



Energy and Natural Resources Finance Survey

Insights from leading finance functions

KPMG Global Energy Institute

ADVISORY

in association with

CIMA

Chartered Institute of
Management Accountants

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About the KPMG Global Energy Institute (GEI)

The KPMG Global Energy Institute has been established to provide an open forum where industry financial executives can share knowledge, gain insights, and access thought leadership about key industry issues and emerging trends.

Energy Companies' financial, tax, risk, and legal executives will find the GEI and its Web-based portal to be a valuable resource for insight on emerging trends.

To register for your complimentary membership in the KPMG Global Energy Institute, please visit www.kpmgglobalenergyinstitute.com

About CIMA

The Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body of Management Accountants, with 171,000 members and students operating in 165 countries, working at the heart of business. CIMA members and students work in industry, commerce and not for profit organizations. CIMA works closely with employers and sponsors leading edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders.

Executive Summary

The Energy and Natural Resources sector must cope with many, sometimes unique issues that pose a considerable challenge for Finance. These include remote and dispersed operations, tough and varied political and regulatory environments, the finite nature of exploration finds and significant merger and acquisition activity.

This has helped to shape a narrow focus towards controllership and compliance, with the survey finding two-thirds of finance functions being perceived by the business as controllers and providers of management information as opposed to business advisers.

Key insights from the survey:

1. Finance will go back to basics as a result of the current economic turbulence

The current economic turbulence has highlighted short-comings which Finance should urgently seek to address. Nearly two-thirds of respondents cite working capital, business planning, cash flow forecasting and cost control as areas for greater focus. Additionally, Finance is expected to take a leadership role in new areas, particularly scenario planning, management of counter-party risk and both short and long-term financing.

2. Finance has added its own complexity to an already inherently complex industry

Nearly four-fifths of respondents lack a global view of key finance processes and allow local systems, manual processes and spreadsheets to pervade management reporting, business planning and project accounting. At times poor systems and inefficient processes have helped to create a vicious circle hindering Finance's performance with otherwise unnecessary effort spent on data collection, duplication and re-work in order to gain confidence in the integrity of the data.

3. The lack of a global operating model means there is no common view of how Finance should be organized

Almost three-quarters of respondents report the lack of a common design framework for sizing the team at Asset level. Shared services and centers of excellence are only used by half of respondents although they are more prevalent in larger organizations. In the cases where they exist, many cite the ambiguity arising from new and shared responsibilities as a key problem.

4. Finance has yet to demonstrate its leadership credentials to the business

Despite ambitions to be strategic business partners, less than 20 percent of those surveyed say they have a leadership role in key business activities including operational decisions, asset management, capex initiatives, controlling costs and working capital management.

5. Finance should seek to address a skills gap where it matters most – at the Asset level

Attracting and retaining quality staff remains a significant issue with nearly two-thirds of respondents citing a lack of technical, analytical and business skills at Asset level as well as low levels of employee mobility.

6. Top performing finance functions are twice as efficient and devote more effort to business decision support

The sector's top performing finance functions report Finance FTEs of 37 per US\$ billion operating costs, while the average of all respondents is 81. They also devote more resources to business decision support particularly at the Asset level, where they report over half undertaking these activities compared to approximately a third across all respondents.

The survey findings show that those finance functions which have invested in standard operating models, common processes, systems and ways of working are both more efficient and have already created the space and opportunity to enhance their focus on business planning, analysis and providing insight.

These finance functions are now well positioned to adapt, refine and anticipate their future role in order to provide the best possible support to the business during the current economic turbulence and beyond.



“High performing finance functions anticipate the needs of the business throughout the commodity life cycle and continue to refine their role, the services they provide, and the appropriate size and shape of their supporting model.”

Michiel Soeting
Global Chairman,
Energy & Natural Resources, KPMG



Introduction

In 2009, KPMG surveyed 20 leading mining and upstream oil and gas organizations for their views on the latest trends, priorities and challenges for Finance in the Energy and Natural Resources (ENR) sector.

Covering a wide section of the sector the survey includes oil & gas majors, diversified miners and single commodity miners. Most organizations have global operations.

