



BLOCK & TACKLE

Leveraging Process *for* Results

APQC'S 2012 Process Conference & Training
October 22-26, 2012
The Houstonian Hotel, Club & Spa - Houston, Texas

APQC®

The Power of Financial Mgt. Process Improvement

APQC's Process Conference

Workshop Presentation

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October 25, 2012



Today's Agenda

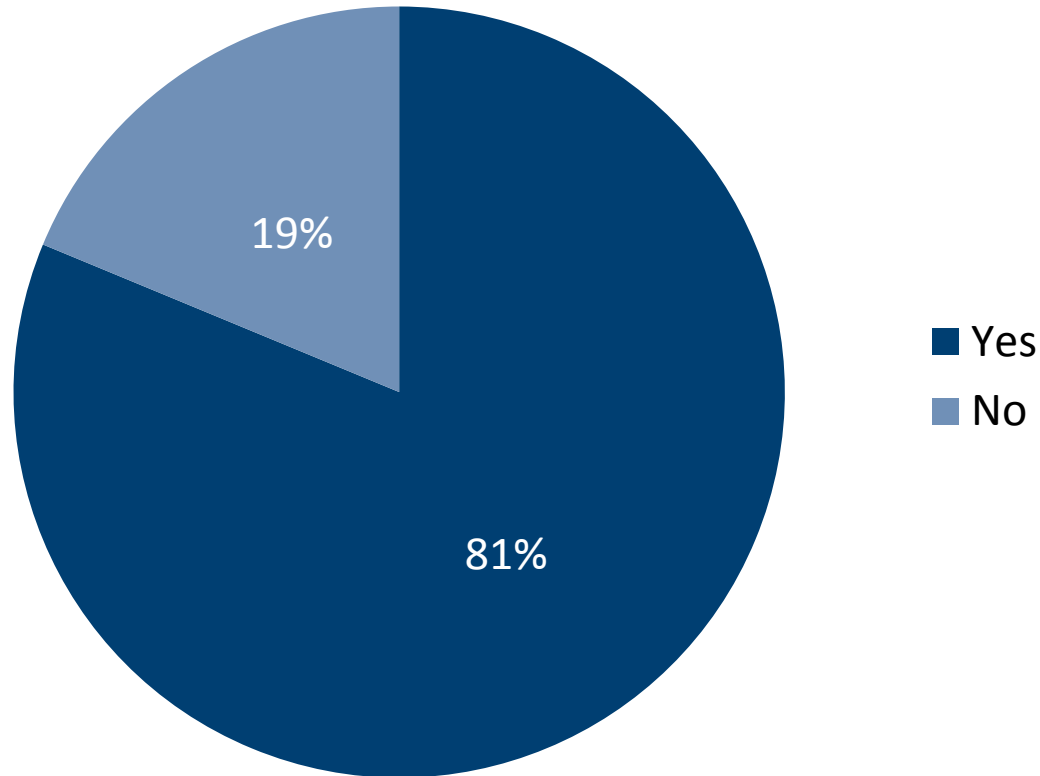
Trends in FM process improvement (PI)

Ways to assess investments in change

Large investments must align with strategic objectives and decision-support needs of the business

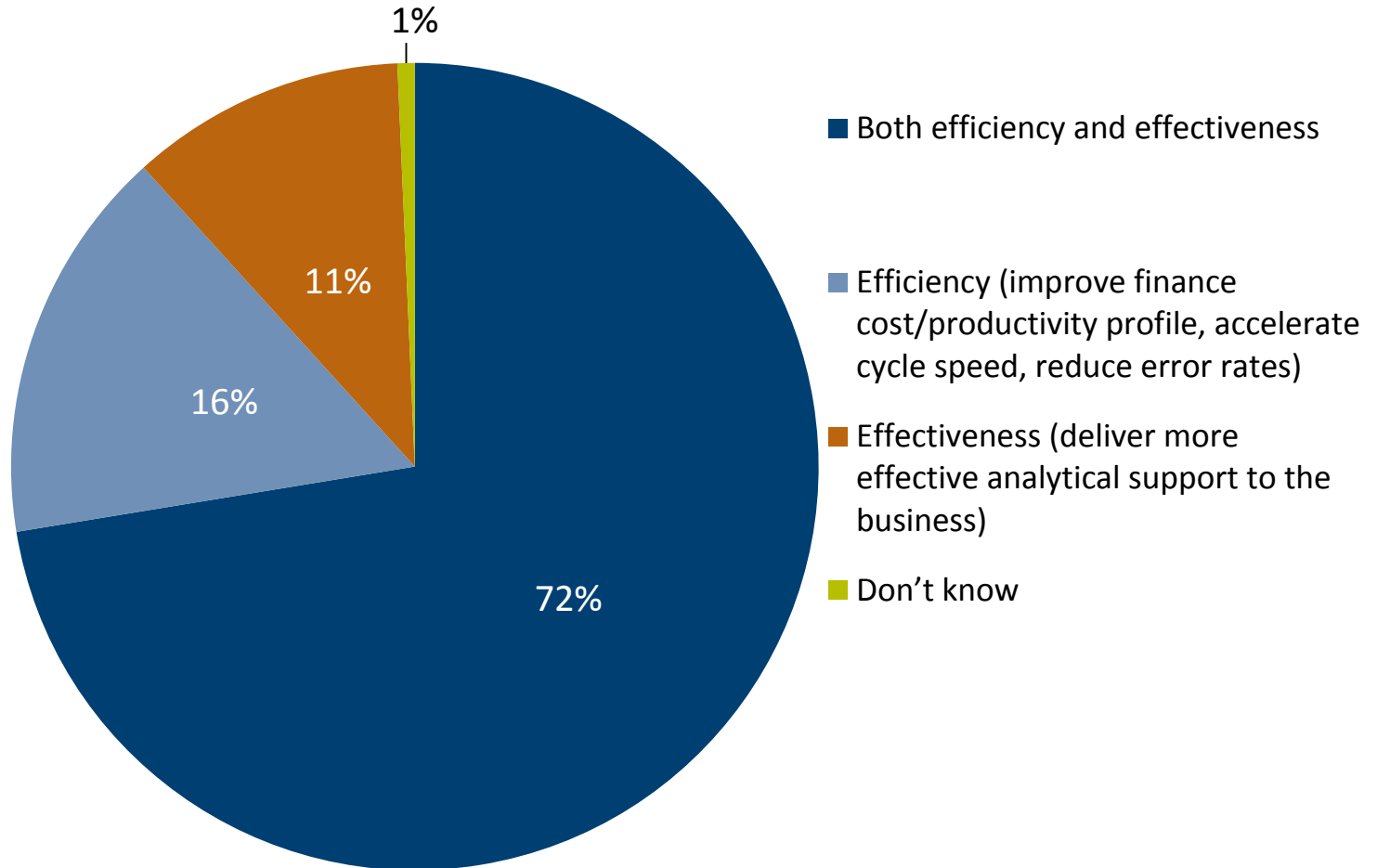
Cases and best practices

Currently pursuing a major process improvement in FM?



