



OPERATIONS IMPROVEMENT

## **Finance Function Effectiveness**

Capitalizing on budgeting, new processes and technologies

ADVISORY

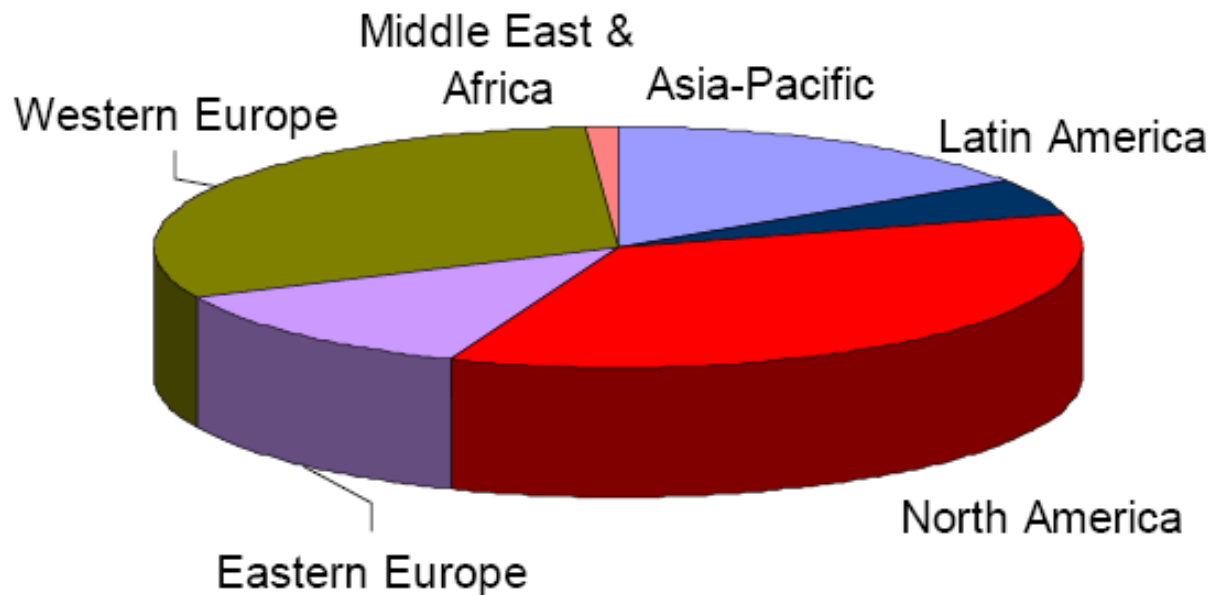
# Agenda



- Recent survey key themes
- Research results
- KPMG – sharing our perspective
- The need to change process
- The role of technology

## About the research

- KPMG International commissioned the Economist Intelligence Unit
- Global survey of 286 senior finance executives, including 123 CFOs
- Over half from companies with over \$1bn annual sales revenues
- Survey supplemented by a program of in-depth interviews with CFO from leading organizations
- Cross-section of industries & locations



