



GENERATING FINANCE AND ACCOUNTING IMPACT



Financial planning and analysis: Centralized operating models empower the strategic CFO

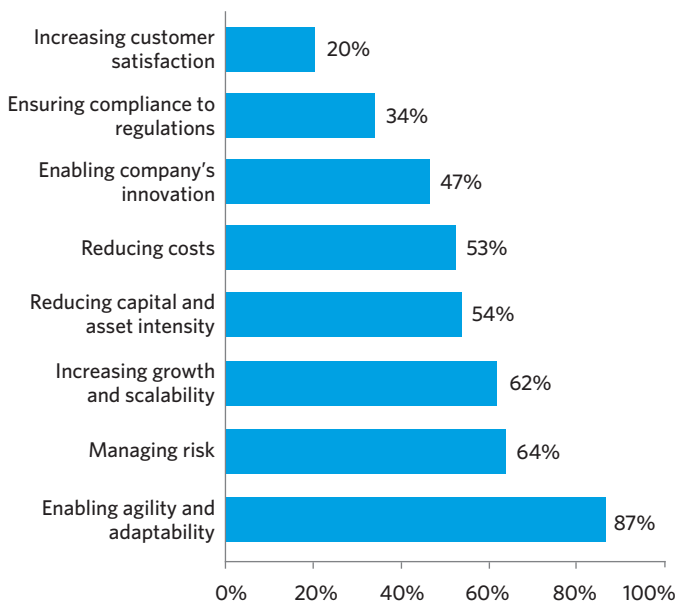
CFOs are increasingly called upon to serve as key strategic partners for leaders across their organizations. CFOs are expected to provide authoritative insight, but to do so, they need a strong financial planning and analysis (FP&A) function. FP&A leaders, in turn, need better capabilities for their data-to-insight and insight-to-action processes to deliver relevant, accurate, timely, and scalable impact. Ongoing research sponsored by Genpact reveals that acceptance of advanced operating models is increasing in more mature organizations, as is the adoption of technology, data, and policy practices. This paper sets out some of the key findings of this research.

New demands on the FP&A function

As CFOs broaden their role, the groups that support them need a different mix of competencies. At a time when data and analytics are so pervasive, it is perhaps unsurprising that the ability to monitor, assess, and forecast business performance has gained prominence alongside traditional roles. Indeed, in a recent study conducted by Genpact and LinkedIn (see research details, page 5 of 6), we found that finance leaders see the FP&A function as capable of addressing a number of critical competitiveness challenges, ranging from innovating to—most markedly—providing corporate agility and adaptability. (See Fig 1)

Fig 1: Most important contributions of the FP&A function to addressing critical competitiveness challenges

% of respondents



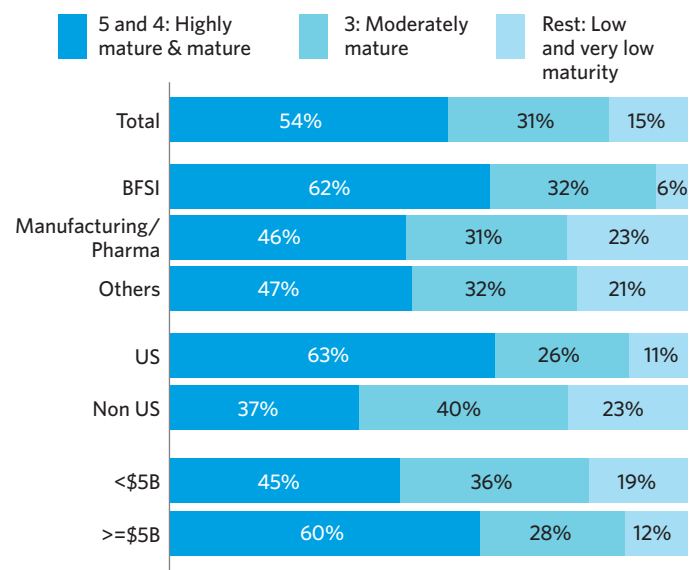
In our study, we found that FP&A leaders have recognized this reality and are responding with three principal strategies: more advanced (shared) target operating models for the FP&A function, renewed efforts to leverage technology, and more rigorous data standards. Some businesses are quicker to make this transition than others. Our experience corroborates these findings: Global Business Services (GBS) organizations are most likely to adopt these practices, in part because of their broader scope of services and access to information technology. More broadly, larger companies and

those with comparatively high levels of maturity are adopting the most aggressive strategies.

