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2012 Business Effectiveness Benchmarking Survey

Do you lead or follow?

April 2012

Contents

Do you have the insights to be where you want to be?

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Welcome to the 2012 PwC Business Effectiveness Benchmarking Survey. This is the maiden edition of the survey which is intended to be conducted every two years.

Why this Benchmarking Survey?

Over the years of practising as a professional services firm, we have provided recommendations to our valued clients and cited global best practices as benchmarks for guidance. By this survey, we aim to deliver increased value by identifying best practice for the local Ghanaian market, thus providing relevant local context in discussions with our clients. This survey is therefore the beginning of building a valuable database and also a measurement tool to promote learning and information sharing.

This Benchmarking Report will enable you to compare yourself to similar organisations, identify areas for improvement and formulate a convincing business case for change, where required.

Regular benchmarking updates will enable you to chart your progress and sustain the momentum of development, in order to improve the day-to-day management of your business.

About this report

This report has been prepared based on survey questions answered by 24 participants with information relevant to their financial years ending in 2010. The survey comprised a combination of numerical data questions, such as overall working capital position, annual spend on internal audit and days after month-end close to report results, as well as non-numerical questions, such as IT strategy, focus of internal audit and corporate social responsibility.

The report includes commentary from PwC Subject Matter Experts across the following eight key sections surveyed:

- People
- Business Insights
- Process
- Systems
- Internal Audit
- Governance and Compliance
- Inventory and Supply Chain
- Corporate Social Responsibility

Comments from PwC Subject Matter Experts reflect themes evident in the current global and Ghanaian markets.

Our analysis did not reflect all questionnaire enquiries due to the inconsistencies in response rates. Some respondents were unable to easily extract the relevant responses required from their internal systems - an indication of the general need to improve business intelligence levels in organisations.

The Benchmarking Survey Report should be seen as a starting point for further discussions, rather than a conclusive assessment in any one particular area.

The report is likely to highlight areas you can be proud of, and also those that you may wish to improve. We are ready to assist you with your next steps.

Our benchmarking team with contact details on page 36 of this report is ready to discuss this report with you.

Survey population key data

A snapshot of organisations who participated in the benchmarking survey

Total Number of Respondents	24

Revenue Range of Respondents	GH¢
Maximum	241,741,000
Average	61,972,558
Minimum	3,761,572

Industries Represented	Respondents
Banking and capital markets	11
Insurance	3
Mining and Energy	4
Manufacturing	3
Others (Media, Telecom, Automobile)	3
	24

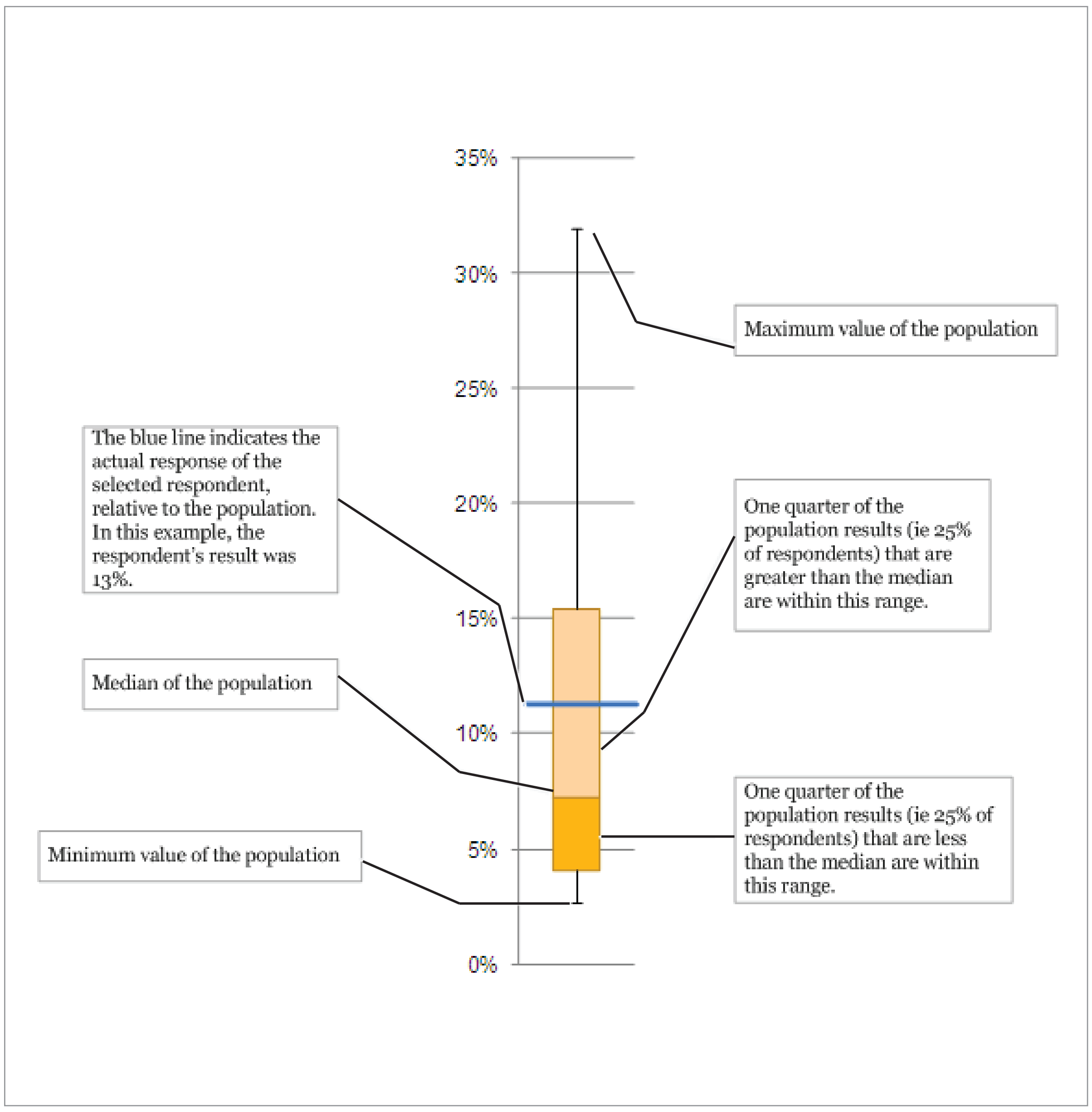
Employee Head Count	Number
Maximum	1,794
Average	459
Minimum	66

Methodology

Key points to help you understand this report

Explanation of the box and whisker chart

Box and whisker charts are used throughout this report to show the distribution of responses. This chart divides up the total responses for a particular question into four quartiles, each containing 25% of the total. Each respondent will receive a customised report, showing individual results. By plotting your result onto this chart (marked in blue), you can quickly see where you sit within the population and what the spread of results was. The sample chart below will assist you in understanding these charts.



Why "no response recorded?"

Where no value was submitted for a respondent or a N/A response was collected, a 'no response recorded' banner has been placed over the relevant chart.

Industry comparisons

An industry comparison has been provided for some graphs where a comparison was meaningful.

1 *People*

"It is important to recognise that there is no perfect level of rookies in an organisation... Too many and too few can both be problems"

Span of control

Can widening your span of control enable you to become more responsive to market opportunities?

Getting the right balance of employees to managers (referred to as span of control in this report) can be challenging.

Historically, management effectiveness experts have recommended that managers should have fewer than nine people reporting to them[1]. However, recent studies conclude that no hard and fast rule exists - the optimal number of reports varies greatly depending on industry, company size and type of work. Nevertheless, recent years' trends have been towards wider spans of control thereby reducing costs, speeding up decision making and increasing flexibility and responsiveness to market changes.

In this survey, the total population graph indicates a median span of control of **6.4** employees per manager. The results for this survey had a wide variation across industries with a spread of between **5.2** and **15.6** employees; with the lowest and widest span of control arising from the Banking and Mining industries respectively. PwC's Saratoga international best practice benchmarking data suggests 9.9 employees per manager[2] (across all sectors).

