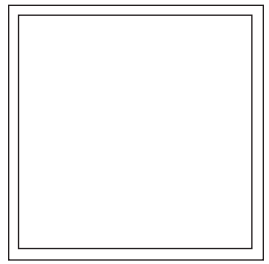


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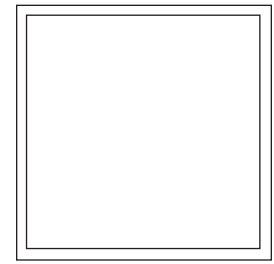


Financial Tools to Drive Business Strategy

James John Jurinski



AMERICAN MANAGEMENT ASSOCIATION



Contents

About This Course	xiii
How to Take This Course	xv
Pre- Test	
1 A New Direction for Finance	1
Outline of “The New Finance”	
Definition of “The New Finance”	
Focus of “The New Finance”	
The New Business Environment	
Increased Global Competition	
Pace of Technological Innovation	
Shortened Product Life Cycles	
New Firm Environment	
Dividends from Technology	
Leaner Organizations	
Flatter Organizations	
Open Access to Financial Information	
Emphasis on Improving Processes	
Emphasis on Value Chains	
Aligning Finance and Corporate Strategy for Growth	
Finance Professionals as Business Partners	
Transforming Strategy into Action	
Developing Metrics	
Balanced Scorecard	
Refocusing the Finance Function	
Finance as a Value-Added Activity	
The Lean Finance Function: Doing More with Less	
Role of Finance in Firm-Wide Process Improvements	
Focus on the Whole Firm	
The CFO as Change Agent	
Overcoming Stereotypes	
Increased Visibility	

Managing Change

- Expect Resistance
- Understanding Resistance
- Listening Deeply
- Need for Flexibility
- Involve the Staff
- Work through Conflicts
- Don't Do Too Much Too Soon
- Managing Change in a Changing Business

New Financial Tools for the New Finance

Recap

Review Questions

2 New Focus for Finance Professionals

21

New Roles for Finance Professionals

- Becoming a Full Business Partner
- Overcoming the Stereotype
- From Scorekeeper to Participant
- From Financial Historian to Financial Consultant
- Less Reporting
- More Consulting for Internal Clients
- Knowledge Management
- Role in Process Improvements
- Role in Cost Management

Steps to Becoming a Full Business Partner

- Understand the Outline of The New Finance
- Assess Your Own Strengths and Weaknesses
- Develop New Knowledge and Skills
- Spend Less Time Managing the Finance Function
- Improve Interpersonal Skills
- Think Strategically
- Convince Top Management

New Skill Set Needed

- Leadership
- IT and Computer Expertise
- Teamwork Skills
- Communication and Presentation Skills
- Listening Skills
- Learning Skills
- Coaching Skills
- Problem-Solving Skills
- Accounting Knowledge

New Decision-Support Role

- Harnessing the Power of ERP
- Service from a Client Perspective
- Communication Issues

Supporting Decision Makers as Internal Clients

- Understand How Your Firm Works
- Make Yourself Available

- Capitalize on Business Knowledge
- Network with Other Experts in the Firm
- Understand Exactly What Information Is Needed
- Provide Advice, Not Just Data
- Communicate in an Understandable Way
- Always Provide Excellent Service

Recap

Review Questions

3 Traditional Measures 39

Financial Aspects of Corporate Strategy

- Using Financial Measures to Evaluate Strategy

- Factoring Economic Conditions in Strategy

Porter's "Five Structural Determinants"

- Intensity of Rivalry Among Competitors

- Threats to Entry

- Bargaining Power of Suppliers

- Buyer's Power

- Substitute Products

Financial Implications of Structural Determinants

Competitive Advantage

- Differentiation

- Low Cost Providers

- Capital Structure Strategy

Return on Assets (ROA)

- Quality Issues

- Criticism of ROA as a Measure

- Relation to Profit Margin

- Relation to Asset Turnover

- Relation to Strategy

- Further Refinements

Return on Common Shareholders' Equity (ROCSE)

- Trading on the Equity

- Common Earnings Leverage Ratio

- Financial Structure Leverage Ratio

- Equity Multiplier

Strategic Issues

- Maintaining a Positive Financial Spread (ROCSE-ROE)

