

CFO Pulse Check II

Five levers to maximise the finance organisation's contribution to corporate success



October 2014

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CFO organisations are rated by operational business departments as playing at Europa League level

About the study

- Survey spanning 54 companies in total across Germany, Austria and Switzerland
- 277 structured interviews conducted, particularly in the construction, energy, retail, consumer goods, industry, engineering and raw materials sectors
- More than 85% of interviewees are in top management (e.g. CFO/Director or Head of Finance/Controlling)
- Data gathered in the period June to August 2014
- Survey conducted by: uzbonn Gesellschaft für empirische Sozialforschung und Evaluation
- Authors: Alexander Stühler, Robert Sannig, Dominik Herz

Management summary

Facts

I

CFO organisations are the **backbone of the company**, true to the motto "It's the attackers that win games but the defenders that win championships"

II

Two thirds of CFO organisations think they are in a **good position** within their company. There is optimisation potential in respect of data transparency and consistency and in terms of cooperating with other areas of the business

III

The way CFO organisations **see themselves** and the way **they are seen** by the operational business teams **is largely the same**. 46% of CFO organisations are more critical of themselves when it comes to focus on core tasks

IV

There is some **industry-specific variation** in how the **corporate departments rate CFO organisations**. Sales, for example, rates the CFO organisation poorly

V

A **strong CFO organisation** has a **positive impact on total shareholder return**

Levers

► **Strengthen the role of the CFO organisation** within the company by having it work cooperatively with the business departments

► **Scale back non-value-adding processes** and hierarchy levels and introduce consistent and transparent process principles

► **Increase the level of service provision** by assigning clear responsibilities and closely coordinating with functions and regions

► **Identify and implement optimisation potential** in operational business departments in cooperation with the CFO departments

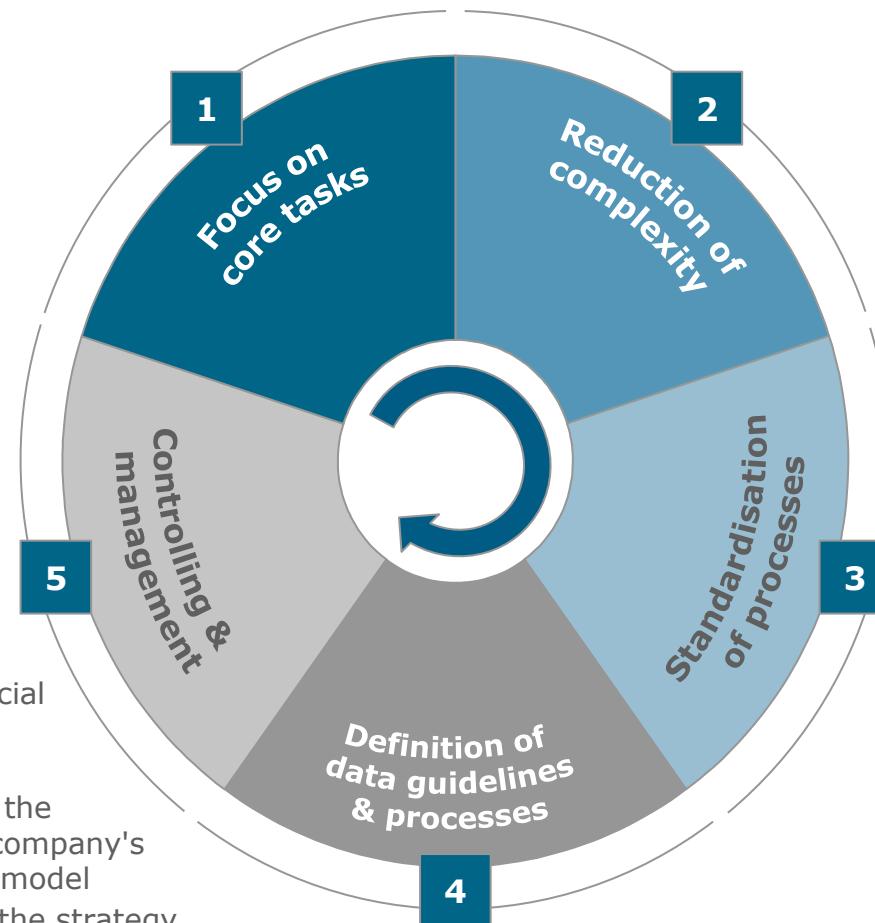
► **Continuously evaluate the role of the CFO organisation** on the basis of the company's financial strength