***“Top performing businesses have top performing Finance functions, but few Finance Functions are top performing.”***

**Scott Parker  
Head of Financial Management  
KPMG LLP (UK)**



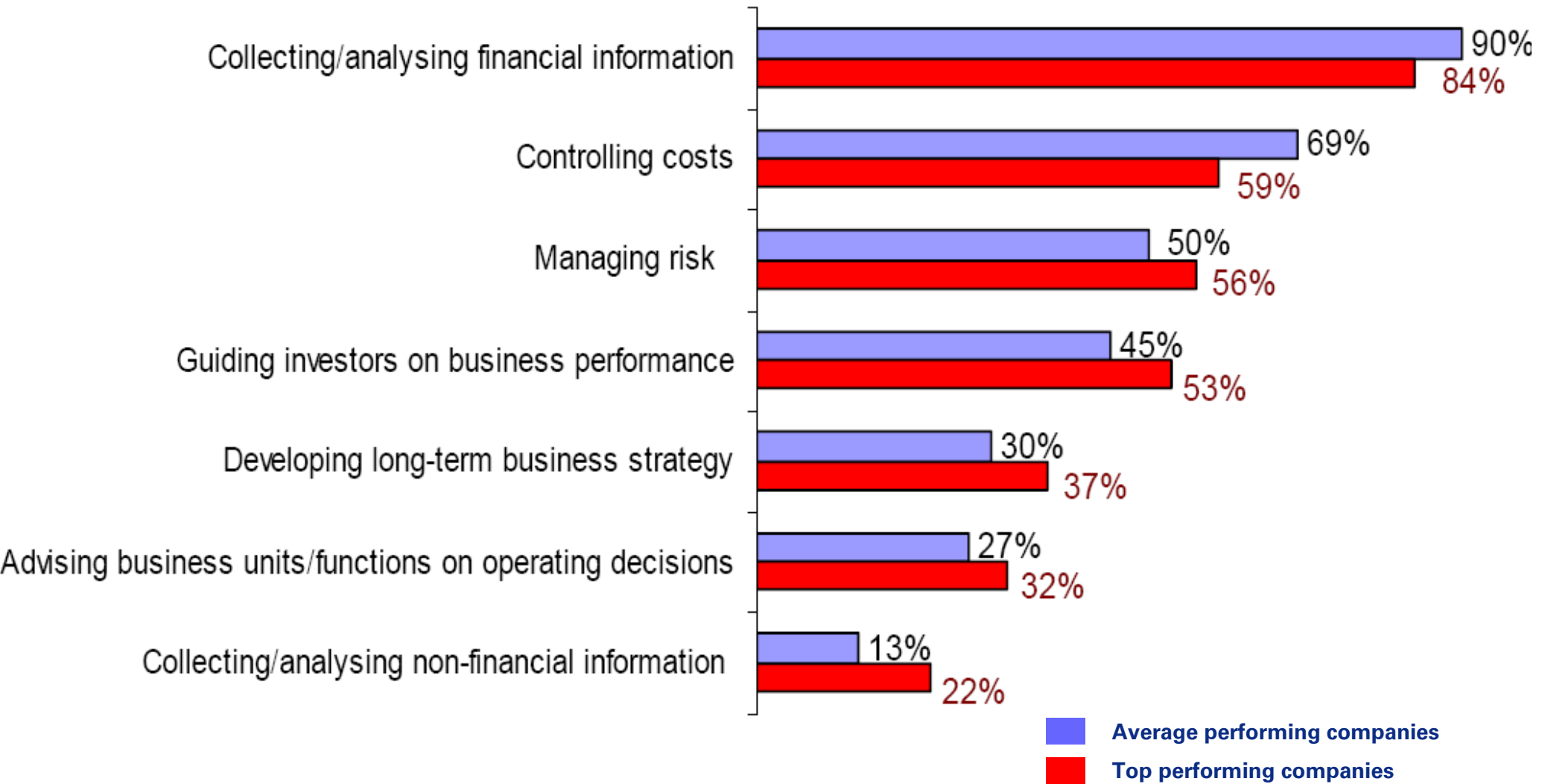
## *Selected survey key themes*

- Forecasting and management information are key priorities
- Shared service centres continue to pave the way to new efficiencies
- Compliance is a long-term challenge
- Leading CFO are spending more time on investor relations
- Finance faces a skills crunch