- Operating Leverage

- Effectiveness and Efficiency

Recap

Review Questions

4 The Balanced Scorecard and Other Performance Measures 61

Introduction

Postmillennium Businesses

- New Business Processes

- Global Perspective
- Innovation
- Knowledge Workers
- Best Practices
- Deficiencies of Traditional Reporting
 - Understanding Limitations of GAAP
 - Increased Use of Nonfinancial Data
- The Balanced Scorecard
 - The Strategy Gap
 - Goals of the Balanced Scorecard
 - Role of Traditional Financial Measures
 - The Four Perspectives
 - The Four Processes
- Identifying and Measuring Key Performance Drivers
 - Steps in Establishing a Performance Measurement System
 - European Perspectives
 - Deciding What to Measure
- Uses and Abuses of Performance Measures
 - False Signals
 - When Won't They Work?
 - Shoot the Messenger
 - Inflexibility and Failure to Rethink the Measures
- Recap
- Review Questions

5 Value-Based Performance Metrics: EVA and CFROI

83

- The Metrics Revolution
 - Why New Metrics?
 - Shortcomings of Conventional Reporting
 - Relation to Discounted Cash Flow
 - Importance of "Economic Profit"
 - Aligning Strategy and Tactics
 - Competing Metrics
- Understanding Economic Value Added
 - Definition of EVA
 - MVA and EVA
 - Wealth Creation
 - Wealth Destruction
 - Calculating EVA
 - Steps in Calculating EVA
- Performance Metric Applications
 - Stern Stewart Performance 1000
 - Tools for Aligning Tactics and Strategy
 - EVA as a Predictive Tool
 - Using Value-Based Metrics as a Management System
 - Criticisms of the EVA Metric

Cash Flow Return on Investment (CFROI)

Definition of CFROI

Calculating CFROI

CFROI versus EVA

Implementation Issues

Anticipate Problems

Changing Corporate Cultures

Tying Compensation Systems to Metrics

Implementation Strategies

Recap

Review Questions

6 Strategic Process Improvement

103

Introduction

Business Process Focus

Room for Improvement

Forward Focus

Process Mapping Basics

What Is Process Mapping?

Uses of Process Mapping

Who Creates the Process Map?

How Is the Map Developed?

What Should the Map Tell You?

Client-Focused Maps

Benefits of Process Mapping

Starting Point for Successful Process Improvement

Concrete Visualization

Shows Relationship among Processes

Reveals Non-Value-Added Steps and Bottlenecks

Creates a Shared Understanding of the Process

Immediate Improvements Are Often Obvious

Steps in Process Mapping

Prepare Map of the Whole Organization

Identify Processes to Be Studied

Define Boundaries of the Process

Identify Basic Information about the Process

Determine How Many People Are Involved in the Work

Determine Who Has Ultimate Authority

Document the Time Element to Complete the Tasks

Flowchart the Process

Verify the Map with “Experts”

Benchmarking

Goals for Process Redesign

Eliminate Redundancy

Assess Centralization versus Decentralization

Keep Redesign in Perspective

Implementing Best Practices

Integrating Best Practices in Process Redesign

Benchmarking

- Audit Your Organization Initiatives

Steps to Developing World Class Processes

- Learn Your Internal Clients' Needs
- Involve Internal Clients in Product Design and Service
- Design Relevant Services and Products
- Develop a Culture of Superior Service
- Recognize Importance of Frontline Employees

Recap

Review Questions

7 Reengineering the Finance Function 121

Introduction

Goals of a Reengineering Program

- Stripping Out the Fat
- Adapting to the New Business Environment
- Client Perspective
- Becoming a Business Partner
- Creating a Lean Finance Function
- Client Perspective
- Incorporating Best Practices

Steps in Reengineering

- Involve Top Management
- Designing Out Inefficiencies and Redundancies
- Implementation
- Review Phase

Overhauling Technology

- Using Technology to Free Staff from Low-Value Work
- Maximizing Returns from Existing Technology
- Leveraging the Returns from ERP

Anticipating Problems

- Resistance Is a Natural Reaction
- Overcoming Resistance
- Implementation Problems

The Human Side of Reengineering

- Dealing with Downsizing
- Changing Roles
- Why New Skills Required
- Investing in Human Capital

Key Leadership Skills

- Why New Skills Needed
- Leadership Qualities
- Interpersonal Skills
- Communication Skills
- Presentation Skills
- Motivation Skills
- Coaching Skills
- Mentoring Skills

Selling the Program to Top Management	
Need for Top Management Support	
Need to Involve Top Management in the Process	
Demonstrating the Value of Reengineering	
Developing Case Studies	
Recap	
Review Questions	
Glossary	141
Resources	147
Post Test	149
Exercise 1 Case Study	157
Exercise 2 Case Study	165
Index	172