Source: goetzpartners

The survey incorporated five clusters of issues assessed at three levels of readiness

Overview of issue clusters

- 1**
 - Support for the management of the respective corporate departments from the finance team
 - Budget planning
- 2**
 - Organisation and cooperation between the CFO team and other operational business departments
- 3**
 - Tailor-made management reporting
 - Automated reporting based on IT systems
- 4**
 - Organisation of data sources for management reporting
 - Processing and communicating financial data from the corporate divisions
- 5**
 - Aligning the financial reports toward the hierarchical KPI logic, based on the company's controlling/management accounting model
 - Aligning the most important KPIs to the strategy overall and those of the business departments



Source: goetzpartners

Study objective

- To compare the way the CFO organisation sees itself on the defined issue clusters with the way the associated business departments (purchasing, production, sales and service) see it (self-perception vs. outside perception)
- To evaluate the CFO organisation's contribution to the company's success
- To identify relevant optimisation levers to increase the value added by the CFO organisation to the company as a whole

The CFO organisation represents the backbone of the corporation

Key tasks of the CFO organisation

- **Complexity reduction**
Supporting the management of the business departments through process optimisation
- **Financing & liquidity management**
Efficient measures for raising funds and repaying them (nationally and internationally)
- **Accounting**
Organising the budget planning of the respective business departments
- **Controlling & risk management**
Making the reports provided by business departments available to management and consistently monitoring them
- **Information technology**
Automating and standardising the financial data and reports
- **Organisational development**
Aligning and tracking the most important KPIs on the basis of the corporate strategy and the strategy of the business departments

Fact I

CFO organisations fulfil a key role for companies, handling country-specific accounting or ensuring the availability of liquidity, for example. In the past, the perception of the CFO organisation was often that it did little more than "keep the books straight" and no news from the CFO organisation to the business departments was interpreted as good news. The value that the financial organisation contributed to the company's success was therefore seldom considered. **Is this still the way it is perceived today?**

