Recent research carried out in the United States has shown that a new breed of Chief Financial Officer is revolutionising the traditional position occupied by the Finance function. The role of the CFO is evolving from merely transactional activities to encompass decision support. Little information is available on whether the situation is any different in Continental Europe, or on what the specific challenges and concerns of the CFOs might be.

At PricewaterhouseCoopers, we therefore decided to conduct a survey in Belgium, France and Luxembourg, among 165 leading companies from different sectors, in order to gain better understanding of the preoccupations of today’s CFOs. In a series of individual interviews held between March and May 2001, we analysed the perception of CFOs regarding their vision of Finance and their assessment of current and future challenges within the Finance function. The themes covered include Finance Organisation, Transactional Finance and Decision Support activities such as Performance Management, Budgeting, Reporting, Profit & Cost Management and Shareholder Value.

This report presents the results of the survey carried out by PwC Consulting and highlights a set of prevailing trends in the mindset of today’s CFOs.

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Key Observations

All the interviews confirmed the evolving role of the CFO as “Business Partner”. Among the proposed topics discussed, there is a focus on decision support activities in the current mindset of CFOs.

**Topics ranked according to the CFO’s priorities**

(Scored on a maximum of 10)

1. Vision for Finance and Role of the CFO (8.7)
2. Reporting (8.1)
3. Budgeting & Planning (8.0)
4. Profit & Cost Management (8.0)
5. Performance Management (7.8)
6. Finance Organisation (7.5)
7. Shareholder Value (7.4)
8. Transactional Finance (7.1)

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**Vision and Role of CFO**

The overwhelming majority of the CFOs highlighted the importance of their role as “Business Partner”. The finance function is perceived as an organisation that should be proactive, delivering optimised services to its various stakeholders.

This vision is guiding the CFO’s actions in all of his areas of responsibility.

In terms of priorities, most CFOs will continue to focus on optimising their financial processes and supporting strategic cost leadership. E-technologies tend to lag behind.

**Reporting**

The CFOs emphasised the efforts that were needed in order to improve the quality of their reporting. While reducing the closing cycle is still important for half of the companies interviewed, CFOs are focusing more on the added value of information reported. They are keen to balance financial and non-financial reporting and
provide more information that is of value to operational managers. Further integration of systems is seen as a means of improving the reporting process. The CFOs also recognised the need to extend their knowledge of E-reporting.

**Budgeting & Planning**
The time and effort needed to complete this process still dissatisfies the majority of CFOs. However, CFOs are generally “quite satisfied” with the final results of this collaborative effort. Interestingly, only 15% of CFOs wish to re-engineer their budgeting process in the years to come.

In most companies interviewed, the finance department actively drives and co-ordinates this exercise. This highlights the role of Finance in facilitating communication and integrating historical data with strategic objectives in order to provide decision support information.

The Rolling Forecast approach has not yet replaced the budget, but is being used to complement it.

**Profit & Cost Management**
Most companies currently use Cost Centre Accounting to manage profit and cost. In the next two years, 40% of the CFOs interviewed intend to rely on Activity Based Costing models.

In order to enhance the understanding of profitability, CFOs are currently promoting a focus on customer profitability and multidimensional analysis which combines products with customers or distribution channels.

CFOs tend to be making increased use of target costing, but the cost management possibilities in capacity planning and product development are rarely being fully exploited.

**Performance Management**
The CFOs interviewed confirmed the importance of performance management. Generally, companies are using different concepts and frameworks adapted to their own needs and preferences. For instance, only 20% of them have implemented specific concepts such as Balanced Scorecards.

More and more CFOs are keen to share their responsibility with other line managers for performance management and to use dedicated tools covering the whole value chain of the company.

Within the next two years, CFOs want to improve the link between strategy and performance targets. In this respect, few of them are fully satisfied with their current performance management systems and processes. Half of the CFOs interviewed emphasised their intention
of developing formal links between performance management, budgeting and reward.

**Finance Organisation**
Most CFOs are keen to transfer time currently spent on transactional activities to more value added tasks. In this regard, 40% of companies plan to restructure their finance department, mainly by adopting or enlarging the concept of Shared Services.

