Being the Best
The evolution of local finance functions
March 2008
**Ammonites** are an extinct group of marine animals of the subclass Ammonoidea in the class Cephalopoda, phylum Mollusca. They are excellent index fossils, and it is often possible to link the rock layer in which they are found to specific geological time periods. Ammonites' closest living relative is probably not the modern Nautilus (which they outwardly resemble), but rather the subclass Coleoidea (octopus, squid, and cuttlefish).

The ammonoids survived several major extinction events, with often only a few species surviving. Each time, however, this handful would diversify into a multitude of forms. Ammonite fossils became less abundant during the latter part of the Mesozoic, with none surviving into the Cenozoic era. The last surviving lines disappeared along with the dinosaurs 65 million years ago in the Cretaceous-Tertiary extinction event.

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About the research

In 2006, KPMG International commissioned the Economist Intelligence Unit (EIU) to write *Being the Best: Insights from leading finance functions*. The report was based on a global survey of 266 senior executives from a cross-section of industries. The survey results from top performing organisations were analysed and compared with the wider survey sample to gain insight into how the most successful companies have organised their finance functions. To supplement the survey, the EIU conducted a programme of interviews with leading Chief Financial Officers (CFOs), academics and experts in the field.

At about the same time, KPMG in South Africa conducted the *Race to Close* survey focusing on the monthly close and reporting process. The *Race to Close* drew wide interest across all industries in South Africa and 167 respondents took part.

Clients and members of the media were most receptive to the findings from the *Race to Close*, but questioned if *Being the Best* was representative of finance functions in South Africa and the rest of Africa. While *Being the Best* was a global survey, a closer look at the respondent profile revealed that the Middle East and Africa combined accounted for only 0.7% of survey respondents.

We were convinced that finance functions in the ‘global village’ faced similar challenges. IFRS and US GAAP are after all pervasive, but in our experience in working with finance functions in Africa and abroad, we had to agree that there would be subtle differences. As a result, KPMG in South Africa with the support from other African KPMG member firms, launched the *Being the Best (‘in Africa’) survey* to determine how finance functions in South Africa and the rest of Africa are likely to evolve.

To ensure comparability with the EIU survey, the local survey used substantially the same question set, however, defining top performing organisations in the South African/African context proved a bit of a challenge. If we applied the same criteria as the international survey, 57% of the participants to our survey would have qualified as top performing. As a result, we defined top performing organisations as those with an average EBITDA growth rate of more than 20% in each of the last three years. This reduced the proportion of top performing organisations in our sample to 33%.

Finance functions across Africa were invited to take part. The survey reached a senior audience with 42% of the 135 respondents holding the positions of CFO or Finance Director. While the respondent profile is heavily weighted to South African respondents (91), we received adequate input from the rest of Africa (44) to ensure that the survey results are, at least, indicative of finance functions across the continent.

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1 The EIU defined ‘top performing organisations’ as those with an EBITDA average growth rate of over 10% in each of the preceding three years.
To supplement the results from the electronic survey, we also interviewed CFOs and other experts in the field. We are grateful to the following participants for their valuable time and insights:

- **Paul de Almeida**, Finance Manager, BHP Billiton Petra Diamonds Joint Venture
- **Johan du Toit**, Service Delivery Manager: Finance, BHP Billiton
- **Renier du Toit**, CFO, Companies and Intellectual Property Registration Office (CIPRO)
- **Jonathan Kirby**, Financial Director and **Natalia Perumal**, Financial Controller, SABMiller Africa and Asia (Pty) Ltd
- **Petros Kunze**, Group Finance Manager, Econet Wireless Limited
- **Amos Manzai**, Executive Director: Finance and Administration, Standard Chartered Bank Zimbabwe Limited
- **Norman Mbazima**, CFO and joint acting CEO, Anglo Platinum Limited
- **David McThomas**, CFO, South African Management Development Institute (SAMDI)
- **Grathel Motau**, CFO, Blue IQ Investment Holdings (Pty) Ltd
- **Rama Krishna Mudaliar**, Finance Manager, Mauritius Housing Company
- **Munaweza Muleji**, Head of Finance, Action Aid Kenya
- **Naomi Munyi**, General Manager: Finance and Administration, Insurance Company of East Africa Limited
- **Mathias Tohana Nleya**, CFO, Banco Comercial Angolano
- **Diane Radley**, CFO and **Alex Smith**, Group Financial Manager, Allied Electronics Corporation Limited (Altron)
- **Christine Ramon**, CFO, Sasol Limited
- **John Roijen**, CFO, Virgin Nigeria
- **Yasser El Sernagawy**, Finance Manager, Halliburton Angola
- **Chris van der Merwe**, CFO, National Department of Labour
- **Eric Wasserman**, Group Executive Finance, Absa Bank Limited

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2 At the time of conducting the research, Diane was CFO of the Altron group. She has been appointed group finance director at Old Mutual South Africa, effective 1 March 2008.
The Concise Oxford Dictionary defines “evolution” as, *inter alia*:

1. gradual development, esp. from a simple to a more complex form.

2. a process by which species develop from earlier forms, as an explanation of their origins.
Foreword

My father-in-law, a retired CFO, used to keep a model of a dinosaur skeleton on his desk. The skeleton served to remind his team that those who refused to change (read ‘evolve’), would become extinct!

Today’s finance function has certainly been subjected to the trials and tribulations of evolution and we believe the process is not yet complete, an assertion that is supported by the results from this survey. In some cases the developments have been all but gradual and have placed the finance function under extreme pressure for an extended period of time, think of the introduction of IFRS and other compliance initiatives. Often the equilibrium between compliance and performance has been disturbed and CFOs are increasingly focusing on restoring this balance.

In this report, we aim to show how far South African/ African finance functions have come along the evolutionary path. We benchmark local findings to trends identified in KPMG’s international research and we attempt to shed some light on what lies ahead.

I hope you find this report useful in guiding your finance function along its journey of evolution. My team and I look forward to sharing our thoughts with you!

Therese Cilliers
Partner, Financial Management Advisory
KPMG in South Africa
Executive summary

More than a decade has passed since the term ‘business partner’ in the context of the finance function was first coined. CFOs and their teams have been hard at work to achieve the ultimate prize: being recognised as a strategic contributor to the business and a partner to the CEO. Along the way, they have encountered, and continue to encounter, a number of challenges. Not least of which is a spate of regulation which shows no sign of abating.

This research, which is based on an electronic survey of 135 senior local finance people and interviews with 21 finance executives in Angola, Kenya, Mauritius, Nigeria, South Africa and Zimbabwe, was conducted to determine:

- How far South African/ African finance functions have come along the evolutionary path to become business partners.
- How local finance functions compare to international finance functions included in KPMG International and the EIU’s Being the Best: Insights from leading finance functions.
- The future trends.
The main findings include the following:

**Most CFOs are not business partners…yet**

Survey respondents indicated a clear desire to become business partners, but it is evident that finance functions in both top performing and other organisations expect to play a leading role in the “traditional” finance tasks of reporting financial information, advising on tax and treasury matters and controlling cost. This holds true for international finance functions too. When the non-traditional finance tasks are considered (managing risk, guiding investors on business performance, developing long-term business strategy and the like), most expect to play a contributing, but not leading, role.

Local finance functions’ contribution to strategic decision making is generally on par with their international counterparts, except in the area of acquisitions where international finance teams make a far greater contribution to decision making.

**Operational excellence: a prerequisite to fulfilling the business partner role**

Improving the timing and quality of information produced by the finance function is key to achieving operational excellence. A crucial driver to improve performance in the finance function is to set targets and measure progress.

Top performing organisations have a higher level of operational management involvement in finance, make better use of technology, reduce procedural bottlenecks and are more focused on the detrimental effects of poor communication and discipline on their finance functions, than other organisations. Top performing organisations also focus their improvement efforts on automation of routine processes, process redesign, improved cross training and a balanced workload.

As one CFO said, “Finance needs to earn its stripes before business will allow it to play the business partner role.”