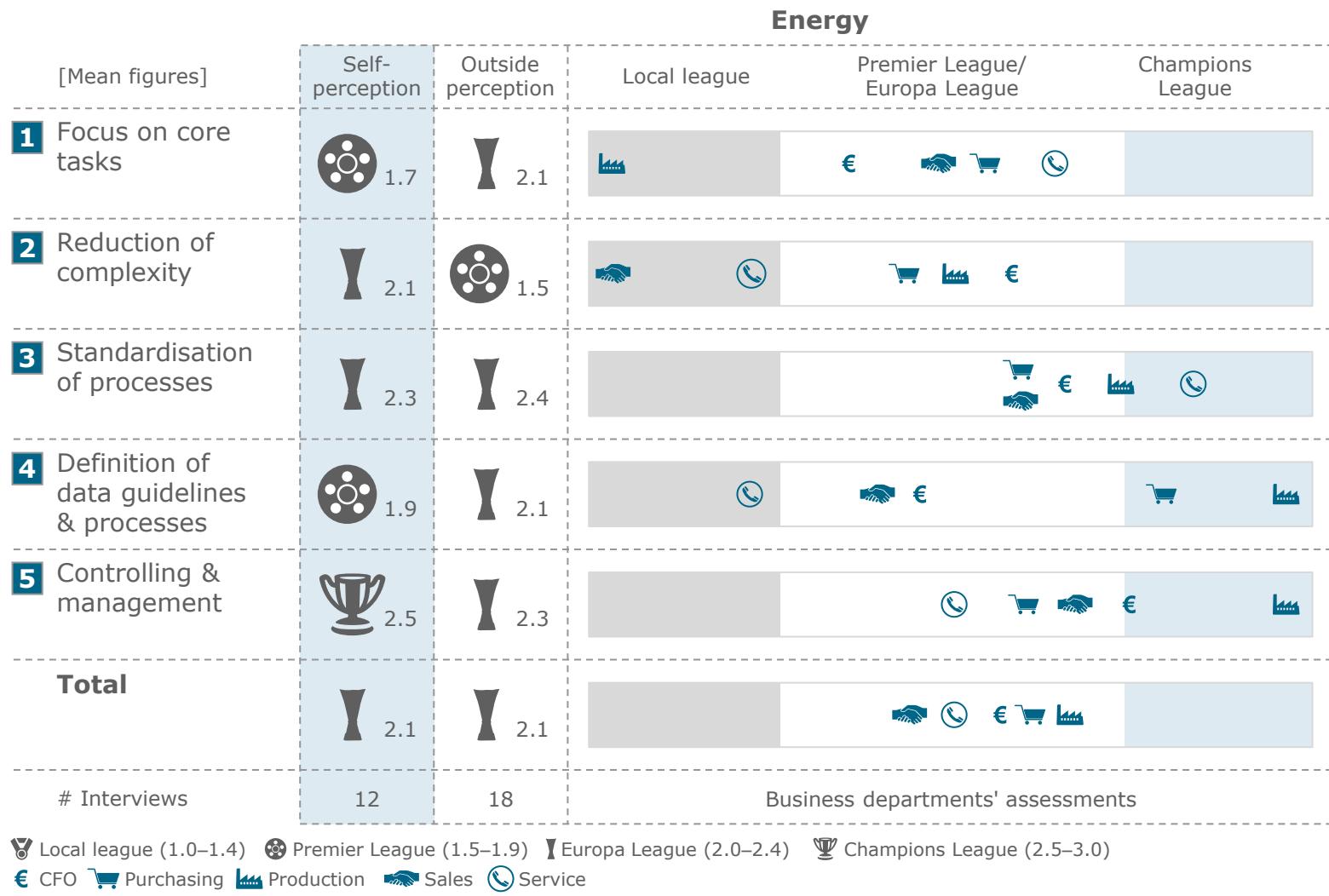


Source: goetzpartners

- Modern CFO organisations do a lot more than just auditing the accounts as required by law. Adopting a football analogy, we could say that the CFO organisation would be the football team's back four whose core task is to keep a clean sheet and not let any goals in. That could be sufficient at **local league** level but it's questionable how much value this core function can add.
- In football teams that play in the **Premier League** and the **Europa League**, defenders play an elementary role in that besides fulfilling their core task they also assist the strikers in getting the ball up to the goal line. Transferred to a corporate context this means, for instance, the CFO organisation actively supporting the sales organisation as a sparring partner.
- True to the motto "It's the attackers that win games but the defenders that win championships", a CFO organisation playing at **Champions League level** represents the backbone of a company and is a guarantor of success that increases the value created by the company as a whole.

The operational business departments' assessments diverge considerably in some cases

Fact IV: "Deep Dive" – Energy



Source: goetzpartners

Findings

- The operational sales and production departments are the furthest apart across all issue clusters
- In issue cluster 2, the CFO organisation sees itself in a more positive light than the business departments do; sales in particular doesn't rate the CFO organisation highly on complexity reduction

- In controlling and management, the CFO department is well positioned in their own perception of themselves and in that of the business departments

Recommended actions

- Make it clear to the other business departments just how much value your CFO organisation contributes
- Create added value for the company overall by being a critical sparring partner for production and sales

A CFO organisation playing at Champions League level makes a positive contribution to financial performance