Source: APQC Research, March 2012:
Finance Improvement Programs Now Aim at Both Value and Cost

Top Priority?



Source: APQC Research, March 2012:
Finance Improvement Programs Now Aim at Both Value and Cost

Strategic imperatives behind FM process improvement

- Increase speed of core processes to save money
- Reduce risk of accounting/reporting errors
- Better and faster planning and forecasting increase agility
- Insightful decision-support sharpens competitiveness
- Evolve service delivery models; e.g. shared services

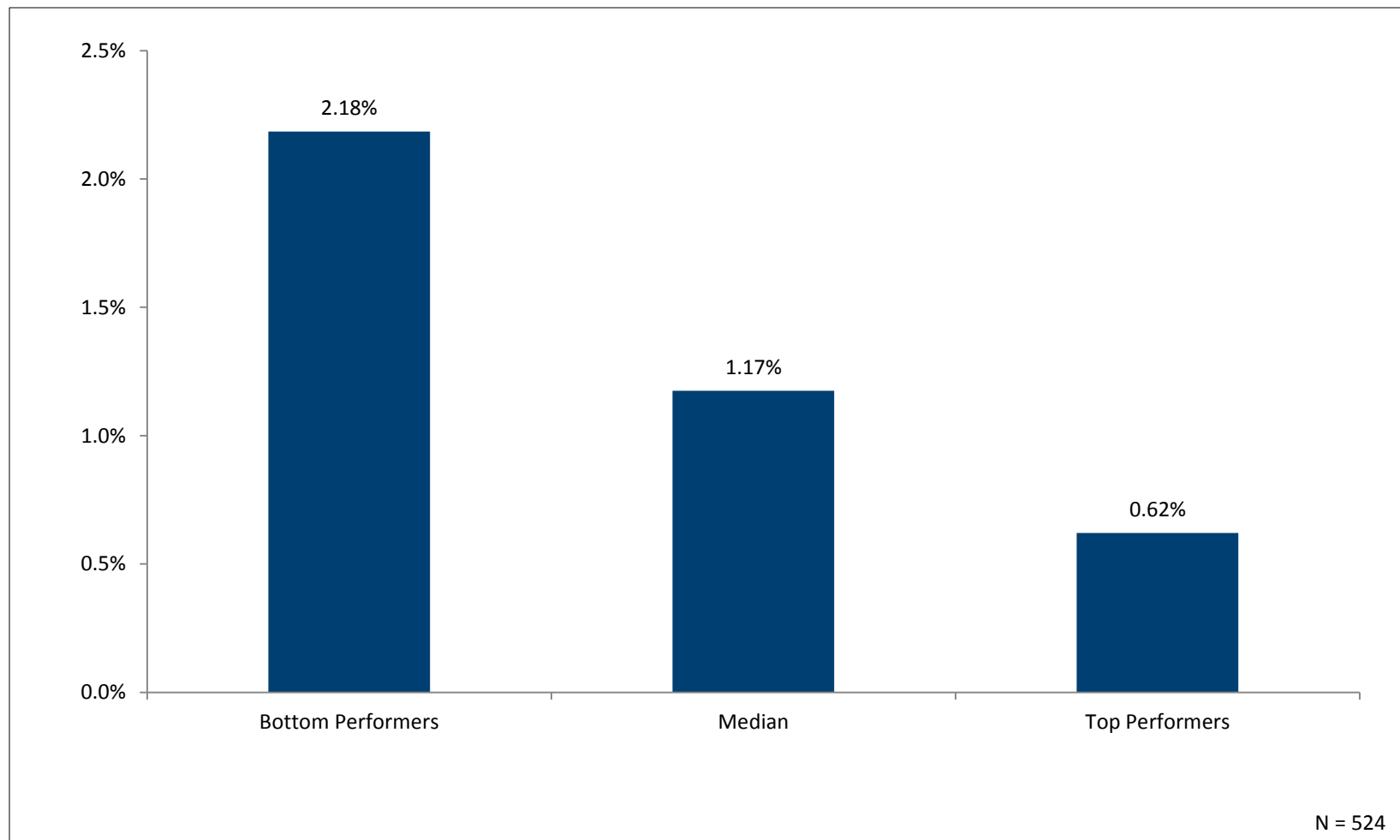
3 Goals of FM Process Improvement

1. Classic efficiency gains:
 - Can you do more with less?
 - Can you go faster?
 - Can you avoid error?
2. Business partner effectiveness:
 - Guidance on pricing, ABC, M&A, etc.
3. Create value for shareholders

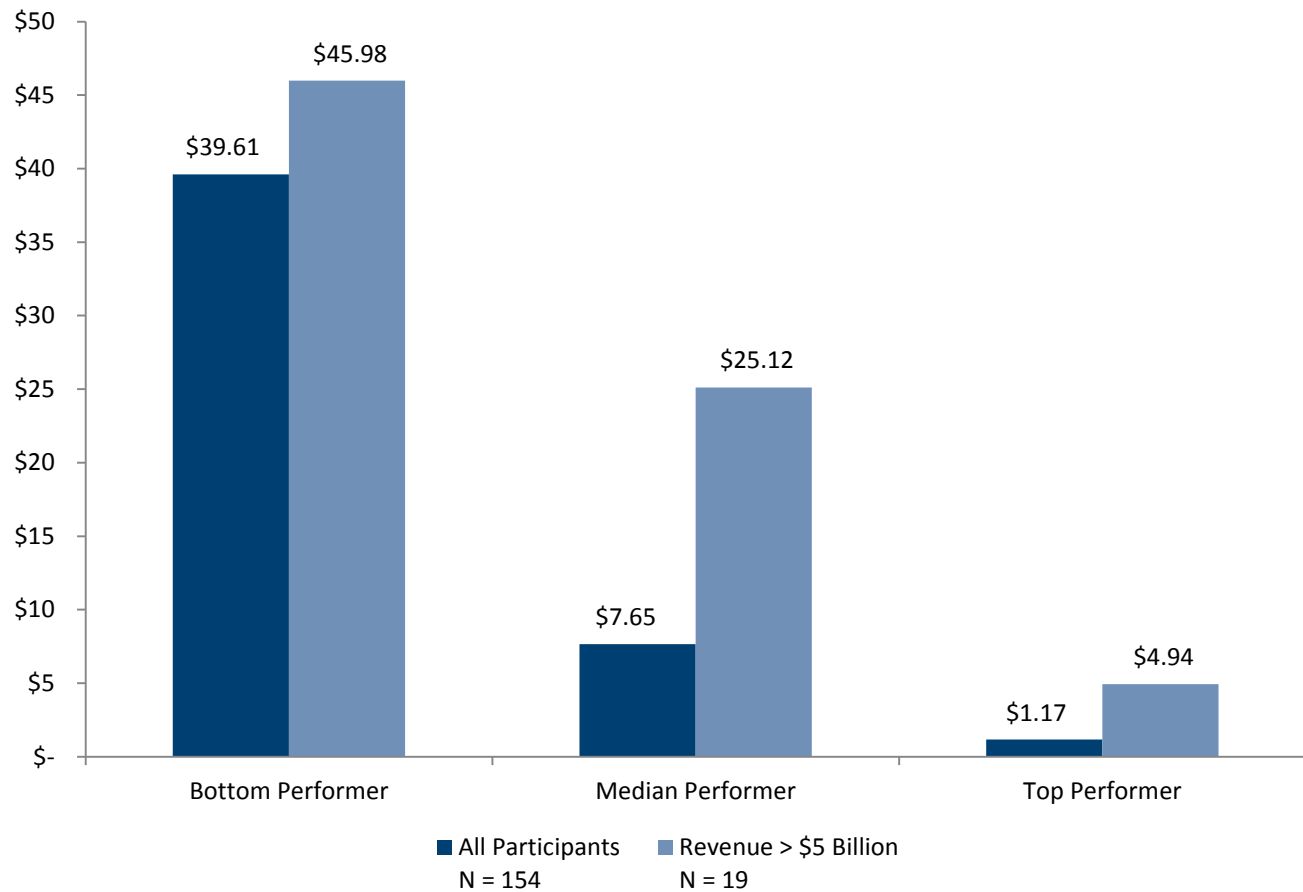
Classic Efficiency Gains: Finance Gets the Direct Benefit