Companies with narrow spans of control generally face higher management costs due to the following:

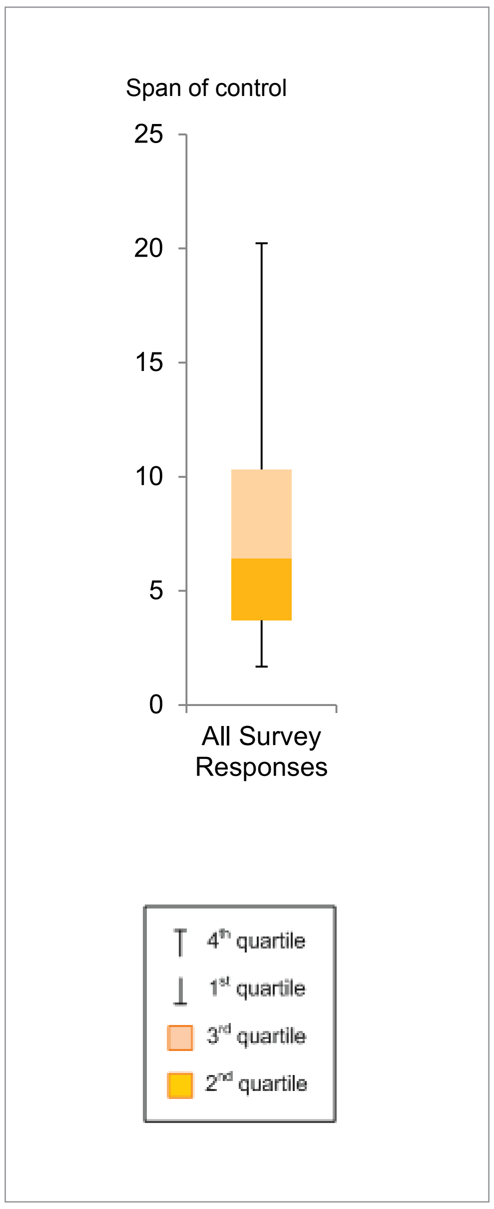
- higher number of managers on the payroll;
- slower decision-making;
- reduced effectiveness of staff communication from layered management levels; and
- reduced autonomy and responsibility for employees which may result in lower engagement levels in the organisation.

Potential reasons for the divergence between our survey results and the Saratoga benchmarking data, include variation in the size of organisations covered by this survey and the range of industries represented. In our experience, as the number of FTEs (full time employees) increases so does the average span of control. This stands true within PwC's Saratoga data up to a point (typically around 5,000 FTEs at which the average span of control decreases from 8.9 to 7.9. This may reflect a tipping point whereby an organisation transitions from a period of growth to maturity and the associated reorganisation that may occur.

Other factors potentially impacting a narrower span of control include:

- geographic location (dispersement means a smaller span of control is likely);
- employee experience (inexperienced employees may require closer supervision); and
- the nature of the work (complex tasks that vary on a case by case basis need a smaller employee-to-manager ratio).

With the expected growth in the Ghanaian Economy, businesses need to consider how their current spans of control may potentially hinder future growth plans and their ability to respond to market opportunities. The survey suggests there is some way to go in establishing an optimal structure and potential to revise existing managerial spans of control.



Workplace diversity

Can closing the employment gender gap help boost the future growth of Ghana or your organisation?

Workforce diversity may not be at the center of most board room discussions in Ghana, however with the increased focus and legislation backed developments in matured economies, this may soon become a burning item on the Ghanaian corporate governance agenda. In Australia for example, 27% of new board roles in 2010 went to women, compared with 5% in 2009[3]. This was after the Australian Securities and Exchange Commission's Corporate Governance Council encouraged all listed entities to establish a diversity policy and disclose the proportion of women employees in senior executive positions and on the Board.

Similar legislations in other countries have resulted in the following percentages of board seats held by women: Norway - 35%, Sweden - 27.3%, Finland - 24.5% and South Africa - 15.8%[4].

Women make up around 51% of Ghana's population[5], and they also comprise 48.8% of the Ghanaian labour force[6]. The results from this survey show that only **32%** of the total employee population in the organisations surveyed are women. This supports the results of other studies indicating that women dominate the informal sector in Ghana, whilst men dominate the formal sector.

These survey results are also significantly lower than international benchmarks[2] with a median of 45% female representation in the overall organisational workforce. Some benchmarks of other regions included in this median are UK reporting 47% female representation, Ireland - 51% and Western Europe - 48%.

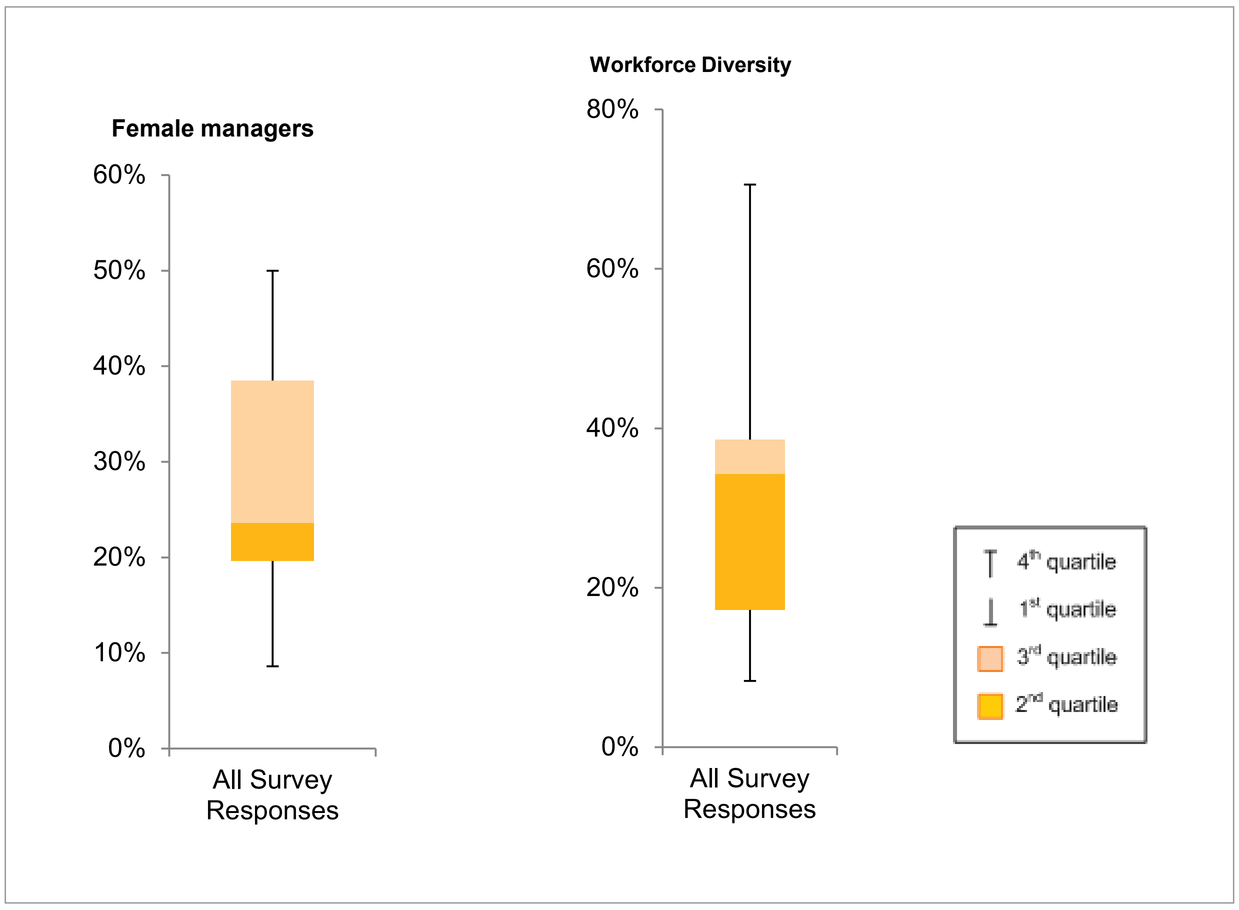
From this survey, at managerial levels, the rate of female participation is even lower at **30%**.

This aligns with recent Australian[7] research which shows that whilst men and women enter the workforce in about equal numbers, the female pipeline quickly diminishes and organisations select nearly 90% of their leadership from a smaller pool of employees heavily dominated by males.

As management experience is typically considered essential for succession to leadership positions, survey results of only **30%** of employees in management roles being women has an immediate impact on the current pipeline of women for senior roles.

Results by industry show that the highest proportion of women were in the Banking sector.