# Key Themes: Top performing Finance functions spend more time on value-add activities



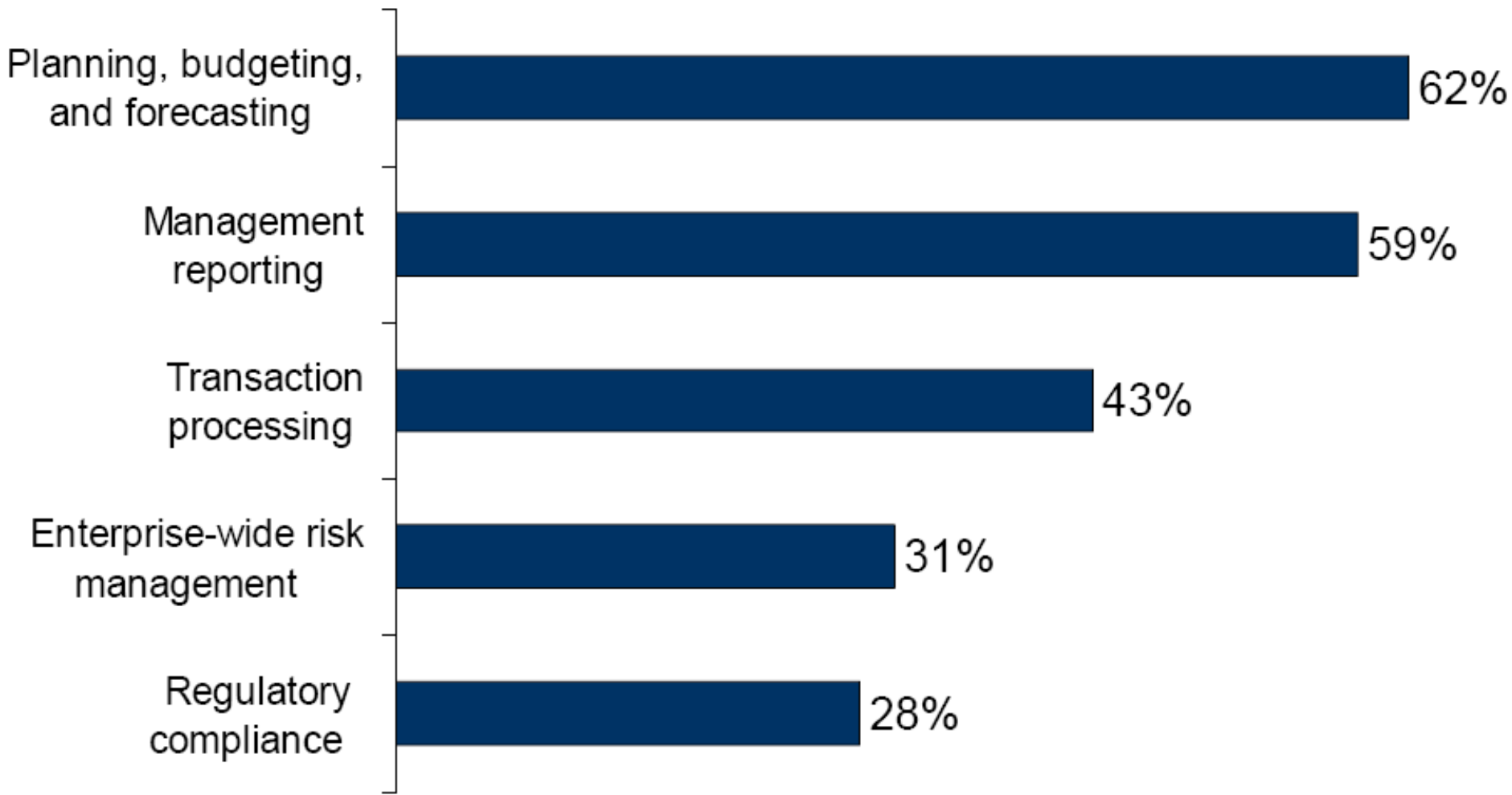
## Areas where Finance functions play a leading role...



# Key Themes: Finance must deliver high quality, forward-looking information



## Top 5 priorities for improving in Finance Functions' capabilities...



## ***Survey conclusion: A key lessons from CFO at top performing companies***



- Spend more time on value-adding activities such as decision support
- Have the tools, performance metrics and skills to provide forward-looking insights to the business and investors
- Invest heavily in attracting and developing the talent required to succeed

## ***Meeting the challenge: What needs to be in place to meet the organizations' needs?***



- Finance needs to take a lead in a coordinated approach to cost optimization which is not the same as cost control.
- The organization's perspective relating to predictive reporting needs to reflect more dynamic thinking often reflected in understanding that cost optimization is not the same as the traditional view of cost control.
- The organization needs to adopt more responsive budgeting, forecasting and reporting processes
- The organization needs to use the right tools that provide true insights into operational performance
- The people involved in the predictive and performance analysis and reporting processes need to have the right skills.

## ***Meeting the challenge: Taking the lead but not the load.***



- Finance is well placed to take the lead in coordinating the allocation of resources.
- Finance needs to engage fully with the organization in looking at ways to predict appropriate costs that will support the achievement of the organization's strategic, medium and short term objectives.
- Finance needs to reduce the relevance of its traditional reputation in respect to cost control.

## ***Meeting the challenge: Understand that budgets may not deliver cost optimization***



- Finance may need to rethink the relative value (and cost) of their current budgeting and forecasting approach.
- There needs to be a recognition and clear communication of the difference between cost control and cost optimization.
- When assessing cost optimization the organization needs to dynamically reflect the impact of changes in the environment in which it operates.