Building on their local experiences, CFOs want to move towards regional centres. The global dimension still remains more of an ideal than a reality.

In the next three years, half of the CFOs interviewed estimate that they would have recourse to Shared Service Centres for core transactional activities such as General Ledger, Accounts Payable, Accounts Receivable.

**Shareholder Value**
Although CFOs consider shareholder value management to be an important topic, the implementation of specific processes and systems is not yet one of their top priorities. The current focus lies more on the need to increase awareness of the principles of shareholder value and to develop a shareholder value mindset across all management layers.

In the quest for value, the second concern is the translation of shareholder value concepts into operational drivers, to be integrated with performance management.

**Transactional Finance**
The transactional processes are “quite satisfying” for the majority of CFOs interviewed. However, further process optimisation remains their priority.

In their role as a provider of adequate and pertinent information, priority is still given to the integration of financial systems.

In the next two years, the greatest opportunities identified by CFOs to leverage the efficiency of transactional activities are the implementation of datawarehousing systems and the development of workflow applications. Our survey also shows that CFOs are keeping a close eye on the development of new technologies such as E-procurement and E-invoicing.
The CFO’s Agenda

Vision for Finance and Role of CFO

The first topic on the agenda of the CFO is the finance function as a proactive organisation, which delivers optimised services to internal and external customers and acts as a Business Partner.

The role of Business Partner comes before the more traditional role of providing the organisation with easy access to information supported by streamlined processes.

Company size slightly affects the vision of the CFOs:

- In larger companies (turnover exceeding 10 billion euro), 76% of the CFOs see themselves as Business Partner. This translates into being an active participant in decision-making and in taking up the role of guardian of the accuracy, quality and reliability of information.

- In smaller companies, only 60% consider themselves as Business Partner. Smaller companies today place this role in the context of being a service provider but are keen to also extend it to increased involvement in decision-making.

What is your vision for Finance?

A proactive and creative organisation, delivering optimised services to internal and external customers, willing to take risks and challenge line management

A highly responsive organisation supported by automated systems providing easy access to information.

A streamlined process, standardised across the company, providing accurate timely financial information

“The CFO has a co-pilot position”

“The role of the CFO is to provide adequate and pertinent information in order to support decision-making”
In terms of priorities, CFOs tend to focus on two areas: optimisation of financial processes and strategic cost leadership. This notwithstanding the fact that 65% of them consider their current finance department already performs well in these areas.

Half of the CFOs believe that process optimisation will remain their top priority. This is particularly the case for the financial sector where more than 65% consider it to be so. This could be explained by the recent wave of mergers and acquisitions.

Noticeably, French CFOs rated the performance of their finance processes lower (6/10) than the other countries (over 7/10).

CFOs consider themselves as poor performers in the area of the virtual enterprise (current score: 4.7 out of 10).

Management of the virtual enterprise is not considered as a short-term priority for CFOs. This is particularly true for the financial services sector, where only 5% rate it as an important area for development.

“E” seems mainly managed by headquarters and not at subsidiary level, which tend to wait passively for corporate initiatives. CFOs are generally adopting a “wait and see” approach regarding E-business developments.

CFOs tend to consider “E” supply chain and procurement to be more mature than “E” finance.

Datawarehousing is thought of as a means for optimising financial processes, improving efficiency and developing performance management. We have noticed that a significant number of companies are dealing with datawarehouse project initiatives.
Most of the time, E-applications and knowledge management are not considered to be the CFO’s responsibility.

Most of the CFOs acknowledged having responsibilities in areas such as business partnership, integration of financial systems, management of enterprise-wide cost reduction and being the guardian of shareholder value. Importantly, this responsibility is nearly always shared between finance and other departments.

For instance, finance has an important role in establishing dialogue with IT in order to ensure the integration of business information systems. This is especially relevant in France.

One out of two CFOs estimate that their finance department spends less than 15% of its time on decision support activities.

Most of the companies surveyed spend less than 30% of their time on decision support activities. Within a three to five year timeframe, about 70% of the respondents want to decrease transactional workload and increase the amount of time spent on decision support.