Closing the gap between male and female employment will also have significant economic implications however, this will require significant changes in current thinking and management approaches to leadership, workforce sourcing and engagement.



Rookie Ratio

Are you striking the right balance between retaining and refreshing your people?

The total population surveyed had a rookie ratio of **23%**. This refers to the percentage of employees with up to two years of service with their various organisations. This is close to the PwC's Saratoga international benchmark of 26.3%[2].

Indeed, the employee turnover ratio from this survey indicates a rate of **15%**, which is broadly in line with PwC's Saratoga international benchmark turnover rate of 17.4%[2]. This is a measure of leavers against the total of opening numbers and new joiners, for full time employees, in an organisation.

There is the need for employers to ensure that their employees feel valued and rewarded if they want to retain key talent and have the capacity to seize emerging market opportunities.

It is important to recognise that there is no 'perfect' level of rookies in an organisation. Too many and too few can both be problems. The distribution of rookie ratios of individual organisations surveyed showed a median of **19%,** with values ranging from **0.7%** to **77%**.

The real focus has to be on identifying particularly high or low levels, the reasons for this and the implications for the business.

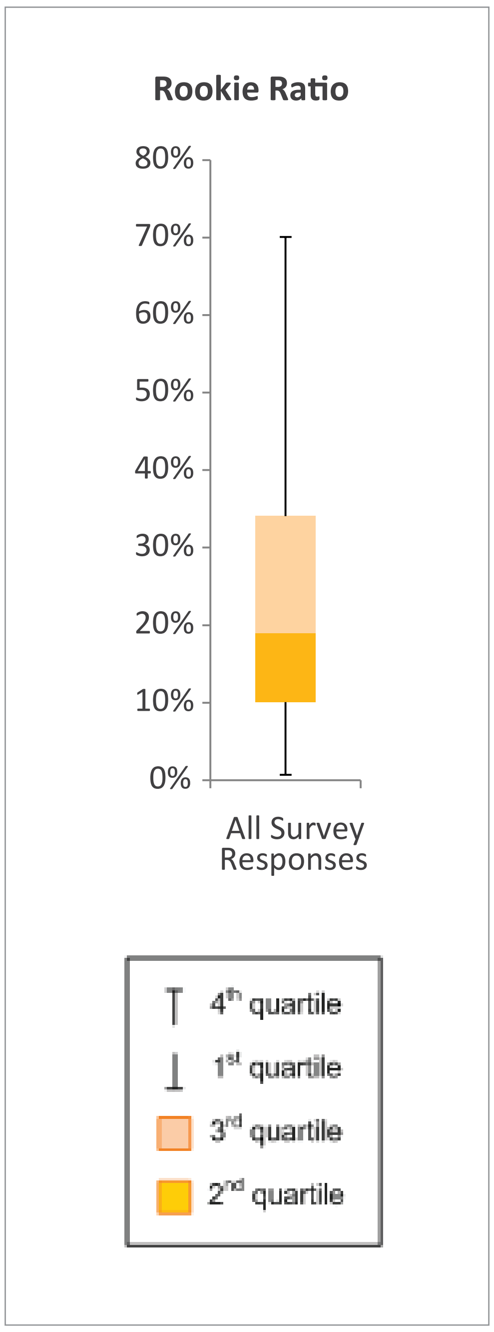
Typically, 'rookie' employees can be less efficient in the immediate term than those employees who have been with the company for a while as:

- they are still learning the organisation's systems and processes; and
- they place greater demands on the HR team.

Nevertheless, they bring significant benefits and their presence is often used as part of overall 'organisational health' assessments. In particular, organisations with a low turnover of staff can suffer from limited levels of experimentation and innovation.

A flow of new recruits provides new ideas, impetus to challenge existing ways of working and ensures a supply of new talent entering the management structure. The challenge for businesses is to find the optimal balance between fresh ideas and retaining existing organisational knowledge.

With the anticipated surge in economic growth in Ghana, and the accompanying increased 'war for talent', there is likely to be a greater number of employees exiting organisations of their own volition. This increase in turnover will in turn lead to a higher rookie ratio and potentially wider spans of control, as junior staff are hired in their new jobs. Organisations need to ensure that whilst they focus on attracting the best potential employees from the market, they do not lose their existing key talent.



2 Business Insights

"The need for cash management spans multiple industries and working capital should continue to receive focus".

Days sales outstanding

How can you optimise your processes to free up your working capital?

Working capital requirements for a business can be significant and also change as the business moves through the business cycle. It is often a difficult area to optimise given the need for multiple interactions across numerous functional areas and end-to-end business processes. It can also be overlooked due to significant business focus on revenue and profit maximisation.

By incorporating working capital into management strategies and personnel incentives, awareness can be raised and responses developed to achieve the best possible outcome for the organisation – freeing up capital for investment in other areas.

Days sales outstanding (DSO)

As the anticipated growth in the Ghanaian economy translates into increased business for Ghanaian enterprises, following the exportation of oil and gas and the ripple effect on related businesses, working capital should remain high on management agendas.

Vigilance should be placed on receivables as many organisations that remain capital constrained may look to delay payments as a low cost form of financing to fund their own business growth.

The cross-industry benchmark median days sales outstanding of 57 days suggests there is significant room for improvement within the Ghanaian businesses surveyed.

Customer terms in 60% of organisations surveyed are for less than 30 days, meaning there is a real opportunity for organisations to move towards their 'best possible' DSO.

Improving DSO

Accordingly, organisations should look to maximise the robustness of their "order to cash processes " and reduce the 'excuses' available for customers not to make payment.

This should be done via a thorough review of each of the four key pillars of good receivables management, namely:

- **timeliness** throughout the billing and collections cycle;
- **quality** of billing and invoicing;
- **customer** risk profiling, segmentation and management and;
- **management** of accounts receivable productivity.

None of these four pillars should be ignored.

Common themes for strong performers are:

- communication with customers is regular, pro-active and there is effective and rapid resolution on all billing issues;
- the billing cycle is timed to match the customer's payment cycle;
- billing documentation is correct and presented in a format that assists in facilitating the payment within the customer's system;
- there is a well thought out collections structure, policies and procedures are in place and staff are well trained and sufficiently resourced.

Day sales outstanding

Benchmarks	Median	Top Quartile
Total population	57	21

n=9

Days payable outstanding

How can you optimise your processes to free up your working capital??

Days payable outstanding (DPO)
This is one of the key levers that businesses can use to minimise their working capital requirements.

Delaying payment to suppliers to balance short-term cashflow considerations is a common but risky business approach. The risk to ongoing business relationships with the supplier (and the supplier's ability to trade in some cases) can be significant.

The cross-industry benchmark shows a median days payable of **93 days**. This data suggests that more than half of organisations surveyed are paying suppliers slowly to optimise their working capital and cashflow positions.

Whilst the above may be reflective upon the business situation and ongoing cashflow pressures, it also highlights potential missed opportunities for organisations (e.g. cash discounts foregone).

Potential benefits of a better managed payables cycle include improvement of supplier relationships, better and more timely information exchange between the supplier and customer, and reductions in the headcount required to process Accounts Payable.

Technology and process discipline are supporting the move towards better purchase-to pay processes including:

- Rigorous use of three-way (Purchase order, Invoice and Goods Received Note) matches for general procurement – removing the need for manual authorisation of invoices when received by the purchaser;
- Electronic invoicing, reducing the paper trail and the risk of invoices 'sitting in an in-tray';
- Use of workflow to manage purchase requisition signoff and purchase order creation;
- Evaluated receipt settlement, reducing the processing effort involved.

Integration of purchasing processes with suppliers enhances organisational and process effectiveness – it also makes relationship maintenance important. Purchasing organisations should ensure that payments are not unnecessarily delayed.

Section 4 of this report expands on how systems can further help enhance operations.

Organisations should seek to optimise the gap between their DSO and DPO – collecting cash from customers faster than making payments to suppliers – in order to improve cashflows.

Days payable outstanding

Benchmarks	Median	Days Delay*
Total population	93	36

n=9

**The difference between median DPO and DSO*

Forecasting

Can a stronger focus on the future help to effectively balance the scales of uncertainty?

In recent times, we have seen financiers increase their surveillance of organisations' forecasts, particularly with regard to cashflow. The process surrounding forecasting gives clear insights into the competence of management – and during difficult times, management's competence may be the critical factor in a financier's decision to support or otherwise. Businesses seeking to position themselves well for growth will need to maintain their funding sources and access capital markets to fund acquisition opportunities.