**Focus on improving forecasting and management information**

Finance functions indicated that they were most dissatisfied with their capabilities in management reporting (38%) and planning, and budgeting and forecasting (34%). These were also highlighted as the areas most likely to be improved over the next two years with 44% of participants indicating that they would improve their planning, budgeting and forecasting in the near future.

Improvements in planning, budgeting and forecasting are expected to include both process and system related initiatives. 53% of organisations still utilise unsophisticated tools (spreadsheets or other manual processes) in forecasting indicating substantial scope for technology related improvements.
Three main challenges for the future: skills, investor relations and compliance

It is widely acknowledged that finance skills are in short supply world-wide. In South Africa/ Africa 51% of respondents indicated that they have difficulty finding and retaining skilled finance professionals. This was seen as the biggest barrier to change in the finance function by a very large margin. As a result, local finance functions are focused on tactics to improve their existing skills base through formal training, mentoring programmes and rotational assignments.

Increasingly, investors are in search of forward looking information and finance functions are under pressure to produce accurate forecasts. 53% of respondents indicated that they expect to spend more time on predictive analysis going forward. Since the accuracy of forecasts is regarded as the most important factor in building trust with the investor community, it is hardly surprising that forecasting was listed as the top improvement initiative for the next two years.

94% of participants believe that they will be spending the same amount of time, or more, on compliance matters in future, while 53% of organisations believe that their time could be spent more profitably elsewhere. Most CFOs emphasised the need for a pragmatic approach to regulation, saying that improved control adds value but that adequate systems and resources need to support regulatory processes.

In evolution and the transformation of finance functions alike, there are no shortcuts and the process is never complete. Development is gradual, and as complexity increases, so does the risk of failure. Success is only in reach of those who are prepared to change and are willing to set out on a journey with an ever changing goal – the goal of continuous improvement!
“We are the tools the executives use to assist in making strategic decisions.”

—Christine Ramon, CFO Sasol Ltd
The evolving role of the CFO

Few CFOs will deny that their role has become far more challenging of late. Not only is the CFO expected to run an efficient finance function and report on past performance while complying with a host of regulations, but increasingly, the CEO looks to the CFO to fulfil the role of business partner. John Roijen, CFO at Virgin Nigeria, refers to the 2007 IATA finance conference when he says that his role could be described more aptly as 'CAO – Chief Advisory Officer!'

In the business partner role, the CFO is expected to contribute to strategic decision making and to play a leadership role in a number of areas that are not traditionally regarded as finance's domain. Christine Ramon, CFO at Sasol Limited, believes that CFOs are key decision makers in an organisation. "We are the tools the executives use to assist in making strategic decisions."

In addition, shareholders of the 21st century have become more demanding and expect solid guidance on the future performance of the business, and in most cases, the responsibility for shareholder guidance has also been added to the CFO's 'to-do-list'.
The compliance aspect

Compliance initiatives of recent years have increased pressure on the finance function. 53% of survey respondents believe that regulatory compliance absorbs time that could be spent profitably elsewhere. Though few companies would argue that compliance holds no benefits, it is clear that most believe there is room for improvement in value-for-money terms.

It is against this background, that it is particularly worrying that 94% of survey respondents believe that they will be spending the same amount of time, or more, on compliance initiatives going forward. This is in line with the findings from the international survey where 91% of respondents indicated that they expect to spend the same amount of time, or more, on compliance matters in the future.

Time that will be spent on regulatory compliance over the next three years

A number of interviewees commented on the challenges of doing business across borders in Africa. Different countries have different regulatory regimes, and at times, regulations are unclear and constantly changing. One of the interviewees outside of South Africa commented, “The laws in our country are, in certain situations, extremely grey and invariably you can obtain two to three different opinions on the same matter. As a result, you are always concerned that a decision taken today can be questioned later, even though your decision was initially based on solid advice.”

The distinguishing factor between companies that believe time could be spent more profitably on other initiatives and those that are satisfied with the amount of time spent on compliance appears to lie in the implementation of new requirements. Companies that grudgingly comply with every new regulation without assessing what benefits could be derived from it, or how the new regulation should be incorporated into their overall compliance framework, are unlikely to derive any efficiency from existing compliance initiatives.

94% of survey respondents believe that they will be spending the same amount of time, or more, on compliance initiatives going forward.
The CFO should play a key role in ensuring that compliance initiatives are undertaken in a pragmatic and efficient fashion. In Hackett Consulting’s 2006 Enterprise Book of Numbers™, five major factors that contributed to world-class performance in the finance function were identified. One of the five factors was complexity reduction by streamlining compliance processes, Hackett found, inter alia, that the total cost of control at leading companies is 45% lower than at typical companies.

According to Eric Wasserman, Group Executive Finance at Absa Bank Limited, “Finance functions need resources and systems to cope with the tremendous increase in compliance requirements. All of this comes at a huge expense and it is important to keep the ‘substance over form’ principle in the back of one’s mind. Merely ticking boxes does not add value.”

Contributing to strategic decision making

The areas where finance makes a major contribution to decision making are indicative of the extent to which it is fulfilling the role of business partner. It is clear that finance still makes a major contribution in areas that are traditionally seen as finance’s domain, that of cost control and regulatory compliance. Compared to our international counterparts, local finance functions appear to play a bigger role in the areas of regulatory compliance and the implementation of Information Technology (IT) systems indicating that our finance functions take on a broader role.

Finance’s contribution to decision making
(percentage respondents who cited ‘major contribution’)

While local finance functions are broadly in line with their international equivalents in most of the other areas, it is disconcerting to note that our finance functions play a far smaller role in decision making on acquisitions. Only 48% of local respondents indicate making a major contribution compared to 60% internationally.

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A closer analysis of finance functions in ‘top performing’ versus ‘other’ organisations, reveals that finance in top performing organisations generally plays a far greater role in strategic decision making, particularly around acquisitions. Top performing organisations also appear to have a slightly better handle on regulatory compliance.

**Contribution to decision making in SA/Africa organisations**

(percentage respondents who cited ‘major contribution’)

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**Anticipating future requirements**

When setting strategy for finance, it is important to consider those areas where finance will be expected to play a leading role in future and to plan accordingly. Naturally this has to be done in the context of the overall business strategy.

It is clear that finance still expects to play a leadership role on traditional finance tasks such as collecting and analysing financial information, advising on tax and treasury matters and controlling costs. There is no doubt that the traditional responsibilities of finance remain an integral part of the CFO’s overall responsibility.

**Expected role of the finance function in two years time – SA/Africa**

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Comparing areas where local finance functions expect to play a leading role to responses from international finance functions, raises some interesting points for consideration.

The strong focus on traditional finance tasks compared to international finance functions is particularly evident in the areas around tax and treasury advice. International finance functions show a strong preference to moving tax and treasury functions into a shared service environment (refer to ‘Achieving Operational Excellence, page 22’) thus freeing up finance staff to focus on other areas of responsibility.

International finance functions show a strong preference to moving tax and treasury functions into a shared service environment.
Finance functions that can clearly articulate their vision are generally more successful and seen as better partners to the business.

**Clarifying expectations**

Becoming a business partner is no easy task and CFOs interviewed for this survey all agreed that finance had to be able to demonstrate value and ‘earn their stripes’ before business would regard them as a strategic advisor. In our interaction with clients, we have seen many finance functions that are re-look ing their role in the organisation. A good point of departure is to determine how finance can support business strategy. This should be followed by a rigorous examination of finance’s current strengths and weaknesses to determine areas for improvement. Finance functions that can clearly articulate their vision and show that their strategy is in direct support of the business strategy, are generally more successful and seen as better partners to the business.

**Finance vision, strategy and performance measurement**

Local finance functions are generally on par with international survey respondents and appear to be somewhat better at communicating their role and value to the rest of the organisation. The one glaring exception to this statement is around benchmarking with very few local finance functions benchmarking to competitors. One of the most obvious reasons would be the prohibitive cost associated with external benchmarking. In our experience many finance functions have found value in internal benchmarking between subsidiaries or divisions. Generally the required information is easy to obtain with the added benefit that the entities being compared operate in a similar environment under comparable constraints.
Fewer resources are available while the scope of services finance is expected to provide has increased.
Achieving operational excellence

Finance functions are under increasing pressure to perform more efficiently. Fewer resources are available while the scope of services finance is expected to provide has increased. In this section, we consider what helps and hinders performance in finance functions and explore if finance functions of top performing organisations differ from their counterparts in other organisations.