One third would like to decrease their transactional workload by more than 20%; the remaining by between 10 and 20%.

Which areas are the responsibility of the CFO?

Current and future workload distribution of the finance department
The monthly reporting cycle varies between two and 35 working days.

The average closing cycle is nine working days, with half of the respondents stating that they report management information in less than seven working days. A similar survey carried out in the U.S. shows significantly better results as compared to our study, with 75% of companies reporting in less than 10 working days.

A key driver influencing reporting performance is whether or not the company is listed on a stock exchange. On average, listed companies report two days faster than their non-listed peers.

The best performing sectors are Information/Communication/Entertainment and Consumer & Industrial Products where 60% of companies report in less than seven working days. Less than 30% of companies in the services and the financial services sectors report that quickly.

CFOs are moderately satisfied with the reporting process.

In general, there is a growing need for more value-added reporting, balancing both financial and non-financial information. As a Business Partner, the CFO wants to satisfy the requirements of the executive committee, shareholders and financial analysts simultaneously.

The main concerns of the CFOs interviewed are to reduce the amount of detail, speed up delivery, standardise across the company, analyse more and increase operational focus. Nevertheless, CFOs’ perceptions vary considerably regarding the need to improve the reporting cycle.

For the majority of companies, satisfaction with the reporting process is directly linked to the number of days needed for closing. However, it is interesting to note that some companies taking more than 15 days for closing are still quite satisfied. Faster reporting does not seem to be an issue for these companies (mainly in the services and financial services sectors).
Product Reporting under the responsibility of finance does not seem to be common practice.

Less than 50% of the financial departments produce reporting on the product dimension. Indeed, many CFOs feel they should provide more information that is of use to operational management.

System Integration is naturally perceived as the opportunity for improving the reporting process.

While a variety of systems such as ERP, dedicated applications and/or spreadsheets are used, 62% of the solutions are not integrated. This results in traditional issues causing longer reporting cycles, as illustrated in the graph.

Today, two thirds of the respondents use a dedicated reporting application combined with another system. In the future, CFOs are keen to extend the use of ERP and reinforce integration of the process.

Major concerns raised during the survey are the frequent changes in reporting requirements and the extensive level of detail that is requested. These concerns highlight the need for highly flexible tools.

CFOs are very interested in the future implementation of E-reporting and they recognise the need to extend their knowledge of the possibilities it offers.

Only 23% of respondents currently use E-reporting. While the current level of understanding of E-Reporting is relatively low (average score of 2.3 out of 4), it is expected that E-reporting will grow significantly. More than 30% of responding CFOs plan to use E-reporting within two years.

CFOs realise that the development and implementation of E-reporting should provide flexibility of reporting and improve the flow of information between systems, bringing information on-line to support business decisions and ensuring that all decision-makers access the same information.

Main issues during reporting process

"Our reporting is too financial."
Budgeting & Planning

Budgeting & Planning is perceived as an important activity. However, the majority of respondents are dissatisfied with this process.

The overall average score for efficiency (time and effort) of the budgeting process is medium.

- At a country level, Belgian CFOs tend to be less dissatisfied with the efficiency of the process than their French and Luxembourg counterparts.

- At a sector level, more than 50% of the CFOs in financial services are very dissatisfied with the efficiency of the process, giving a rating of 5/10 or lower.

"The process is a nightmare but the output is quite good"

How would you rate your satisfaction in terms of efficiency of the budgeting & planning process?

How would you rate your satisfaction in terms of effectiveness of the budgeting & planning process?
The overall average score for **effectiveness** (quality and added value) of the budgeting process is slightly higher than for efficiency.

- CFOs in Belgium tend to be somewhat more satisfied than those in France and Luxembourg.

- Effectiveness of the budgeting & planning process is significantly higher in the consumer and industrial sector than in other sectors. Only 8% of the CFOs in this sector are very dissatisfied compared to about 40% in the other sectors.

On average, 40% of the CFOs believe that there are both too much repetition and too many details. It was noted that the dissatisfied responses received from CFOs in Luxembourg were more pronounced than those of their French and Belgian counterparts.