The cross-industry benchmark shows that business focus remains primarily upon forecasting outcomes within the next year, although **21%** and **29%** of respondents are developing five-year budget and cash flow view points respectively. Leading practice supports this, and a range of short, medium and long term forecasts may be beneficial to support business planning and working capital requirements.

Getting it right

Wherever possible, consistent models and tools should be used throughout an organisation, and the assumptions underlying the models should be consistent. Getting the critical areas right will assist in building financier and investor confidence.

These include:

- ensuring the right people are engaged in the process of developing the forecast or budget;
- ensuring that the budget is translated into KPIs which are cascaded through the organisation to deliver the outcomes sought;
- proactively tracking outcomes and updating to reflect their consequences;
- Ensuring that all aspects of the business plan are reflected in the budget;
- providing certainty that the budget reflects sufficient funding to support the key drivers of business profitability;
- having the right forecasting tools to allow sufficient scenario analysis to track downside risk; and
- management – particularly around the operational working capital cash requirement.

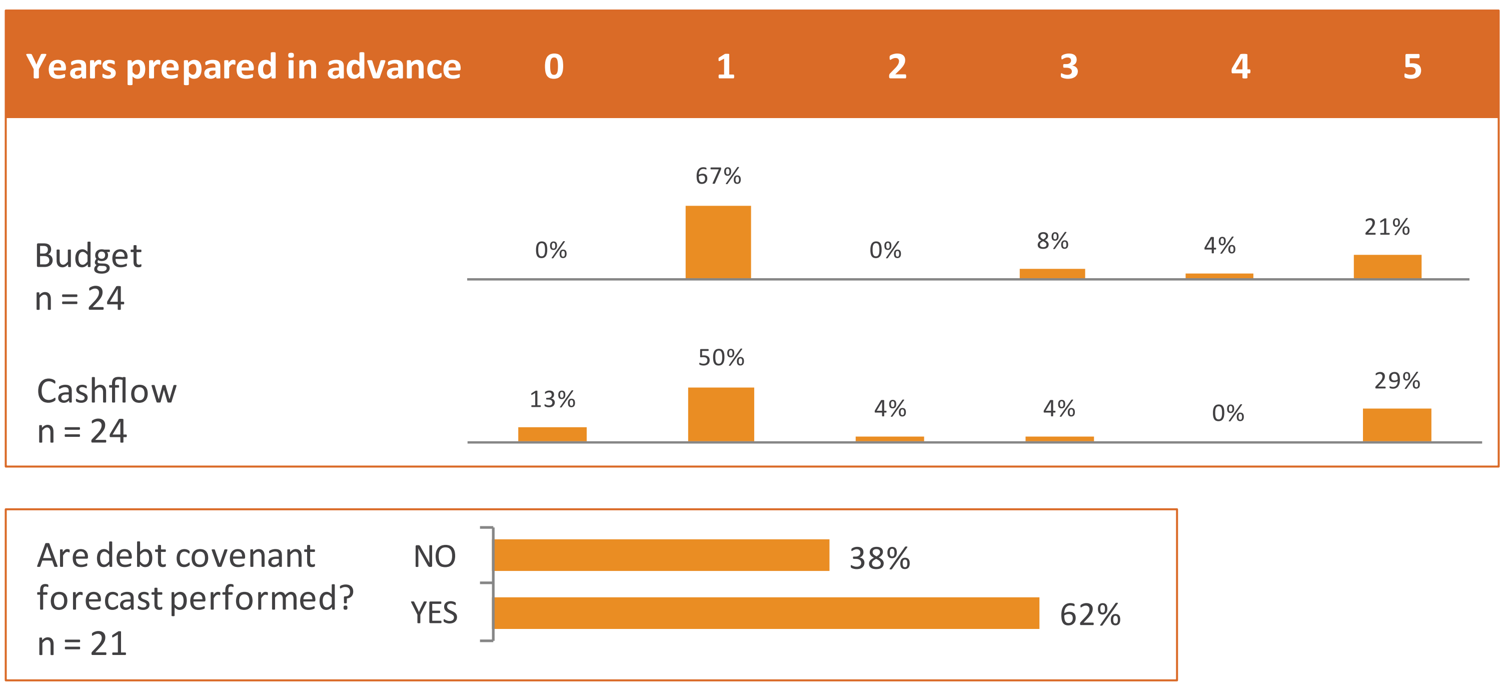
Management should continue to prioritise cash flow forecasting particularly if considering an acquisition or restructuring activity.

Effective cash planning and management will avoid overstretching facilities. This can be supported by regular management review. The use of short, medium and long term cash flow scenario modelling and individual acquisition or project based cash flow models is encouraged.

Debt covenant forecasting

62% of survey respondents are forecasting their debt covenant calculations. Leading management teams perform active monitoring over covenant calculations, to ensure that the need for bank waivers or renegotiations are identified in a timely manner. This includes utilising a range of scenario options in their forecasting models.

Forecasting



Effective tax rate

Can understanding your tax footprint act as a catalyst to identify opportunities?

The corporate income tax rate is 25% in Ghana, and most companies surveyed had effective tax rates within a fairly close range (ten percentage points) on either side of this figure. This suggests that majority of the corporate community wish to comply with their tax obligations without entering into aggressive tax planning or avoidance.

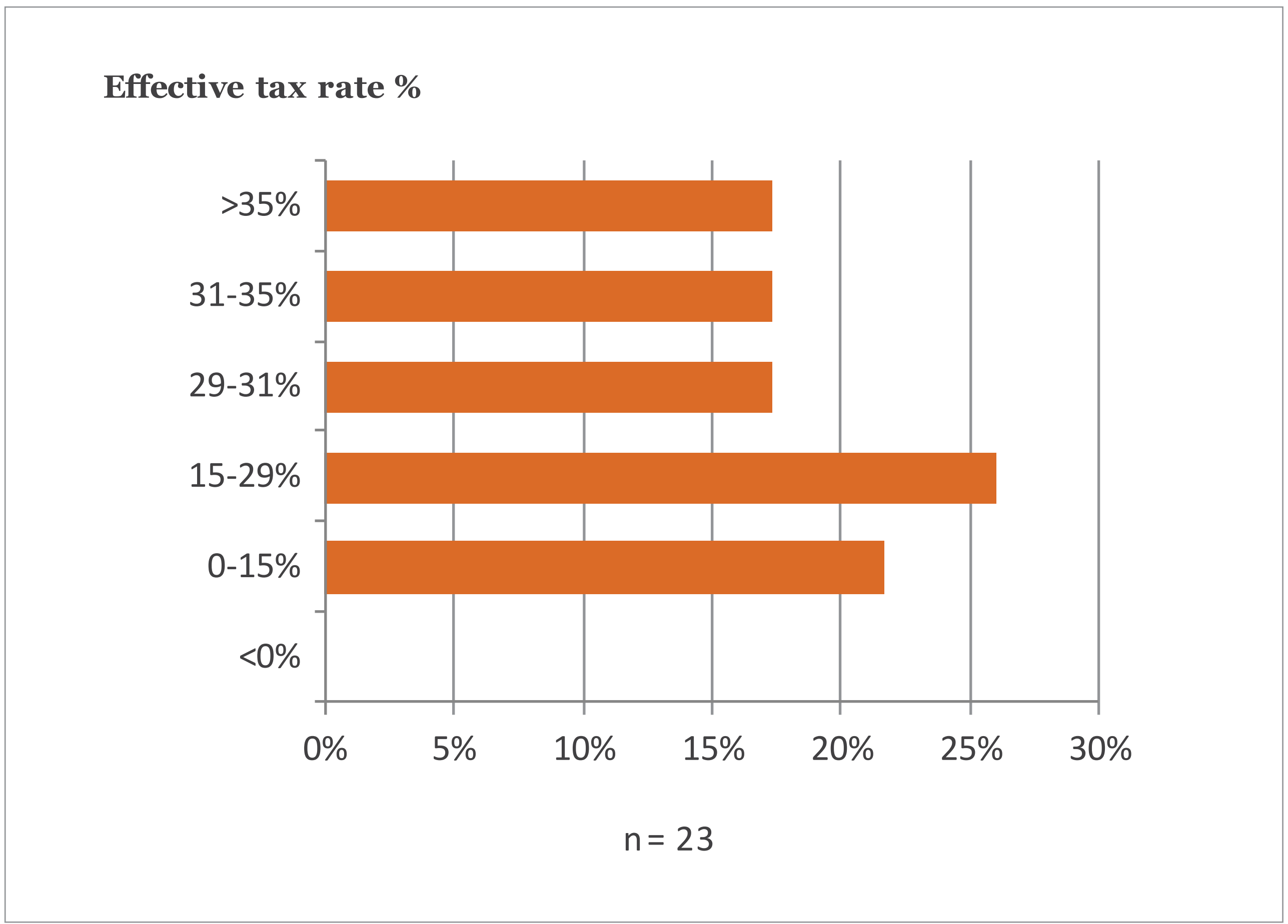
It is important to understand:

- What is driving effective tax rate?
- What opportunities exist to lower this and other rates, such as the cash tax rate, within acceptable risk parameters?
- What are the equivalent rates for your peers?
- If you have incurred tax losses, what are the rules regarding offset of such losses against future income?

