availability of Existing Functionality**: Some components required for reporting may already be available in the organization. These assets can be utilized to perform specific functions and be integrated into the overall solution.

Once these decisions have been made, a program management team can be established to plan the project in detail and engage the appropriate stakeholders. A combination of client SME's and third party resources should be deployed and managed through a joint project governance framework to deliver the project activities as shown in Figure 7.

Figure 7 – Roadmap Process

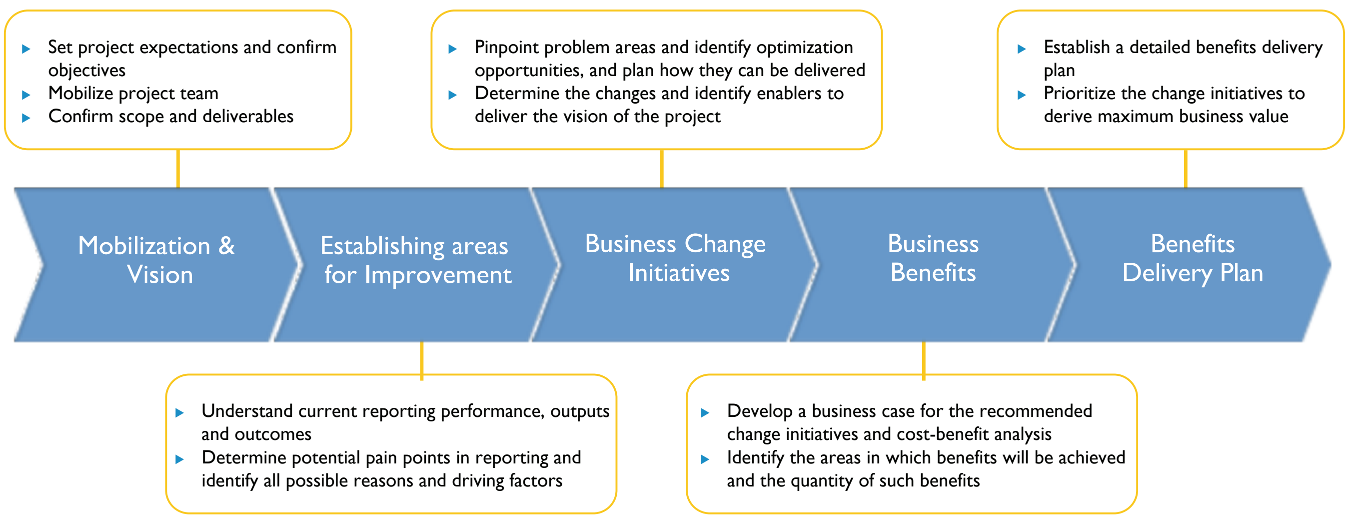
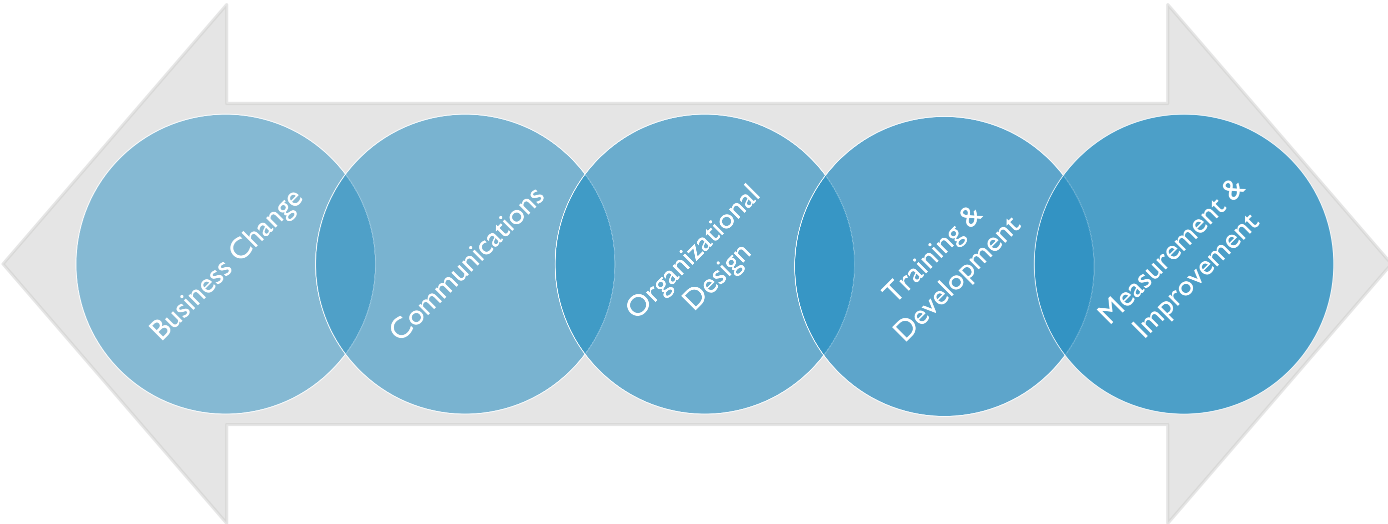


Figure 8 – Change Management Strategy



Service Management Framework

- Reducing reliance on a small set of resources
- Flexible size of team depending upon requirements

Centralized Service Desk

- Dealing with initial assessment for training and fixing simple changes

In-House Training and Development Capability

- Scoping the training needs
- Designing the training program and training structure
- Developing the training content
- Coordinating, owning and delivering the training programs
- Tracking effectiveness of training programs and managing refreshers
- Developing "train the trainer" programs

Change Management Strategy

A key factor in any program is the change management strategy. Figure 8 shows the key components that must be considered when a change to the Target Operating Model is undertaken. Application of these tools, processes, skills, and principals for managing the people side of change will ensure successful adoption of the new model.

Conclusion

The difference between where your organization is today and how it will operate in the future once you've improved your reporting capability can be substantial. Improving your reporting capability impacts your ability to foresee and respond to changes in the operating environment resulting in a more agile and responsive enterprise.

You can gain strategic insights, resulting in alignments between the goals of each division or unit with the company's overall strategic goals. You can achieve increased productivity, thanks to the application of relevant technology to your processes.

This increased productivity, in turn, can reduce your operating costs. Plus, better reporting helps improve overall financial management. Additionally, with accurate, timely data sourcing integrated into common reporting processes, decisions can be made with greater confidence at every level within the organization. Finally, you'll have confidence in your statutory and regulatory reporting compliance because any changes in standards are immediately incorporated into your system.

Financial and integrated reporting is a fundamental component of any large business organization. It shouldn't be a tangle of incompatible processes based on outdated methods. Streamlining and updating your reporting capability with the appropriate delivery model will enable you to significantly enhance your organization's profitability, competitiveness, and ability to respond to the wider environment that it operates in.

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