Surprisingly, only about 15% of the CFOs mentioned the wish to re-engineer their budgeting process in the short term. This is mainly due to the fact that this type of project is often considered to be complex and difficult to realise.

A majority of CFOs considers the budgeting process as a collaborative effort prepared bottom up with support from the finance department, and uses a classical approach.

All the companies interviewed follow a classical budget approach based upon historical data and strategic objectives. Zero-based budgeting is used for specific purposes such as structural change or process re-engineering.

**Currently, spreadsheets still have the largest share of the budget tool market.**

Both ERP solutions and dedicated packages currently have a 25% market share. Over the next three years, CFOs intend to abandon spreadsheet solutions in favour of dedicated systems and ERP solutions. It is interesting to note that they tend to believe that ERPs are not sufficient in themselves and that they need to be combined with dedicated standalone systems.

According to many CFOs interviewed, efficiency can be improved by finding a flexible tool for budgeting. This seems to carry more importance than decreasing details and iterations.
Currently, about one fifth of the companies surveyed use Activity Based Costing [ABC]. On average, this is expected to double in the next two years. This trend is especially strong in both the financial services sector and the service sector.

- In the service sector the use of ABC is expected to grow from 10% to 40% over the next two years. This sector includes a number of previously state owned companies that are now moving towards management techniques such as ABC.

- In the financial services sector, half of the CFO’s intend to use ABC within two years with the expectation that it will provide them with more accurate information, additional dimensions for analysis and a better understanding of overhead costs.

Our survey indicates that only 17% of the CFO’s use target costing.

Overall, the number of companies using target costing should increase from 17% to 26% in the next two years. However, despite the projected increase in use, it remains a method used for specific purposes such as new product development. The projected increase mainly relates to financial services companies.

One third of the companies in the consumer and industrial products industry use this method. Little change is expected in this sector in the next two years.

Which approach have you implemented to support your Profit & Cost Management?
Most finance departments analyse profit and cost by accounting centre. Only 70% of them analyse the product dimension and about 50% the customer/segment dimension.

Only one third of the respondents analyse profit and cost by distribution channel cost centre accounting. Products will remain the prevailing method of analysing profit and cost in the next two years. However, the use of profit and cost analysis for customer/segment and distribution channel is expected to increase substantially over the same period.

**Multidimensional profit analysis is not common practice, but is gaining importance.**

Combining “product” and “distribution channel” for the analysis of profit and cost is only applied by 16% of respondents. This is expected to double over the next two years.

The combination of “product” and “client” is currently applied by 31% of the respondents, and will be adopted by half of the interviewees over the next two years.

Larger companies especially highlight the need for multidimensional analysis.

**The use of profit and cost management for supporting decisions is not fully exploited.**

64% of CFOs rarely use profit and cost management to support decisions about product development.

There is limited awareness of the opportunities that profit and cost management can offer for process improvement and capacity planning. Only 10% of CFOs make full use of profit and cost management in these areas.

In general, profit and cost management information is deemed less important for supporting decisions in the services sector. In this sector, other criteria - such as client service level - carry more importance.

**CFOs feel that ERP alone is not a sufficient tool to provide all the necessary profit and cost management information.**

About 30% of CFOs acknowledge the need to complement the use of ERPs with dedicated systems. Still, 25% of the CFOs interviewed intend to continue using spreadsheets for the next two years.
The way companies manage their performance is quite diverse: they often combine different concepts, tools and techniques.

A “standard” performance management framework is rarely used. Organisations tend to implement several performance management frameworks (Balanced Scorecards, EFQM, Management by Objectives, etc.) and to adapt these concepts to their own needs and preferences.

Most companies currently focus on measuring rather than on managing performance. Although they use both financial and non-financial indicators to measure their objectives, only a few of them (20%) have deployed specific performance management concepts such as Balanced Scorecards.

The majority of companies set their targets top-down. One third combine this with bottom-up exercises.

It is surprising to see that two thirds of companies still exclusively use ERPs or spreadsheets to monitor performance management. Only 10% of CFOs mentioned using balanced scorecard tools.
Almost two thirds of CFOs state that targets are linked to company strategy. However, few of them are fully satisfied and they plan to improve this link in the coming years.

