

# Insightful Controllership



## The next generation in finance and accounting

Philosophy asks us fundamental questions that are as important today as they have ever been. They are often questions about our nature and our purpose – and they have a practical application in the world of business too. The finance and accounting function of major enterprises is a case in point. Even more specifically, so too is the role of financial controller.

What is its purpose? Is it a process-driven accounting function, carrying out set-piece activities such as end-of month reporting or preparing for annual audits? Or is it more than this? If it isn't, should it be?

### **The challenge to meet**

In many modern major enterprises, financial controllership functions have been just that – functional. Generally focused on managing risk, they have included technical accounting and financial reporting support, the implementation and maintenance of accounting standards, the management, simplification and improvement of processes and the guardianship of internal controls.

Producing regular management and financial reports are of course essential if any enterprise is to run smoothly and effectively. But the problem with this largely functional model is that the world has changed, and so too have the demands that are being made of CFOs to whom financial controllers are reporting. CFOs' roles

**People matter, results count.**

have evolved: as well as observing, assessing and reporting, they must nowadays be much more active in the strategic development and direction of the business. They must work closely with business operations and act as partners in making decisions about innovation, about structural rationalisation, about organic expansion or growth by acquisition. To be successful in this, they need increased support from equally more strategic financial controllers.

In short, the question facing financial controllers and their CFOs is largely a philosophical one. Are they defined by the basic financial functions they perform – in other words, by their actions – or should they rather be defined by the outcome of those actions and by the insights they can bring to them? Increasingly we are seeing controllership being regarded not merely as a function required to balance the books and analyse what happened to ensure compliance, but as providing valuable strategic insight to the enterprise as a whole and to CFOs in particular.

## The opportunity to consider

Insightful controllership provides an entirely new way of looking at financial controllership. It also assigns an entirely new value to it.

This shift is the result of several developments:

- Accounting and financial reporting standards are evolving and becoming more demanding, and it is the responsibility of controllers to ensure those standards are met so as to comply with tougher legislation and demands for greater transparency
- Increasing globalisation has created a need for controllers who are mindful of the business and regulatory demands of their own regions and operations, but who also recognise their place in and responsibilities to the enterprise as a whole
- Increasing complexity and significance: as noted above, the growing demands made of CFOs have in turn extended the strategic remit of financial controllers and enhanced the importance of the work they do

The key word is of course insight. Controllership continues to fulfil standard accounting functions, but it is evolving also to provide the greater understanding required – externally, in enhanced compliance terms and internally, in terms of strategic decision support.

This is a significant change, and the demands it makes of financial controllers are substantial. Like their CFOs, they need to work much more closely with their company's operations, understanding production and service development, gaining in-depth knowledge of their supply chains, and engaging with human resources, sales and marketing teams. With the insight that accrues, numbers cease to be merely numbers. They have greater resonance because they represent not just financial results but also business. Good controllers will recognise this and reflect it in the information they provide and the recommendations they make.

In the fairly recent past financial controllers have had to contend with other demands being made on their time. What's more, they have had insufficient tools to make necessary assessments. Insightful controllership enables enterprises to create teams where priorities are no longer conflicted and whose resources are both adequate and productive. Working within a structured and streamlined model, they analyse and interpret data from operations and accounts and work with and not just for their CFOs to ensure it meets strategic decision-making needs.

## How it works

- Dedicated BPO teams of controllers leverage insights drawn from analytics, Governance, Risk and Compliance (GRC) and balance sheet assurance
- Client is freed from typical controllership tasks related to compliance, reporting and knowledge to focus on insight and business driven activities in line with strategy
- Timely and actionable insights are provided to senior executives for action
- Impact of actions is measured and reported back to the client