- Faster
- Better
- Cheaper
- Do more with less people

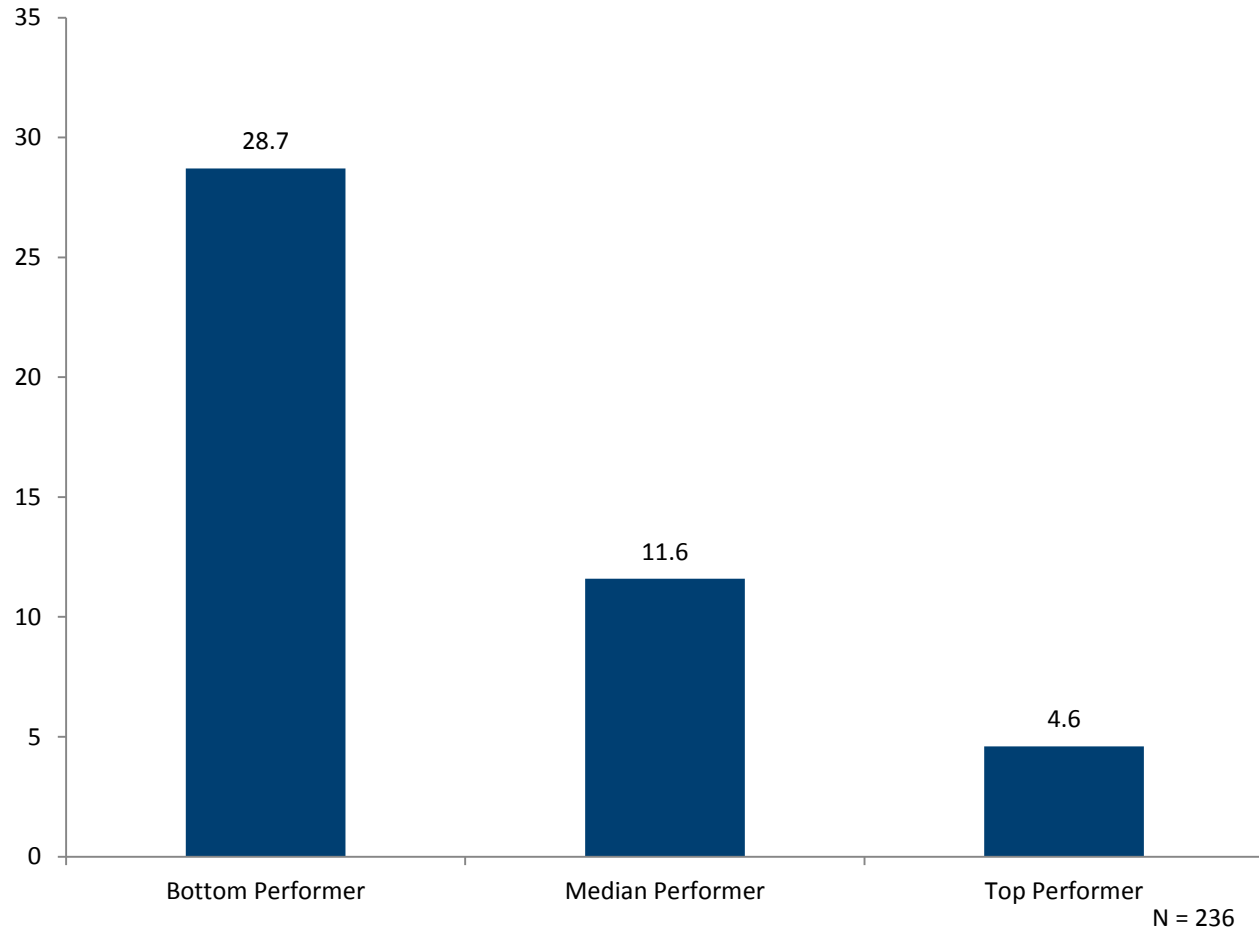
Total Cost of Finance as a Percentage of Revenue - All Participants



