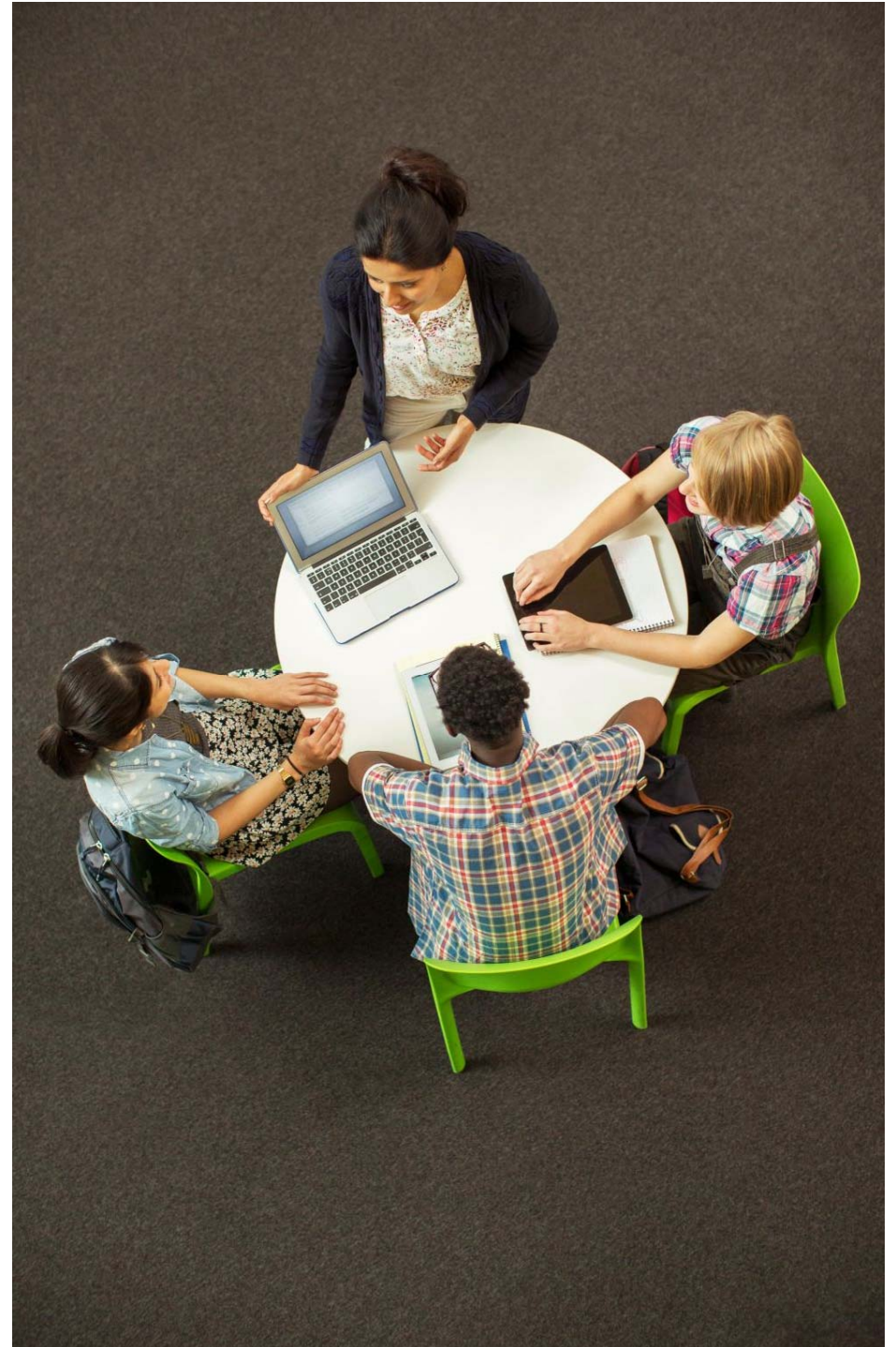




Effectiveness of finance functions in post-secondary institutions

Our survey findings

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Presenters



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Agenda

Finance Operating Model

Four Faces of the CFO

Finance Function Maturity Model

FOM Survey Report

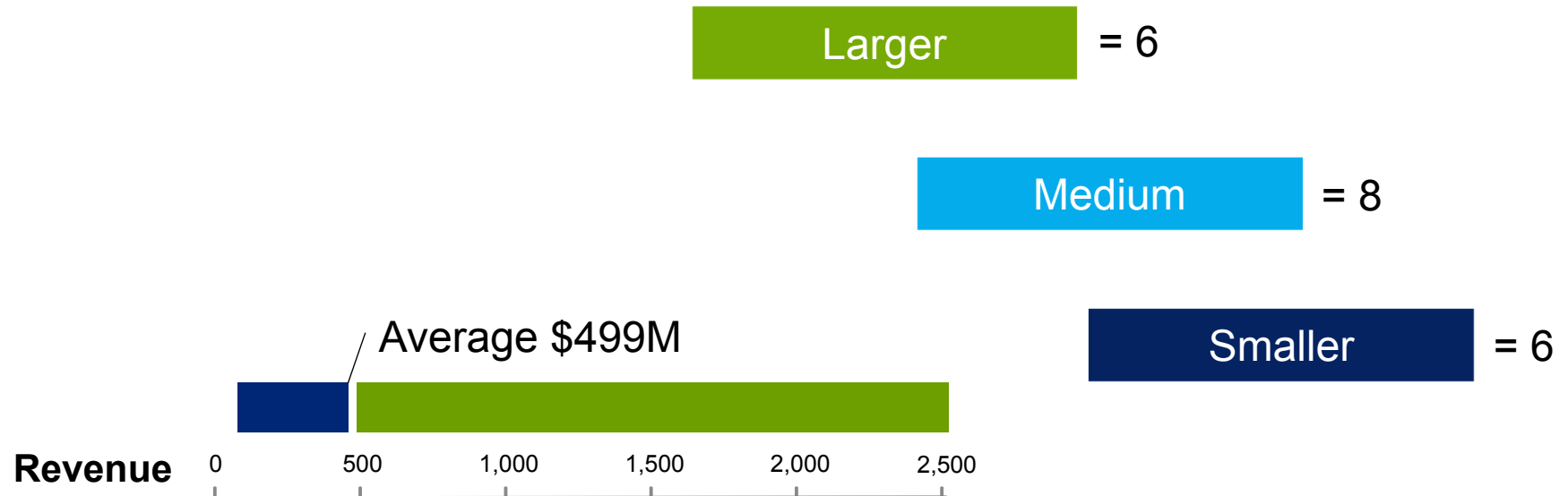
- Areas of strengths

- Key focus areas

- Core insights

Post secondary

FOM survey – Surveys received



Larger

\$747M–\$2,839M

Smaller

\$4M–\$57M

The Finance Operating Model

Deloitte's point of view

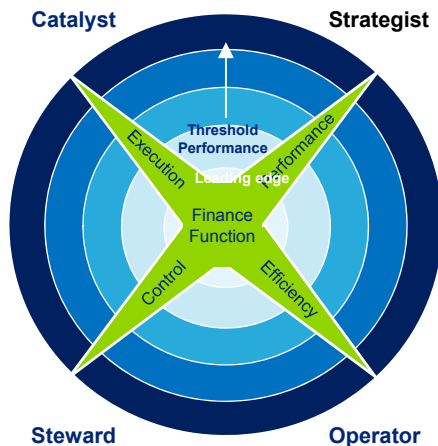
- The FOM should be framed by a well articulated Finance vision and a clear understanding of Stakeholder expectations
- The state of maturity of each of the eleven components of the FOM will, at any point in time, be influenced by the relative emphasis which the CFO and the finance team places on the roles of Stewardship, Strategist, Operator and Catalyst



The four faces of the CFO

Deloitte's point of view

Our view on the roles that CFOs usually focus on is embodied in our 'Four Faces of the CFO' model which provides insight into the roles and responsibilities of the CFO. The model also frames Finance function challenges and specific pain points as well as the stakeholder expectations which they must try to meet.