## ***Meeting the challenge: The cost assessment process has to be fast***

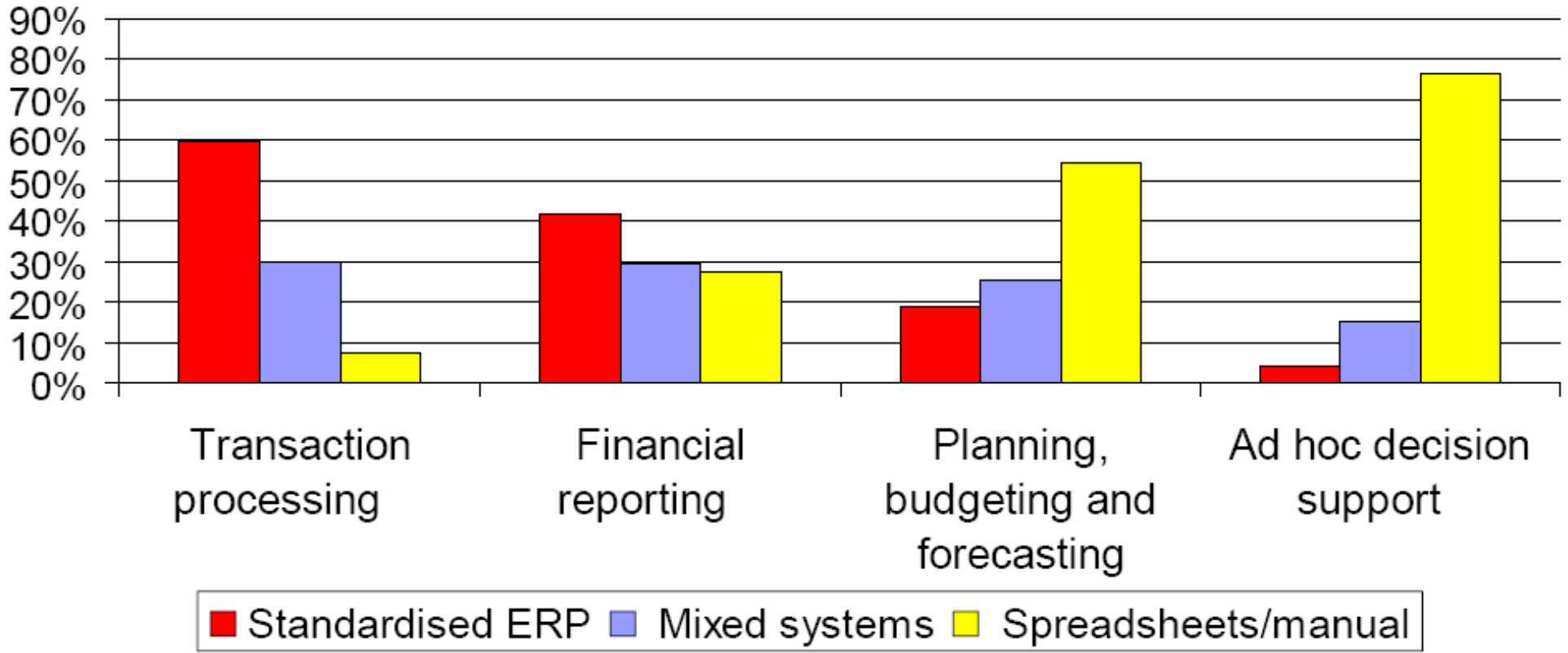


- If the organization is going to use its knowledge of the world in which it operates then the ability to reflect changes to the world in the assessment of costs must be as quick as the changes that impact it.
- There must be a clear understanding of the interdependencies between different parts of the business.
- There has to be an ability to respond to changes or if not recognition of the impact of response delay.

# Meeting the challenge: The people and the processes must deploy the right tools



## Systems used to support key Finance processes...



## ***Meeting the challenge: Information has to be presented in a concise and insightful way***



- Information delivery has moved on from rows and columns with a little bit of text.
- Commentary needs to be more than stating the obvious.
- Relevant external factors need to be embedded of standard reports delivery.