In recent years, PwC has conducted a Total Tax Contribution Survey.

This survey is an informative tool for organisations seeking a concise outline of all taxes levied on a business, including those which it collects on behalf of the Government.

The extent of an organisation's tax footprint is often a surprise to management and the Board and this can provide a catalyst to identify opportunities to reduce an organisation's overall tax burden. The benchmarking team with contact details at the end of this report can provide further information.



Mining Industry

Can you manage those risks to be sustainable?

These are interesting times for the mining industry, with the current boom in Australia, and the ever increasing scrutiny from governments, customers and other stakeholders. Growing demand for its products, driven by growth in emerging markets, highlights that supply will be the most significant challenge it will face.

Development projects have become more complex and for traditional players, these are now typically in more remote and unfamiliar territory.

Recent studies on the mining industry have sought to establish whether companies now understand the risks they face, and whether they have the processes in place to respond to the type of unpredictability the global market has experienced in the recent past[8]. Leading companies are assessing their risk resilience, which is their ability, rather than their willingness, to bear risk.
This contemplation of risk helps to focus attention on portfolio and systematic impacts, rather than on individual risk factors. They are discussing their fitness to meet today's clear and present challenges, with questions such as "where are we weak?" and "what can be done about it?"[8].

Safety and Health issues

Such discussions invariably include safety and health issues. Safety incidents have a serious and direct impact on an organisation, primarily through the risks posed to employees and contractors.

Their impacts are also felt through business interruption and corporate reputation damage. Given the need for good relations with governments to enable access to new reserves and to navigate approval processes, these risks could affect an organisation's license to operate.

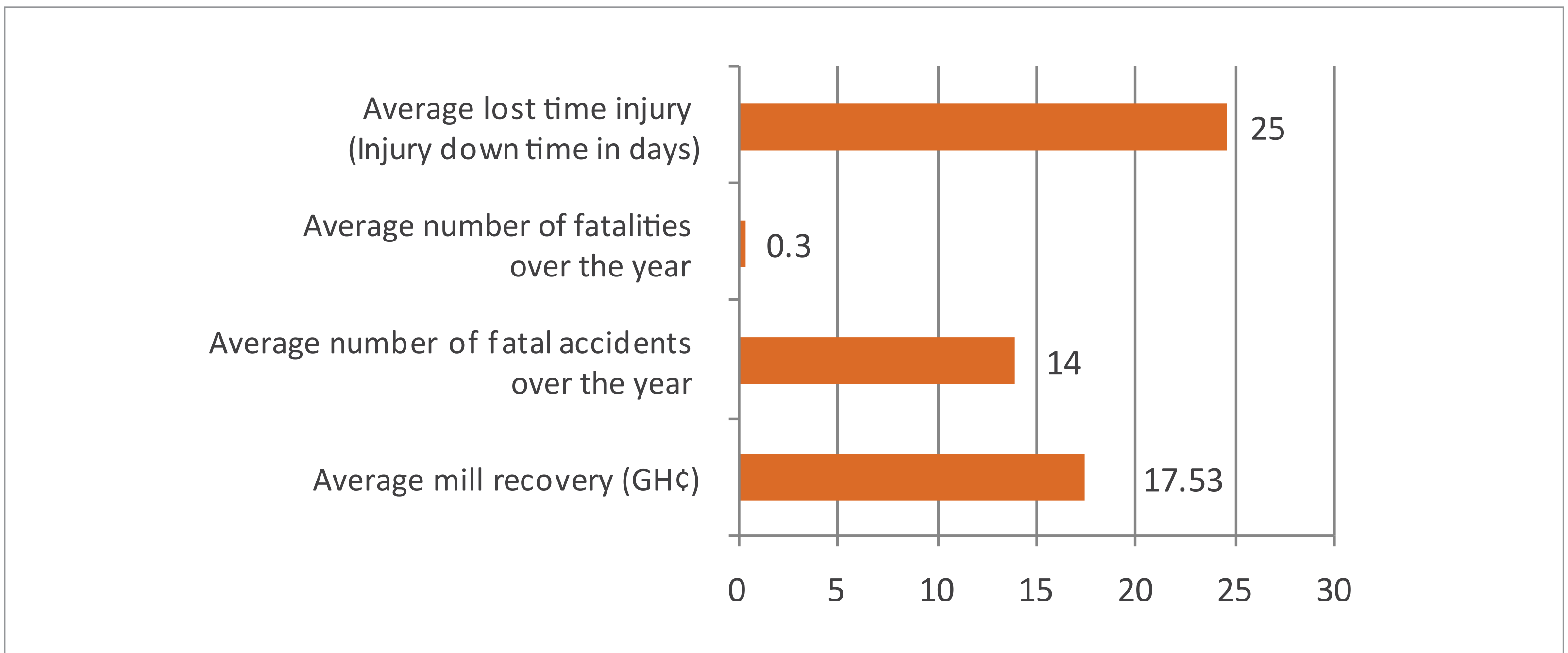
Governments are more likely to intervene in the mining sector with regulations requiring more stringent operating conditions, where there is a perception of systemic performance issues. Mining companies are therefore understandably keen on maintaining high standards where safety and health issues are concerned.

Cash cost per ounce

Mining Companies Surveyed	Average
Cash Cost per ounce in US dollars	657
	n=2

Transparency and consistency in reporting is needed

A review of information published by mining companies during the "Review of Global trends in the mining industry – 2010", revealed that a key challenge was the lack of comparable data and significant inconsistencies in the level of transparency — some companies providing no health and safety statistics while others provide full disclosure[8].



Banking Industry

How positioned are you to survive the “banana skins” in your industry?

Where are the “banana skins”