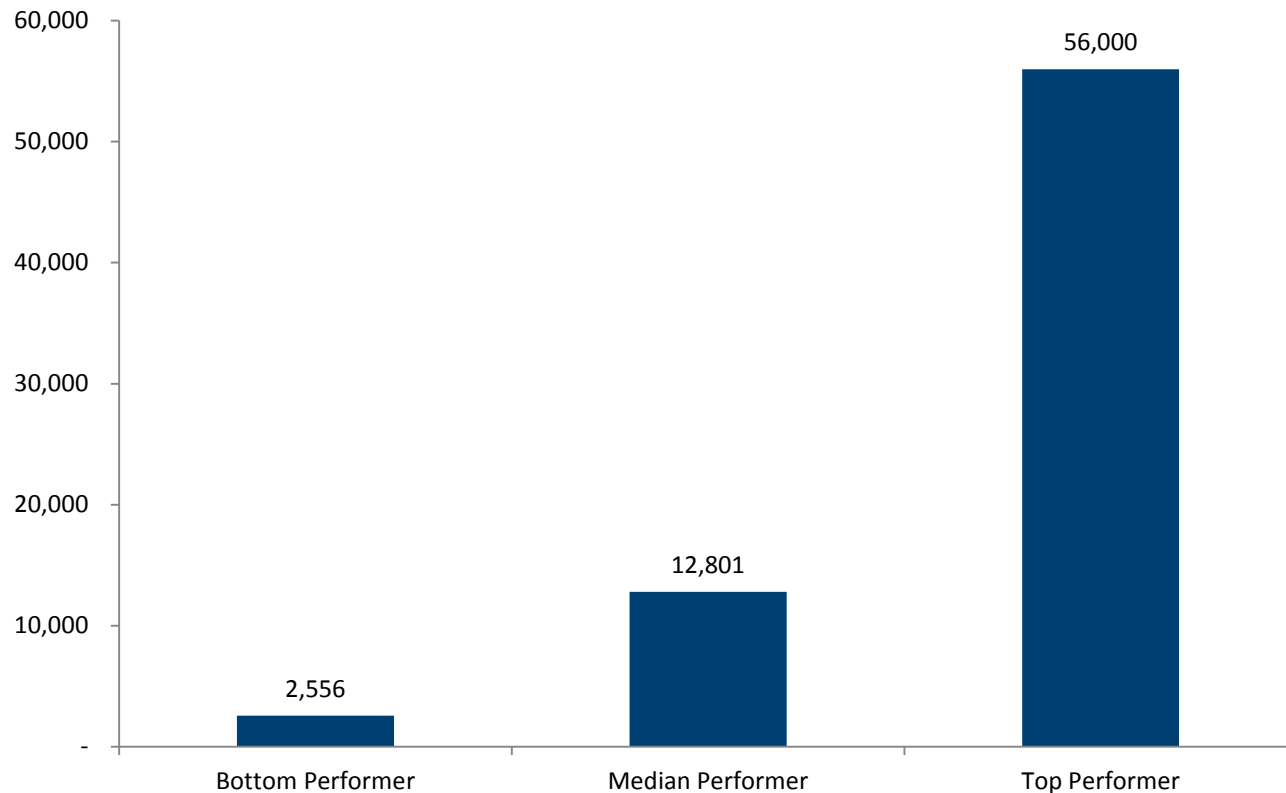
Total Cost to Submit Invoice



Number of FTEs Processing Invoices

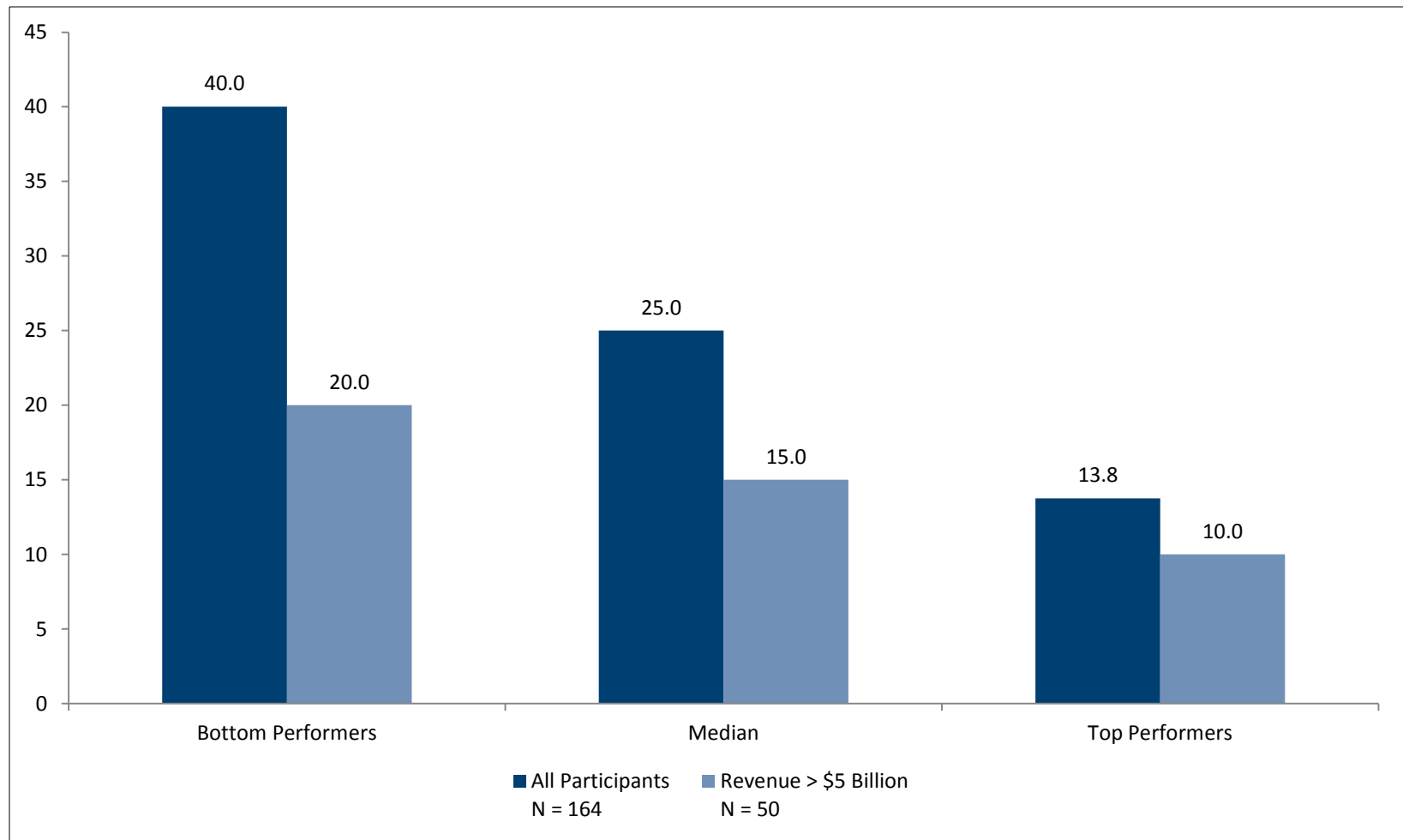


Number of Invoices Processed per FTE

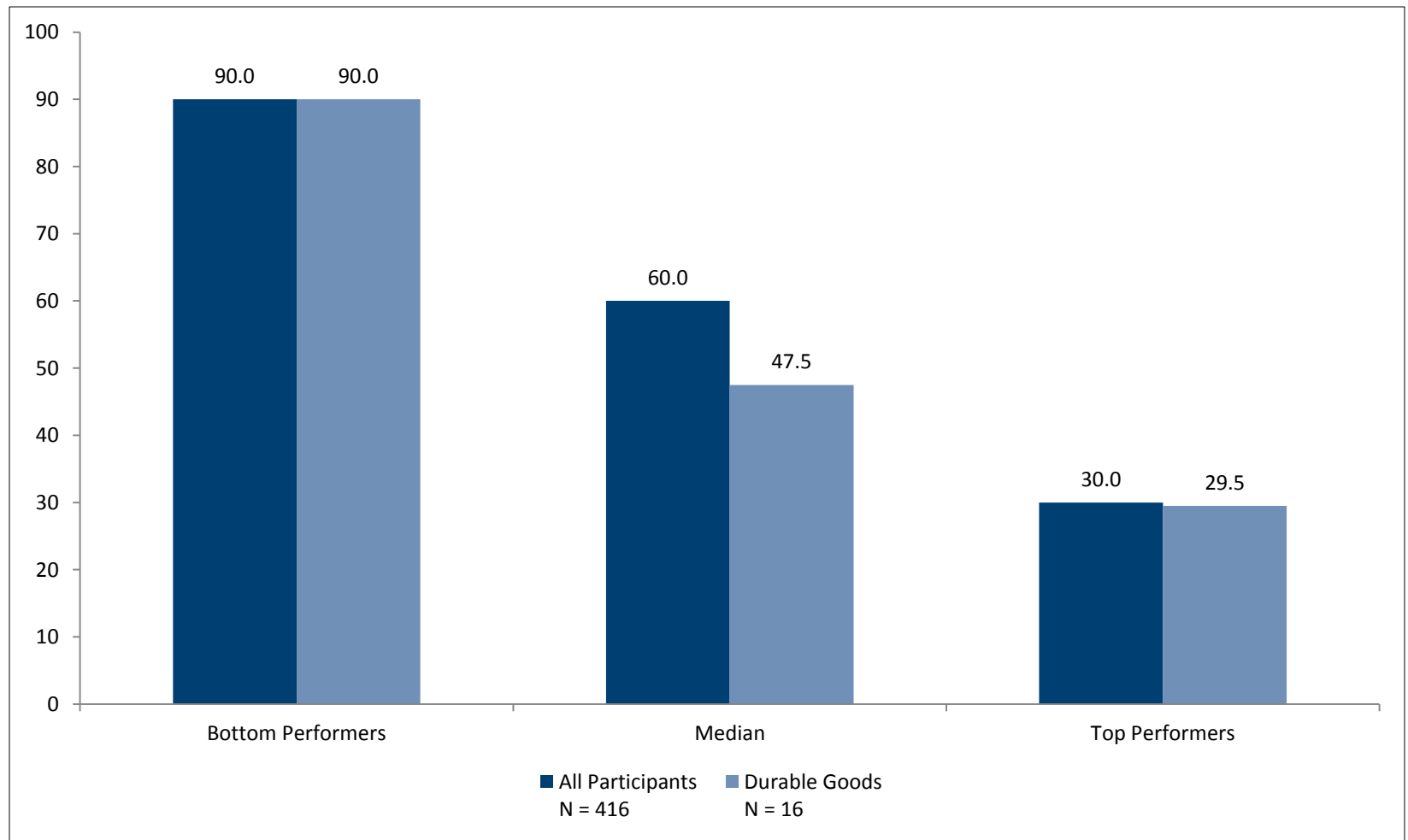


N = 189

Cycle Time in Days between Completion of Annual Consolidated Financial Statements and the Release of Earnings



Cycle Time in Days to Complete the Annual Budget Cycle



Total cost to Process Accounts Payable per \$1,000 Revenue

<u>Highly automated</u>	<u>Not highly automated</u>
\$0.23 (n=33)	\$0.66 (n=131)