The findings from this survey were compared to the international survey as well as those from the South African Race to Close survey published in November 2006.
Measuring performance: if it’s not measured it’s not managed

Although 56% of respondents review the performance of the finance function at least on a regular basis, the reviews appear to be limited to the opinion of those in the finance function and are poorly managed:

- 60% of respondents say that feedback from stakeholders on the performance of the finance function is not readily obtained
- 63% say that they have no tracking mechanism to monitor the performance of the finance function
- 81% say that they do not benchmark internally or externally.

Reviewing the performance of the finance function

While some level of performance improvement can be achieved in isolation without consulting business or benchmarking to other organisations, it would be difficult, if not impossible to achieve a step change in performance. Similar to an organisation that aims to increase its market share, it is important to understand how customers view finance’s performance and to understand what customers need. Without setting clear targets and tracking performance against those targets, it would be difficult (and entirely subjective) to tell if finance is delivering on its mandate.

Although the gap between top performing and other organisations is marginal in two of the categories relating to the review of performance of the finance function, top performing organisations do track and monitor the performance of their finance function more regularly.

51% of top performing versus 69% of other organisations said that they have no tracking mechanism to improve performance in the finance function. According to Johan du Toit, Service Delivery Manager: Finance at BHP Billiton’s shared service centre in Johannesburg, it is not always easy to measure finance’s performance especially when it relates to qualitative functions.

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Driving performance

The expected impact of improvement opportunities for the finance function remained relatively consistent with the *Race to Close* survey. Three of the top five improvement opportunities are repeated in the top five in this survey. The top five improvement opportunities are:

- integrated ERP system implementation
- automation of routine finance processes
- review and simplification of finance processes
- implementation of a consolidation and reporting package
- implementation of a performance management tool

**Improvement opportunities**

Integrated ERP system implementation was ranked 10th in *Race to Close* while implementation of a performance management tool was ranked seventh. It is clear that ERP system implementation is top of mind for many CFOs. The vast majority of CFOs interviewed for the survey listed system implementation as the most effective improvement implemented in their finance function in the past three years.

In our experience technology improvements can greatly enhance finance function performance as long as the implementation goes hand-in-hand with a thorough review of finance processes and proper change management of users affected by the new system.
The survey results and interviews confirmed that top performing organisations had focused on improving the performance of their finance function in some key areas, specifically process improvement and the correct allocation of tasks to trained resources.

There was a significant difference between top performing organisations and other organisations in two improvement areas related to people. Top performing organisations rated cross-training staff to cover critical finance functions (36% top performing versus 26% other) and optimisation of staff to achieve a uniform spread of workload (38% top performing versus 30% other) as the opportunities with the greatest impact.

Top performing organisations have a marked focus on improving finance processes either through automation of routine transactions (51% for top performing organisations versus 43% for other) or process redesign (56% versus 41%). The focus on redesigning processes has resulted in fewer bottlenecks which could impede the performance of the finance function (only 60% of top performing organisations identified that as an obstacle compared to 76% of other organisations).

Top performing organisations had focused on improving the performance of their finance function in some key areas, specifically process improvement and the correct allocation of tasks to trained resources.
Obstacles to improved performance

The top four obstacles to improved performance were consistent with the Race to Close survey:

- Month-end financial reporting has a low priority (ranked first in Race to Close).
- Poor financial management and accounting skills (ranked third in Race to Close).
- Reporting does not contain relevant, useful and timely financial information (ranked second in Race to Close).
- Poor discipline within the finance function (ranked fourth in Race to Close).

Areas where there was a marked difference between top performing organisations and other organisations were as follows:

- Lack of operational management involvement. 71% of top performing organisations rated this as a high barrier compared to 80% of other organisations.
- Ineffective use of technology. 62% of top performing organisations rated this as a high barrier compared to 70% of other organisations.

Interesting to note was that top performing organisations rate poor communication (82%) and poor discipline (91%) as higher barriers to improved performance than other organisations (68% and 81% respectively). The insight here is that top performing organisations realise the importance of good communication and discipline within the finance function.

Obstacles to improving financial close and reporting
Shared services

In the international survey, the increasing use of shared services was seen as key to driving improved finance function performance. The use of shared services in Africa is well behind this curve. Reasons for this may include poor technology infrastructure, smaller businesses (thus reducing the need for complex finance functions) and a strong preference to control one’s own finance function. Du Toit comments that additional challenges to setting up shared services in Africa are the lack of a continent-wide provider of banking services and the impact that foreign exchange controls have when setting up shared services for finance functions. For smaller organisations, the situation is not expected to change significantly within the next two years although we are seeing an increase in the number of larger organisations undertaking shared services feasibility studies.

Where are finance activities currently performed?

Use of shared service centres in future

With or without shared service centres, standardisation of finance processes across businesses remains a key driver of efficiency. The challenge for local finance functions will be to achieve this in a decentralised environment and still create local ownership and buy-in to the new, standardised processes.
Month-end close and reporting

The Race to Close survey considered those factors that drove an improved close and reporting cycle and identified some key themes:

- Monthly reporting periods needed to improve on average by 23% across all industries.
- Improving quality and timing of reporting was a greater priority than reducing costs or improving regulatory compliance.
- Technology related improvements had the largest impact on the close and reporting process, closely followed by process related improvements.
- Improvements related to people involved in finance had the lowest rating of success which, we suspect, reflected more on how ineffectively change projects were run in organisations.

Organisations that were able to close and report quicker had some key characteristics, namely:

- good communication and discipline
- strong finance skills
- high priority for month-end
- integrated systems with consolidation and reporting tools
- information readily available from external sources.

To build on the Race to Close research, we monitored the average close and reporting periods of the participants in this survey and benchmarked local finance functions performance to findings from KPMG International’s Financial Close e-Survey, dated November 2007.

In line with the Race to Close findings, local finance functions still show a strong desire to reduce time to report, with 58% of respondents aiming to complete monthly reporting in fewer than six days.

Working days to close and report

Local finance functions still show a strong desire to reduce time to report.
Compared to international finance functions, our improvement targets appear aggressive. Only 36% of international finance functions aim to complete monthly reporting in fewer than six days, with most (43%) aspiring to reach the seven to ten days mark. At first glance, it would appear that we are ahead of our international counterparts, but a closer look at the respondent profile in the two surveys reveals that 88% of the international survey respondents were from group finance functions compared to 54% for the local survey. It stands to reason that group finance teams have different views on the close and reporting process and that most operational or business unit responses would focus only on their involvement in the close process up to submitting results to group.

Working days to close and report – SA/Africa vs International

While the speed of reporting is clearly important, local finance functions are also concerned about the quality of reporting. Currently 24% of survey respondents believe that they are able to produce error free reports, while 77% aim to achieve error free reporting in future. Achieving the right balance between speed and accuracy of reporting is often one of the finance team’s biggest challenges. Agreeing reasonable materiality levels with business can go a long way to clarifying expectations and making sure that finance is not held to unachievable goals.

Ability to produce high quality, error free reporting
Learning from SABMiller

The challenge in improving finance function performance, be it people, process or technology related, remains achieving buy-in from the various stakeholders.

At SABMiller, Jonathan Kirby, CFO for Africa and Asia explains that the group is cautious to impose a centralised way of doing things. Most of the subsidiaries in Africa are not wholly owned and all of the business partners have different needs and expectations. All performance improvement opportunities need to get the green light from operations prior to implementation. As a result, Kirby and his team often participate in vigorous debate! Kirby sees this as a benefit and believes that “good initiatives will always get through.”

Due to the decentralised nature of the business and strong local influence on operations, achieving buy-in is critical to the success of any finance related improvement initiative. Launching initiatives that do not succeed, or where the performance improvement is questionable, negatively impacts the perception of the finance function and wastes valuable time.

