

# Back to the drawing board

**Peter Simons** casts an expert's eye over the extent to which finance professionals have taken advantage of advances in technology and e-commerce to re-design their roles.



In 1999, the legendary Jack Welch, then chairman of GE, famously determined that his company was not about to be 'Amazoned' by new internet competitors. He recognised the threat of technology and set GE managers the challenge: 'destroy your own business'.

The idea was that managers should be prepared to make fundamental changes or even completely reinvent their businesses to counteract the potential competition from new, low-cost, internet savvy competitors that would be less encumbered by legacy infrastructure and working practices.

Within a few years, GE managers had tackled this challenge and achieved significant cost savings, improving the firm's performance. A year earlier, in 1998, KPMG had quoted the late Sir Hugh Collum, then chairman of the 100 Group (comprising FTSE100 finance directors) and chief financial officer of Smithline Beecham, saying that accountants would need to re-invent their role:

'Accountants could go the way of [the UK's] coal miners. A mighty industry that once employed three quarters of a million and helped bring down a government, today employs fewer employees than Smithkline Beecham. I believe that accountants could go the same way if they do not realise the fundamental changes they need to make.'

Developments in IT systems and shared service centres were already removing traditional tasks. It seemed clear then that the new role for finance would be as a player on the business team rather than a scorekeeper on the sidelines.

### Opportunity knocks

The CIMA Forum, a group of senior accountants from major organisations, contends that most major firms have already taken advantage of these developments to transform their finance functions. The initial priority was cost reduction. They have invested in systems, formed shared service centres (sometimes outsourced) and streamlined processes to make their accounting operations ever more efficient.

In leading organisations, the finance function is being re-shaped because the emphasis is on the new role of finance in management. Companies are developing finance personnel who can be deployed to support effective decision making across the business.

However, a decade after Collum's ultimatum, Y2K, the importance of risk management and

more demanding reporting standards have led many accountants to doubt that their role will change after all. Many are still mostly occupied in the reporting cycle, re-calculating numbers on spreadsheets and providing accounting services to the business. Some are still talking about the need for change in the same terms as they were in the late 90s.

Meanwhile, trends that became evident a decade ago have gained momentum:

1. Global competition brings a focus on efficiency that demands more efficient processes and structures (shared service centres, in-house or out-sourced), usually enabled by ERP systems and reporting and analysis applications.
2. Expanding information requirements from regulators, shareholders, analysts and wider stakeholders have raised reporting standards, causing external reporting to

become more transparent and more like management information.

3. Widespread use of computing and the internet has made accounting more technical and raised the expectations of management information of directors, knowledge workers, operational staff and even customers and suppliers.
4. Global capital markets require value creation. Companies have access to similar resources across the world. Processes and standards converge on similar world-class levels. Decision making is becoming the key to superior strategies and performance.

Accountants now perform a wide range of roles and many go on to take their expertise into management roles. The general direction of change has been from technical skills and financial reporting to management skills and decision support.

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### Case study: Punch Taverns plc

As director of finance at Punch Taverns plc, the UK's largest pub company, Sara Shipton has demonstrated how management accountants can use new forms of data analysis to produce insightful information and also challenge the business to improve performance. Relating analysis of EPoS data to a segmentation of public houses allowed Punch to identify underperformance in product categories. Shipton's team not only produced this analysis but also helped to develop and manage the implementation of plans to close this performance gap.

'Punch Taverns owns 8,500 licensed properties, and leases around 7,400 of these to individual entrepreneurs who run pub retail businesses of their own,' says Shipton.

'The agreements under which these businesses are leased vary, primarily according to the level of obligation to buy drink products from the company. This obligation is nearly always for beer, and sometimes for cider, wines, spirits and minerals. The estate therefore contains a mix of lessees, who buy non-beer categories from the company because

they are obliged to, under the terms of their lease, or because they find our prices competitive and/or they like the advantages of a single delivery of drinks. Because some are not obligated and because some don't comply to the terms of the lease, we had long been aware that there is a large sales and compliance opportunity that we had not tapped into.

'In December 2006, Punch Taverns purchased a managed pub company, Spirit Group. This model is different, in that the pub is run by an employed manager and the entire retail business is owned by the company. It immediately became apparent that because we now owned and had access to pub retail data, by segmenting the estate by style of pub operation, we could more accurately provide gap analysis between the non-beer sales to our leased pubs and throughputs to a similar size and style pub in the Spirit estate were.'

Source: First published in CIMA's business intelligence report: "Improving decision making in organisations: Unlocking business intelligence", 2008.

### Decision time

Management accountants' contribution to decision making has traditionally been the preparation of management information, usually in the form of budgets, accounts and forecasts. Progressive accountants have not only increased the efficiency of these back office roles but they are now looking to provide better analysis and insight. They are also developing a new role as management accountants who can engage with the business to influence implementation and help manage performance through to impact.

The drive for greater efficiency threatens traditional roles in transaction processing and the reporting cycle. The perception of ERP

systems used to be that they were only for major organisations, but they are now used by many medium sized companies too.