Steward: Protect and preserve the assets of the organization

Operator: Balance capabilities, costs and service levels to fulfill the Finance organization's responsibilities

Strategist: Provide financial leadership in determining strategic business direction and align financial strategies

Catalyst: Stimulate behaviors across the organization to achieve strategic and financial objectives

The four faces of the CFO



Finance function maturity model

Area	Basic	Developing	Defined	Advanced	Leading
Data	Limited use of systems with key data residing with individuals, no data validation	Data structure is partially defined with some key data stored outside of systems data; data validation is reactive	Data is mostly captured and validated throughout systems; manual manipulation and aggregation is required to support analysis and reporting	Data is captured and validated through key systems; some manual manipulation or aggregation required	Data assets are validated, integrated and accessible; there is a single trusted source for data
Process	Processes are not defined and are entirely manual; no controls in place	Processes are partially defined and highly manual; controls are mostly manual and detective	Processes are mostly defined with varying levels of documentation; controls are defined, documented and mostly detective	Standardized processes and documented policies; controls tending toward automated and preventative	Processes and tools are fully defined and optimized; controls are automated and preventative
People	No talent management strategy or performance measurement framework exists	Limited talent management strategy and basic competency definitions exist but are not governed by a formal performance measurement framework	Defined talent management strategy exists with detailed competency descriptions, governed by a basic performance measurement framework	Talent management supports the business strategy through designed programs with a focus on required competencies. Clear performance metrics exist to drive improvement	Global talent management is aligned with the business strategy and has a mature process in place that enables current and future competency requirements to be measured and proactively managed
Strategy	No vision or plan in place for financial management	Key improvement initiatives are prioritized and allocated capital	A finance vision statement is created, communicated and aligned with the goals of the business	Key attributes and characteristics to define the finance vision are defined and understood, CEO and CFO are in agreement and are aligned as to future investments	A 4-5 year executable action plan is defined and used to measure the modernization activities. Stakeholders are aligned and supportive
Technology	Limited use of system tools and mostly spreadsheet based	Manual use of system tools prevent full utilization	Latest available tools are assessed, selected and utilized, but with a reliance on manual efforts	High level of systems support, automation and integration across the organization	Highly integrated systems to support operations

The FOM Survey Report

Overview and objectives

The FOM Survey, rapidly assessed the maturity of

- The eleven core components of the FOM
- The Finance vision
- Stakeholder expectations and management information, as well as
- The roles played by the Function in the context of our Four Face model

Reports were provided to each participant

- Highlighting each participant's perceptions of the current state and desired state of all components of the FOM
- Comparing the participant's FOM against those of a Peer Group selected on the basis of Revenue size

This presentation describes the results of the FOM survey, including insights and recommendations

Scoring

Individual (54) survey questions were framed such that the five-level scale of answers could be interpreted in accordance with levels of maturity as follows

	1.	2.	3.	4.	5.
Answer provided	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Interpreted Maturity	Rudimentary	Developing	Basic	Advanced	Leading

Perceived strengths

Generalized

1. Talent and Competency models are perceived to be effective
2. Governance is strong and desire is to make it stronger
3. Management information is timely and relevant
4. Adherence to policies and controls are monitored
5. Efficient financial close process

Perceived strength - Talent and competency

Most respondents (over 70%) indicated

- The institution has populated Finance with relevant competencies in appropriate roles
- Training is provided on a systematic and fair basis
- Employee's skillsets are well-aligned to the complexity level and the required outputs of their role

Perceived strength - Governance

Most respondents (60–80%) indicated

- Framework and boundaries, governing who makes what decisions in Finance, are totally transparent and clearly understood
- All governance principles and codes are formally documented
- The organizations proactively comply with laws, rules and regulations

Perceived strength - Steward(ship)

Most respondents (60–80%) indicated

- Disseminated financial information is trusted by internal and external stakeholders
- The institutions' internal control and risk management frameworks discover and mitigate risks
- Finance is able to give early warnings to Board members on potential liability risks

Perceived strength - Adherence to policies and procedures

A majority of respondents indicated

- Institutions have documented and kept updated formal policies, procedures and controls
- Staff adhere to controls, and such adherence is appropriately monitored

Defining the financial closing process

60% of respondents believe period end closes are completed efficiently and within an acceptable amount of time; however, these definitions may vary across institutions

