



Executive Summary

Being the best
Thriving not just surviving
Insights from leading finance functions

ADVISORY

About the research

In 2008, KPMG International (KPMG) commissioned CFO Research Services, part of The Economist Group, to determine how finance functions have fared over the last 2 years and to see how their priorities have shifted.

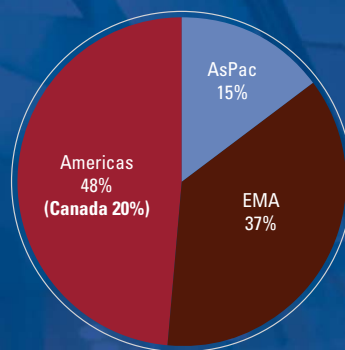
Being the best: Thriving not just surviving builds upon research conducted in 2006, *Being the best: Insights from leading finance functions*, when KPMG and the Economist Intelligence Unit found that finance functions the world over were making an important and challenging transition from accountants with a focus on historical reporting, to business partners who clarify the overall strategy and help drive value.

Being the best: Thriving not just surviving was written by KPMG using research, interviews, and case studies that were conducted by CFO Research Services (CRS) and based on the following activities:

- CRS conducted a global survey of more than 500 senior finance executives, including 218 Chief Financial Officers (CFOs) from across the globe and 98 respondents based in Canada.
- Respondents were drawn from a cross-section of industries across the globe, 54 percent of which are from organizations with over US\$1 billion in annual revenue.

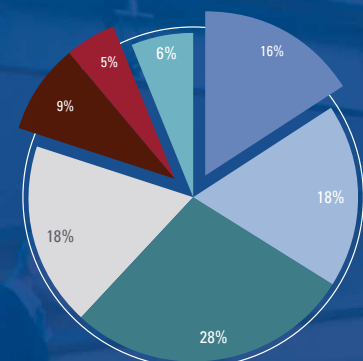
The survey results from top performing organizations (defined by CRS as those with an EBITDA¹ average growth rate of more than 20 percent in each of the last 3 years) were analyzed and compared with those who saw negative or flat EBITDA growth during the same period. The "top performers" and "under performers" are compared throughout the report to provide insight for the majority who remain somewhere in the middle.

Geographic Representation



Respondents: 497

Defining Top Performers



Respondents: 516

To supplement the survey, CRS conducted a program of interviews with CFOs and leading academics and professionals in the field. We are grateful to the following participants for their valuable time and insights:

Karyn Brooks

Senior Vice President and Controller
Bell Canada Enterprises

Dave Burritt

CFO
Caterpillar

David Chang

CFO
Asustek Computer

HM Cheng

CFO
HTC Corporation

John Hele

CFO
ING

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Cass Business School, London

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Vice President and Global Head of
Finance Transformation
BP

Judy Ng

Head of Financial, Regulatory &
Controls group
DBS Bank

George Reyes

Former CFO
Google

Peter Zachert

CFO & Director of Finance
Futuris Corporation Limited

¹ Earnings before interest, taxes, depreciation, and amortization

All graphs in this report are sourced from research conducted by CFO Research Services, 2009. Due to rounding, graph totals may not equal 100 percent.

Foreword

Adapting the finance function is now more urgent than ever, by providing the right information at the right time to help business leaders navigate through turbulent times.

Research was conducted during the early stages of the credit crisis, but our assessment takes into account the recent changes in the global markets.

Leading finance functions can distinguish themselves by supporting business management in a way that allows them to respond quickly to macro-economic developments. Such a response should be based on a deep understanding of the business and how each area is impacted by global market and industry forces.

Many finance functions are struggling, however, to provide the required level of business support. There are many barriers — complex system architectures, poor quality data, non-standard processes, multiple business metrics misaligned to underlying data sets, to name only a few. The barriers result in finance functions performing large quantities of downloading and rework, and hamper their ability to effectively predict fast moving economic shifts.

What lessons can a leading finance function impart for those still striving to reach the very top? And possibly more importantly, how can challenged finance functions improve to better support their business leaders? The research defines the key characteristics of finance functions at leading organizations, and also demonstrates the critical role people play in delivering success. The results are a call to action for finance leaders, whether Group CFOs or Divisional Finance Directors, or finance managers.

Jochen R Pampel

Global Head of Financial Management

Executive summary

In 2006 research, *Being the best: Insights from leading finance functions*, KPMG International (KPMG) and the Economist Intelligence Unit found that although CFOs were being pressured to slip back into a traditional control and compliance role due to fall-out from international accounting scandals earlier in the decade, the long-term need remained for finance to play a more strategic role in the business.