## The approach to take

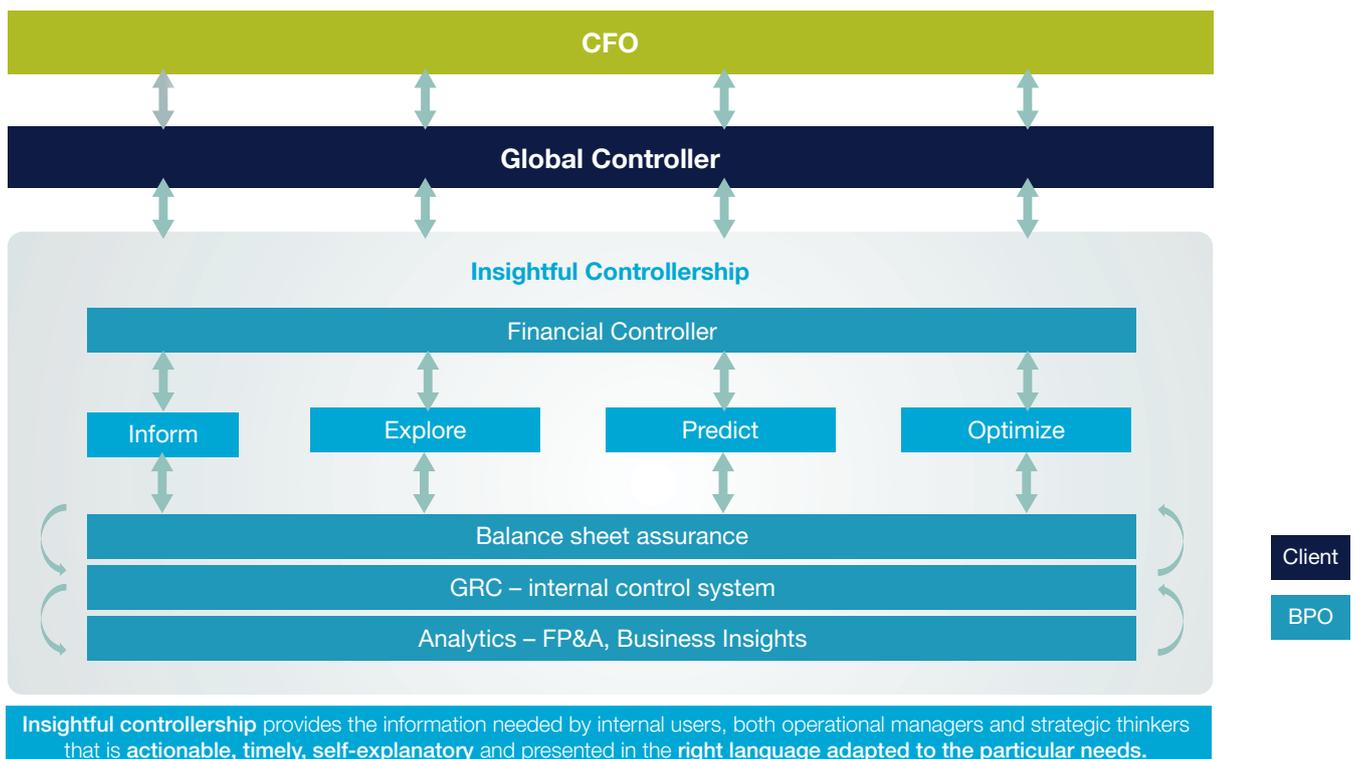
Insightful controllership can be a highly effective element of an overall finance and accounting outsourcing (FAO) model. Because it has direct links into the business it is able to work with operational teams and access the data it needs – and because it acts as a dedicated function it can focus on its prime purposes of facilitating decision-making and compliance and achieving value.

The outsourced team of financial controllers receive transactional inputs from BPO accounting teams and cooperate closely with the client to ensure business priorities are fulfilled. Compliance and knowledge are key deliverables, but financial controllers also employ an analytics and control framework to enable further insight that will ultimately be delivered to company executives for strategic decisions and subsequent action.

