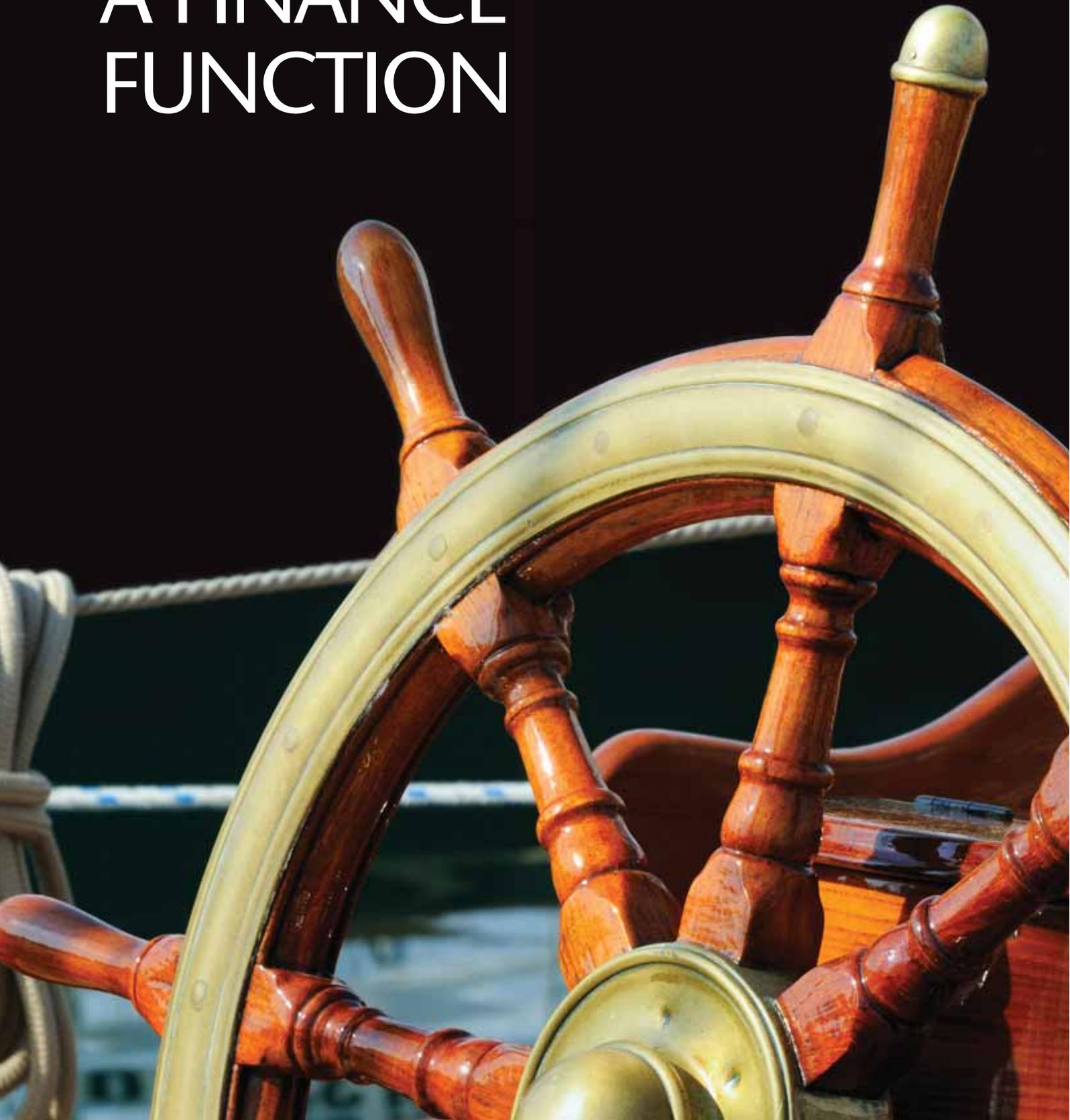


FINANCE FUNCTION EFFECTIVENESS

# TURNING AROUND A FINANCE FUNCTION



Following a difficult ERP implementation, a raft of changes were needed within Oxford University's finance department. **Robert Williams** discusses the turnaround of the finance department with **Emma Riddell**.

#### Case for change

In 2004 Oxford University implemented a new ERP system. The business case for this change was convincing: a variety of systems and processes were being used across the university's 160 departments resulting in financial information being inconsistent. This made it difficult to consolidate and use for high level planning and control purposes.