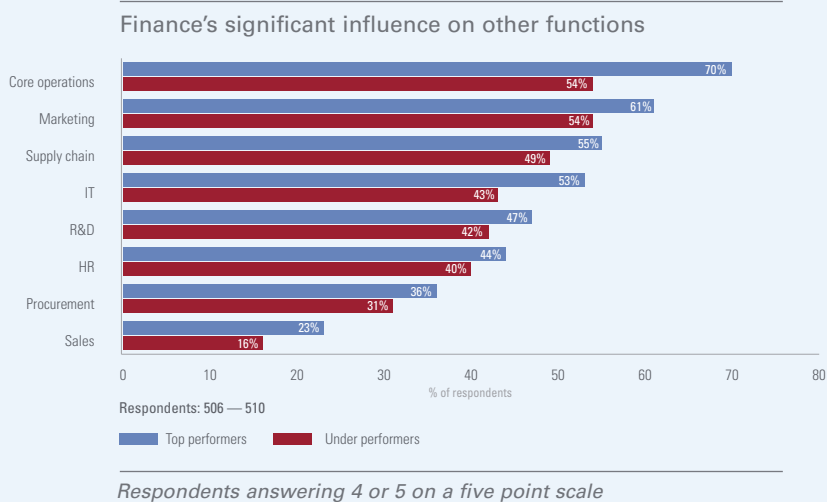
A few years on, we find that this vision burns brighter than ever, and that for many CFOs, far from being a long-term need, the role of strategist is a clear and present reality. The finance function should look forward and focus on providing accurate and insightful enterprise-wide information. It should simplify business complexity and make the structural changes necessary to better align business processes. Finally, it should ensure that any changes are implemented in a way that sustains business performance rather than merely reducing short term costs.

At the end of the day, navigating through these turbulent times is about positioning your business to thrive — not just survive.

01 Influence

How to get it and how to extend it

Top performing businesses have trusted finance leaders actively involved in defining the future direction of the organization by influencing business leaders to make better decisions across all functions. Gaining the trust of the decision makers can give finance the authority to contribute to key business decisions.



The research shows that the finance function still has work to do in enhancing their level of influence with the functions that arguably drive the most value through the organization (e.g., R&D, sales, and marketing). Developing a much deeper understanding of how these functions drive business value can help the finance function broaden its influence across the whole suite of business leadership.



02 Managing through volatility

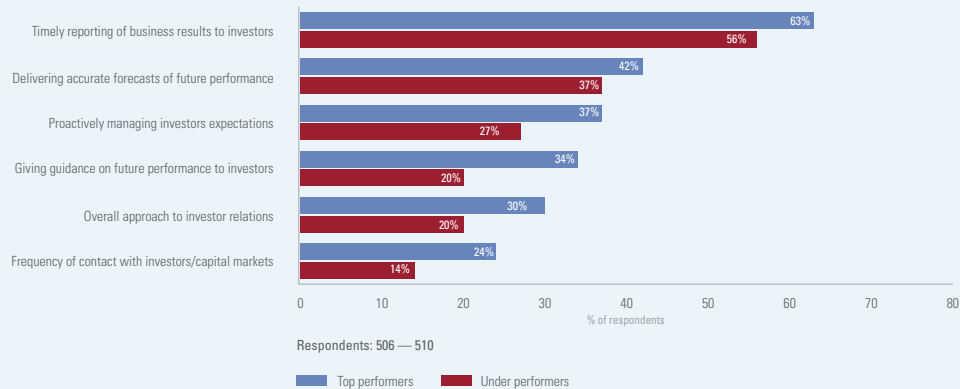
Being better prepared for whatever lies ahead

Finance functions that lack influence may struggle in the current environment as boards and investors look for clarity on the impact of market changes on sales, EBITDA, liquidity, and cash flows. Many boards and investors need reassurance that the impacts of changing market forces are understood, forecasts can be adjusted quickly and appropriately, and robust and appropriate guidance on key business decisions can be backed up by solid scenario planning.

The recent events in global economies, where significant changes in market sentiment occur at short notice, have enhanced the need for finance functions to have a much deeper grasp of enterprise risk, including issues regarding cash flow, liquidity, and the ability to find sources of funds. The ability to meet loan covenant terms has also become an important issue for many organizations.

Volatile conditions have intensified pressure on the finance function to provide meaningful, timely, and reliable information for businesses to manage their risk. Change brings opportunity, and leading finance functions are the ones that respond quickly and effectively to changing business circumstances, supported by relevant, reliable business information.