Senior ENR finance executives from across the globe were requested to complete an online survey. Analysis was performed at the ENR sector level with further supplementary analysis by size (based on market capitalization), by sub-sector (oil & gas, diversified miners and single commodity miners), and by identifying top performing finance functions. For the purposes of this survey, top performing finance functions are defined as those organizations who:

- rated their overall finance function performance as high
- have better than average productivity benchmarks (measured as Finance FTEs per US\$ billion operating cost)
- have the largest shareholder return over the last five years.

The report summarizes the results of the analysis across Finance's operating model:

- Role
- Organization and governance structure
- Shared services and centers of excellence
- System landscape
- Business intelligence and management reporting
- Business planning – budgeting and forecasting
- People.

Each section identifies key trends, areas where there is no consensus and what differentiates top performers. Finally, KPMG's point of view draws together some of the key challenges and how our member firms have seen high performing organizations tackling them.

CIMA foreword

The findings of KPMG's survey of the latest trends, priorities and challenges for Finance in the ENR sector are consistent with CIMA's work on this topic with the CIMA Network Forum. The findings are relevant for most organizations in other sectors too.

Leading organizations are already transforming their finance functions to:

- Be ever more efficient
- Provide better information to enable evidence based decision making; and
- Partner with the business to ensure performance and risk are managed in the long term interests of shareholders.

Others could be putting their competitive position at risk.

The Role of Finance

A large gap exists between Finance's aspiration of being a strategic business partner and the business' perception of Finance as a scorekeeper.

Survey findings

Clear trends

- Finance primarily see their role as controllers and providers of management information: reporting of financial and operational information, compliance and business planning are seen as key strengths.
- Less than 20 percent have a leadership role as a business advisor: nearly all have a contributing rather than a leading role for advising on operating decisions and asset management, capex initiatives, controlling costs, working capital management, and scenario planning.
- The current economic turbulence has highlighted short-comings which Finance should urgently address: two-thirds of respondents cite working capital management, business planning, scenario planning, cash flow forecasting, and cost control across the value chain as areas for greater focus.
- Finance is expected to take a leadership role in new areas such as managing counter-party risk, covenant stress testing and debt management.
- Increasing workload from the business, new regulations, integrating recent mergers and acquisitions and a lack of skills at the Asset level are cited as significant barriers by three-quarters.

Areas of disagreement

- Only a half of respondents in the next three years will aim for greater involvement in strategic and operating decisions, asset and capex management, advising on M&A and capital financing despite Finance's business advisor aspiration.

Interesting results

- The current economic turbulence has helped to highlight short-comings in areas generally considered traditional areas of strength for Finance – working capital management, business planning, cash flow forecasting and sensitivity and scenario analysis.

Separating the best from the rest

Top performers:

- Are perceived as business advisors rather than controllers.
- Have greater involvement in operational business decision-making.
- Already have high levels of involvement in activities seen as paramount in the next few years, such as cost leadership, working capital management, asset and capex management and advising on financing.

KPMG comment

Finance should seek to work closely with the business to define and develop a role, strategy and roadmap that can support the business through the current economic cycle and beyond as well as mitigate the inherent structural complexity of the business.

Finance has a key role to play in the leadership of a business. Many finance functions in the ENR sector are still typically focused on traditional roles of governance, controllership and management reporting. The high-performing finance function of the future looks to move beyond the purely functional to a broader and more strategic leadership role:

- strengthening traditional areas of controllership including cost management, cash and working capital planning and management
- enhancing capabilities and leadership in business planning and forecasting, in particular looking to manage and mitigate risk and uncertainty through scenario and sensitivity modelling
- developing commercial and analytic skills to provide greater insight and support to operational decision-making.

Finance Organization and Governance Structure

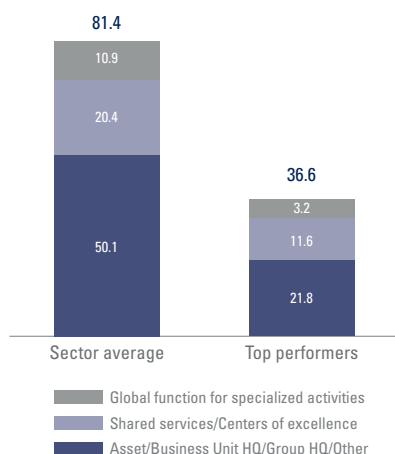
The non-standardized approach to Finance’s organizational design at the Asset level adds complexity and costs in a sector already challenged by diverse geographies and regulation.