Kirby explains that his team will be focusing on refining a few finance improvement initiatives rather than many. This supports the cliché that it is better to do one thing well than 10 things poorly.
“A CFO that focuses exclusively on the historical numbers is obsolete.”

- Diane Radley, CFO Altron
In today’s fast-paced increasingly challenging business environment, the relationship between CEO and CFO is vital. Operational excellence in the finance function is a prerequisite for the CFO to play an effective role as business partner.

“A CFO that focuses exclusively on the historical numbers is obsolete,” says Diane Radley, CFO at Altron. “CFO’s need to change the habit of processing the numbers only and focus on what the numbers are telling them about the business.” The CFO’s understanding of the business, its operations, markets and key challenges, enables him or her to consider matters critically and to know if something is amiss.
Understanding the business

38% of respondents to the survey recognise that finance’s understanding of the business is a core business skill that needs to be improved. According to Du Toit of BHP Billiton, “Graduates and accountants out of articles do not yet have the required level of skill or insight into operations. It takes between 12 and 18 months to get them up to speed.”

So how does one foster a greater understanding of the business? 43% of respondents indicated that they would be placing finance professionals in rotational assignments within operating divisions of the business. Hands-on experience will provide finance with a greater understanding of the business, including key value drivers, enabling it to provide better quality commentary and suggestions to business plans, budgets and performance.

Improving collaboration

When asked about the most important improvement initiative he has contributed to his finance function, Norman Mbazima, CFO at Anglo Platinum explains that it has been to bring management accounting and operations closer together. This can only be achieved through a process of communication and reciprocal education.

Networking and communication skills are becoming increasingly important for finance professionals. This typically involves operating out of one’s comfort zone as effective networking does not come naturally for many people. 49% of top performing organisations report that finance’s collaboration with decision makers is excellent as compared to only 40% of other organisations. A further 35% of top performing organisations report that collaboration with decision makers is adequate compared to 49% of other organisations. This clearly shows that top performing organisations recognise the need to improve finance’s collaboration with decision makers and are striving for excellence as opposed to being merely adequate.

Effectiveness of collaboration between the finance function and other business functions (percentage of respondents who cited ‘needs improvement’)

1 – Research and development
2 – Marketing
3 – Procurement/Supply chain management
4 – Sales and distribution
5 – Manufacturing/core operations
6 – Human resources
7 – Information technology
8 – Logistics
9 – Strategy
10 – Administration
11 – Internal audit
12 – Asset management
13 – Decision-makers (Board/Council)
14 – Tax
15 – Treasury
Many organisations believe that more should be done to improve collaboration between finance and other functions in the business. This is mirrored internationally with more than 25% of respondents indicating that collaboration with these areas need improvement. Even within top performing organisations collaboration with marketing, procurement, research and development and human resources is inadequate:

Given that more than half of respondents reported that they had difficulty finding and retaining skilled finance professionals, one would expect closer collaboration between finance and human resources. However, 25% of respondents indicated that the relationship with human resources needed improvement.

Relatively poor collaboration between finance and other functions in the business impacts adversely on the frequency with which finance participates in decision making.

**Frequency with which finance participates in decisions (percentage of respondents who cited ‘seldom’)***

61% are seldom involved in marketing investment decisions, while 50% report that they are hardly ever involved in research and development investment decisions. This is slightly worse than international finance functions at 56% and 46% respectively.

Local business seems to rely more on finance to negotiate with suppliers, business partners and outsourcing providers compared to international organisations. Alarming 33% reported that they were seldom involved in mergers and acquisitions compared to only 14% of their international counterparts.
In most cases, finance in top performing organisations showed greater involvement in decision making compared to those in other organisations.

Frequency with which finance participates in decisions (percentage of respondents who cited ‘always’)

Leading finance functions provide management information which is both performance driven and a business enabler. Their understanding of the organisation is high and the gap between what the Board expects and what the finance function is able to provide is small.

Improving the relationship with operations requires strong leadership from the CFO and in many cases, education of operations to enable them to understand what value finance can add to decision making.

Effectiveness of finance at providing service to other stakeholders (percentage of respondents who cited ‘needs improvement’)

Few finance functions are excellent at providing timely and accurate information, forecasts and predictive analysis and local finance functions in particular these as areas for improvement. The desire to improve quality and timeliness of monthly reporting is clearly demonstrated in the “Achieving Operational Excellence – Month-end Close and Reporting” section on page 23. 35% of local organisations say that they need to improve the effectiveness of providing accurate forecasts and predictive analysis to other stakeholders compared to only 25% internationally. Similarly, local organisations have more to do to improve the effectiveness with which they provide accurate and timely information with 27% in South Africa/Africa compared to 20% internationally.

Few finance functions are excellent at providing timely and accurate information, forecasts and predictive analysis.
42% of top performing organisations in South Africa/Africa rate the speed and timeliness of management reporting as the area with which they are most dissatisfied.

Management information and forecasting: the two main priorities for improvement

For finance to succeed as a business partner, it needs to provide accurate, timely and valuable information. It is no longer sufficient to report on historical information alone. More and more CEOs are looking to finance to provide forecasts and projections to assist in making critical business decisions.

While organisations rate planning, budgeting and forecasting as the number one area for improvement over the next two years, top performing organisations rank this second to improving the speed and timeliness of management reporting. This could indicate that top performing organisations want to complete historical month-end reporting as quickly as possible to free up more time to focus on the future. 42% of top performing organisations in South Africa/Africa rate the speed and timeliness of management reporting as the area with which they are most dissatisfied while only 29% of top performing organisations are dissatisfied with their planning, budgeting, forecasting and budget monitoring. Internationally the focus is clearly on forward looking data to enable predictive analysis.

Top five activities and processes most likely to improve over the next two years

Where is finance most dissatisfied with its current capabilities? (top five)

1 – Management reporting – speed/timeliness
2 – Planning, budgeting, forecasting and budget monitoring
3 – Management reporting – quality/accuracy and content
4 – Enterprise-wide risk management
5 – Transaction processing

The evolution of local finance functions

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It is interesting to note that transaction processing still remains an area for improvement in many organisations with 28% of respondents indicating that this will be improved over the next two years.

Internationally the focus on planning, budgeting, forecasting and budget monitoring as well as management reporting is much higher with more than 60% of respondents indicating that these are priority areas. In our experience local finance functions often suffer from ‘initiative overload’. They frequently have a range of improvement projects running at any one time resulting in diluted focus on what matters most.

How ‘real’ CFOs become business partners

Radley at the Altron Group is adamant that the CFO can never become a business partner unless the CEO is prepared to work with him or her in that role. The relationship between CFO and CEO is key and comparable to marriage says Radley. “Mutual respect and trust between the partners is essential.”

Other non-negotiables include the right technology to support finance processes and a trusted right-hand man to the CFO. In the case of the Altron Group, Radley jokingly refers to Alex Smith, the Group Financial Manager, as the ‘real’ CFO.

She believes a good CFO has the ability to stand back and look at things critically. It is vital to be informed and to communicate well. The importance of soft skills, influencing skills, negotiation skills and networking should not be underestimated.

Kirby of SABMiller Africa and Asia, shares similar views, “If the managing director and financial director are not a team, it will end in disaster. The cracks that appear in the business under such circumstances are astounding.” He emphasises that the CFO’s role will be a function of the CEO and his skill set. In the case of SABMiller Africa and Asia, Kirby shares the load with his CEO and is responsible for 37 countries as well as business development. While Kirby focuses on business development, he trusts his financial team, to take care of the numbers.

Mbazima at Anglo Platinum, has been acting as joint CEO of the mining giant since September 2007. He believes his role as acting CEO has not changed his views on how a CFO should support the CEO saying that if it had, it would have meant that he had not been doing his job properly in the first place! He believes the first step towards becoming an effective CFO is to fulfil an ‘integrating’ role on the executive committee. “It is always interesting to see how the executives interact and in most cases each executive is focused solely on his or her area of responsibility. The CFO is in a unique position and has access to the numbers to understand how the different functions influence each other and to see what is really happening. It is very important to bring them all together.”
“Mutual respect and trust between the partners is essential.”

