



EXECUTIVE BRIEF



Moving Beyond “Rearview Reporting”

More is expected of today's Finance Executives. CEOs and Boards increasingly look to CFOs to provide insights from financial data to help them “see around the corner” and make more informed, strategic decisions. Drawing from a combined 20+ CFO stints, Paul Ruh and Helen Van Ness share lessons for how to move beyond “rearview reporting” and drive future success.

Help the Business “See Around the Corner”

CFOs and their finance and accounting (F&A) organizations are uniquely positioned to provide executives and boards the insights they need to make more informed, strategic decisions. Not only do they have an unparalleled view of all aspects of the organization, they also have an intimate understanding of the financial data and an ability to provide sophisticated analysis.

Unfortunately, many CFOs (and their organizations) fail to deliver their value potential. Lacking clear understanding of and partnership with the business, F&A is often viewed as a necessary evil - bean counters, pencil pushers, a mechanism for generating required financial statements and nothing more. Reports generally tell executives where they've been, but have little bearing on where they're going.

Moving away from exclusive “rearview reporting” to more forward-thinking, strategic reporting requires rethinking how financial

data is provided to the business. By providing timely information that allows the business to better understand the levers that they control and provides visibility and insight to market changes, F&A can help business leaders “see around the corner” and make better, more strategic decisions.

Making this shift is not without its challenges. In many cases, the business relationships needed to partner in this way don't exist. The F&A organization may already struggle to meet current deadlines without these new, added responsibilities, and some team members are resistant to taking on more dynamic roles. In the following pages, we provide some practical tips for tackling these challenges as you begin your transformation.

Create a Shared Understanding of the Business Needs

First things first: If you are a finance leader, do you have a good relationship with all of the business heads in your organization?

If you were to go around the table at a leadership meeting, could the executives clearly articulate the value your team provides?

If you're a business leader, could you clearly describe how that team supports you in achieving your goals? If these answers come easily – the F&A organization is likely partnering with the business in a meaningful way. If not, there's work to be done.

Providing real value starts with a mutual understanding of what each business unit is trying to achieve and then aligning that with the financial data or information that can help them be successful. We've found the best way to do this is partnering at every level to create a shared understanding of business needs, goals and objectives.

For a given function or department – what are their primary initiatives? What questions do they need to answer to grow or improve? How can available data and technology be leveraged to inform key decisions or indicate progress towards goals?

Answering these questions generates new reporting requirements.

It works both ways. The business must be willing to explain their goals to finance, and F&A has to take the time to understand the business vernacular

and to brainstorm with business leaders about what information they need to make better decisions.

Business leaders and their departments are the CFO's and the F&A organization's customers. The F&A team's focus should be on enabling their customers' success. Consider that, for some team members, this will be a huge mindset shift. They may look to the finance leader for more guidance and support than usual during this change.

Create Capacity, Improve Efficiency

Most F&A organizations are overworked yet feel underappreciated. They want to provide more value to the business, but struggle to contemplate new, more strategic activities given their current workload. Sound familiar?

In order to make time for the analytic and strategic, you must remove non-value add work and improve the efficiency of core processes like closing the books.

Rationalize Current Reporting

Many F&A organizations can free up additional capacity by eliminating redundant or unnecessary reports. Ask: Is the current portfolio of reports being used by the business? Does it support the business' highest priorities?

CASE IN POINT

We were serving as interim CFO for a client when we began to notice shifts in the market that we couldn't quite explain.

Our competitors were adjusting their pricing, and available reports did not explain why. We worked with business leaders to design expanded trending reports on historic and projected profitability at the product, geographic and customer attribute levels.

The new reports revealed that a recent shift in commodity prices would soon impact profitability for a core offering in three large customer accounts. Previous reports had masked these disturbing trends behind an overall favorable picture.

Early identification of the problem allowed us to proactively work with the business to adjust pricing models before it impacted the bottom line.

CASE IN POINT

We had a client whose finance and accounting organization produced and distributed over 100 reports to various departments within the organization on a monthly basis.

Most of the reports had been developed as a result of ad hoc requests of executives who were no longer with the company. When the CFO took those reports to the business leaders, he found that less than 10% were actually being used at that time.

He was able to eliminate 90% of the work his team was currently doing in producing reports – providing 90% more capacity with which to design and implement new reporting and analytics critically needed by the business leaders.

Develop an inventory of all reports created by the F&A organization and note, for each report, who, from the business, uses them. Then go to the business and validate that information. You may be surprised to find that a great majority of current reports aren't used or needed.

Reduce the Time it takes to Close the Books

When we talk to CFOs about this shift we generally hear something like this, “Okay, how am I supposed to do that? We barely have time just to get financial statements out the door.”

An F&A organization mired in manual and inefficient closing processes will never be able to provide more strategic and forward-thinking insights to business leaders. They simply won't have the capacity.

To free up time for more strategic tasks, scrutinize existing closing processes for where waste, rework and non-value add activities can be removed. Consider how technology can automate remaining tasks.

CASE IN POINT

One of our clients was perpetually closing the books. Their monthly process took an average of 45 days to complete. By the time they finished closing the books for one month, they were already behind for the next month.

The finance and accounting organization worked long, hard hours, but had a reputation for adding little business value.

The CFO wanted to change that by delivering more insightful financial data and reports, but was at a loss for how to make that happen without burning out his already overworked team.

Working with A&M, the CFO analyzed current processes for opportunities to remove waste and automate.

The improvements reduced time-to-close from 45 days to less than 10 days, freeing up valuable capacity to focus on reporting to support business leaders.

Streamlining will free up capacity that can be reallocated to design and deliver reporting that informs and influences key business decisions.

Translate Data to Make It Actionable

Standard financial reports contain a wealth of information, but not always in a format that is understandable or actionable by the business.

Finance and accounting professionals are uniquely positioned to help the business demystify data and reports to support business objectives. Look at traditional reports, like the income statement, and translate them into information the business can use to make decisions or take action.

Use simple, business language, and format the information in a way that aligns to how the business operates or manages.

CASE IN POINT

When we were serving in a CFO role, one of the primary stakeholders, the CIO, didn't feel like he was getting the cost information his department needed to make critical business decisions.

The F&A team was providing all the standard financial reports, complete with expense data; however, the organization of the reports confused non-financial operators.

The CFO and F&A team partnered with the IT department to develop new reports that aligned to how they managed their business.

For example, the F&A team created a report that showed server cost by application, and broke that down even further to reflect which expenses were “sunk costs,” items about which the team could do little, versus actionable costs.

Armed with these reports, the CIO and his team were empowered to make changes that ultimately impacted the bottom line.

What's more, the same reports helped them measure progress on cost reduction goals.

SUMMARY

Transforming the F&A organization's focus from producing historical, "rearview reporting" to providing more forward thinking, analytical and strategic financial reports isn't an option in today's market. It's an imperative.

Here are 3 tips to helping the business "see around the corner" and ultimately drive success:

- 1. Create a shared understanding of the business needs.** Understand the business' goals and objectives and determine how financial information can support success.
- 2. Create capacity.** Improve efficiency. Rationalize current reporting to eliminate unused and redundant reports, and reduce the time it takes to close the books to create capacity for more analytic and strategic activities.
- 3. Translate data to make it actionable.** Deliver financial reports that align to business operations, are written in simple language and drive action.

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