Developing accountants who can provide commercial insight, influence peers and manage performance is a challenge. This takes a combination of financial and business understanding. Training and experience as accountants in business provides an advantage. But where accountants are still too busy number crunching, other people from the business and MBAs are competing for their jobs.

The nature of the management information and the analysis required is changing too.

The accounting department's traditional monthly information pack, consisting mostly of financial reports and analysis, will no longer suffice. Today's business users want insightful, current and forward-looking analysis of financial and non-financial data from internal and external sources in a readily accessible online format. The nature of Business Intelligence [BI] has been changing in response to this demand.

Accountants' reporting and analysis tools have often been seen as their specialist tools while IT supplied data warehouse and analysis tools for other business users. BI now also encompasses the financial reporting and analysis tools. The major

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### Case Study: dotMobi

dotMobi is a consortium of 14 leading companies – including Google, Nokia, Microsoft, Vodafone and Visa. It is designed for web users to find content that will work on a mobile phone so that customers know that, when a business or organisation uses a dotmobi address for their mobile web site, that site is guaranteed to work, no matter what handset or mobile operator is used.

The potential multiple-year ownerships of internet domains means that dotMobi operates in a complex world in terms of pricing and planning. With each domain sale lasting up to ten years and with dual reporting requirements, completing the budgeting process using Excel had become almost impossible. Also, to find insight into the company's profitability and development, it had to plough huge amounts of time gathering information from billing and accounting systems.

'Given our high growth expectations, decisions about the future are crucial to our business. We needed much more flexibility as well as varying views on our opportunities. We chose to work with Miagen, a boutique BI consultancy, because they could put experienced

principals on the project team,' says Norbert Grey, Vice-President, Finance and Administration, dotMobi.

'When we consulted Miagen, we realised the true value of implementing the new system through our finance department. In retrospect we can clearly see how natural it is for finance to take the helm with business intelligence. It is not just because the accountant is better equipped to deal with interpreting the data, it is also because it is only a small step for those with spreadsheet know-how to adapt to business intelligence technology,' Grey says.

#### Relief work

'It was a relief to explain the complexity of our case to someone who was fluent in our practices. The steps were clearly explained and the programme was personalised to show its capability with regard to our specific needs.

'The dotMobi business was dissected into its reporting components; dimensions that were later gathered in cubes to hold information structures. These were drawn and redrawn until the leanest model was developed.

'It was crucial that the final model was the only source. We came away with confidence that the solution would be powerful and flexible. We wanted to take the number crunching away and have less work with more vision. The ability to articulate the problems, and in getting the design and solution right, was extraordinary.

'Now the server holds just one model, viewable from Excel. It has the historical data, 12 projections for the next year, P&L by product and an automated cashflow and balance sheet. The next phase will be to look at P&L by customer. Once this is done, one change on Excel can reforecast the entire plan. It will cover a reporting and projection timeframe of 20 years.

'We have achieved our core objective of implementing Miagen's solution – this is a continuing process of forecasting/planning improvement and I see us working with Miagen over the next year to install KPI dashboards for advanced planning. And now, thanks to Miagen, we can react quickly to market conditions while being able to project long-term impacts. That helps us run the business better and make smarter decisions,' says Grey.

vendors – SAP, Oracle, Microsoft and IBM – have acquired the leading financial software specialists so these tools can be integrated into their wider BI offerings.

### Work together

IT professionals are excited about the potential in developments in BI to provide new forms of management information, including scorecards and dashboards with financial metrics, directly to business users in formats appropriate to their roles.

But BI projects cannot be delivered by IT or external consultants alone. Business leaders have to support the business case, and business users have to be engaged in implementation. Data quality has to be ensured and the right metrics tracked to improve performance.

BI could free up accountants to take on decision support roles and provide the business partnering that organisations require of them. However, BI is often still seen as an IT solution and management accountants are not always engaged, although they have important roles to play in helping to implement BI projects

and then using BI to support decision making. They can:

- Work with IT to develop a BI strategy and the business case for the investment in BI. They should help determine the actions to be taken and risks to be managed so the expected benefits can be realised.
- Support implementation, ensuring that change management and project management disciplines are applied.
- Help ensure data quality, perhaps taking responsibility for this often unclaimed problem area.
- Help to articulate the business's information needs for decision making and support performance management with metrics that reflect value creation.
- Support less quantitative or financially articulate colleagues in the business with analysis and modelling of financial and non-financial data to assess performance and enable evidence based decision making about the future.

Management accountants' understanding of financial impact and their closeness to the business puts them in a strong position to help unlock the potential of BI. There will always be a demand for accountants with technical accounting expertise, for example as specialists in information systems and statutory reporting. But the area of greatest opportunity will be where accounting and management skills are combined in financial roles to support decision making.

Management accountants should be prepared to help destroy parts of their old jobs because BI can release their capacity to take on new, more valuable roles with wider career opportunities. Therefore, management accountants should work more closely with their colleagues in IT or external consultants to help to develop and implement a BI strategy. ■

### Peter Simons

Peter Simons works with CIMA's Innovation and Development team as a CIMA qualified technical specialist. He was a career banker and became a member of the Bank of Ireland's senior banking team in London. His roles included strategy, corporate banking and marketing. Simons also has four years' experience as MD of a small business.



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