– Diane Radley,
CFO Altron
“Being pro-active and accessible is key to good investor relations.”

– Christine Ramon, CFO Sasol Ltd
Enhancing investor relations

“Investors want to look you in the eye and have the opportunity to ask management including, the CFO, questions,” says Ramon at Sasol. Ramon, whose investor relations unit needs to cater to the requirements of both JSE and NYSE investors, believes she spends between 15 and 20% of her time on investor relations. “Being pro-active and accessible is key to good investor relations.” She also stresses that investors expect the CFO to be able to comment on more than the numbers. In her environment, she is also expected to have a good understanding of a broad range of matters, including the environmental impact of operations.

Investors are becoming increasingly vocal and demanding. Their need for accurate, reliable information and guidance on expected future performance, places pressure on the finance function to consider yet another class of customer.
A growing need for forward looking information

Role of finance function in two years time – guiding investors on business performance

The graph illustrates that local finance functions are extremely aware of the role they will have to play in guiding investors on business performance. 55% of respondents believe that they will play a leadership role in guiding investors in two years time compared to 46% of international respondents.

It goes without saying that guiding investors on business performance goes hand-in-glove with the forecasting process. An area which has been highlighted as the top priority for improvement (refer to ‘Management Information and Forecasting: The two main priorities for improvement, page 31). In a recently released research paper, KPMG International and the EIU\(^2\) found that over the last three years, only 1% of organisations have achieved predictions and just 22% have come within 5% of forecast. On average, forecasts have been out by 13%. Executives that were able to comment on the impact of inaccurate forecasts on their market capitalisation, indicated that poor forecasting had cost their organisations 6% on their share price over the same period – a clear indication of investor reaction to flawed forecasting.

53% of respondents indicated that they would be spending more time on predictive analysis over the next three years. The difference between top performing and other organisations is substantial. 65% of top performers expect to spend more time on predictive analysis compared to 48% of other organisations.

Against this background, it is quite concerning that the majority of organisations (53%) still utilise unsophisticated tools (spreadsheets) in this process and here the difference between top performing and other organisations is negligible. Internationally the situation is equally bleak with 54% of respondents to the international survey indicating that they use spreadsheets or other manual processes for forecasting.

One fundamental problem is that not all organisations have integrated planning systems. Advanced software can improve the forecast, but only when combined with improved processes, data and a company-wide commitment to producing reliable forecasts.

\(^2\) Forecasting with Confidence, Insights from leading Finance Functions.
Finance’s role in collecting and reporting non-financial information is expected to increase in future.

In line with expectations from business and shareholders that finance develops a broader understanding of key value drivers, finance’s role in collecting and reporting non-financial information is expected to increase in future. Only 23% of international respondents believe that they will have no role to play in collecting, analysing and reporting on non-financial information in two years time. South African/African finance functions foresee even greater involvement in this area with only 13% of local respondents indicating that they will have no input on collecting and analysing non-financial information.

It appears as if local finance functions have started preparing themselves for this role. Compared to the international respondent base, fewer local finance functions believe they need to improve their understanding of the business or their use of non-financial performance measures.

Business skills finance needs to improve over the next two years

- Use of non-financial performance measures
- Finance’s understanding of the business
Building trust with the investor community

Importance in building trust with the investor community

Both in South Africa/Africa and internationally, the importance of building trust with the investor community is rated highly. Internationally, 79% and in South Africa/Africa 81% of companies regard the accuracy of their forecasts as the single most important element in gaining the trust of shareholders and other external stakeholders. Proactive management of expectations and the quality of guidance given to investors rank a close second and third to accuracy of forecasts.

Two of the areas rated as most important in gaining the trust of investors are also those most in need of improvement. 22% of participants believe their management of investor expectations requires improvement while 20% believe this is not finance’s responsibility! This indicates that 42% of respondents are performing poorly in this area. 19% believe the forecasts given to investors could be improved and a similar number indicated that the frequency of contact with investors should be increased.

Effectiveness of the finance function

Two of the areas rated as most important in gaining the trust of investors are also those most in need of improvement.

Being the Best
International finance functions appear to take far greater ownership of managing investor relations. 59% of local survey respondents do not measure investor perceptions compared to 47% in the international survey.

KPI’s for investor perceptions

Finance functions that still believe they have no role to play in managing investors’ expectations, are likely to face the same fate as the dinosaur...

KPMG comment

Investors, shaken by several corporate scandals and conscious of today’s highly competitive business climate, are asking for better measures of economic value and more reliable guidance on a company’s future performance. Much of this burden has fallen on the finance function. Finance functions that still believe they have no role to play in managing investors’ expectations, are likely to face the same fate as the dinosaur...

Considering the significance of forecasting and the extent to which it is a fundamental aspect of building outsiders’ trust in the organisation, this area should be the responsibility of highly trained and informed staff within the finance function. More often than not, this responsibility is left to individuals who do not understand the business as thoroughly as they should and who rely on inadequate technology.

Those organisations that have a skilled finance function have been able to develop an important level of trust with external communities as they provide analysts and investors with sufficient information to engender confidence in the health of the business as well as its leadership. It is important to keep these stakeholders appropriately informed in good and bad times. An advantage of transparent communication is that when a business does need to deliver bad news, investors may be less likely to overreact.
Raising the bar on the required attributes of a strong finance person also means that finance faces new challenges in developing and retaining talent.
Developing skills and talent

The description of a high-flier in the finance function has changed somewhat. It is no longer the caricature depicted in The Far Side cartoons. Increasingly CFOs describe the stars in their organisations as accountants that:

- have very broad business skills
- possess a strong commercial sense
- are technically competent
- perform well in a number of areas
- have strong interpersonal skills allowing them to interact at all levels and across all functions in the organisation.

Raising the bar on the required attributes of a strong finance person also means that finance faces new challenges in developing and retaining talent.
A scarce resource

It is widely acknowledged that finance skills are in short supply world-wide. In South Africa/Africa 51% of respondents indicated that they have difficulty finding and retaining skilled finance professionals. This was seen as the biggest barrier to change in the finance function by a very large margin.

During many of the interviews, CFO’s acknowledged that it is often very difficult to find the appropriately skilled people who are prepared to work in multiple countries across the continent during the course of their careers. Unfortunately London and New York are still seen as more glamorous destinations than Johannesburg and Nairobi! This makes it particularly challenging for local organisations to attract enough talented finance professionals.

Major barriers to change in finance

![Bar chart showing major barriers to change in finance]

The skills shortage also contributes to the fact that finance functions play a much broader role in South Africa/Africa compared to their international counterparts. Finance functions in South Africa/Africa are often responsible for tax and treasury matters as well as compliance matters and IT implementation. Internationally these functions are often separate. (Refer to ‘The Evolving Role of the CFO – contributing to strategic decision making’ on page 13)

While our resources seem to be harder to come by, they do have the added benefit of being more open to change. Employee resistance to change is not seen as a huge barrier to change in finance functions in South Africa/Africa with only 14% reporting this as a barrier as compared to 27% internationally. Perhaps this is due to the fact that we, as Africans, are more accustomed to change.

In terms of retention, “The key is to identify high-fliers and look after them, monitor market remuneration and pay in the upper quartile,” says Kirby of SABMiller. It is important to be very clear why someone would want to work for your organisation as opposed to any other.

Finance functions play a much broader role in South Africa/Africa compared to their international counterparts.
Improving skills

As it is so difficult to find appropriately skilled finance staff, many organisations are already considering various tactics to develop the staff they currently have. 63% of organisations are creating formal training for finance staff while 50% are developing mentoring programmes.

Since finding and retaining skilled finance professionals was also ranked as the number one barrier to change in the international survey, 53% of respondents indicated that they would recruit new finance employees to improve the skills base. Locally only 43% indicated that recruitment would be used as a tactic to improve skills. This could probably be attributed to the fact that the international market for finance skills is larger, so perhaps it is easier to recruit finance professionals abroad while local finance functions need to develop the skills that are already in place.