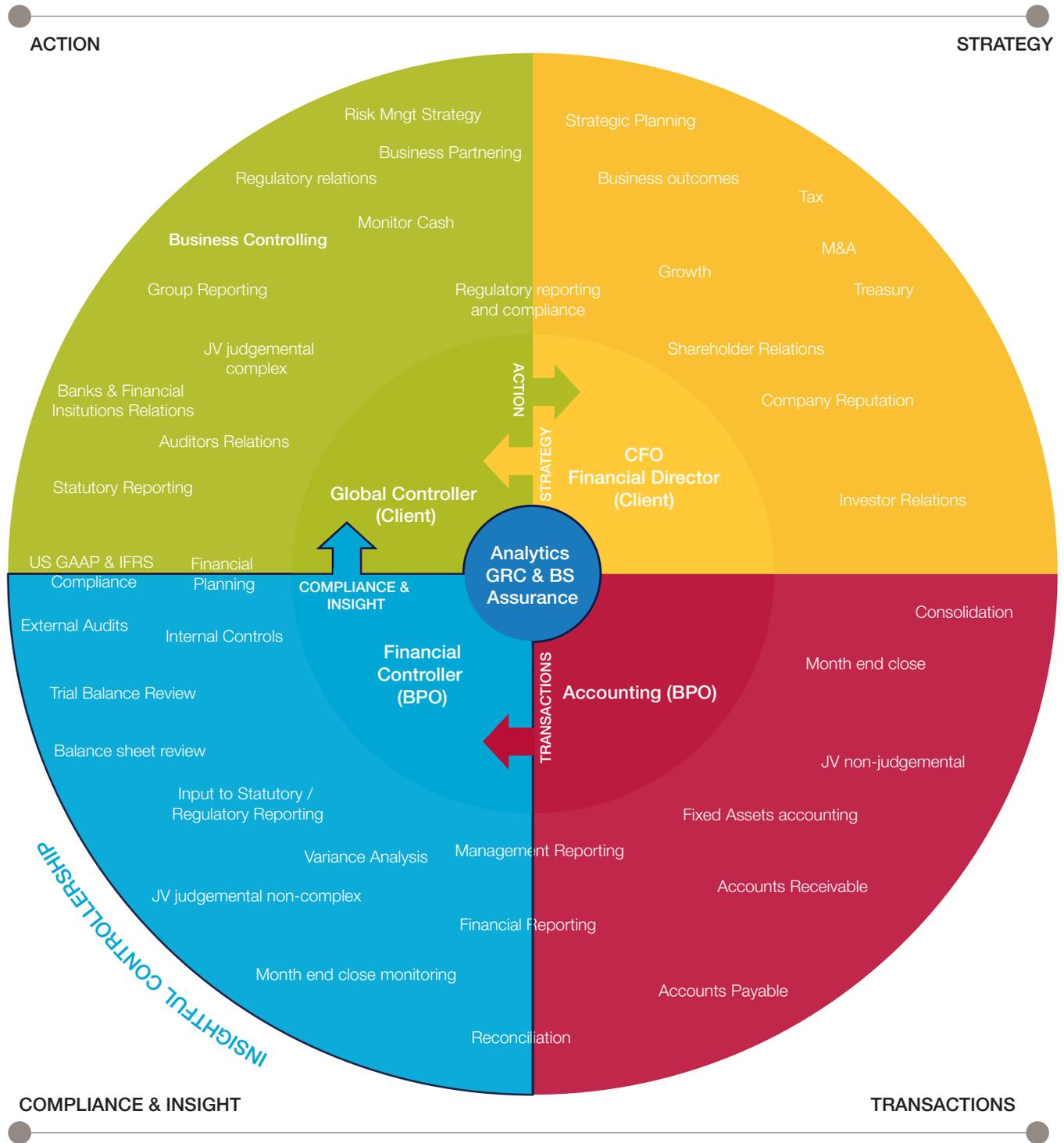
The focus of insightful controller teams can be weighted to suit the priorities of individual client enterprises.