Survey findings

Clear trends

- A global approach to the management of Finance remains low: two-thirds of respondents primarily report to the business rather than the CFO.
- Standardization across key processes is low: less than 10 percent manage all key finance processes on a global level.
- Local systems and spreadsheets dominate key processes: four-fifths of the companies surveyed report local rather than global ERPs and multiple systems and spreadsheets for local processes including management reporting, business planning, regulatory compliance and project accounting.
- There are no obvious intentions to move towards global process standardization: only 10 percent of Finance envisages a change in the next three years.
- Global functions for specialized areas of Finance are common, for example tax, treasury, and internal audit functions. As organizations become larger these globalized functions are increasingly prevalent.

Finance FTEs per US\$ billion operating costs



Clear trends continued

- Standardized organizational designs for Asset level Finance are not common: only a quarter report a common design framework for determining the size of the team.

Areas of disagreement

- There is no consensus on the suitable number of management layers between the CFO and key senior finance management at the Asset level. The average number of management layers across all respondents is three.

Interesting results

- There appears to be no standard organizational model or logic for the size of the finance function at the Asset level.

Separating the best from the rest

Top performers:

- Have stronger functional reporting lines and achieve a greater degree of standardization of operating model, governance and systems.
- Have proportionately more staff at the Asset level.
- Are twice as efficient as the sector average (37 FTEs per US\$ billion operating costs compared to the sector average of 81).
- Keep management layers to two or fewer.

KPMG comment

Finance should aim to establish a model that as far as possible operates on a global and enterprise-wide basis in order to improve effectiveness as well as helping to drive efficiency.

ENR Finance operates in an industry which is complex, geographically dispersed and subject to tough and varied regulatory environments – all of which present considerable challenges for operating structures, governance, standardization and simplification. Finance organizational structures tend to be multi-layered in order to compensate for variable finance capabilities at Asset level.

Top performers are already leading the way:

- implementing a standard operating model, standardizing and simplifying systems, processes and data
- enhancing the talent pool to eliminate re-work, duplication and unnecessary handoffs within the organization.



Finance Shared Services and Centers of Excellence

The lower uptake of Finance shared services and centers of excellence is likely to be driven by the lack of key enablers prevalent in other industries – global technology platforms, strong functional reporting lines, global process governance and standard Finance organization design – and exacerbated by industry characteristics such as remote locations and diverse regulatory environments.

Survey findings

Clear trends

- Only a third of companies surveyed have successfully established shared services to drive cost efficiencies in transactional processes such as accounts payable/receivable, travel, expenses, payroll and general basic accounting.
- Almost a quarter have centers of excellence in place for higher value and more sophisticated processes, including complex technical accounting, period close, basic management reports preparation and business planning.
- Many companies have been unable to seamlessly embed their shared services into their organization model; ambiguity arising from new and shared responsibilities within Finance as well as the business is cited by respondents as the most common problem.
- Challenges to the successful implementation of shared services include establishing clear ownership and accountability arising from new and shared responsibilities, securing group-wide buy-in and demonstrating the delivery of the business case.

Areas of disagreement

- The use of Finance shared services and centers of excellence remains mixed with approximately half of respondents implementing them. However, implementations of shared services increase to two-thirds in larger companies.

Interesting results

- Less than half of those companies that have implemented shared services are able to report being freed to concentrate on value added activities or realizing other benefits such as continuous improvements to service quality.
- One respondent will re-focus their shared services, removing all value added activities to concentrate on transaction processing only.

Separating the best from the rest

Top performers:

- Make greater use of shared services.
- Have benefited from being freed to provide a greater focus on business planning, management reporting and analysis at the Asset level.
- Are currently less likely to move technical accounting processes and month-end close procedures to a shared services environment.

KPMG comment

Finance should seek to exploit shared services to support a global operating model that can deliver improvements in efficiency levels. These should be complemented by centers of excellence for more sophisticated processes. The measurements and ethos of these centers are likely to be managed differently from high volume, transaction-based services as organizations aim to realize the benefits from the centralization of highly skilled people.

In the medium-term, the shared service process footprint in the ENR sector is likely to be narrower than in other industries, focused on core finance transaction processes due to the structural complexities in the sector.