Cycle time in hours from receipt of invoice to entering data into AP/invoicing system:

<u>Highly automated</u>	<u>Not highly automated</u>
4.5 hours (n=43)	12 hours (n=146)

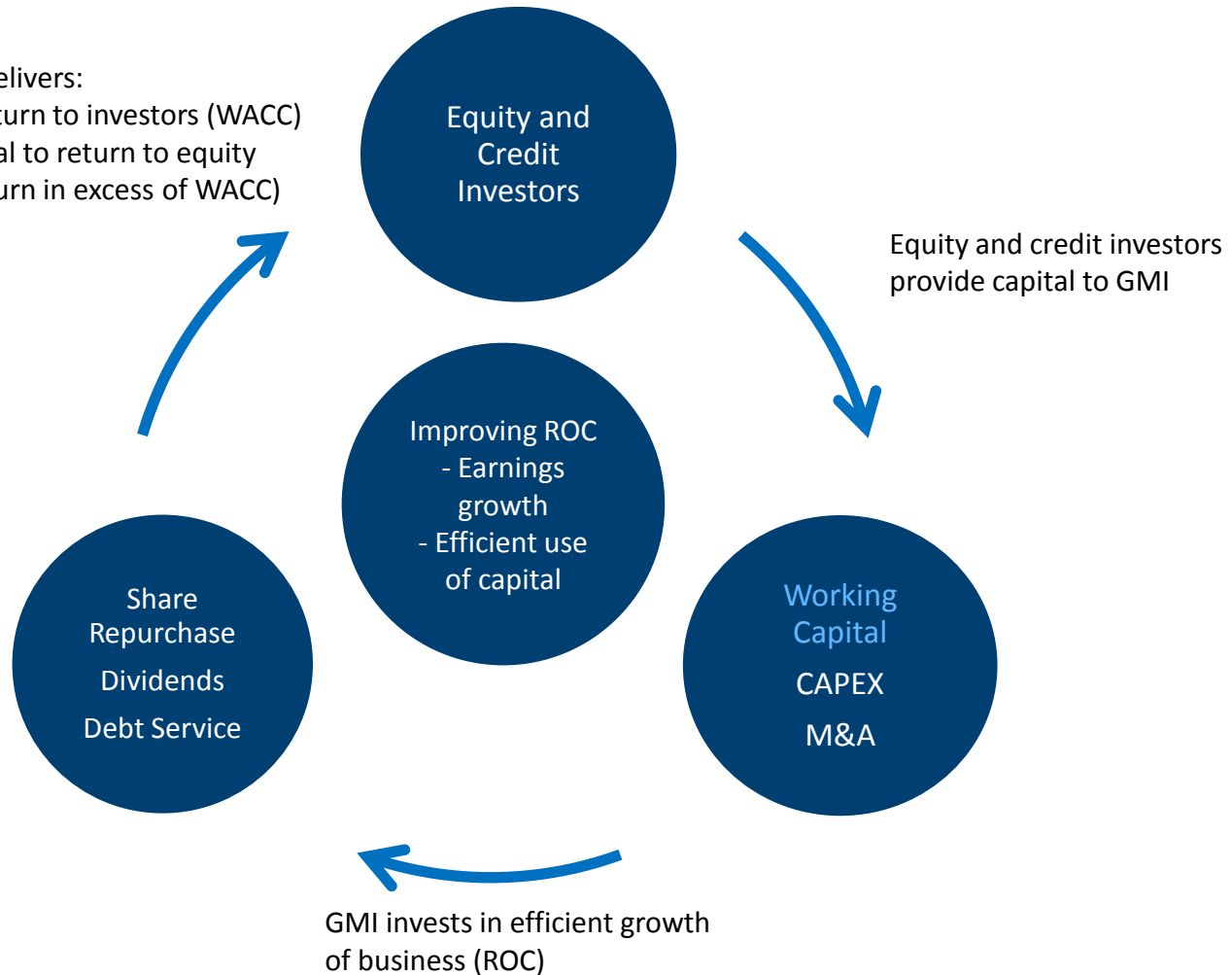
Cycle time in days from receipt of invoice until payment is approved and transmitted:

<u>Highly automated</u>	<u>Not highly automated</u>
8 days (n=40)	16 days (n=151)

Virtuous Capital Cycle at General Mills

Strong ROC delivers:

- Expected return to investors (WACC)
- Excess capital to return to equity investors (return in excess of WACC)



Business Partnering Effectiveness

Case Study: General Mills Inc.