Internationally 52% of respondents indicated that they would focus on improving the financial competency of business managers while only 13% of local respondents saw this as a priority. Mbazima from Anglo Platinum mentioned that bringing operations and finance closer together was one of the most effective improvements he had brought to his finance function. The mutual sharing of information and reciprocal education that takes place when finance and operations work together is to everyone’s benefit.

Only 13% of local respondents consider raising the financial competency of business managers as a priority.
The ability to use IT effectively is seen as the top priority in terms of developing skills. This is perhaps indicative of the catch-up game that South Africa/Africa is playing in the field of technology compared to international organisations whose key area of improvement is the use of non-financial measures. According to the World Bank ICT data, internet users (per 1000 people) in South Africa doubled between 2000 and 2005 increasing from 55 to 109. In Kenya the figures were much lower but the growth rate is phenomenal, increasing from three in 2000 to 32 in 2005. The figure for sub-Saharan Africa was 29 in 2005. These statistics compare to 264 and 473 in the United Kingdom over the same period. Clearly South Africa/Africa has a long way to go before we catch up with the rest of the world in terms of IT access and spend.

The fact that the need to improve change management and influencing skills ranked much lower locally than internationally (24% and 16% compared to 40% and 32% respectively) confirms our assertion that we, as Africans, are more receptive to change.

In terms of finance skills, 66% of respondents reported that they will be improving their business intelligence and financial analysis skills and 36% indicated that they will be improving their planning, budgeting and forecasting skills. In top performing organisations, the focus on business intelligence skills is even greater with 76% of respondents listing this as an area for improvement. Again, a clear indication of finance’s desire to become business partners.
Thoughts on skills development and retention

Alex Smith, Group Financial Manager at Altron finds great value in the informal mentoring he receives from his CFO. “A CFO that communicates well and keeps me informed of developments, enables me to be pro-active in the level of support I provide. Diane also takes me to a number of meetings which gives me the opportunity to see her in action. These are valuable, practical learning experiences.”

“The Barclays transaction has meant that we could go up a notch in terms of companies that (finance) people want to work for. The potential international exposure and opportunities that arose from the deal make it very attractive to join Absa.” says Eric Wasserman, Group Executive: Finance at Absa Bank Limited. Wasserman also believes that the transaction has allowed the group to think bigger in terms of leadership training and succession planning.

“Our people can now aspire to global leadership opportunities and share knowledge with executives from the United Kingdom, France, Spain and Portugal.”

Wasserman believes that the skills challenge will remain with us for some time to come. “We are very positive about the growth prospects in South Africa, but we will continue to find it tough generating enough accountants to meet demand. Business needs to play a more active role in identifying talent at school level and in nurturing those promising individuals throughout their studies at university.”

Retention remains one of the most complex challenges to all organisations and perhaps success can be found in the words of Ramon.

“Talent management is one of our core business processes at Sasol.”

“Talent management is one of our core business processes at Sasol.”

– Christine Ramon,
CFO Sasol Ltd
The role of the CFO in the public sector is unmistakably evolving.
Operational excellence is the key theme emerging from our interviews with CFOs in the public sector. One of the challenges in the public sector is running a finance function that complies with all the legislative and regulatory requirements. Many entities in the public sector have a history of qualified audit opinions, so predictably one of the most effective interventions implemented by CFOs over the last three years has been the implementation of action plans to address the root causes for audit qualification.

The strong focus on improved control and compliance has in some instances resulted in tense relationships with business. One of the CFO’s interviewed mentioned that business regards finance as ‘compliance freaks’, while another mentioned that finance is developing a reputation for ‘pulling in the reins’.

Resolving issues around control and compliance has however allowed these CFOs to focus on other areas of improvement. These include rolling out of accounting software and training of both financial and non-financial staff.

In the face of the stretched resource base combined with a highly mobile workforce, a key challenge facing the public sector is the lack of documented business processes. This results in the loss of institutional knowledge when experienced staff leave. David McThomas, CFO at SAMDI feels that not enough is being done to motivate and retain financial staff in the public sector, especially given that public finance management experience is a scarce skill in South Africa.

While CFOs in the public sector are generally focused on ‘getting their houses in order’ there is a large emphasis on effective controls as well as ensuring that skills are utilised effectively. Renier du Toit, CFO at CIPRO says that the role of the CFO in the government sector has evolved to a multi-skilled oversight role. At CIPRO the CFO advises the CEO on matters other than finance eg possible risks, value to the organisation and alignment to strategy, and he acts in the CEO’s position when the latter is not available.

The role of the CFO in the public sector is unmistakably evolving. Public sector CFOs will increasingly be expected to fulfill the role of business partner. It is encouraging that these CFOs are laying the groundwork to enable them to play this role in the future. The focus on ensuring that the finance function performs optimally is the first step towards becoming a partner to the organisation.
Conclusion: lessons from top CFOs

CFOs that have achieved, or are close to achieving the business partner title, are in agreement on a number of key matters.

Maintain the balance

The need for finance to perform traditional finance tasks and the burden of compliance will not go away. Achieving the optimal balance between traditional and compliance driven tasks on the one hand and the forward-looking, strategic support the business requires on the other, is crucial.

Successful CFOs have learnt that a strong team, supported by standardised processes and state-of-the-art technology helps to achieve and maintain this balance. Too often finance functions become so pre-occupied with the business partner role, that they lose focus on the equally important roles of reporting on historical performance and maintaining the control environment. In the words of Eric Wasserman, “The business partner role is seen as the ‘glamorous’ role in finance and consultants often call this the ‘value adding’ role. Surely they cannot be implying that maintaining the control environment and producing financial reports do not add value? No shareholder will invest in a business that can’t report on financial performance and maintain adequate controls!”
Make focused investments and never stop improving

“Continually question what you do and consider best practices critically,” says Kirby at SABMiller Africa and Asia. Kirby strongly believes that best practice is not always where one expects to find it and that what is best for the business would be dependent on what is most appropriate and relevant to the particular situation as opposed to what is regarded as best practice abroad.

Finance functions that are successful in implementing best practice are very focused on how these improvement initiatives are going to support the overall business strategy. In addition, they have a thorough understanding of where they are in the evolutionary process and they are careful about initiating projects in the right sequence. One of the most elementary examples to illustrate this point is the implementation of an ERP system. Spending millions on implementation before considering user requirements and process improvements is a recipe for disaster.

Many finance functions fall into the trap of starting a whole host of improvement initiatives without carefully prioritising initiatives and managing these as projects with defined outcomes. The result is a demotivated finance team that has lost face with business and squandered one of the organisation’s most valued resources – cash.

Six principles of success

It is said that the three principles of real estate success are location, location, location. The six principles for finance function success are equally straightforward:

• communicate, communicate, communicate
• standardise, standardise, standardise.

Successful CFOs and successful finance functions understand the importance of communication both within and outside of finance. A CFO that can clearly articulate the role and value of his finance function to his own team, the CEO and the organisation at large, has a far greater chance of motivating his team and being accepted as a business partner compared to the CFO who cannot explain how finance supports business in the achievement of its strategy. The CFO is also expected to communicate with stakeholders outside of the business, notably shareholders and bankers, and a CFO with a solid track record adds credibility to communications with the outside world.

Continued downward pressure on the costs of finance make it imperative to drive efficiency in the finance function. Standardisation of systems, processes and controls throughout the organisation ensures consistency, improved control, and in the long run, cost reduction. Many leading CFOs have implemented or are considering the implementation of shared services in their organisations.
Talent management is key

The vast majority of CFOs interviewed for this survey mentioned talent management as an area of particular focus in their organisations. All agreed that it was impossible to be a business partner without a strong finance team behind them. The CFOs that are most successful at recruiting and retaining talented individuals appear to share most, if not all of, the following characteristics:

- The business has a high profile and good reputation in the local market.
- Opportunities for finance staff to be exposed to international operations, leadership programmes and a range of different roles throughout their careers.
- Good communication between the CFO and his team and within the finance team.
- Formal or informal mentoring programmes.
- Access to technical and ‘soft skill’ training for finance staff.
- Proper matching of skill sets with tasks in the finance function.
- Finance staff are provided with the tools they need to perform their tasks efficiently.
- Generous remuneration packages.
1. What is your position?