Using this approach, enterprises can expect to spend much more time on control and decision support rather than on regular accounting number-crunching – a substantially high proportion delivering significant business outcomes. Our practice shows that best in class companies that spend 20-30 % of their time on controllership as compared to total finance are able to deliver significant business results.

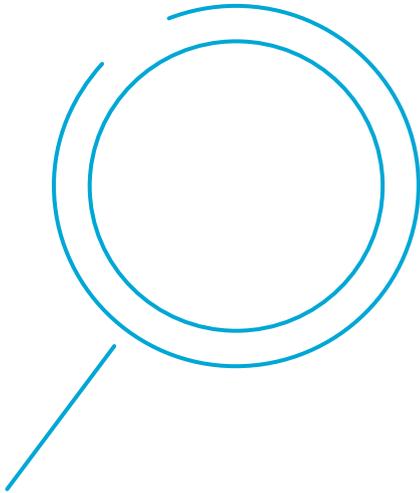
In short: Insightful Controllership is about delivering valuable information to the CFO organization. This is achieved by applying the following model:



Applying this model we achieve an organized and clear structure of F&A function.



The full scope of activities are clearly defined and allocated across the teams, ensuring a closed-loop process that provides the CFO with a 360 degree view to make more informed decisions.



## Case study

### The client

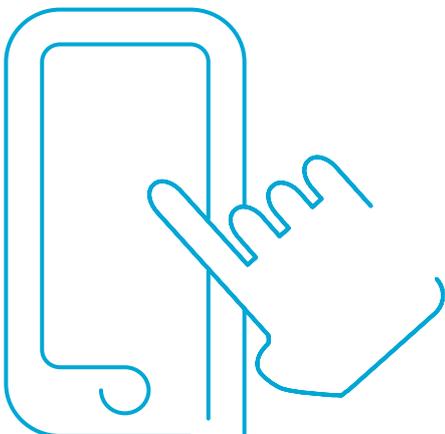
A global media and entertainment company, US listed with numerous legal entities across the world

### The challenges

- Need for scalable end to end finance and accounting platform to enable new revenue streams/acquisitions integration
- Become more flexible, agile and cost efficient
- Need to prepare accurate, complete and timely financial statements by legal entity
- Not enough focus on business results and global business analytics
- Need to harmonize process across legal entities and drive Continuous Improvement
- Fragmented organization, many legal entities

### The solution

- Capgemini worked closely with the client to create an appropriate solution model, encompassing processes, resourcing, training and more
- Leverage Global Enterprise Model and Capgemini's Record to Analyze experience to establish Controllershship function
- On boarding experts with 10+ years of F&A experience, CA or CMA certified, combining a strong financial knowledge, analytics and control framework skills
- Provide end to end Finance and Accounting operating model for delivering a complete financial statements package including Balance Sheet, P&L, Cash Flow statements, and closing reports to the client organization
- Continuous controls testing embedded in the services
- One global team located in India servicing ~250 legal entities and ~30 countries across Americas, EMEA and APAC interacting with CFO's of each BU's