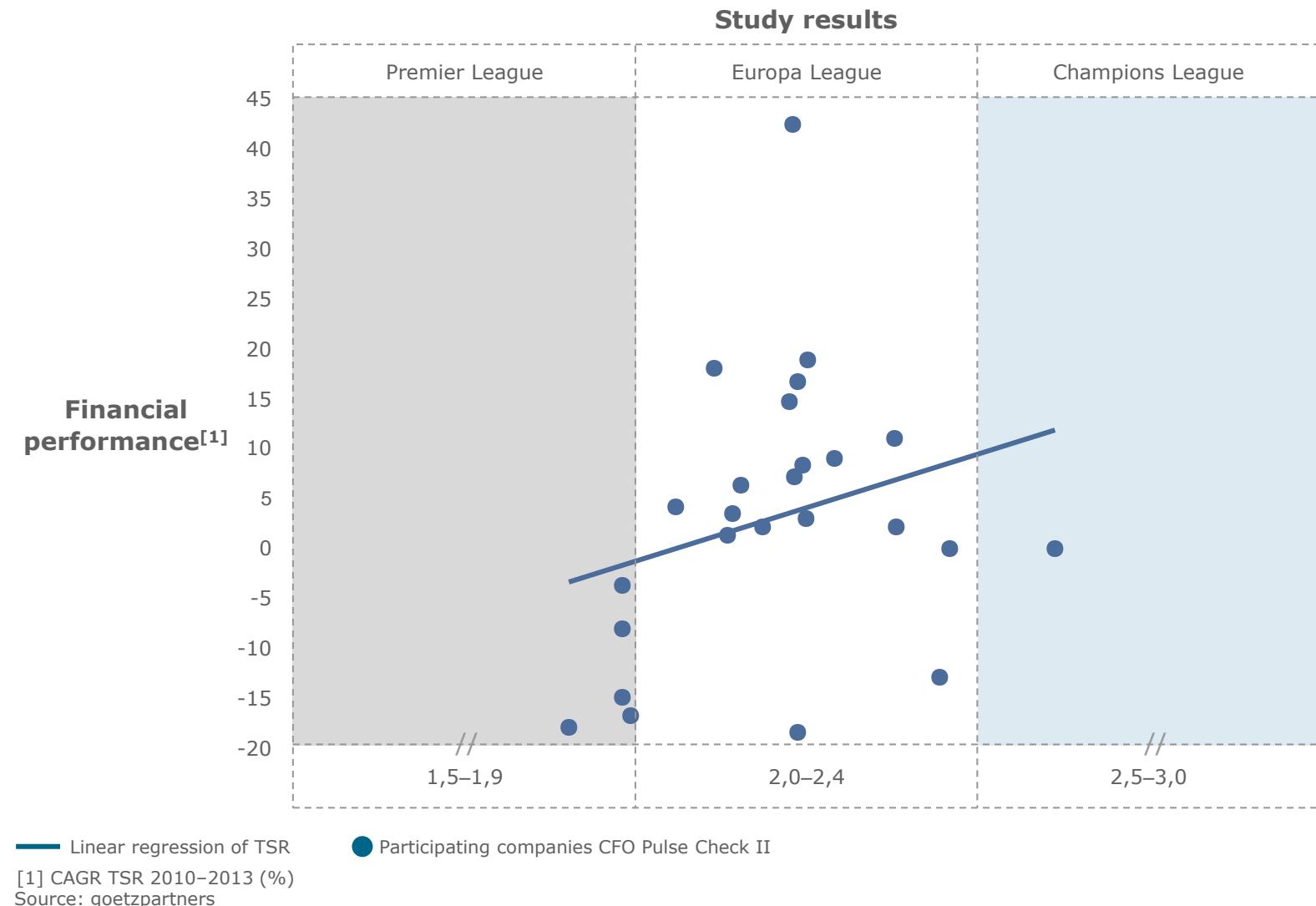
Findings

- Total shareholder return correlates positively with the assessment of the CFO organisation (self-perception and outside perception)
- The negative total shareholder returns associated with the weakest of all the CFO organisations examined are significant
- It's noticeable that a minimum level of performance on the part of a CFO organisation is a prerequisite for a positive shareholder return

Recommended actions

- Analyse and assess strategic options for actions that can be taken in the CFO organisation and the business departments to maximise the performance of your CFO department and with it the total shareholder return