- CFO/Financial Director – 33%
- Deputy CFO/Executive VP of Finance – 1%
- Finance Director – 10%
- Executive Management (excluding CFO) – 8%
- Financial Controller – 7%
- Financial Manager – 27%
- Management accountant – 4%
- Senior management (outside finance function) – 4%
- Middle management (outside finance function) – 1%
- Other – 7%

2. On behalf of which component of the organisation/entity/company are you responding?

- Group/Corporate service – 54%
- Operations/Service delivery – 46%

3. In which country are you personally based?

- South Africa – 67%
- Kenya – 15%
- Mozambique – 4%
- Zimbabwe – 3%
- Uganda – 3%
- Tanzania – 3%
- Other – 1%
- Mauritius – 1%
- Swaziland – 1%
- Nigeria – 1%
- Angola – 1%
4. In which country is your organisation headquartered?

- Africa – 67%
- UK – 14%
- USA – 4%
- France – 4%
- Other within Europe – 4%
- Germany – 3%
- Canada – 1%
- Sweden – 1%
- Switzerland – 1%

5. Where in Africa is your organisation headquartered?

- South Africa – 76%
- Kenya – 8%
- Uganda – 4%
- Mozambique – 3%
- Mauritius – 2%
- Nigeria – 2%
- Zimbabwe – 2%
- Namibia – 1%
- Tanzania – 1%

6. What is your organisation/entity/company type?

- Unlisted company – 40%
- Listed on a stock exchange – 26%
- Part of a listed group of companies – 24%
- Public entity – 9%
- Local/municipal/district government – 1%
- National government – 1%
7. What is your organisation’s operational spread?

Local: 41%
Multinational: 59%

8. What is your organisation’s entity’s company’s primary industry?

Financial services: 24%
Industrial and automotive products: 21%
Consumer products: 13%
Infrastructure, Government and Healthcare: 17%
Information, Communication and Entertainment: 13%
Energy and Natural resources: 12%

9. What is your organisation’s entity’s company’s annual revenue in US dollars?

Less than $10m: 14%
$10m to $25m: 13%
$25m to $50m: 13%
$50m to $100m: 22%
$100m to $150m: 10%
$150m to $200m: 3%
$200m to $250m: 2%
$250m to $500m: 7%
$500m to $1bn: 7%
$1bn to $5bn: 7%
$5bn to $10bn: 4%
$10bn to $25bn: 1%
More than $25bn: 3%
10. How much has your organisation’s/entity’s/company’s EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) changed each year, on average, over the past three years?

- Less than 5% increase – 8%
- 6 to 10% increase – 19%
- 11 to 20% increase – 24%
- More than 20% increase – 33%
- Decreased – 7%
- No change – 3%
- Non-profit organisation – 6%
- Don’t know – 1%

11. Which of the following business initiatives will be a priority for your organisation/entity/company over the next two years?

1 – Controlling cost
2 – Streamlining business processes (core and support)
3 – Expanding into new markets (products or geographical)
4 – Improving products or services
5 – Improving regulatory compliance capabilities and capacity
6 – Managing enterprise risk
7 – Implementing new IT systems
8 – Adopting new service delivery models (eg outsourcing or shared service centres)
9 – Acquiring companies or business units
10 – Other

12. How great a contribution does your finance function make to decisions in the following areas?

1 – Cost control initiatives
2 – Regulatory compliance
3 – Implementation of new IT systems
4 – Enterprise risk management initiatives
5 – Acquisitions
6 – Outsourcing or service centres
7 – Expansion into new markets
13. In your view, how great a role will the finance function have in the following tasks in two years?

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Minor or no contribution</th>
<th>Contributing role</th>
<th>Leadership role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collecting, analysing and reporting financial information</td>
<td>10%</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>Advising business units/functions on tax issues</td>
<td>70%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Collecting, analysing and reporting financial information</td>
<td>60%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Advising business units/functions on treasury issues</td>
<td>80%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Collecting, analysing and reporting non-financial information</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Advising business units/functions on operating decisions</td>
<td>90%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Managing risk</td>
<td>80%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Guiding investors on business performance</td>
<td>70%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Collecting, analysing and reporting non-financial information</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Collecting, analysing and reporting non-financial information</td>
<td>40%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Advising business units/functions on operating decisions</td>
<td>30%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>Collecting, analysing and reporting non-financial information</td>
<td>20%</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

14. Do you believe your organisation/entity/company will spend less time, the same amount of time, or more time on the following areas over the next three years compared with the past three years?

<table>
<thead>
<tr>
<th>Area</th>
<th>Less time</th>
<th>The same amount of time</th>
<th>More time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory compliance</td>
<td>56%</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Cost reduction initiatives</td>
<td>35%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Decision support skills and tools</td>
<td>40%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Predictive analysis</td>
<td>45%</td>
<td>55%</td>
<td></td>
</tr>
</tbody>
</table>
15. With which of the following aspects of your finance function are you currently most dissatisfied?

1. Management reporting – speed/timeliness
2. Planning, budgeting, forecasting and budget monitoring
3. Enterprise-wide risk management
4. Management reporting – quality (accuracy and content)
5. Transaction processing
6. Regulatory compliance processes
7. External financial reporting – speed/timeliness
8. Tax management
9. Decision support for investments
10. Cash management
11. External financial reporting – quality (accuracy and content)
12. Investor relations
13. Treasury management
14. Other

16. Which of the following activities and processes is your organisation/entity/company most likely to improve over the next two years?

1. Planning, budgeting, forecasting and budget monitoring
2. Management reporting – quality (accuracy and content)
3. Management reporting – speed/timeliness
4. Enterprise-wide risk management
5. Transaction processing
6. Regulatory compliance processes
7. External financial reporting – speed/timeliness
8. Tax management
9. Decision support for investments
10. Treasury management
11. Cash management
12. Investor relations
13. Other
17. In your opinion, which of the following problems are major barriers to change in the finance function at your organisation/entity/company?

- Difficulty finding and retaining skilled finance professionals (58%)
- Inefficient business processes (40%)
- Lack of time to train staff (40%)
- Poor IT systems (40%)
- Senior management does not understand finance's role and value (30%)
- Employee resistance to change (30%)
- Lack of investment in finance function (30%)
- Difficulty finding effective, value-adding training courses for staff (30%)
- Poor access to management information (30%)

18. What type of IT systems does your organisation/entity/company use to support the following tasks?

- Transaction processing (Other: 20%, Spreadsheets/manual processes: 20%, Different systems: 20%, Standardised Enterprise Resource Planning (ERP) system: 20%)
- Financial reporting (Other: 20%, Spreadsheets/manual processes: 20%, Different systems: 20%, Standardised ERP: 20%)
- Planning, budgeting and forecasting (Other: 20%, Spreadsheets/manual processes: 20%, Different systems: 20%, Standardised ERP: 20%)
- Ad hoc decision support (Other: 20%, Spreadsheets/manual processes: 20%, Different systems: 20%, Standardised ERP: 20%)
19. Do you agree or disagree with the following statements as they relate to the finance function?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - We have a comprehensive treasury strategy in place</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2 - Our finance team has a clear vision and strategy that is documented and understood by everyone in the department</td>
<td></td>
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<tr>
<td>3 - Regulatory compliance absorbs time that we should profitably spend elsewhere</td>
<td></td>
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<tr>
<td>4 - The rest of the organisation/entitlement/company adequately understands our role and value</td>
<td></td>
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<tr>
<td>5 - We have a comprehensive tax strategy in place</td>
<td></td>
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<tr>
<td>6 - Stakeholders in our organisation/entitlement/company’s business units are asked regularly for feedback on the finance function’s performance</td>
<td></td>
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</tr>
<tr>
<td>7 - We have balanced scorecard measures to track the finance function’s performance</td>
<td></td>
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<tr>
<td>8 - We benchmark the total cost of our finance department/function against competitors</td>
<td></td>
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</tr>
</tbody>
</table>

20. Which of the following business skills do you believe your finance department needs to improve over the next two years?