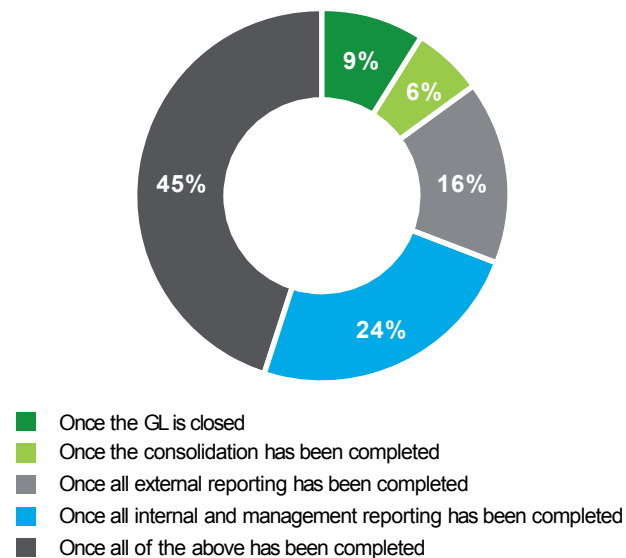


Figure 7

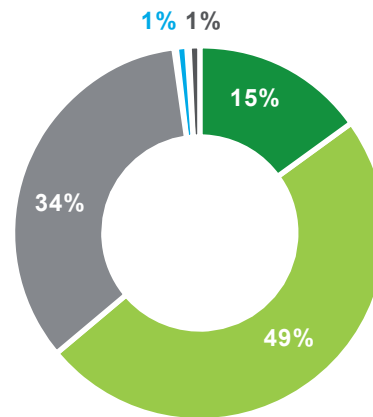
How do you define the end of your financial close cycle?

Financial close process

Improvement areas

Organizations seem to want to most improve the following aspect

Which potential improvement would most benefit you?



- Defined monthly reporting
- An earlier start to the process
- Setting materiality levels for variance analysis and late entries
- Better system integration
- Improved resource skillset

Perceived strengths by organizational size

Large post-secondary institutions

1. Regular review and upgrades of technology
2. Formal and current policies and control documentation
3. Cross functional management committees

Medium-sized post-secondary

1. Reporting structure aligned to Vision & Key Finance Areas

Small post-secondary institutions

1. Efficient period-end close
2. Clear decision framework and boundaries
3. Stakeholders freely confirm satisfaction



Key focus areas summary

Based on our survey of participating universities, we have identified areas for improvement for higher education entities



Core insights

Opportunities

1. Lack of operating (performance) metrics
2. No true stand-alone shared services and duplication of efforts in service delivery
3. Processing automation is not widespread
4. Technologies are not adequately integrated, though regular reviews occur
5. No clear and visible link between performance and total compensation
6. No formal process to gather stakeholder satisfaction

Opportunity - Lack of operating metrics

Half of all respondents indicated they do not have any documented operating metric targets

80% of all respondents do not regularly benchmark their operating metrics externally

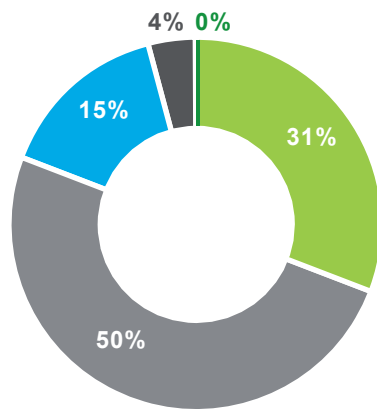
Most respondents could not comment on how they perform compared to their peers

Finance functions do not seem to be able to demonstrate efficiency in their processes. This may impact

- Reduced effectiveness in operator role
- Financial closing process (additional time/resources required)

Opportunity - Lack of operating metrics (cont'd)

A 2015 survey of over 1,000 finance leaders in Canada responded the following with regards to the quality of insights within their organization



- Excellent. Insights are aligned to our strategic priorities and disseminated to key stakeholders through interactive and/or self-serve mediums
- Very good. Insights are mostly aligned to strategic priorities and provided in a reasonably timely manner. Traditional reporting mediums used
- Good. Some relevant insights are uncovered and shared, but the processes and mediums to distribute are inefficient and/or ineffective
- Developing. Few insights are uncovered and shared, reporting is rigid and inefficient
- Poor. We don't currently share many insights

Data visualization and dashboarding

Key benefits: Analysis of data, consumption of insights – Efficient, effective and reliable

Easily implemented: Flexible fit within the current IT infrastructure, cloud-based applications, real-time access

Extracting value: Exploiting the potential within your (internal and external) data assets

Supporting talent: Enables the next generation of finance talent to succeed

A great first step: A pre-cursor to advanced analytics

Opportunity - No true stand-alone shared services and duplication of efforts in service delivery