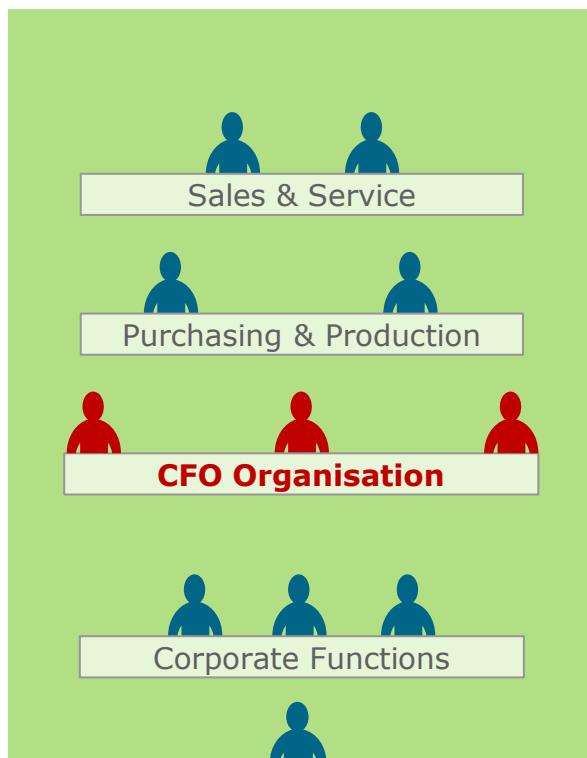
Fact V



Bring your CFO organisation more into the centre of the field and use it as an initiator

goetzpartners perspective and approach

The analysis findings show that companies that have a "strong" CFO organisation have a higher **total shareholder return**. If the CFO organisation is to act as more than just an initiator within the company in the context of cost reductions, they need to be positioned as a business partner to the business departments.



Possible **directions** could be

- Monitoring and steering business performance
- Hedging and reducing corporate risks
- Driving information integration in the company
- Transparent and integrative financial processes for the daily work of the business departments
- Support for the implementation of new organisational models
- Introducing and maintaining standardised financial data definitions
- Providing a central point of governance to steer company-wide standards and definitions for processes, data and systems

Repositioning the CFO organisation in this way will necessitate some adaptation of competencies, processes and the interfaces between them. goetzpartners has the approaches needed and the project experience required to support this transformation.

How to improve the positioning of the CFO organisation in the company

1. **What is its current role?**
Identify the way the CFO organisation views itself and the way it is viewed by the other departments
 2. **Where is there potential for improvement?**
Analyse the findings of the assessment and identify the improvement potential in each issue cluster and corporate department
 3. **How can the target situation be achieved?**
Put in place and execute a programme of actions to increase the performance of the CFO organisation. This is based on comparing the identified potential with the defined vision for the CFO organisation
- Goal: To position the CFO organisation as an initiator for other corporate departments!**

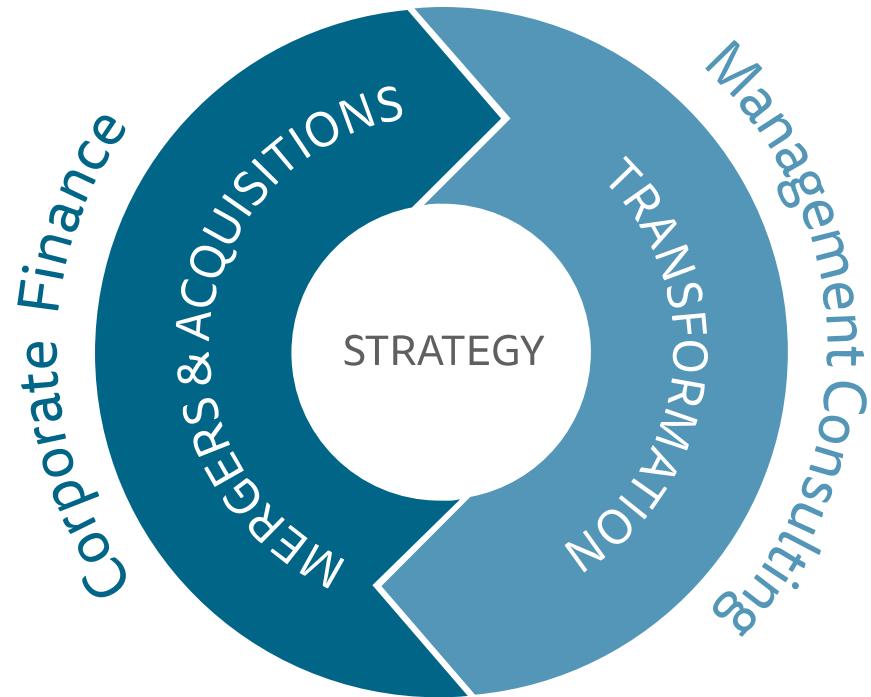
Source: goetzpartners

About goetzpartners

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- Industries:
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 - Industrials & Automotive
 - Healthcare
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