#### Implementation failure

However, while change was necessary the implementation of the new system was poorly done and the services finance provided were severely affected. One of the most significant consequences was that invoicing of major research funders ground to a halt, putting pressure on cashflow. In addition, academic staff were not being supplied with adequate management reports and so did not have a full picture of their financial position.

These factors may well have contributed to the lack of trust that Williams (current deputy director of finance) believes his academic colleagues had in finance at that point. He elaborates: 'If you were to ask people about the finance team in 2004, you would have got views that it was a transaction processing centre and not service focused. It would have been in the equivalent of the fourth division of any league tables. It certainly didn't emulate our academic colleagues in the university who are in the top half dozen of the world.'

Williams doesn't believe that the new system itself was the source of the problems; rather it was the way it was implemented. He identifies poor communication, limited time allocated for training and a lack of robust change management as the key issues. 'As part of the lack of process change we probably also allowed too many individual ways of doing things across departments to continue. We should have been much firmer in standardising processes,' he explains.

#### New team, new vision

Following these problems the finance director, external auditors and audit committee all changed. A team of consultants was brought in and members took up key roles in the finance department to support the business until the new management was fully embedded. The incoming vice chancellor recruited a new team including finance director Giles Kerr and Robert Williams.

As a priority, the new team spent time stabilising the systems which included investing in new hardware so that 'it didn't keep falling over'. Once the core processes were in place it was able to look at providing more valuable support to academic colleagues.

For Williams this meant moving towards a vision of being a trusted business partner. But what does this mean in practice? And how does he explain it in a way that makes sense to those supposed to be providing such a service and those receiving it? He believes it is all about giving examples and showing how a business partner would behave, what they would do and what their style and approach would be. He uses a storytelling technique that demonstrates a business partner in action:

'Imagine you are sitting in a motorway cafe, there are two people next to you having coffee and you overhear their conversation:

"Tell me Fred, what are the finance team like at your university?"

"Actually I hardly ever see them. They visit once a year and give me a hard time for overspending. I don't get any information out of them. They put up hurdles that make it difficult to spend money. I don't have a lot of time for them. I keep my own records and do things on that basis. Is it any different at your place?"

"Well actually yes it is. My finance guy sits in the office next to me, I see him all the time, he's a key member of my team. He attends all of our management meetings. He has been hugely instrumental in helping me reschedule the curriculum so we can make maximum use of the lecture theatre, he's helped me gain a few research grants that have brought in extra income, and quite frankly we couldn't do without him."

The indispensable finance guy is Williams' vision for the future and he regularly tells this story at away days, inductions and cross departmental meetings. However, he acknowledges that Oxford University's finance team is not there yet, although there are elements of good business partnering going on throughout the organisation now.

#### CAREER MILESTONES – ROBERT WILLIAMS



- 1974-1981: Deloitte Haskins & Sells (audit manager).
- 1981-1996: HTV Group plc (group treasurer).
- 1996-2005: BBC, London (head of finance, Radio & Music).
- 2005 to date: University of Oxford (deputy director of finance).

Professional qualifications: FCA, MCT.

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## 'The challenge for us is to bring realism into the forecasting process'

### Actions taken

Out of the vision came the mission: 'To provide sound financial advice and timely information to academics, researchers, administrators and other stakeholders.'

The new management team broke this down into the four priorities for finance:

- high quality management information;
- efficient and effectively controlled processes;
- strong stewardship; and
- a team with the right attitude, capability and motivation.

### High quality management information

When he first arrived, Williams was surprised to find that a budget for the whole of the university at a consolidated level didn't exist. There were departmental budgets but they weren't brought together as a proper consolidation. 'The first thing we set about doing was establishing budget templates, getting departments to complete them and putting them onto the system. This allowed us to have conversations with the various departments,' he explains.

Management reporting was a key area of focus, and this included providing monthly reports featuring simple statements of income and expenditure for each department. However Williams realised that this still wasn't hitting the mark: 'We discovered that lots of the departments weren't actually looking at them. So we developed electronic means of sending reports out so that they didn't have to go into the ERP system to access the information.'

Quarterly forecasting has also been introduced. A five year model and 20-year capital model have been developed. 'The first stage was to get something basic in place and that's now tried, tested and works. It's still quite heavily Excel-driven so we're looking at how to move that forward into something more robust,' says Williams.

The next challenge is to work on the accuracy of the forecasting process. This means addressing local behaviours which can result in departments not spending their full budget allocations, but not releasing the 'saving' in time to allow finance to approve other investment opportunities. Williams says, 'The challenge for us is to bring realism into this process. As the financial environment becomes tougher we need to be harder about where the university spends money – and what our priorities are.'