Leading finance functions will move to make greater use of the shared service and center of excellence models to drive simplification and standardization:

- moving transactional processes into a shared service environment
- defining clear end-to-end accountabilities that allow shared service effectiveness to be optimized
- establishing robust governance at the appropriate level to manage and deliver a high-quality service
- defining a clear strategy for high value-add centers of excellence.

The Finance System Landscape

Poor systems and inefficient processes have helped to restrict Finance's performance due to unnecessary effort on data collection and re-work, both at the Asset level and up through the organization.

Survey findings

Clear trends

- Group-wide single instance ERPs are used by only one-quarter of respondents: approximately two-thirds of finance functions operate with multiple local ERP systems. Three-quarters of very large organizations tend towards greater ERP standardization.
- SAP is the prevailing ERP vendor, used by three-fifths of Finance in the sector and 80 percent of the largest companies. Mincom Ellipse and Oracle also have a significant presence.
- Group processes tend to have greater standardization with over two-thirds of consolidation and planning and budgeting processes being conducted in a standardized system.
- Local performance reporting and analysis, scenario and sensitivity analysis and project accounting are performed by three-quarters of Finance using multiple systems, manual processes and spreadsheets.

Clear trends continued

- Finance appears to suffer from poor access to data for management information purposes and inefficient business processes as cited by two-thirds of respondents.
- Despite the fragmented systems landscape only one in four respondents believe poor IT systems are a significant barrier to improving the finance function.

Areas of disagreement

- There is no clear approach to a standardized chart of accounts: half of finance functions have established a global chart of accounts with the balance taking a regional or Business Unit view.

Interesting results

- Despite Finance taking a leading role in management reporting many finance functions have not provided a global system platform to support this, relying instead on multiple systems and spreadsheets.

Separating the best from the rest

Top performers:

- Achieve greater levels of standardization by implementing standardized ERPs, global charts of account and group-wide data warehouse and business intelligence solutions.
- Do not suffer from inefficient processes and poor IT systems to the same extent as the sector average.
- Have improved levels of data standardization and data access from transactional systems.
- Are able to achieve greater integration between their business planning, forecasting and performance reporting systems.



KPMG comment

Technology is essential but is not the silver bullet that alone will improve the performance of the finance function. Whatever the technology landscape, many benefits can accrue from standardizing processes, reducing business complexity, embedding controls, improving data governance, harmonizing reporting suites, securing data entry and training users. To become high-performing, Finance is:

- defining a clear IT strategy to address these issues and avoid a tendency towards tactical tools and spreadsheets
- establishing strong governance for the system landscape, processes and data including standard data definitions and master data structures
- standardizing technology platforms, implementing at an appropriate level be it global, regional or Asset.

Business Intelligence and Management Reporting

Business intelligence (BI) appears to be at an early stage within the sector as low levels of systems maturity and locally driven group structures stifle production of standardized and automated management information.

Survey findings

Clear trends

- Two-thirds of respondents cite Finance having a leadership role in both financial and operational performance reporting.
- Nearly three-quarters take a global approach to management reporting mainly through standard suites of routine management reports.
- A fifth of respondents have a globalized BI and data warehouse solution. Over three-quarters of those without a single business intelligence solution cite the main obstacles as low systems maturity and a locally driven management approach.
- Standardized global systems are most prevalent in consolidation and planning, budgeting and forecasting. Hyperion Financial Management is the consolidation tool most commonly used although other systems are also common.
- Multiple systems and spreadsheets dominate local management reporting, project accounting and scenario planning.
- Nearly two-fifths take seven working days or more to report monthly management information to Group and ten working days or more to prepare consolidated accounts.
- There is a high level of satisfaction with quality of data, for example common definitions, and integration across reporting and planning systems.
- There is a low level of satisfaction with speed of access to information and the granularity of data down to the transaction systems, with only one-fifth of respondents having access to real-time information.

Clear trends continued

- Three-fifths report a greater focus on information relating to cost drivers, cash flow, capex and debt as a result of the current economic turbulence.
- Few look beyond internal performance measures, for example less than ten percent provide competitor data or market insight.

Areas of disagreement

- Despite leading on performance reporting, only half of those surveyed clearly own the BI remit, with the remaining respondents sharing ownership with IT. Smaller organizations are most likely to have IT as the owner of BI.