70% of respondents indicated that there are numerous duplication points within the organization

In addition, 55% of respondents do not anticipate creating independent Finance Shared Services model

Large organizations seem to have analyzed centralization of finance activities

Duplication of activities increases time spent at the Operator role and reduces time spent being a Catalyst

Duplication also reduces the effectiveness of the Finance Function

Opportunity - Lack of automation

65% of respondents indicated that most Finance processing activities are not automated

Responses were varied on whether current business processes are standardized (including in decentralized environments)

Lack of automation increases time spent on the operator role, increasing the requirements to implement manual controls

Opportunity - Lack of integrated technologies

Larger respondents tended to have systems which were integrated with relevant operation systems

Medium and small-size respondents (65%) do not have either:

- Integrated accounting system; nor
- Integrated financial reporting systems

Smaller respondents would typically spend additional time preparing financial reports, i.e., be more operators than catalysts

- We however noted that most respondents (regardless of size) require manually intervention to prepare their financial reports

Opportunity - No link between performance and compensation

Majority of organizations (66%) indicated that there is limited or no link between an individual's performance and compensation provided

Factors may include

- Unionized environment
- Wage freezes imposed on institutions

Opportunity - No formal process to gather stakeholder satisfaction

60% of respondents have not implemented mechanisms to ensure stakeholder satisfaction

- Most large organizations intend to obtain, within the next three years, formal feedback on the level of satisfaction with business units