FP&A executives were asked to self-assess their organization's maturity in terms of degree of adoption of best practices, to compare mature and immature firms. This analysis revealed important insights into emerging trends in the FP&A function. Overall, more than half of respondents rated their firms as highly mature (the top two ratings on a five-point scale). (See Fig 2) However, those in the banking, financial services, and insurance (BFSI) sector are more likely to assess their business processes as mature (62%), as are those with annual revenues of more than US\$5 billion (60%) and those based in the United States (63%).

Fig 2: Business process maturity reported by FP&A executives

% of respondents

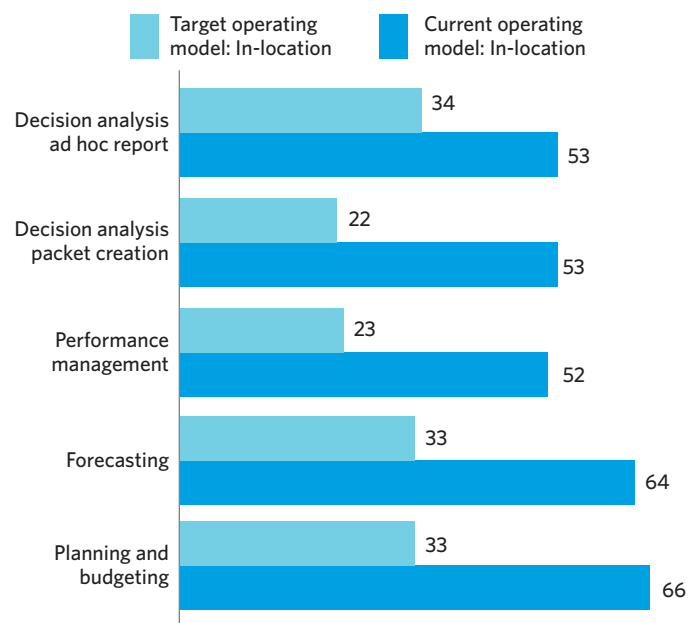


Target operating models

FP&A organizations are moving away from in-location operating models. This allows them to realize economies of scale and share best practices while building capabilities for supporting enterprise-wide strategic roles. Overall, about two-thirds of organizations describe target operating models that feature either global or regional shared services with some element of outsourcing. This applies to all FP&A functions ranging from planning and budgeting to performance management.

Fig 3a: Comparison of current and target in-location operating models for organizations in the BFSI industry

% of respondents



The shift toward advanced shared operating models applies across a range of industries, but the BFSI sector is most advanced in adopting these structural changes. This is especially true for decision analysis, ad-hoc reporting, and packet creation, as well as support for performance management. A little more than half of BFSI organizations currently use in-location operating models, compared to about 70% in other industries. (See Fig 3a and 3b) The survey results indicate that this gap is likely to shrink over time, especially for ad-hoc reporting, forecasting, and planning and budgeting.

Larger organizations are adopting shared services centers (SSCs) or outsourced operating models most rapidly. For example, the study found that only 26% of firms with annual revenue of \$5 billion or more are still using in-location models compared with 42% of smaller companies. What’s more, the higher the maturity of a company’s FP&A processes,

Fig 4: Organizational structure for planning and budgeting

% of respondents

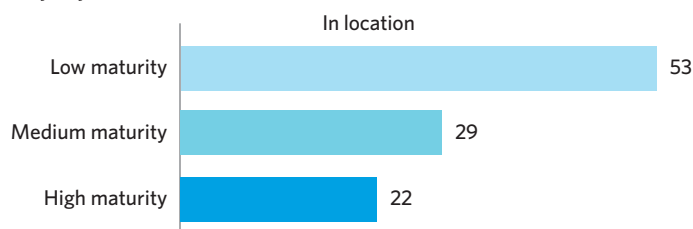
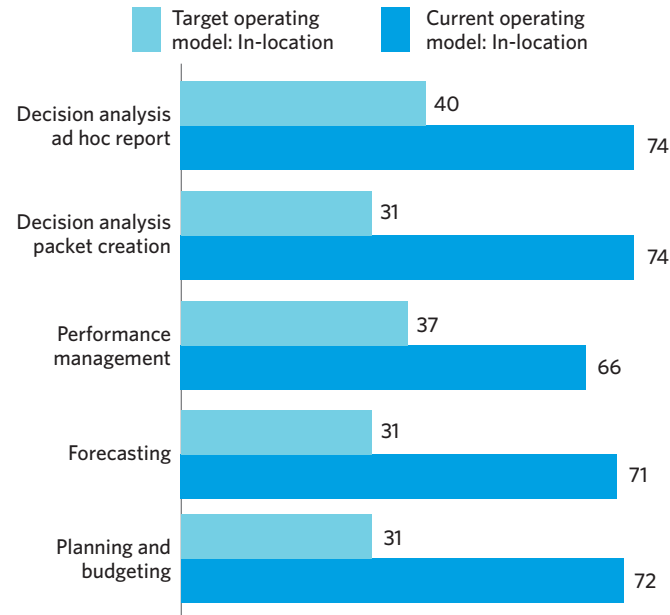