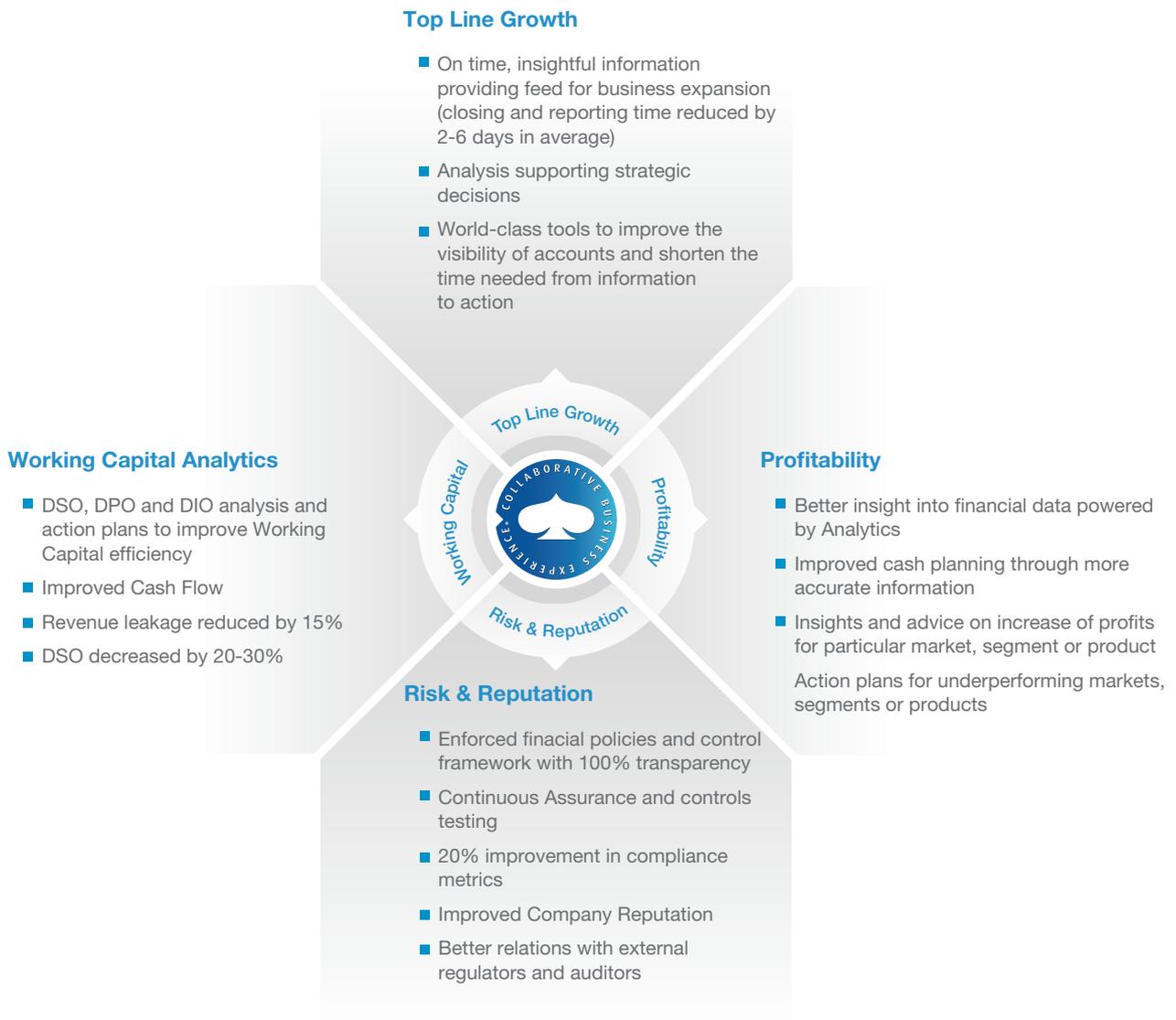
### The outcome

- Enabled business insights through improved and quick financial data access
- Strong client business case
- Enforced financial policies and control framework with 100% transparency
- Solid and scalable training framework developed
- End to end delivery of financial statements (record, analyse and submit)

## The benefits to achieve

Significant business outcomes accrue from the insightful controllership approach:

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## The conclusion to reach

CFOs are facing conflicting priorities. The finance and accounting functions they oversee have a duty of care in general accounting terms, but CFOs are also subject to increasing pressures to become more proactive and business-oriented. What, ultimately, should their role and purpose be – and how can the enterprise best be organised to help them achieve it?

It's a question almost as philosophical as the one with which this paper started, and in business terms it's no less important. The BPO controllership model outlined here provides a framework for an answer. How that answer can be realised in the context of any one enterprise, enabling it to achieve the cost, efficiency and strategic benefits we have seen, will depend on the quality of the technology and team members it employs, on the expertise and knowledge of the BPO partner – and of course on the insightfulness of its philosophical CFO.





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