Major investor community priorities for the finance function



03 Real business intelligence is still rare

It's time to stop downloading and reworking

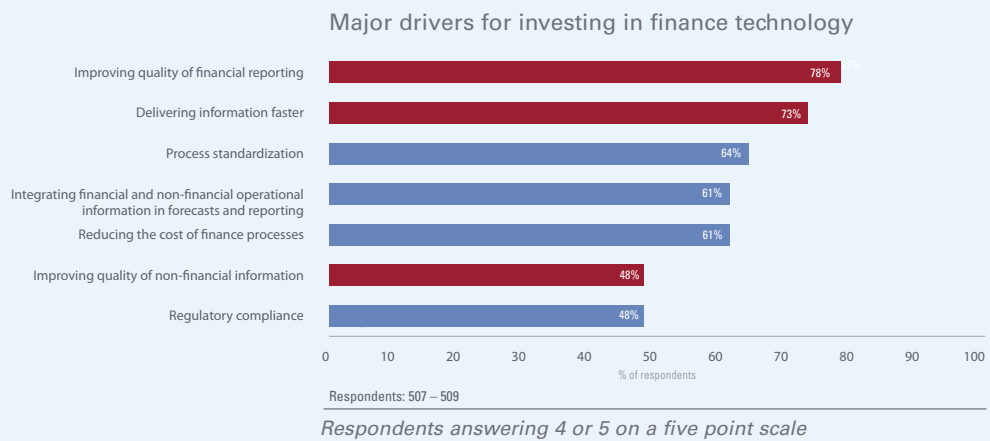
“Up to 50 percent of managers place no confidence in the numbers presented to them.”

**Business intelligence research
Cambridge University 2009**

Many finance functions still have a poor understanding of business value drivers and, in many cases, data and IT architectures are inhibiting the ability of finance functions to help drive real business value. Organizations often invest heavily in business intelligence (BI) solutions, with mostly sub-optimal results.

Underperformers can spend too much time downloading and reworking non-standard data in an attempt to supply meaningful information to business leadership. Spreadsheets remain a key business tool for piecing together data from multiple applications. In addition, many finance functions have not taken the time to understand the business value driven by different parts of the business, which can inhibit their ability to provide the necessary information to influence the right business decisions within these functions.

Finance functions from top performing organizations have recognized the importance of BI; they have spent time understanding the different business drivers of value, aligning data sets to be consistent with key business metrics and investing more in the kinds of technologies that provide the right data to the business decision makers.



Getting the right information at the right time delivered by the right people takes skill. And the research suggests that finance functions have work to do to get there.

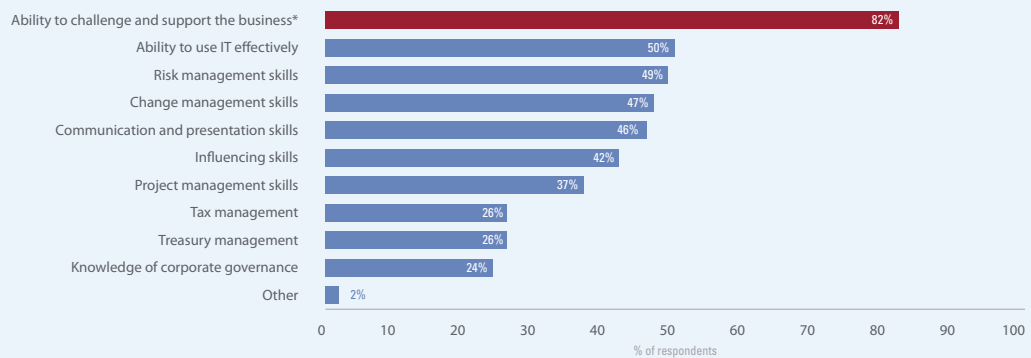
04 Bringing information to life

Making tough decisions to get the right people in place

The impact of implementing and maintaining an effective BI system is typically enhanced when a skilled, motivated finance team that understands the information needs of the business is in place. Effective BI works best when the finance team understands real business issues and references them to external thought leadership and thought leaders. Many business leaders crave an external perspective when making key decisions, and it is generally incumbent on finance professionals to provide that perspective.

Investment in re-skilling the finance team is as important as investment in new technologies.

Finance's business skills for improvement



Respondents: 516
 *Use of non-financial performance measures, finance's understanding of the business

More than half of respondents said "difficulty finding and retaining skilled finance professionals" is a major barrier to improving finance function performance, which is still the number one concern since the 2006 *Being the best* research. The challenge in recruiting the right people is reflected in the desire by the majority of respondents to train their current staff in new core skills, such as change management, influencing, and communication, rather than recruit.

05 KPMG final thoughts

Much done, much still to do

The recent past has brought into question some long held "certainties" of the business world. Finance executives have been under pressure to advise business leaders on the impacts of ever-changing and unpredictable global market and industry forces. Top performing finance leaders know that they should be better prepared for whatever the future holds. CFOs should take clear action to:

- Truly understand what drives business value
- Simplify data structures and end-to-end processes and systems to help deliver quality, reliable, and timely business intelligence

- Better identify enterprise risk and use information to assist business leaders to better manage it
- Transform the forecasting and planning processes to help enable flexible scenario planning that assists businesses' navigation through uncertainty
- Make tough decisions to balance internal experience with the fresh ideas of newer talent, helping to ensure that the finance function is well-positioned to support business leaders in making informed business decisions.

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For more information on management issues in finance, visit www.kpmg.ca/thriving.

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