- Process efficiency leads to less working capital tied up in operations
- Operations managers re-invest the savings
- More money available for share repurchase, dividends, debt service

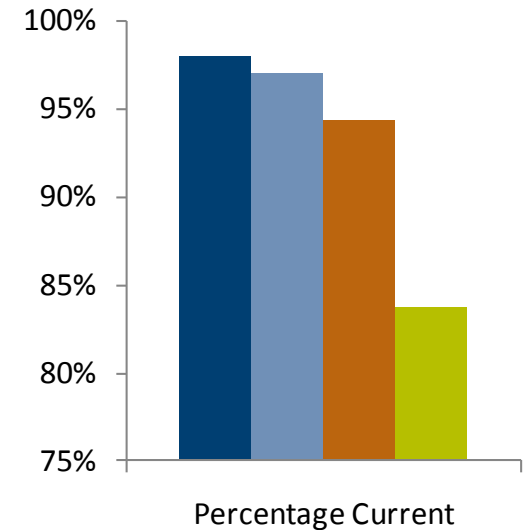
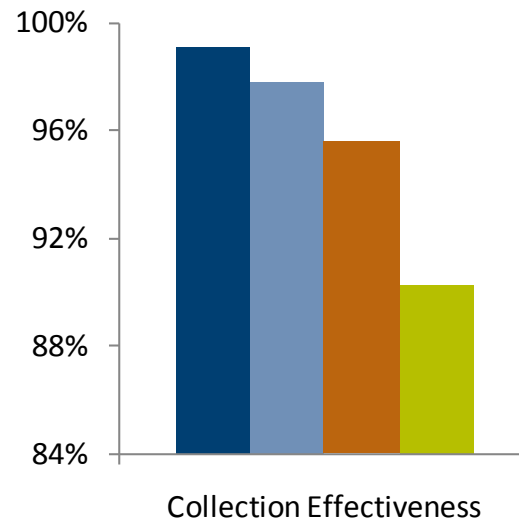
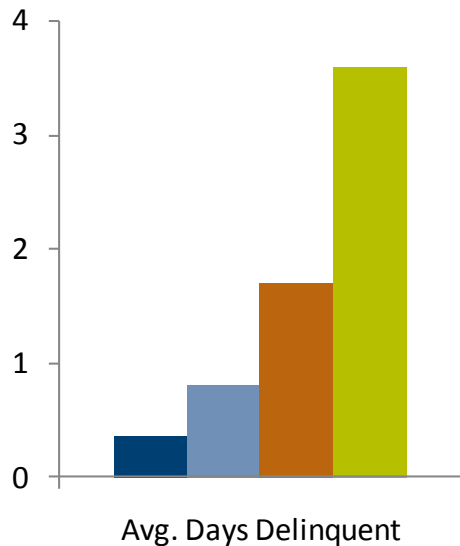
Ensuring Effective Capital Mgt.

General Mills' Monthly Working Capital Check-up:

- Working capital metrics versus the plan and last year,
- Receivables performance,
- Payables performance,
- Review of business unit current assets and current liabilities,
- Overview of business performance and impact on inventories,
- Quarterly working capital implications versus targets, and
- Discussion of potential actions to achieve targets.



General Mills Rigorous Tracking of AR Performance Metrics

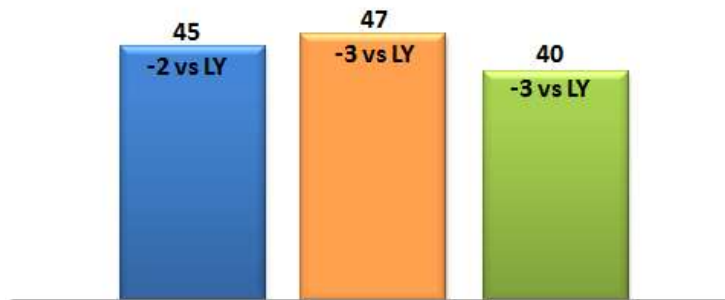


■ GMI ■ 25% Quartile
■ 50% Quartile ■ 75% Quartile

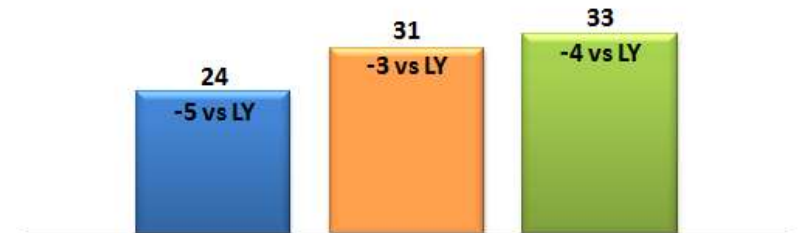
General Mills AP Best Practices

- Hybrid service delivery model puts the right people in the right jobs
- Leverage IT to drive efficiencies
- P-card for indirect spending
- Win-win terms and discount options

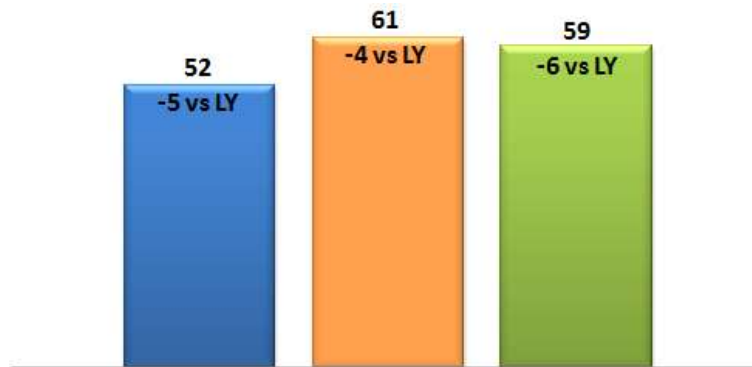
General Mills Annual Working Capital Benchmarking



Days Working Capital



Days Sales Outstanding



Days Inventory Outstanding



Days Payables Outstanding

■ GMI ■ S&P Pack Foods ■ Peer Set

General Mills – Supply Chain Finance

- Third party service provider establishes vendor payment capabilities that can be leveraged to **improve working capital performance:**
 - Invoice Visibility Platform (web-based)
 - Early Payment System (vendor can elect to be paid earlier than std terms at a discount)
 - Automated Payment Solution (vendor has certainty of timing and amount of payment)
- GMI introducing across vendor base
- Positive approach to terms extension