Other findings

Opportunities

Large post-secondary institutions

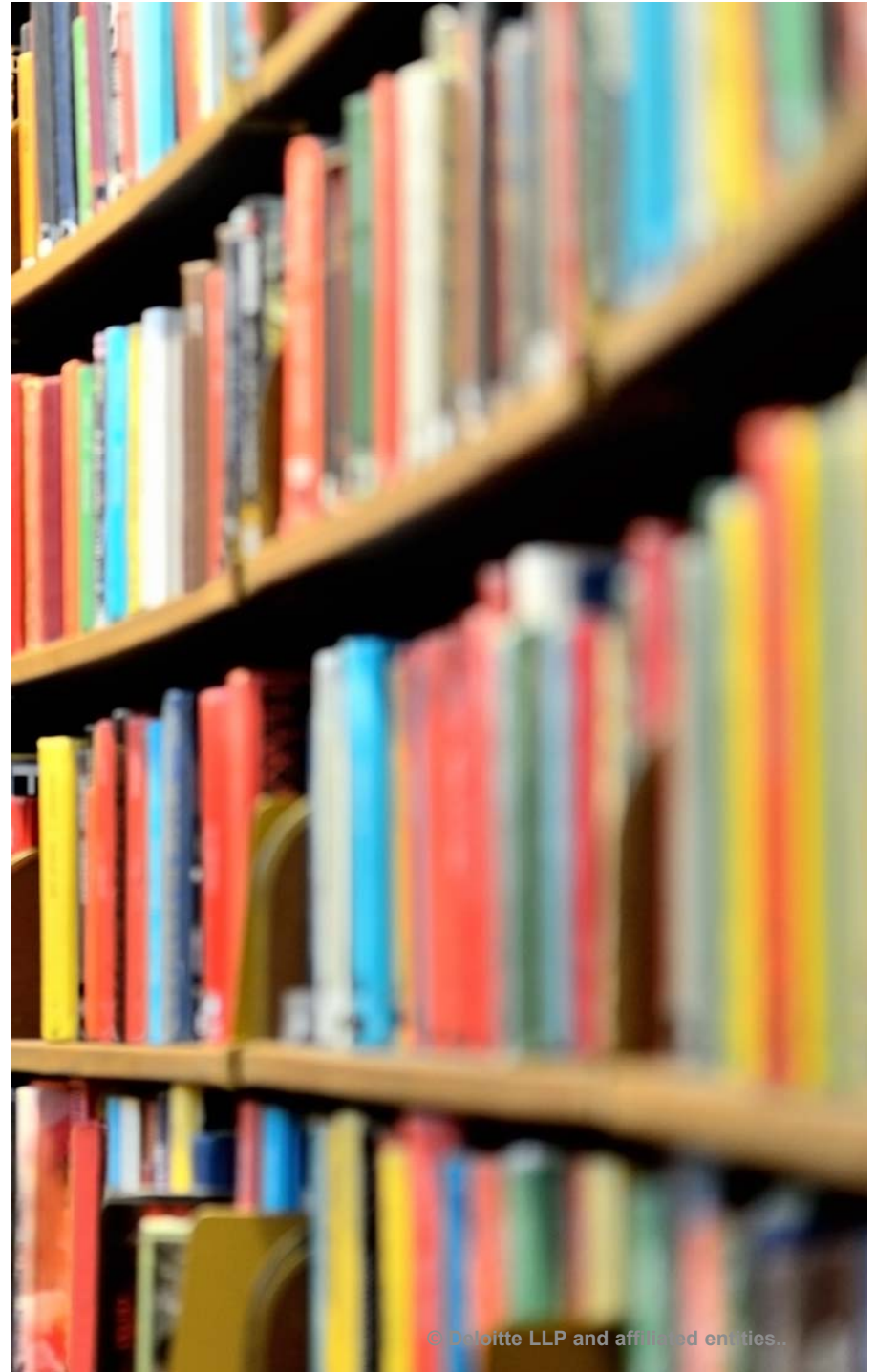
There seems to be a lack of

- Standardized processes
- Centralization for service delivery

Small post-secondary institutions

Finance business plans are not developed

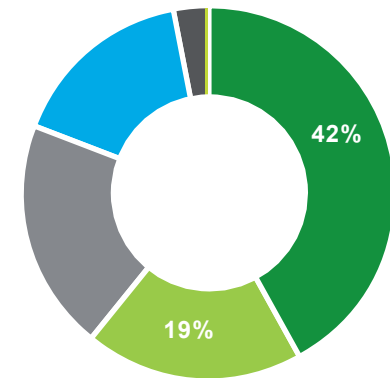
No quantified objectives for Finance



Impediments

Our 2015 survey identified the following impediments that prevent CFOs from being Catalysts and Strategists

Reduction of duplication would likely increase CFOs' capacity to act as a Business Partner

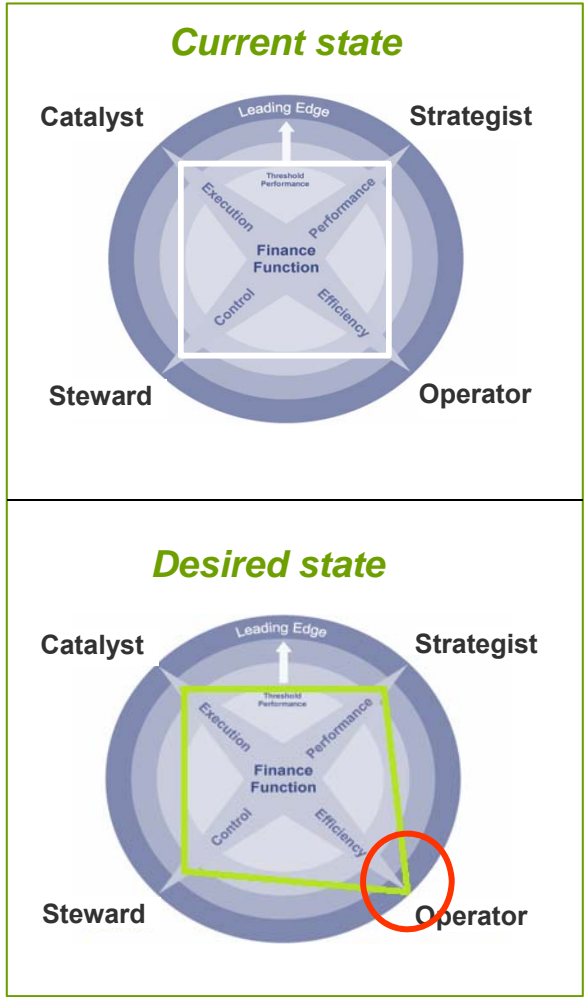


- Current workload
- Lack of tools
- Not the right skills in the finance team
- Stakeholder alignment
- No autonomy
- None of these