***The culmination of all this might look like...***

# Balance Scorecard Example



Our Dashboard
Content | Layout | Settings | Help

Summary
Household & Cleaning
Laundry
Hair & Skin
Beauty

Consumers
Customers
Internal
People
Finance

**Consumers**

Consumer Leverage

Brand Awareness

Category	Unprompted	Prompted	Status
Beauty	~45%	~95%	Yellow
Hair & Skin Care	~50%	~85%	Red
Laundry	~65%	~95%	Green
Household Cleaning	~65%	~90%	Green

Product Switching

- Household Cleaning
- Laundry
- Hair & Skin Care ●
- Beauty ●

**Customers**

Global Penetration

UK Channel Penetration

Multiples		<span style="color: grey;">◐</span>
Forecourts	61.2%	<span style="color: grey;">◐</span>
Grocery Stores	54.9%	<span style="color: grey;">◐</span>
Pharmacies	50.3%	<span style="color: grey;">◐</span>

Promotional Effectiveness

**Internal**

Brand Focus

New Product Development

Trade Pricing

- aaa ●
- bbb ●
- ccc ●
- ddd ●
- eee ●
- fff ●

**People**    Training ●    Retention ●    Vacancies ●    People Metrics ●

**Finance**    Sales ●    Margin ●    Profit ●    Cash Flow ●    Working Capital ●    OpEx ●    RoCE ●

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# Balance Scorecard Example



## Performance Overview

	Actual	Target	3 month trend	Status	Comments
• GS are my shared service supplier of choice		75%		●	Survey data is not currently available
<b>Improve Customer Services</b>	%	100%		●	
• How well are we minimising disruption to customers?		100%		●	A consistent measurement system is yet to be agreed with all customers
• Are we easy to work with and responsive to our customer needs?				●	Survey questionnaire yet to be rolled out
Overall RAG status of projects which support Improve Customer Service				●	New baseline request to be taken to steering group for PTP
<b>Reduce Costs and Demonstrate Value</b>	99%	100%		●	
How well are we					
• On track to deliver our cost reduction targets?	100%	100%		●	Overall costs are broadly in line with Q3 Forecast
• Effectively managing our cost drivers?	99%	100%		●	Broadly in line with plan
• Demonstrating value?				●	
Overall RAG status of projects which support Reduce Costs and Demonstrate Value				●	
<b>Mitigate Risk Exposure</b>	40%	100%		●	
How well are we					
• Mitigating key risks?	60%	100%	↔	●	No Cat 1 risks this month.
• Complying with policy?	20%	100%	↔	●	16 overdue actions
Overall RAG status of projects which support Mitigate Risk Exposure				●	No projects with status red this month
<b>Build Leadership and Performance Capability</b>	53%	100%		●	
• How are GS colleagues feeling?	76%	100%		●	In 5 out of 8 questions, GS results outperform the BANKGRP average
• Group Services People and Initiatives	30%	100%		●	There is no consistent approach to capturing this information within GS
<b>Improving Business Performance</b>	%	100%		●	
• To be populated				●	
Overall RAG status of projects which support Improve Business Performance				●	All projects have a green status

# Balance Scorecard Example



Home
Report Library
My Links
Analysis

**Commercial Scorecards**

KPI's

**Corporate**

	Value	Status
Volume	37.7	<span style="color: red;">●</span>
Revenue	213.1	<span style="color: green;">●</span>
COGS	85.0	<span style="color: yellow;">●</span>
Margin	128.1	<span style="color: green;">●</span>
Spend	69.9	<span style="color: green;">●</span>
Comm O/H	10.4	<span style="color: green;">●</span>
Contribution	60.2	<span style="color: green;">●</span>
Market Share	60	<span style="color: red;">●</span>
Fixed Cost	103	<span style="color: yellow;">●</span>
EBITDA	123.6	<span style="color: green;">●</span>

[Customer Scorecard](#)  
[Brand Scorecard](#)  
[Sales Execution Scorecard](#)

COMMERCIAL METRICS

**Market Share**

**Corporate Share**

**Brand Contribution**

**Business Unit Contribution**

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# Balance Scorecard Example



Select:

## Financial Scorecard

Operations Canada	Act.	Var.	Value (\$000)	
Revenue (\$000)	69.0	-7.2%	-5.0	
Direct Costs (\$000)	49.5	7.6%	3.8	
G&A (\$000)	5.0	-24.0%	-1.2	
EBITDA (\$000)	14	-17.1%	-2.4	