Only one in two companies making the link to the strategy are using cause and effect diagrams to check and to visualise the coherence of their strategy.

Although shareholder value is on the CFOs’ agenda, only 18% of the companies interviewed stated that their targets were linked to value creation. Prompted as to why this is the case, many CFOs admitted lacking adequate structures, tools and measures to bring accountability to the shareholder down to operations.

Half of CFOs intend to develop a formal link between value creation targets / performance management, budgeting and the rewarding process within the next two years.

Today, only a minority (30%) of CFOs mentioned a formal link between performance management, budgeting and the rewarding process.

The link between reward and performance management, when it exists, mainly concerns the CEO and senior managers. Less than 50% of companies make the link to financial compensation at all levels of their organisation.

What approach did you implement to support performance management?

<table>
<thead>
<tr>
<th>Approach</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Targets based on financial objectives</td>
<td>94.7%</td>
</tr>
<tr>
<td>Targets are a set of financial &amp; non financial objectives</td>
<td>81.5%</td>
</tr>
<tr>
<td>Targets are linked to strategy</td>
<td>62.9%</td>
</tr>
<tr>
<td>Targets are declined from value creation objectives</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

How do you link performance and reward?

- Not existing: 13%
- Formal, based on individual and collective performance: 34%
- Informal: 22%
- Formal, based on collective performance: 9%
- Formal, based on individual performance: 22%
There is a general feeling among CFOs that performance management will not remain the exclusive responsibility of finance.

Widening the responsibility for performance management to operational units increases interest in balanced scorecard tools. Indeed, deployment of performance management throughout the whole company and at all layers inevitably necessitates implementation of supporting tools. One CFO out of four plans to use these tools in the coming years.

The extension of responsibility for performance management to operations is especially true for the services and financial services sectors.

In the consumer and industrial product sector responsibility for performance management is already shared with operation managers for 52% of respondents.

What is the prime objective of your performance measurement system?
Four out of ten CFOs plan to restructure their finance function in the years to come, mainly by adopting the concept of Shared Service Centers (SSC).

The main objective of today’s CFOs is to transfer time currently spent on transactional activities to decision support. Optimising the organisation and information systems of the finance function is seen as the key to achieving this objective.

40% of respondents plan changes in their finance organisation structure.

The decision to move to an SSC has been taken, the location is yet to be chosen.

Few CFOs in the financial services sector use SSCs.

Large companies tend to be more interested in the globalisation of the finance function and the use of SSCs than smaller companies.

Outsourcing, although much talked about, remains a low priority for the majority of CFOs.

Today most financial SSCs are country based but the CFOs surveyed expressed a strong interest in moving towards regional SSCs.

Today, 58% of SSCs are country based, but CFOs tend to see this as a transitory arrangement and plan to move towards regional SSCs.

French SSCs tend to be country based, whereas in Belgium they tend to be organised at European level.

For the moment, world-wide SSCs tend to remain more of an ideal than a reality.

“Local SSCs for country subsidiaries have been implemented two years ago, now the challenge is to set up European centres of excellence”
Although the majority of companies centralises activities such as cash management and information systems, only one third have set up Shared Service Centres for transactional activities.

Generally, companies do not include all accounting activities in the SSC.

In the next three years, a total of 47% of the companies interviewed will centralise Accounts Receivable, Accounts Payable and General Ledger activities into SSCs.

CFOs are generally more satisfied with the efficiency of their transactional activities when organised in Shared Service Centres. They also appear to be more open to new technologies.

Transactional processes such as Accounts Payable and Receivable are perceived to be more efficient. For companies organised in SSC, it appears that the budgeting process is considered to be both more efficient in terms of time and cost and more effective in terms of higher quality.

The future development of the finance organisation is reinforcing the need for skills in the area of performance management, project management and process re-engineering.