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Ability to use IT effectively</td>
<td>50%</td>
</tr>
<tr>
<td>2 - Finance’s understanding of the business</td>
<td>45%</td>
</tr>
<tr>
<td>3 - Use of non-financial performance measures</td>
<td>40%</td>
</tr>
<tr>
<td>4 - Knowledge of technical accounting requirements</td>
<td>35%</td>
</tr>
<tr>
<td>5 - Change management skills</td>
<td>30%</td>
</tr>
<tr>
<td>6 - Project management skills</td>
<td>25%</td>
</tr>
<tr>
<td>7 - Influencing skills</td>
<td>20%</td>
</tr>
<tr>
<td>8 - Knowledge of corporate governance</td>
<td>15%</td>
</tr>
<tr>
<td>9 - Knowledge of regulatory requirements</td>
<td>10%</td>
</tr>
<tr>
<td>10 - Tax management skills</td>
<td>5%</td>
</tr>
<tr>
<td>11 - Presentation skills</td>
<td></td>
</tr>
<tr>
<td>12 - Written communication skills</td>
<td></td>
</tr>
<tr>
<td>13 - Treasury management skills</td>
<td></td>
</tr>
</tbody>
</table>
21. Which of the following finance skills do you believe your finance department needs to improve over the next two years?

1. Business intelligence, financial analysis, interpretation and provision of business advice/opinions to the business/management thereon
2. Planning, budgeting/forecasting
3. Period end close-the-books processes, including account balance review, self-audit, reconciliation/verification
4. General financial/internal controls
5. Contracting and procurement
6. Inventor management
7. Fixed assets management
8. Investment appraisal
9. Vendor/accounts payable management, invoice/payment processing
10. Production/manufacturing accounting
11. Accounts receivable credit management and control

22. Which of the following tactics will your organisation/entity/company use to improve skills in the finance function over the next two years?

1. Create formal training for finance staff
2. Develop mentoring programmes for finance staff
3. Rotational assignments through the finance function
4. Recruit new finance employees
5. Rotational assignments through other business functions
6. Engage external consultants
7. Raise financial competency of business managers
8. Create a global finance development organisation
9. Other
23. Do you regularly review the performance of your finance function?

![Pie chart showing the percentage of respondents (15% often, 41% regularly, 32% sometimes, 9% rarely, 3% never).]

24. Do you regularly review and improve the processes relating to financial and management reporting?

![Pie chart showing the percentage of respondents (19% often, 48% regularly, 24% sometimes, 7% rarely, 3% never).]

25. To what degree is the organisation/entity/company able to produce high quality, error-free financial and management reporting?

![Bar chart illustrating the current (As is) and desired (To be) conditions for error-free reporting.]

The evolution of local finance functions
26. How many working days do you require to close the books and prepare consolidated monthly results?

27. How many working days do you require to publish audited financial statements at year end?
28. What improvement opportunities do you think, if implemented, would have the most significant impact on the close and reporting process?

- Integrated ERP system implementation
- Automation of routine finance processes
- Review and simplification of finance processes
- Implementation of a consolidating and reporting package
- Implementation of a performance management tool that takes financial and management reporting performance into account
- System training for finance staff
- Optimisation of number of staff and uniform spread of workload across teams/units and among staff
- Improved communication and/or change management initiatives within the finance function
- Cross-training staff to cover critical finance and management reporting functions
- Implementation of a dashboard reporting system
- Obtain business-wide support for the close and reporting process
- Best-practice implementation
- Knowledge sharing on financial processes
- Standardisation of month-end processes and timetables
- Reduced number of corporate databases
- Improved transaction processing
- Use a common chart of accounts
- Reduced number of ERP systems

29. Rate the following obstacles your organisation/entity/company faces in improving financial close and reporting

- Month-end financial reporting has a low priority
- Poor financial management/accounting skills
- Reporting does not contain relevant/useful/timeous financial information
- Poor discipline within the finance function
- Lack of operational management involvement
- Changing reporting requirements
- Insufficient capacity/skills for year-end reporting and compliance
- Poor consolidation and reporting tools
- Information not available from external sources within the required time frame
- Poor communication
- Information not available from internal sources within the required time frame
- Procedural bottlenecks
- Ineffective use of technology available
- Lack of financial systems integration/functionality
30. Where does your organisation/entity/company currently perform the following finance activities?

31. Where do you expect to perform the following finance activities two years from now?
32. Does your organisation/entity/company have formal key performance indicators for the following attributes of its business? If so, who is responsible for developing and distributing these key performance indicators?

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Not formally measured</th>
<th>Yes, measured and distributed by others</th>
<th>Yes, measured and distributed by finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Progress/Status of strategic projects</td>
<td></td>
<td></td>
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<tr>
<td>2 IT performance measures (eg downtime, speed)</td>
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<tr>
<td>3 Investor perceptions</td>
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<tr>
<td>4 Benchmarking against competitors</td>
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<td>5 Market share information</td>
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<tr>
<td>6 Customer acquisition, retention and profitability</td>
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<td>7 Staff performance</td>
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<tr>
<td>8 Product and service innovation</td>
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<tr>
<td>9 Environmental and social impact of business activities</td>
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<tr>
<td>10 Service delivery</td>
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</tbody>
</table>

33. How effective is the collaboration between the finance function and the following business functions in your organisation/entity/company?

<table>
<thead>
<tr>
<th>Business Function</th>
<th>Not applicable because function sits within finance</th>
<th>Needs improvement</th>
<th>Adequate</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Decision-makers (board/council)</td>
<td></td>
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<td></td>
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<tr>
<td>2 Strategy</td>
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<tr>
<td>3 Internal audit</td>
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<td>4 Information technology</td>
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<tr>
<td>5 Sales and distribution</td>
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<tr>
<td>6 Human resources</td>
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<tr>
<td>7 Procurement/supply chain management</td>
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<td>8 Administration</td>
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<tr>
<td>9 Manufacturing/core operations</td>
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<tr>
<td>10 Marketing</td>
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<tr>
<td>11 Asset management</td>
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<tr>
<td>12 Treasury</td>
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<tr>
<td>13 Logistics</td>
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<tr>
<td>14 Tax</td>
<td></td>
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<tr>
<td>15 Research and development</td>
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</tbody>
</table>

The evolution of local finance functions

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34. How effective is your finance department at providing the following services to other stakeholders?

1 – Answering ad hoc questions from business managers
2 – Providing timely and accurate information
3 – Providing accurate forecasts/predictive analysis
4 – Providing advice and insight to support managers’ business decisions
5 – Providing investors with insight into the value of the business

35. How often does the finance function at your organisation/entity/company participate in the following decisions?

1 – Hedging, funding and investment decisions
2 – IT investments
3 – Non-IT capital expenditures
4 – Mergers or acquisitions
5 – Risk assessments on investments
6 – Negotiations with suppliers and business partners
7 – Negotiations with outsourcing providers
8 – R&D investments
9 – Marketing investments
36. In your opinion, how important are the following capabilities in building trust with the investor community/other external stakeholders?

- Accuracy of forecasts (1)
- Proactive management of the expectations of investors/other external stakeholders (2)
- Quality of guidance given to investors/other external stakeholders (3)
- Frequency of contact with investors/other external stakeholders (4)
- An innovative approach to external relations (5)
- Reporting business performance more quickly than competitors (6)

37. In your opinion, how effective is your finance function at the following tasks?

- Reporting business results to investors/other external stakeholders (1)
- Delivering accurate forecasts of future performance (2)
- Giving guidance on future performance to investors/other external stakeholders (3)
- Proactively managing the expectations of investors/other external stakeholders (4)
- Frequency of contact with investors/capital markets/other external stakeholders (5)
- Overall approach to external relations (6)
- Providing information for policy formulation (7)
Appendix Meet the team

This survey would not have been possible without the support and contributions from KPMG people in our member firms across Africa. These professionals provided feedback on the survey questions, provided names of potential respondents, conducted interviews, encouraged clients to take part in the survey, compiled results, performed analysis and generally provided support to the South African team in preparing the survey.

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- Alberto Nhampossa, Mozambique
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- Joao Togo, Angola
- Tony Vicente, Mozambique
- Rudi Weys, Pretoria, South Africa
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