Separating the best from the rest

Top performers:

- Take a more standardized approach to the governance of BI with nearly two-thirds likely to manage BI on a more globalized basis.
- Have invested in proper tools and systems and are less likely to use spreadsheets and manual processes within their BI and data warehouse solutions.
- Implement data management programs to continually improve data quality.
- Demonstrate high levels of performance with three-quarters able to report management results to Group within five days.

KPMG comment

Finance should play a key role in owning and driving the BI agenda. With its traditional core strengths in governance, control and reporting, Finance is the natural custodian of data, information and BI. Early adopters of a global BI approach are assigning executive level accountability for the governance of business-wide BI processes, tools and data. This role, reporting mainly to Finance, is driving greater efficiency and effectiveness in the provision of timely and accurate information to manage business performance.

Many companies in the sector have taken steps to standardize management reporting but have not yet supported that with a single or streamlined BI platform. The reporting and analysis landscape is dominated by multiple systems and extensive use of spreadsheets which have left companies frustrated by the effort required to access information and the inability to drill down into the data.

Leading finance functions are uniquely positioned to drive BI and are:

- leading and owning the development of a clear business intelligence strategy and route-map for the business
- establishing structures and processes for managing and governing data, processes and tools
- working with the business to define information needs and to embed these within performance management.

Business Planning – Budgeting and Forecasting

Traditional budgeting and forecasting has been found to be particularly ineffective in the current economic turbulence and is likely to be a major focus for improvement over the next three years.

Survey findings

Clear trends

- The majority of respondents do not have an organization wide budgeting and forecasting system, with three-quarters using local systems, tools and spreadsheets.
- Two-thirds of companies surveyed currently take 20 weeks or more to prepare and finalize the budget and more than half of respondents take more than two weeks to compile a forecast.
- Forecast accuracy is a problem, even for items they see as controllable, with two-thirds reporting at least a 10 percent margin of error.
- The current economic turbulence has highlighted shortcomings in planning, budgeting and forecasting processes which are recognized by over two-thirds of finance functions surveyed as priorities for improvement.

Clear trends continued

- Almost all respondents wish to take a leadership role on scenario planning and sensitivity analysis to help improve their business' agility during the next three years.
- Two-thirds of respondents will also increase focus on cash and cash flow forecasting and how this is integrated with the wider planning framework.

Areas of disagreement

- Forecast horizons vary with half of the respondents adopting some form of rolling forecast beyond the current financial year, the balance forecasting to the year-end only.
- There is no clear position on forecast frequency, with half of companies updating on a monthly basis and half updating on a quarterly basis.

Separating the best from the rest

Top performers:

- Have greater focus on business planning and financial analysis at both the Asset level and across the organization.
- Are more likely to forecast beyond the current financial year and suffer lower forecast variances.
- Are more likely to provide comprehensive central guidance and standardized tools.
- Take less time to produce budgets and forecasts.
- Are more likely to deploy a standard group-wide budgeting system.



KPMG comment

Volatile commodity prices, exchange rates and restricted access to funding have conspired to transform the economic landscape overnight and traditional budgeting and forecasting processes are struggling to cope.

Finance should seek to transform planning from a finance-led process into a business-led one that focuses not on financial detail but on key business drivers and decision areas. They should place forecasting and scenario planning at the heart of performance management to help drive flexibility and responsiveness in the face of a turbulent business environment.

Leading finance functions are simplifying and integrating the various elements of the business planning process:

- involving operations, focusing on controllable performance, increasing frequency, focusing on cash and seeking to eliminate sandbagging or gaming
- redefining the role of the budget to set targets and a baseline for expected performance, allowing time and effort to be significantly reduced and placing greater emphasis on forecasting and event-driven planning
- developing a scenario and sensitivity modelling capability to test sensitivities and plan for changes in key assumptions such as commodity prices, exchange rates and volumes
- enhancing cash forecasting in order to improve cash management and to help inform decision-making regarding dividend payments, capex management and mergers and acquisitions.



People

Finance teams are at tipping point; working harder than ever to support a more demanding business and regulatory environment, and at the same time having to address significant skill shortages in key areas. These pressures are likely to become even greater over the next few years as the business looks to emerge from the current economic challenges leaner and more agile.