Fig 3b: Comparison of current and target in-location operating models for organizations in the Pharma/Mfg. industries

% of respondents



(See Fig 4) the more likely it is to have shifted to a centralized model. This is particularly true for the planning and budgeting sub-function, where only 22% of high-maturity firms are still using in-location organizational structures compared with 53% of low-maturity firms.

Leveraging technology for business impact

The use of technology and automation is another area in which mature organizations are leading the charge of the FP&A function. They are more likely than immature firms (44% vs. 27%) to (See Fig 5) report high business impact from improved use of technology, and to a lesser extent business process reengineering. They are also most likely to recognize the advantages of specific technological improvements. Big data tops the list of next-generation technology initiatives for mature and immature firms, (See Fig 6) but the former are twice as likely to rate it as “important and urgent.” Mature organizations are also more advanced in deploying technology. For example, respondents from mature organizations say that implementing technology to support master data management and governance is a high priority compared with those from immature firms.

Fig 5: Initiative with highest business improvement impact- Mature vs. Immature organizations

% of respondents

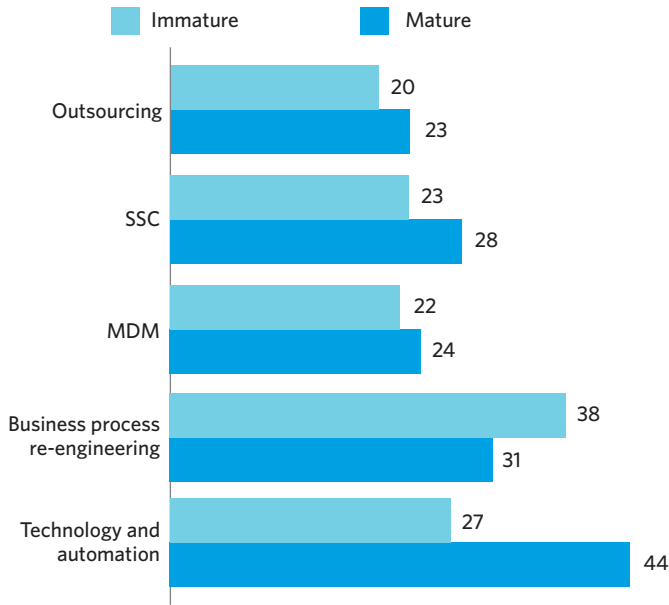
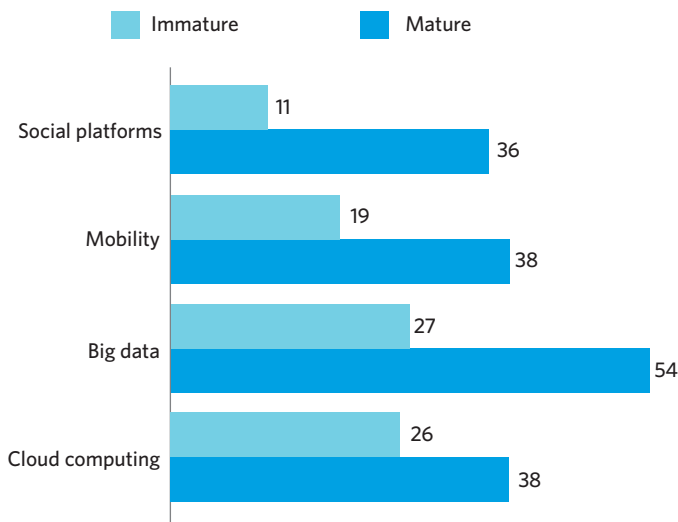


Fig 6: Highest priority next generation implementations- Mature vs. Immature organizations

% of respondents



These priorities of mature firms presage broader trends across all businesses. The priorities are also consistent with other research findings concerning variations in process and data quality, discussed below.