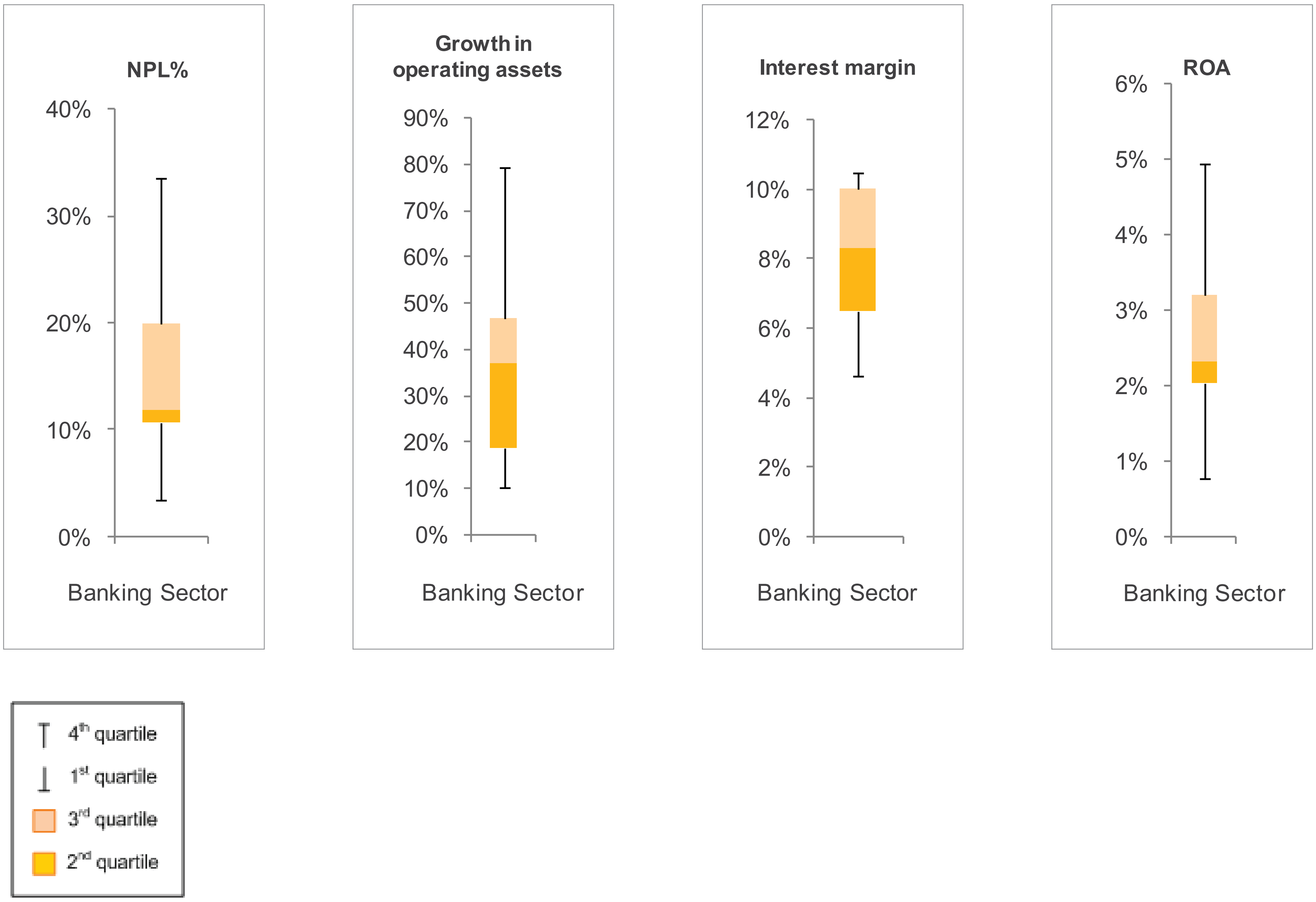
Globally........
Research by the Centre for the Study of Financial Innovation (CSFI) and PwC, “Banking banana skins”, indicates that since 1996, from a global perspective, credit risk, derivatives and risk management have always featured in the top ten risks, in the opinion of bankers, regulators and industry observers. For the 2010 edition of this survey, the top three risks, overall, were political interference, credit risk and too much regulation.

The intention of these surveys is to identify concerns that people in the financial services sector, as well as those who watch and regulate them, believe are the next “banana skins” on which the industry is likely to slip.

In emerging economies.....
The 2010 edition of this survey also showed that for emerging markets, the top five risks were credit risk, credit spreads, macro-economic trends, currencies and risk management quality, in that order.

How prepared are banks in Ghana?

Our survey showed a median of **11.4%** for non performing loans as a percentage of total loans and advances, **36%** for Growth in operating assets, **8.3%** for interest margin and **2.3%** for Return on Assets employed (ROA)[9]. [11 banks were included in this survey]



3 *Process*

"CFOs are struggling to achieve the right balance among three competing agendas - insight, efficiency and control."

Month-end processing

How can leading technology help with lagging reporting?

The ability of the finance function to produce relevant, accurate and timely monthly information for management is rightly seen as a basic must-have by the business community. Therefore the number of days taken to close the books and report accurate results are KPIs for the effectiveness and efficiency of finance – a bellwether check on the function's health.

So how healthy is the average Ghanaian finance function? The honest answer is that there is much room for improvement. Globally, top multinational quartile companies close their books within six working days and report the financial results three working days later, totaling nine days for both closing and reporting. It is worthy to note that these top multinationals prepare consolidated financial results of the several companies within their group.

In comparison, our survey shows that a total average of 11 days is used for both month-end close activities as well as reporting financial results. 60% of organisations included in our survey do not prepare consolidated accounts.

The common characteristics of quick closing and reporting include rigorous management of the monthly process, performance of as much work as possible prior to the critical post month-end period, disciplined adherence to materiality limits and an engendered culture of continuous improvement. Nevertheless, there is a limit to the shortening of the timetable unless the architecture of finance reporting systems is considered.

Similar surveys in other jurisdictions have revealed that as reporting systems mature from a spreadsheet reliant and manually intensive operation to increased automation, the time taken to close the books and report the monthly results decrease.

Our survey revealed that there are still improvements to be made from maximising the use of business intelligence systems. This development in reporting infrastructure is driven by several principles:

Automation of manual processes to speed up operations, eliminate manual errors and reduce operational risks;

Consolidation of the number of finance and source systems and of finance processes often through the establishment of shared service centres;

Simplification of business structures reducing complexity of operations and decreasing overall workload;

Standardisation of processes and reports when unnecessary variation has increased costs with minimal benefit.

The implications of this investment are not just in reporting timetables.

Irrespective of size and complexity, top quartile companies typically operate at around half the cost of a typical finance function while freeing up their staff to spend less time on transactional activities and more time on value-added roles.

Many organisations are removing spreadsheets by using specialised management reporting systems to avoid process inefficiencies and manual errors. This results in greater accountability, faster and more accurate financial reporting. Leading organisations also use web-based technology for continuous performance monitoring, integrating KPIs from different sources, which enables drill-down and root cause analysis. This automates collection, consolidation, and analysis of information, thus reducing reporting cycle times[11].

Month-end Processing

Total Population	Population Average
Average business days to perform month-end close and reporting	11
	n=22

Processing

Are manual processes eating away at your bottom line?

Back in the early 1990s, at the birth of the latest generation of ERP systems, there was the exciting prospect of fully automated business processes, especially in advanced economies, and it was envisaged that these processes would enable push button reporting and do away with manual journals.

The reality in the new millennium is that the continued existence of diverse and incompatible systems, manual processes and of judgmental accounting entries and estimates has extended the life of manual journals.

Although their "death" may have been exaggerated, results of other surveys conducted within the PwC network show that the average number of manual journals and period13 adjustments have been falling over the last few years. Typical strategies in their reduction include:

- automating all recurring journals
- establishing materiality thresholds for making reclassification entries
- providing training, extending quality initiatives to reporting units, and assigning accountability for error correction to the originating department.

The benefits to be gained are not just cost reduction, the freeing of valuable finance resource and improving the timeliness of reporting but also a more robust control environment.

One of the most common ways to commit financial statement fraud is the override of general ledger controls by management's use of manual journals.

Best in class companies may not have succeeded in totally eradicating manual journals, however they have been able to reduce their number as a percentage of total journal entries to just 1%[11].

Credit notes and billing adjustments

Raising credit notes and posting billing adjustments are time-consuming manual processes that increase costs of the finance function and potentially upset customers. Our experience from other surveys within the PwC network is that here also, average numbers have fallen over recent years. More companies are identifying the accounts receivable process as an obvious activity to centralise in a shared centre environment (or in some instances outsourced altogether) and then perform process improvements.

Typical improvement initiatives include:

- regularly reviewing credit note-to-invoice ratio and analysing the root causes of credit notes or adjustments;
- where credit notes are impossible to avoid (e.g. discounts applied when a certain limit is reached), seek to automate parts of this process using the existing system;
- reducing pricing errors and resolving complaints quicker by improving communication between the sales, order processing, billing and customer inquiry teams;
- communicating a clear credit policy across departments;
- simplifying and standardising the pricing and discounting policies and practices to minimise complexities which result in errors and rework; and
- automating the billing system, implementing validation and edit checks, and monitoring variances at key points throughout the process[12].

Processing statistics

	Population Average	n
Manual Journals per month	61	21
Period 13 adjustments	25	17
Credit notes per month	6	8
Billing adjustments per month	9	5

Finance function

Can a shift in focus enable your finance function to stimulate long-term growth?

CFOs are struggling to achieve the right balance among three competing agendas: insight, efficiency and control – in addition to managing and motivating their people.

The need for Finance to act as a true business partner has been thrown into sharp relief by the Global Finance Crisis, especially in the more advanced economies. Finance is now under pressure to demonstrate its ability to add value above and beyond its traditional responsibilities. It is hoped that Ghanaian businesses have taken a cue from this, to also demand this extra value from their finance functions.