In addition a more sophisticated business intelligence programme is currently being piloted with several departments. 'Eventually this will allow us to create some meaningful KPIs which will tie HR, student, estates, and financial data together,' Williams explains.

### Efficient and effectively controlled processes

There has been considerable investment in hardware and in strengthening processes which was crucial to provide a platform for the improvements in management information. All of the financial processes have been documented and are published on the web. Each published process consists of clickable process maps with the relevant forms linked to them.

Decisions have also had to be made about where processes and functions best sit within the organisational structure. These decisions have resulted, among other things, in the outsourcing of payroll processing and the creation of an in-house dedicated investment vehicle to manage endowment funds.

### Strong stewardship

Externally, there are some specific areas of the university's operations that require particularly specialised oversight and stewardship. Firstly, Oxford University Endowment Management has been created to professionally manage the significant endowment funds on which the university draws income to support its activities. Secondly, expertise has been brought in to oversee the large number of spin-out companies that have been formed as a result of intellectual property created at Oxford.

Internally, a self assurance toolkit has been developed. All departments complete this online questionnaire annually, which helps finance identify how closely aligned to the established processes and procedures each department is. The toolkit also provides two other outputs:

- a clear view of where to invest in training; and
- clarity on where the internal audit provider needs to focus its attention.

Williams believes this toolkit has been a major step forward, 'It has helped us to train departments by

### Box 1 KEY FACTS: OXFORD UNIVERSITY FINANCE DEPARTMENT

- 154 people in central finance.
- University income 2010: £880m.
- Three key sources of income are: research income, government grants and other income (eg interest, donations etc).
- 160 departments all with embedded finance support, independent of central finance.

## 'A self assurance toolkit has been developed to help finance identify how closely aligned to established procedures each department is'

making them aware of where they have deficiencies. It has also improved our relationship with our internal auditors – what we don't want them to do is focus on areas where we are strong, we want them to help us put value back into the organisation.'

### A team with the right attitude, capability and motivation

Back in 2004 the central finance team was spread across eight different locations in Oxford. Williams explains that consequently: 'It didn't feel and behave as a unit and so we have spent a lot of time investing in the team and trying to improve the culture and quality.'

One of the most obvious manifestations of this focus on culture is that, rather than being spread across eight locations, everyone now sits in a single, open plan space – only the cashiers have their own office.

Training has also moved up the agenda, with more staff undergoing formal accountancy training. In addition CPD days have been organised for all finance staff, providing an opportunity for central and embedded finance to get together and network. These sessions have included: technical updates, soft skills training and talks from high profile motivational speakers. On top of this master classes are held on topics such as customer service, delegating and prioritising.

Internal communications have also been greatly enhanced with innovations including, among other things, a monthly newsletter for all finance staff and a cascading process where the top 30 team leaders attend a briefing group and then disseminate the information to their teams.

Oxford University is a hugely respected brand, and in order to ensure finance staff really feel part of this, regular speakers are invited from around the university to a monthly 'coffee conversation' to talk about their research. Recent topics have included animal conservation and applying Formula 1 techniques to hospital processes.

More formally, a personal development review process has been introduced and a staff satisfaction survey has been put in place. 'All of these things have been about making Oxford a great place to work. The ultimate sign that this has worked is the quality of people now applying to join us,' says Williams.

### Ongoing journey

Williams has always seen the turnaround of the finance department as a journey and he readily admits that they are not there yet, but huge improvements have clearly been made. Future plans in the pipeline include: a major upgrade of the ERP system, e-

### Box 2 SYSTEMS IMPLEMENTATION: KEY LESSONS LEARNED

- Work with your chosen system and do not go down the bespoke route.
- Understand all of your processes, eg purchase to pay, order to cash etc.
- For each of these processes, have a leader who is clear about his or her remit and has credibility across the organisation.
- Get the right people with the right knowledge and experience in place (both external and internal).
- Invest heavily in training.
- Communicate well.

expenses, electronic trading, dashboards, rolling forecasts and an expansion of the project on business intelligence.

But how does Williams measure the success so far? Well, when he first came to Oxford and asked who to talk to about addressing certain problems the answer came back: it's simple, call Imperial College, Cambridge, UCL, Birmingham; they've dealt with this before and are further along than us. Williams believes the tide is starting to turn: 'Now we get quite a lot of emails and phone calls saying 'we've heard you've dealt with this. Can we come and talk to you about it?' For me that's a sign that we have made progress. But it's one of those things that is very difficult to measure.'