When asked to evaluate the skills of finance staff, CFOs rank their performance in traditional skills such as transaction processing, knowledge of accounting standards and budgeting as either good or very good. However, the changes in the finance organisation have opened up a need for training in areas such as:

- Performance Measurement
- Project Management
- Business Process Re-engineering
- Innovation and Communication
Although shareholder value is defined as an important topic on the CFO’s agenda, the majority of CFOs does not see the implementation of specific processes and systems as one of its top 5 priorities.

Unsurprisingly, quoted companies attach a higher priority to shareholder value. This is largely driven by the pressure from institutional investors to build corporate governance structures to align management objectives and behaviour with their value creation targets.

Important decisions are still based on classic financial evaluation methods.

Classical financial evaluation methods like Accountable Profit, ROE and Discounted Cash Flow remain the measures of choice, with half of the companies interviewed exclusively using this combination to test operational and investment decisions against their ability to create value.

The use of Economic Value Added [EVA] to restate profit in economic terms and reflect the true cost of capital only seems to interest CFOs in consumer and industrial sectors. These represent 66% of EVA users. In most cases EVA is used for purposes of senior management incentive compensation. A surprisingly small number of CFOs have started to tap into the power of Real Options Valuation [ROV], with only 2% claiming to use it. CFOs using these techniques state that they reap great benefits for assessing investment opportunities in highly uncertain environments with significant management flexibility such as R&D.

CFOs applying Free Cash Flow and ROV frameworks invariably indicate a higher level of satisfaction in their ability to evaluate business and M&A opportunities (average satisfaction level of 75% versus 55% for those not using these techniques).

Which metrics do you use to test important decisions against their ability to create value for shareholders?
Although innovation is considered to be a strong driver for value creation, few companies seem to have set up structures dedicated to its promotion.

Less than 10% of CFOs report having built dedicated incubation or venture capital units. This compares to 25% in the United States.

Most CFOs interviewed confirm that they have participated in efforts to build an environment aimed at promoting innovation in their organisations.

Most initiatives focus on the creation of a climate that encourages innovation. This involves proactively building patterns of behaviour and attitudes that foster freedom to express ideas, open debate, dynamism, trust and positive risk-taking.

How are you organised to get the most out of your innovation potential?

The first concern for CFOs is to increase awareness of shareholder value management principles and to build a shareholder value mindset across all management layers.

55% of CFOs interviewed aim to launch initiatives to improve management of shareholder value in the short to mid term.

For quoted companies, the second priority is the integration of performance management with management of shareholder value.

“We must find the translation of shareholder value concept in operational drivers.”
Although a vast majority of CFOs is quite satisfied with the efficiency of its transactional activities, this varies significantly from process to process.

The Travel & Expense (T&E), Inventory Management and Fixed Asset Management processes are the least satisfactory — this is the view of more than one third of CFOs. The T&E process is generally considered too manual and thus too time- and resource-consuming.

T&E, Inventory Management and Fixed Asset Management do not seem to be priorities for active re-engineering as they tend to be associated with lower headcount savings.

CFOs also highlight inefficiencies in Accounts Payable, which is considered too manual.

Three quarters of companies interviewed rely on ERP packages as the backbone of their transactional activities.

This is particularly true for the core of transactional activities such as: General Ledger, Accounts Payable, Accounts Receivable, Closing and VAT.

Specific packages are still preferred for certain processes, namely Consolidation, Travel & Expense and Cash Management.

The survey also shows that the sectors least likely to use ERPs remain services and financial services (less than one in two companies were using it).
Only 4% of the CFOs interviewed are “very satisfied” with their information systems.

Companies using ERPs tend to be more satisfied than those not using these integrated solutions. However, the CFOs surveyed claim that it is not the perfect answer: “ERP contributes to the business, but...”.

Figures confirm this: 44% of CFOs are deemed to be “quite satisfied” with their information systems, but most believe that there is still room for improvement. In the services sector, only 35% of the CFOs are “satisfied” or “very satisfied”. This could be attributed to the fact that ERP is less common in this sector.

E-procurement and E-invoicing are the main E-applications of interest to CFOs.

Half of the CFOs interviewed are interested in E-procurement and E-invoicing. They keep a close eye on new technologies relevant to the finance function.