Providing business insight is a key objective for finance. It entails effective partnering with the business to create value. In our survey, it is defined as comprising the following processes: strategy and planning, tax planning, budgeting and forecasting, management reporting, business analysis and performance improvement projects. Our survey indicates that on average **31%** of finance FTEs are deployed in these activities. This is close to the typical top quartile benchmark of 35%[11].

High performing organisations often deploy their finance people in business units with dual reporting lines: to the business and to finance, while much of the transactional activity is transferred into consolidated group operations or shared service centres, where applicable.

This allows their insight FTEs to devote more time to analysis and other value adding activities and build deeper relationships with the business.

Our survey also indicates that only 10% of insight FTEs are involved in business partnering roles (strategy, planning and budgeting) compared to a typical top quartile benchmark of 19%[11]. This suggests that many of the resources assigned to insight activity are not fulfilling the role of business partners.

A common scenario would be financial analysts spending more time on data gathering than actual analysis.

This is further evidenced by the slow pace of information retrieval by some organisations, in response to questionnaire enquiries for this survey.

Simply assigning finance personnel to insight activities is not enough to meet business needs. Finance will struggle to meet the expectations of the business unless the necessary investment is made in skills, tools and infrastructure.

As the Ghanaian economy grows at the projected high rates over the coming years, Finance's ability to deliver on the promise of business partnership will be critical in its ability to navigate through the busy new competitive, investment and regulatory landscape that economic growth brings, and to build a platform for long-term profitability and sustained growth.

Finance FTE effort

% time spent on insight activity by FTE	Population Average
Business Partners	10%
Financial Analysts	16%
Specialists	14%
Transaction Processing	51%
Total time spent on insight activity	31%
Percentage of finance function engaged in business partnering	11%
	n=24

4 Systems

"Organisations that extract maximum value from IT have CEOs and board members who understand the function and value of IT."

Managing the investment in IT

How can you support the systems that support you?

Leading organisations apply a portfolio management approach to IT investments. This is to manage and measure every aspect of their IT spending and investment. This approach starts from the initiation of capital projects to maintenance costs, capacity upgrades and other types of IT spending. It provides greater visibility and transparency into IT spending and performance and is also a key enabler of informed decision making necessary to deliver the most business value from IT.

IT spending and investment decisions are typically made around the answers to three fundamental questions:

Base management: What must be done to ensure existing applications, infrastructure, and IT services continue to support core business functions and objectives?

Growth management: How does the organisation intend to grow and what must IT do to support the growth strategy?

Innovation: What technologies have the potential to transform the core business through "first-mover advantage" and mesh with the company's tolerance for risk?

IT is frequently under pressure to contain costs and operate at peak efficiency - even as the business looks to IT to enable strategic initiatives, provide improved controls to meet regulatory requirements, and advance efforts to mitigate fraud and risk. Many IT organisations have cut costs repeatedly through reductions in staff, outsourcing, consolidation, standardisation, contract renegotiation, and postponement of new investments. For many, these traditional cost reduction strategies have reached the limit of their effectiveness.

Applying lean techniques to IT

Leading organisations are implementing lean techniques to respond to the challenge of doing more with less while also driving the business forward. Lean principles target waste, inflexibility, and variability in processes along with duplication and unnecessary waiting - all of which consume resources that could be fueling growth and innovation.

Lean principles can drive performance improvement for IT whilst reducing costs, increasing productivity levels, and improving response time and customer service.

Demand management

Successful IT departments manage demand for IT resources, from routine help desk queries to requests for new applications, to enable more efficient planning, production, and delivery of IT services.

Common methods for managing demand are:

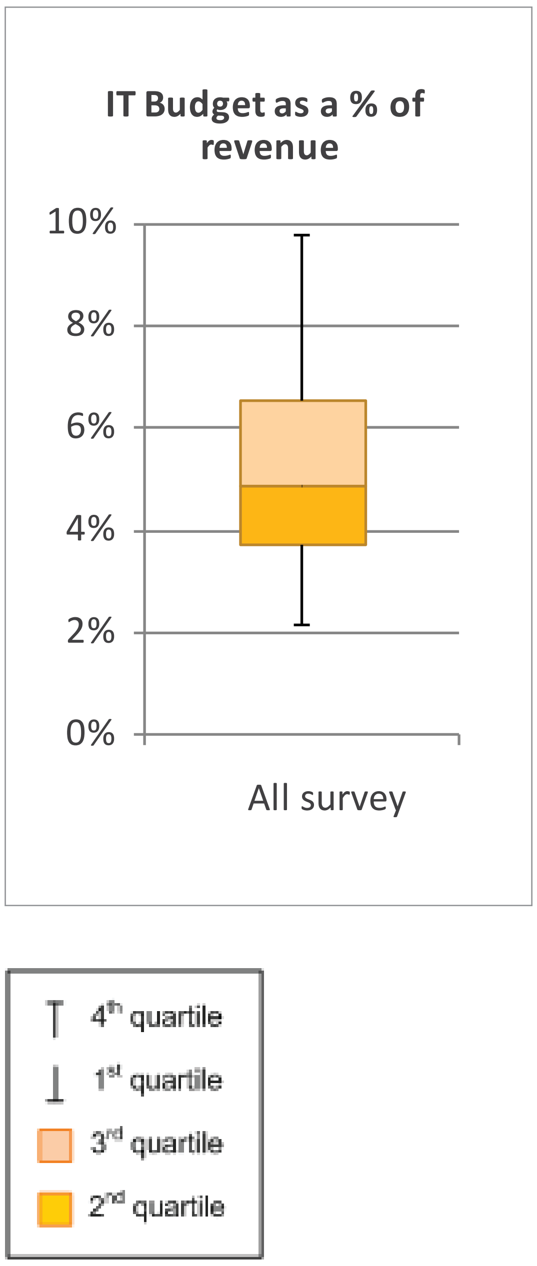
- implementation of a "chargeback" model for billing the business units for the IT resources they consume. This promotes greater understanding of the price-to-value ratio of IT, drives more cost-efficient consumption, and helps to better align IT services and business needs; and

- IT service catalogs with information about IT services available for purchase and deployment, their prices, service-level quality options, and ordering and request mechanisms. This creates repeatable, automated processes for delivering and documenting services, resulting in greater efficiency, fewer errors, and increased customer satisfaction[10].

Strategic sourcing

Although the right model for IT varies widely, leading IT organisations strategically source IT solutions and continually explore options to deliver better services and/or better prices. There are a wide range of sourcing options for applications, infrastructure, and data centres and are based on a consideration of:

- IT's role in the overall strategy
- The real costs and levels of services delivered internally and
- The costs and service levels of external options[11].



Applications landscape

Are your applications creating a difficult terrain to cross?

Applications landscape
Leading organisations manage software applications as a portfolio by continuously tracking all applications and monitoring:

- how they are being used;
- how they are performing; and
- whether they feature overlapping or redundant capabilities and to identify under-utilisation;

This information helps decide which applications need to remain in operation, or require upgrading/replacing.

Over time most organisations implement various IT systems piecemeal, resulting in data stored in separate information silos. Expansion through mergers and acquisitions can exacerbate the problem. Enterprise Resource Planning (ERP) systems can consolidate disparate IT systems and corresponding data.

However, reporting suites built into most ERP systems have limited capacity to aggregate and report data used in management decision making.

Leading organisations limit the number of financial IT systems to reduce the number of processes needed to extract and analyse information, cutting reporting time and increasing accuracy.

IT Strategy
Most organisations maximise value from IT investments by aligning their IT strategy with their business strategy.

Leading organisations make the business responsible for communicating what services need to be delivered, and these services become part of IT's own objectives for delivering value. These IT goals, based on business goals, help define the IT resources and capabilities necessary for IT to successfully fulfill its responsibility in support of the overall business strategy.

Many of these organisations create board-level IT committees to provide oversight and governance to the organisation's IT strategy and investments.

Organisations that extract maximum value from IT have CEOs and board members who understand the functions and value of IT, just as they understand accounting, finance, and marketing.

An effective IT governance framework provides the leadership, structures, and processes necessary to ensure IT strategy aligns with business strategy and also ensures that only those IT projects that advance strategic business objectives are approved and funded[10].