Survey findings

Clear trends

- Almost all respondents report increased workload from a more demanding business and regulatory environment as the principal barrier to improving the finance function.
- Attracting and retaining quality staff at the Asset level is seen as the major stress point in the finance operating model with nearly two-thirds citing a lack of technical and commercial skills together with low levels of employee mobility.
- In addition, over three-quarters state that softer skills (for example impact, challenging and change management) and process improvement are in need of significant improvement.
- Within larger organizations, particularly those with greater levels of standardization within their operating model, Finance spend less time on transaction processing at only a quarter of total effort. However, the average is more than a third across all respondents.
- Over three-quarters have or are implementing a global framework for finance roles.
- Training programs, personal development plans and role rotations are the most popular people and talent management initiatives.

Areas of disagreement

- Just under half have a dedicated role or team to support the business make better decisions that is clearly separated from other finance activities (for example finance business partnering roles).

Interesting results

- There is lack of high performing finance skills at the Asset level, where it matters most.

Separating the best from the rest

Top performers:

- Provide a greater focus at the Asset level on business planning, management reporting and financial analysis than on transaction processing (over 50 percent compared to the sector average 33 percent).
- Ensure delineation of decision support and financial planning and analysis from controllership roles.
- Are more likely to implement finance leadership development programs and role rotations.
- Have a deep and mobile finance talent pool.

KPMG comment

Developing and nurturing a global finance team is critical to enabling a high-performing finance function. Many finance organizations still lack formalized plans to develop their people and to properly equip them with the skills that are required to navigate through this current economic turbulence and exploit leading practice from within and outside the sector. Top performers are starting to show the way:

- establishing high performing teams at the Asset level with clear roles and skill profiles
- implementing career development programs that actively develop the requisite skills
- ruthlessly challenging non value added activities to create headroom
- working more closely as a global operation to share and reapply industry best practice
- developing a deep and highly mobile talent pool.

Sector Highlights

Overview of the mining and upstream oil & gas sectors

The mining sector seems to lag behind the upstream oil & gas sector in terms of reducing complexity in their organization model, processes and systems, as well as providing greater support to the business. In both sectors, larger organizations are more likely to have implemented standardized operating models.

Comparison of trends within the Energy and Natural Resources sub-sectors

	Oil & Gas	Diversified Miners	Single Commodity Miners
Role	Have the greatest ambition and are most likely to be perceived as strategic advisors by the business. Are most likely to have dedicated business decision support roles split from controlling.	Have high ambition to be strategic advisors but are most likely to be perceived as controllers by the business. Are unlikely to have a formal, dedicated decision support role separated from their other finance activities.	Are least ambitious and this is reflected with the business having no clear perception of Finance's role. Are least likely to provide formal roles dedicated to supporting business decision-making.
Organization and Governance Structure	Have strong functional reporting lines down to Business Unit HQ level. Although standard organization designs at the Asset level are not common they are still more prevalent than in the other sub-sectors.	Primary reporting lines are generally to the business. Low levels of standard organization design at the Asset level and are most likely to manage key finance processes at the local level.	Have the strongest global reporting lines to the CFO across the sub-sectors, but Finance still reports to the business in most cases. Tend to have fewer management layers and are most likely to manage processes globally.
Shared Services and Centers of Excellence	Both shared services and centers of excellence are highly prevalent in this sector.	Are least likely to implement both shared services and centers of excellence.	Use of shared services is mixed. Centers of excellence are more prevalent than in Diversified Miners but still less common than in Oil & Gas.
System Landscape	Most likely of the sub-sectors to implement globalized ERPs although the use of multiple local systems remains high overall.	Least likely to have standardized ERPs with multiple local systems prevalent in most respondents.	Predominately manage their systems landscape on a local basis. Standardized ERPs in place in only a third of respondents.
Business Intelligence and Management Reporting	Ownership of BI is solely owned by Finance in half of the respondents and shared with IT in the remaining half. However, BI is likely to be governed on a global basis.	Finance predominately owns BI with governance generally at a Business Unit or regional level.	Ownership of BI is solely owned by Finance in half of the respondents and shared with IT in the remaining half. There is no clear preference between BI governance on a global or Business Unit/regional basis.
Business Planning – Budgeting and Forecasting	This sector has the greatest focus on planning and performance reporting both at the Asset level and across the Group.	Most likely to spend more effort on controllership and period close than planning and performance reporting.	High levels of transaction processing at the expense of planning and performance reporting at both the Asset level and across the Group.
People	Employee mobility seen as a key barrier to the improvement of Finance. Key skills in need of improvement tend to be commercial and change skills.	Employee mobility and a lack of technical skills seen as key barriers to improving Finance.	Technical skills and corporate governance skills seen as most in need of improvement with a lack of technical skills seen as a major barrier to improving Finance.