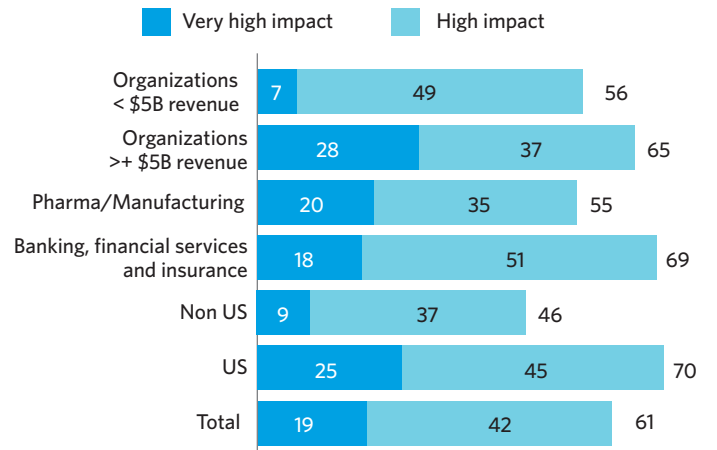
Standards for process and data quality

Overall, 61% of organizations state that variation in process and data quality have a very significant impact on the performance of the FP&A function. Larger, mature organizations are also more acutely

aware of the importance of data standards and quality. Those with annual revenues of \$5 billion or more are four times as likely (28% vs. 7%) to say (See Fig 7) that variations in process and data quality have “very high impact.” Mature firms of all sizes are also much more likely to say that quality inconsistencies have high impact on FP&A performance.

Fig 7: Organizations that consider variations in process and data quality to have negative impacts on FP&A performance

% of respondents

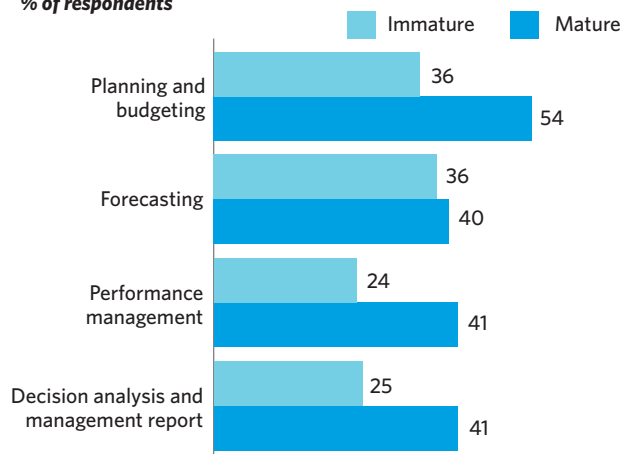


*Not showing lower impact percentages

Their plans for improved accuracy are focused on specific capabilities. In particular, accuracy, cycle time, and costs, as well as the quality and timeliness of insights for the planning and budgeting sub-function is the most important improvement area, were cited by 54% of mature firms. In fact, mature firms are most likely to anticipate improvements in every FP&A sub-function. (See Fig 8) This conclusion supports other findings about the priority assigned to investments in master data standards.

Fig 8: Organizations where accuracy was a future improvement area

% of respondents



Enabling the CFO's role as strategic partner

The study confirms the importance of the shift in the FP&A operating models in supporting the increasingly strategic mandate of the CFO, and in achieving key business outcomes such as agility and adaptation. The significant changes in the FP&A function demonstrated in our research are likely to continue as enterprises mature and adopt best practices. At the same time, organizations at all levels of maturity can benefit from organization redesign, as well as enhancement of technology, data, and policy standards across the function. FP&A can clearly be a pivotal place in the forthcoming analytics revolution—where organizational practices, technology advancements, and business impact converge.

As part of Genpact's ongoing research into FP&A operating models, two independent research organizations were commissioned to carry out surveys of executives serving in various management roles. The goal of both studies was to assess strategic priorities for target operating models.

- Zenesys Consulting surveyed 157 FP&A executives in the BFSI sector as well as the manufacturing and pharmaceutical industries. About two-thirds of the respondents are located in the US. The study distinguishes between firms with more or less than US\$5 billion in annual revenue. Most of the statistics cited in this report are drawn from the Zenesys study.
- This report also includes preliminary results from another study commissioned by Genpact and conducted among LinkedIn members in North America, Europe, and the Asia-Pacific region. It includes 157 respondents from the Finance function in banking, capital markets, insurance, and life sciences sectors, as well as manufacturing and high-technology enterprises. This study includes companies with more than 5,000 employees.

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