Very few respondents consider E-Marketplaces as a key opportunity. Most of them leave this up to the group level.

Which opportunities to leverage efficiency of transactional activities do you find interesting?

Datawarehousing is highlighted as the greatest opportunity to leverage the efficiency of transactional activities in the future.

The majority of CFOs is currently attracted by datawarehousing as the preferred solution to centralise data. When supported by transactional systems, it provides a single and consistent data source as a basis for other applications such as E-reporting, performance management, or customer relationship management. No less than 60% of the CFOs interviewed confirmed their interest in implementing a datawarehouse as a basis to deliver better information to the different stakeholders.

It is interesting to note that 40% of respondents are still considering expanding the scope of ERPs by adding new modules, by geographic extension or by harmonisation. In addition to this, improvements can be achieved by integrating ERPs with other specific systems such as customer relationship management systems.

Workflow applications were also cited as interesting areas to follow in order to improve activities such as purchasing or Travel & Expense processing (e.g. invoice approval).

The awareness of strategic decision support tools is relatively limited. Very few CFOs consider it as a priority for the next two years.

Since most companies now have an ERP system in place, the CFO can now shift his attention from streamlining transactional processes towards the effective use of the ERP system and the business information it generates.

“Systems can be very good, but you still have to train your people to exploit their full capabilities.”
Methodology

The survey reflects the views of 165 CFOs of leading companies in Belgium, France and Luxembourg on the vision for finance and the changing role of the CFO. PwC Consulting conducted face to face interviews with the top financial management, between March and May 2001, based on a standard questionnaire.

The participants were categorised according to the following criteria:

- **Geographic location**: Belgium 52%, France 29%, Luxembourg 19%
- **Company sector**: Financial Services 25%, Consumer & Industrial Products 39%, Information Communication Entertainments 15%
- **Company type**: National 46%, International 54%
- **Company size**: Large 30%, Medium 38%, Small 32%
- **Finance organisation size**: 0-10 finance FTE 7%, 11-50 finance FTE 43%, More than 50 finance FTE 35%
- **Listing on stock exchange**: Listed 48%, Not listed 52%
- **Entity Type**: Business unit 4%, Country unit 7%, Parent headquarter 39%, Regional headquarter 11%
Glossary

**Activity Based Costing (ABC)**
A methodology that measures the cost and performance of activities, resources and cost objects. Resources are assigned to activities, then activities are assigned to cost objects based on their use. Activity Based Costing recognises the causal relationships of cost drivers to activities.

**Balanced Scorecard**
An integrated and holistic approach which translates a business vision and strategy into objectives and measures which are viewed from customer/internal/innovation/financial perspectives.

**Economic Value Added (EVA)**
A measure aiming to capture value creation in a single period. It is the relationship between the return on capital, the cost of capital and the capital employed.

**ERP**
ERP, or Enterprise Resource Planning, is a business transactional system, covering all business scenarios that one can find in a company in an integrated way.

**Rolling Forecast**
Periodic (monthly, quarterly) forecast approach associated with the annual planning process that previews a fixed number of periods.

**Shared Services**
The concentration in a shared location of company resources performing similar activities, typically spread across the organisation, and servicing multiple internal clients. The objective is to free up business units for more added value tasks, increase service levels and decrease costs.

**Shareholder Value**
A management concept aligning people, processes and systems with the objective of creating value for the shareholder on strategic, tactical and operational levels.

**Strategic Decision Support Tool**
A tool that extends the integration brought by ERP systems by supporting high level management processes such as strategic planning, business simulation, performance management, stakeholder communications and risk management. This tools allows an organisation
to manage its business at a strategic level while driving strategy at an operational level.

**Target Costing**

Methodology used when launching a new product or service to determine its maximum cost price. It takes into account the price a customer is prepared to pay for that product or service and the desired benefit margin.

**Virtual Enterprise**

(1) A group of skilled people who form a company but are separated by boundaries and often work from their homes rather than an actual office building. (2) Partnering companies or a group of people that specialise in particular functions and come together to form a temporary or permanent company for performing particular tasks. (3) A large company that outsources many of its important functions through joint ventures or by partnering with other companies.
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