Comparison of top performers within the Energy and Natural Resources sector and leading practice across all industries

Top performers in the Energy and Natural Resources sector provide an excellent template for the sector as a whole. Performance is comparable with leading functions in other industries but comparison highlights additional areas for improvement.

	Energy and Natural Resources sector top performers	Leading finance functions across all industries
Role	Finance functions are likely to be involved in operational decision-making activities and are perceived as advisors rather than controllers by the business. Tend towards combined finance planning & analysis and business partnering roles which are separated from controlling activities.	Formally defined finance business partnering roles, separated from financial planning & analysis and controlling, which are focused on supporting the business unencumbered by traditional finance activities such as management reporting.
Organization and Governance Structure	Centralized at the Business Unit level with strong functional reporting lines to the CFO. High use of global functions for specialized and expertise-based finance activities.	A global operating model structures finance activity and services into front, middle and back-office operations with process ownership and governance establishing standardized, high-quality processes and controls.
Shared Services and Centers of Excellence	Shared services are prevalent but limited to transactional activities and likely to be managed regionally or by Business Unit. Sophisticated, technical accounting and period close processes are retained at the Business Unit level.	Shared services used widely to generate cost efficiencies and opened to other back-office functions (e.g. HR) to drive additional returns on the investment in infrastructure. Centers of excellence increasingly prevalent for more sophisticated value-added finance processes.
System Landscape	High levels of standardization of ERPs to drive cost efficiencies and improved organization-wide compliance and control, although likely to be managed at a Business Unit or regional level.	The systems landscape is managed on a global basis supported by global processes and data governance structures. These organizations benefit from lower IT costs of ownership and improved accessibility and quality of management information and insight.
Business Intelligence and Management Reporting	Increasing prevalence of standardized business intelligence and data warehouse platforms. BI and reporting is likely to be governed on a Business Unit or regional basis with Finance playing a key role in owning and driving the BI agenda.	Accountability for BI rests with a senior executive, mainly reporting to Finance, ensuring BI is governed within a standardized global framework, and that local information requirements are governed at the appropriate level.
Business Planning – Budgeting and Forecasting	Greater focus on business planning, management reporting and financial analysis than on controlling and transaction processing. Tend to forecast beyond the current financial year and have strong central guidance provided by the Group to the Business Units.	The focus of planning and performance management is less on the annual budget and more on target setting and forecasting. Sensitivity and scenario modelling is embedded within the planning process and Finance continues to lead forecasting and planning but ensures that the business is fully involved and accountable.
People	Tend to suffer a shortage in sector-specific commercial skills as well as in areas such as technical accounting, although to a lower extent than the sector average. High performers are identified, developed and rotated around the business to develop skills and leverage global organizational capability.	Business partner roles in place with greater levels of analytical, commercial and non-finance skills. Organizations provide formalized skills and career development programs in which role rotations within and outside of Finance are a key component and company-wide finance academies are a common feature.

CIMA comment

A crisis tends to increase emphasis on governance, risk management and the veracity of statutory reporting. The credit crunch and subsequent downturn also focussed attention on cost control, working capital and cash flow management. But these are as important in good times too. The underlying challenges which will need to be addressed as the economic conditions improve are:

1. The relentless pressure to increase efficiency through investment in systems, standardization, centralization and continuous business process improvement.

2. Stakeholders' and decision makers' need for better information including leading indicators about the organization's position, performance, risks and opportunities.

3. The need to cascade strategy implementation and performance/risk management throughout the business to ensure it is run in the long term interests of shareholders.

4. The need to develop finance people who can combine accounting expertise, commercial awareness and influencing skills to help improve decision making.

CIMA encourages business leaders and management accountants to consider how their finance function can be transformed to address these challenges.

See:

<http://www.cimaglobal.com/decisionmaking>



Special thanks

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