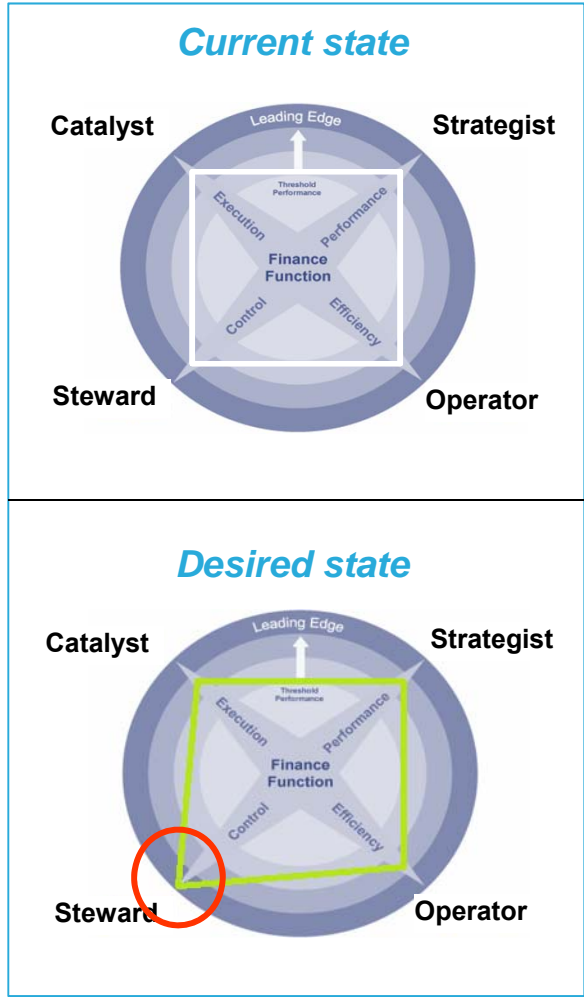
Four face roles of the CFO

Current vs future state

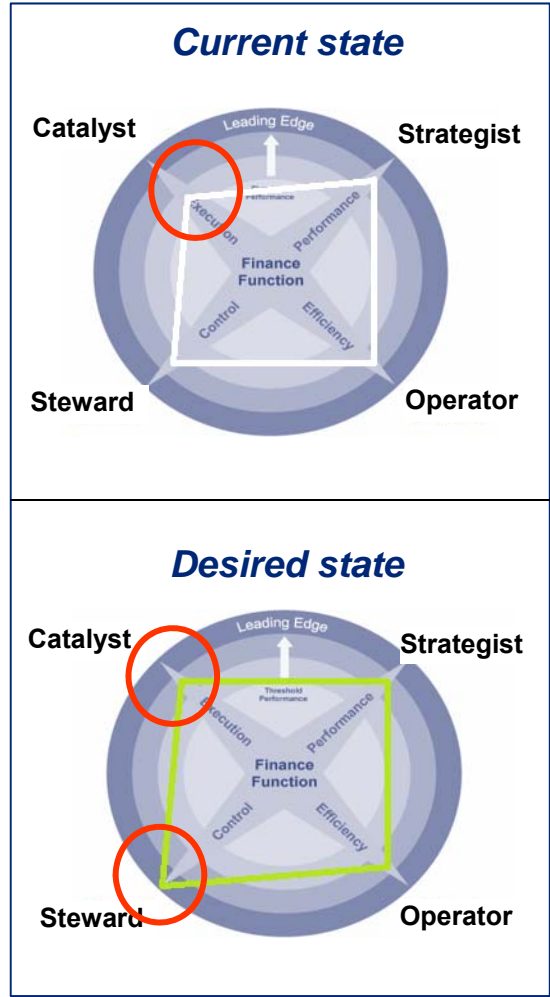
Large



Medium



Smaller



The Finance Operating Model

A Deloitte point of view

Finance vision and strategy

Who we are: What and how we aim to achieve our goals

Service Delivery Infrastructure

Process

What we do and how we design our work flows

Service delivery

How we concentrate our services and processing

Location

Where we locate our delivery teams

Technology

How we automate our work

Policy and controls

How we control our core components

Human Capital Infrastructure

Governance

How we align our internal and external interactions

Organization structure

How we group ourselves for reporting effectiveness

Accountability

Who we hold responsible for decisions and actions

Talent/competencies

What skills we maintain and develop

Performance measurement (people)

How we measure and compensate our resources



Four Faces of the CFO

Internal (finance) operating metrics

What metrics we use to manage our effectiveness

Stakeholder expectations & management information

Who we serve, and what they expect from us

Questions





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