Operations U.S	Act.	Var.	Value (\$000)	
Revenue (\$000)	48.0	0%	-0.1	
Direct Costs (\$000)	40.5	0%	0.1	
G&A (\$000)	3.9	9.3%	0.1	
EBITDA (\$000)	3.6	2.7%	0.1	

KPI	Cdn	U.S.
Gross Margin Per Lot	\$13.3k	\$23.1k
G& A Per Lot	\$4.8k	\$3.1k
New Store Analysis	15%	25%
Lease Profitability	1.19	1.27
Lot Retention	95	74%

	Sales Pipeline - Top 5		
	Amount	Probability	Status
Deal 1	\$251k	75%	
Deal 2	\$110k	60%	
Deal 3	\$85k	35%	
Deal 4	\$65k	25%	
Deal 5	\$50k	10%	

Report Library

# Balance Scorecard Example

## Group Summary - Dashboard

	USD/CAD Average	Average Gold Price/ounce	Average Share Price	BAR/CAD	CHP/CAD	RUP/CAD
Current Month	1.21	661	15.25	2.18	525.00	27.00
Prior Year	1.16	545	11.25	2.11	515.00	28.00
Year to Date	1.20	615	14.85	2.17	520.00	26.00
Trend	↑	↑	↑	↑	↑	↑
KGC Forecast Rate	1.23	525.00		2.16	523.00	25.00

## Group Summary

	Year to Date (\$m)		Status
	Actual	Budget	
Lost-Time Injury Frequency	1.8	3.1	●
Number of Fatalities	0	0	●
Number of Employees	7,500	7,600	●
Revenue	\$21,998	\$21,999	●
Operating Profit	\$21,998	\$21,999	●
Net Income	\$21,998	\$9,000	●
Operating Cash Flow	\$11,998	\$6,999	●
Cash and Cash Equivalents	\$6,999	\$2,999	●
Net Debt	\$2,999	\$3,000	●
Net Income per Share	\$1.20	\$1.18	●
Ore Mined (Tonnes)	72,000	72,000	●
Average Realized Gold Price per Ounce	\$442.50	\$395.42	●
Total Cash Cost per Ounce	\$442.50	\$395.42	●
Total Production Costs per Ounce	\$442.50	\$395.42	●
Total Proven and Probable Gold Reserves	72,000	72,000	●
Total Proven and Probable Silver Reserves	24,000	24,000	●
Total Proven and Probable Copper Reserves	10,000	10,000	●

**Key**

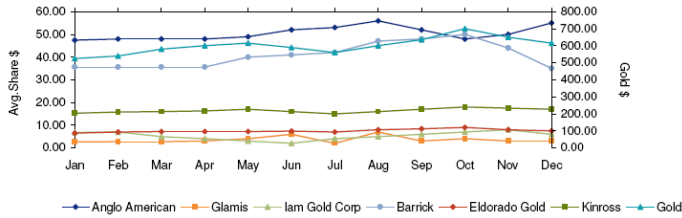
- Actual against Budget is favourable (green) / on target
- (yellow) unfavourable (red) by 5% or more

## Market and Competitor Review

Market Review	Key Developments
Gold	No new developments
Silver	No new developments

Competitor Review	Key Developments
Anglo American	No new developments
Glamis	No new developments
Iam Gold Corp	No new developments
Barrick	No new developments
Eldorado Gold	No new developments

Avg. Share Price
\$47.50
\$2.65
\$39.00
\$35.60
\$6.50





## In summary

- Finance needs to take a lead demonstrating the difference between cost reduction and cost optimization and changing the thinking of the organization.
- The organization needs to make sure that the right people are empowered to and are executing the right roles.
- Finance needs to make sure that the predictive reporting and performance analysis processes are effective and efficient and RELEVANT.
- Finance needs to optimize its own costs – which may mean some investment in the right people, processes and tools!

***The primary goal for Finance is clear...***

***“They want finance to use its knowledge and understanding of the numbers to provide the tools, the metrics, and the analytical insight needed to evaluate potential growth opportunities and to make decisions about resource allocation.”***

***Janice Fukakusa, CFO of Royal Bank of Canada.***

**We look forward to speaking with you about cost optimization**



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