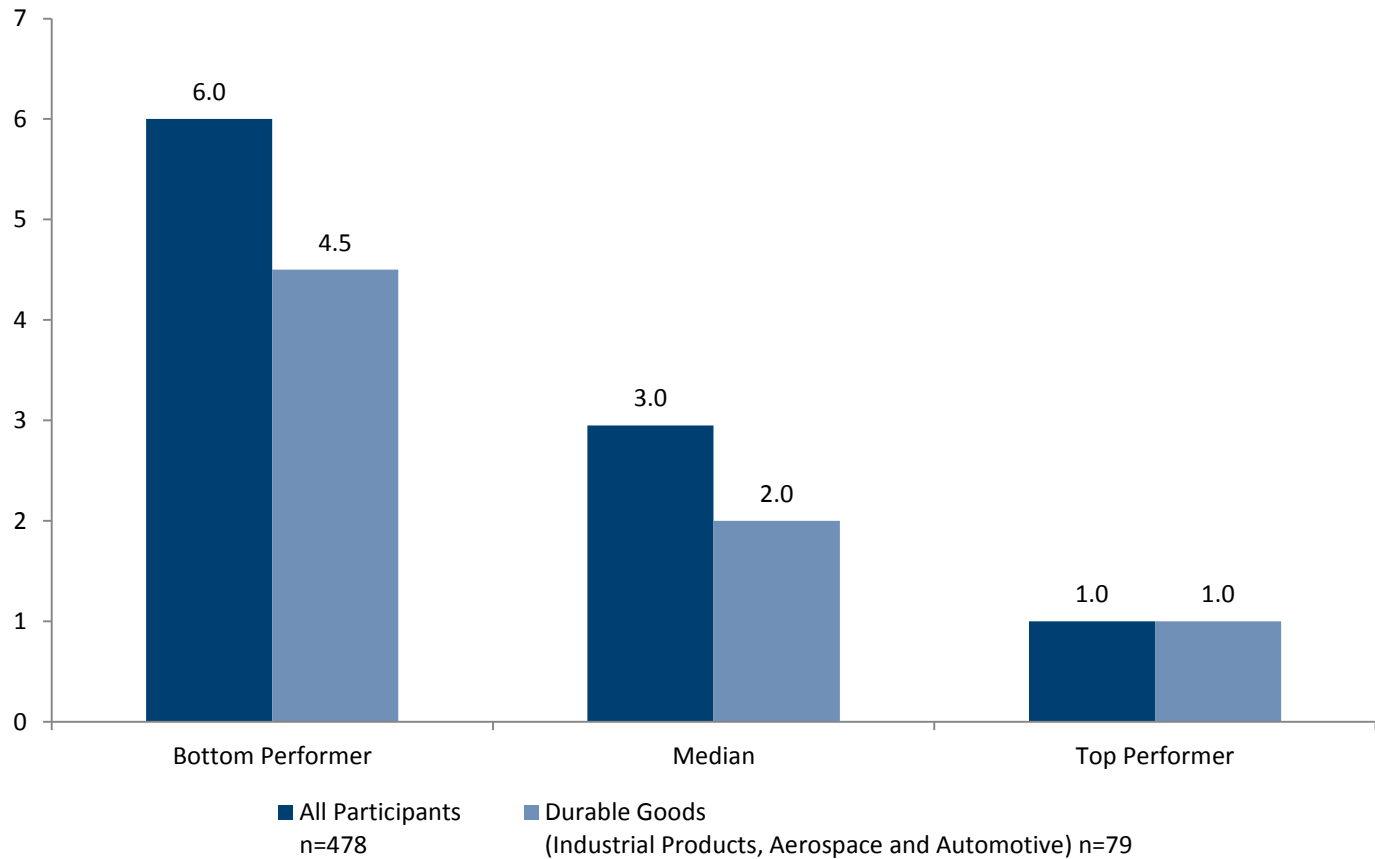
General Mills Mgt. Incentive Metrics

Performance ratings and incentive pay are tied to shareholder value drivers such as:

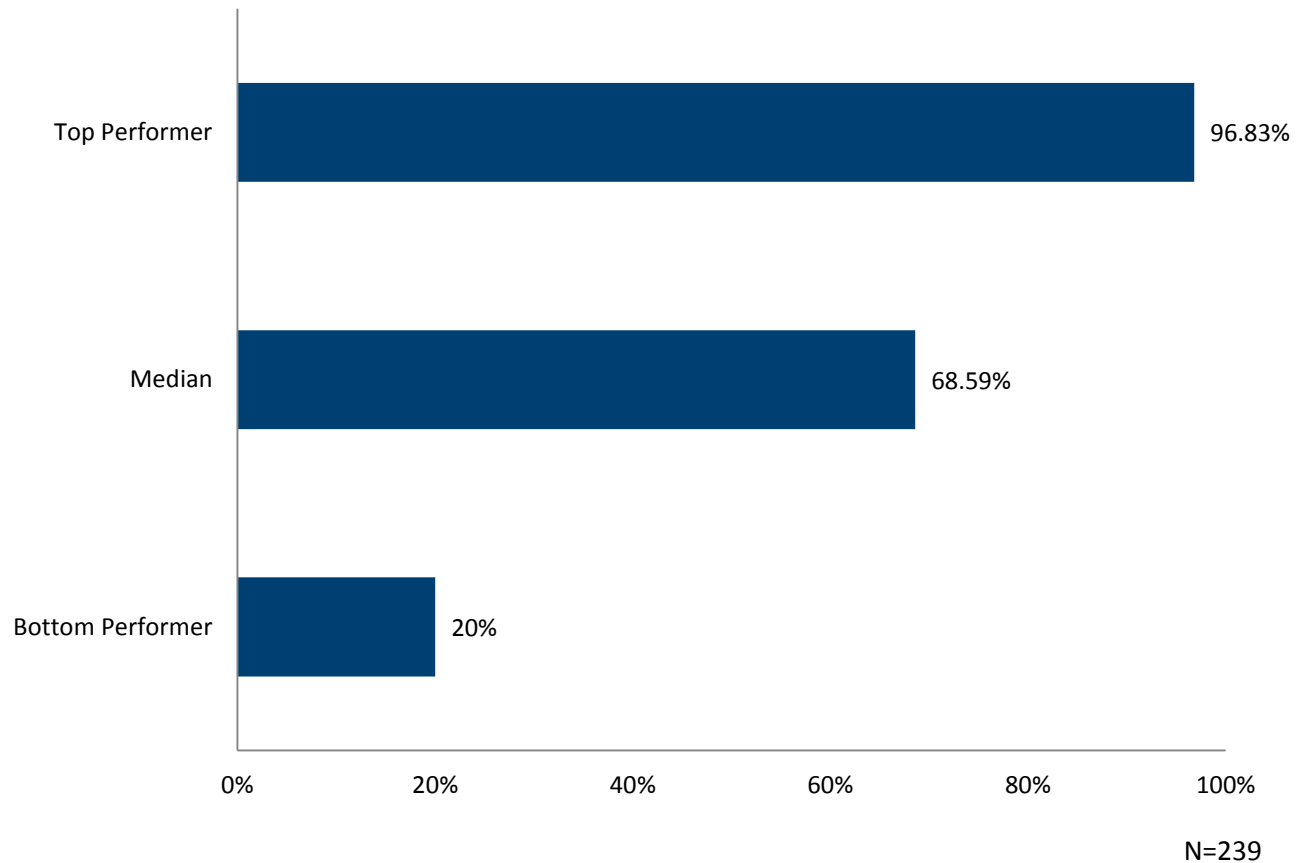
- Net sales growth
- Segment operating profit growth
- Diluted earnings per share growth
- Return on Capital improvement



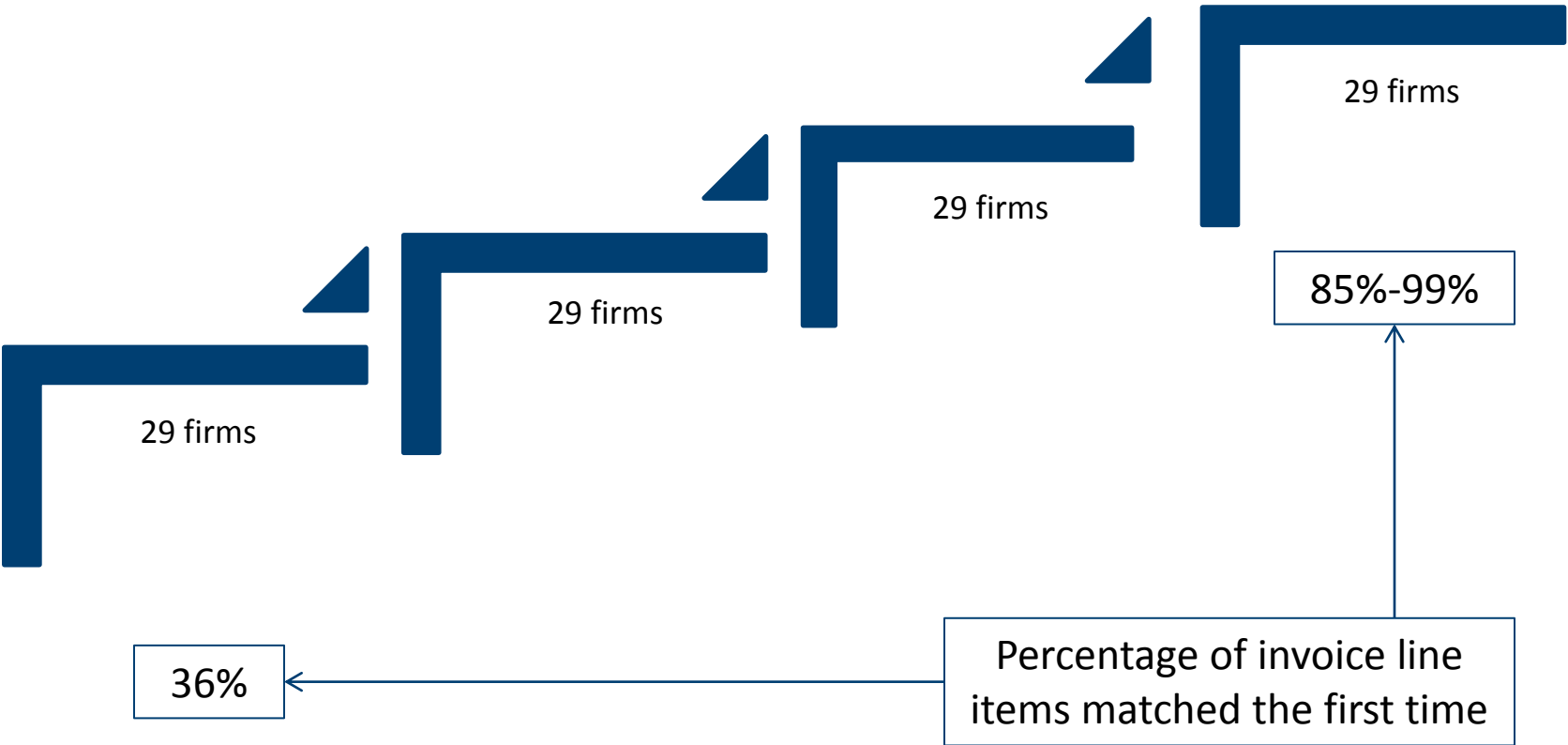
Average Cycle Time in Days to Generate Error-Free Invoices



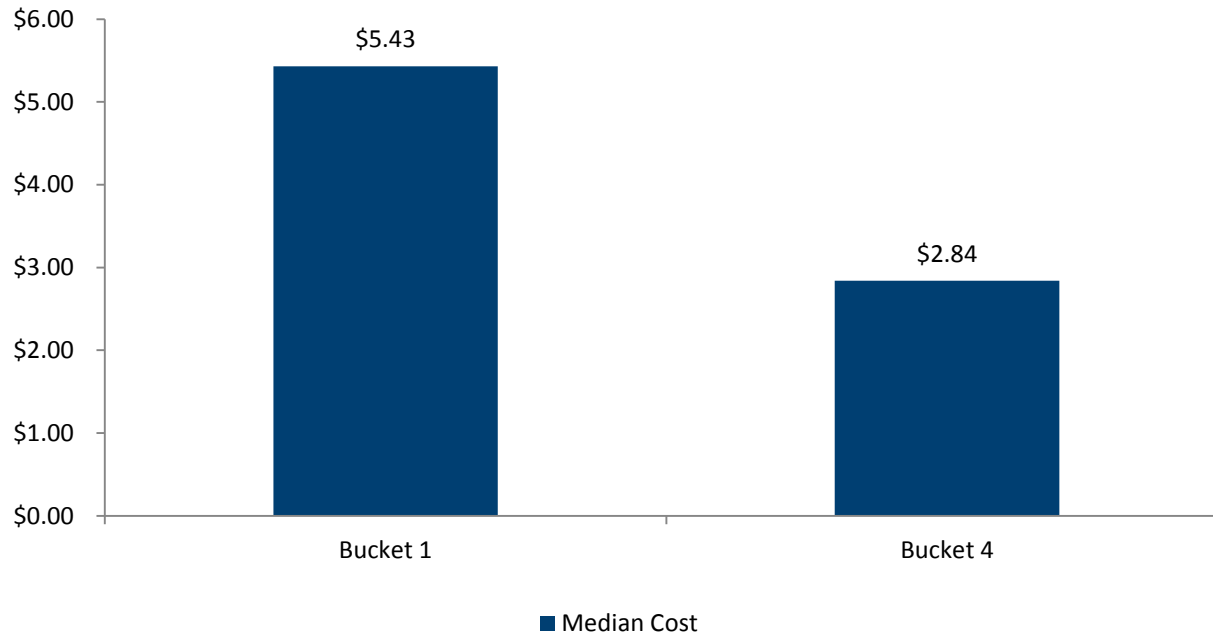
Percentage of Receipts Received Electronically



Performance Gap: Best vs. Worst



Total Cost of AP per Number of Invoices Processed Annually



Source: APQC

Key Takeaways!



- Low-growth requires more precision in performance and value management
- Business needs advanced analyses; e.g. cost/service model or risk co-relations
- CFOs use savings from FM PI to fund the move up the analytics maturity curve
- Various ways to assess value of PI
- Best practices in FM transformation

Question & Answer



If you think of others, just contact us.

For follow-up:

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