Applications landscape

Respondents who use an ERP in the following functions	Population Average	Number of instances of other standalone systems supporting the function
Accounts payable	79%	12
Travel and entertainment accounting	50%	8
Accounts receivable	71%	10
General accounting and financial reporting	75%	13
Treasury	58%	10
Tax accounting and compliance	42%	8
Strategy and planning	21%	3
Budgeting and forecasting	58%	12
Management reporting	58%	11
Business analysis	46%	11
HR	21%	4
Sales & Marketing	33%	5
Procurement	33%	7
IT	46%	11
Manufacturing/Warehousing	29%	3
Logistics	13%	1

n=23

5 *Internal Audit*

"Internal audit expenditure increases at a greater rate than CPI, indicating an importance placed on the role of internal audit."

Internal audit

Will internal collaboration increase the effectiveness of internal audit?

Internal audit focus

The primary focus of internal audit in the companies surveyed is risk management, and this is in line with best practice.
However, it is the other focus areas which require further examination, with a challenge to the focus given to strategic alignment. This is not to underplay regulatory compliance, but to question whether focus has been on this area at the expense of others. We believe that management should also consider other areas with low concentration to optimise their risk in totality.

The focus overall seems appropriate.

Governance in particular is an area which requires focus but organisations need to clearly define what they may be referring to as "governance". Business control monitoring could be included as part of the control framework or viewed as part of the governance process.

Internal audit plan

Internal auditors continue to broaden the stakeholder group they engage with in forming the strategic internal audit plan

In our survey, while finance, operations and risk remained at the core, there was also engagement with the other risk-related functions such as tax, compliance and legal and with other assurance providers.

A key message is that engagement is good overall, and this is both an indicator of greater internal audit relevance to the business and also greater proactivity in business engagement by internal audit.

There is an increasing trend to having an entire organisational view of assurance, and the internal audit function generally takes the lead in forming this view.

Ranking	Internal Audit Focus
1	Risk management
2	Regulatory compliance
3*	Review of financial risk and processes
4*	Governance
5	Strategic alignment
6	Operational auditing

* - both areas of focus received equal ranking

Internal audit plan

Areas of the business included in the internal audit plan for FY10	Population
Finance	71%
Operations	79%
Risk	75%
Governance	67%
Sustainability advisors	54%
Tax, Compliance, Legal	67%
Other assurance providers	54%
	n=13

Internal audit

Are you balancing resourcing with efficiency?

The headline is that internal audit expenditure increases at a greater rate than CPI, indicating an importance placed on the role of internal audit, despite pressures to cut costs in other parts of the business.

This does, however, create a challenge for internal audit to make sure that the value from the function is demonstrated.

From the sample in the benchmarking survey, the increase in expenditure has been greater in the larger internal audit functions and the larger the function, the higher the average cost per internal audit FTE.

This is not to say that this is a salary cost as many costs may be in infrastructure, including travel, which increases with larger multi-location functions.

So the challenge remains for internal audit: Is the budget sufficient to cover the risks and stakeholder expectations of audit? Does the team have the right skills and is the internal/external sourcing model optimised?[10]

Internal audit resourcing

Internal audit resourcing spend for FY10 and FY11	Population Average
FTE (FY10 Actual)	1%
Cost (FY10 Actual)	331,586
FY11 Budget	512,684
Increase in FY11 budget from FY10 Actual	35%
	n=14

6 *Governance and compliance*

"The question that many clients grapple with is: how much information is enough?"

Governance and compliance

How much information to the board is enough?

Following the global financial crisis, good governance is even more important than before. While skilled, experienced and engaged Directors obviously play a part in this process, they require timely and accurate information to properly perform their role.

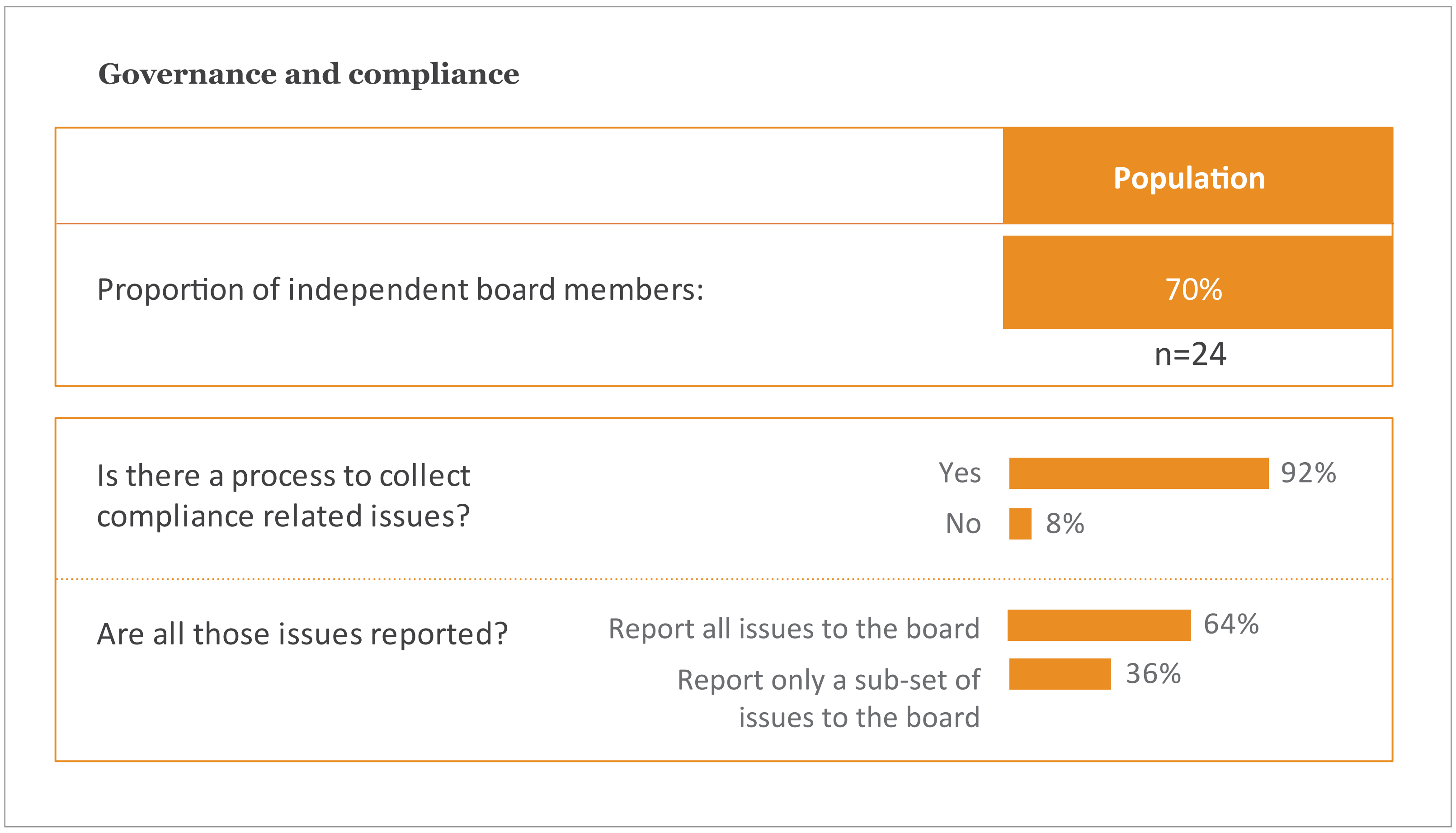
The question that many clients grapple with is “how much information is enough?”, without turning a board meeting into a risk meeting.

The answer varies greatly amongst our clients and is dependant not just on their size or industry, but also upon the internal governance and compliance frameworks that have been implemented within the organisation.

Our survey revealed that **64%** of the benchmarking survey respondents report all issues to the board, with the remaining respondents reporting just a subset of issues. Those entities that report only certain issues to the board usually have an internal governance and compliance framework that includes at least internal and external audit and sometimes other compliance and risk review procedures.

These frameworks have given the board comfort that major issues will be brought to their attention. They are therefore spared the responsibility of focusing on low impact distractions.

Directors in companies where not all issues are reported to the Board need to obtain sufficient comfort that the other risk review procedures are adequate and enable them to sufficiently perform their duties as Directors



Governance and compliance

How do you shield your business from risk?

Three lines of defence
Many respondents appear not to clearly demonstrate implementation of the "3 lines of defence" model of corporate governance, with closely ranked weighting given to the second and third lines of defence.

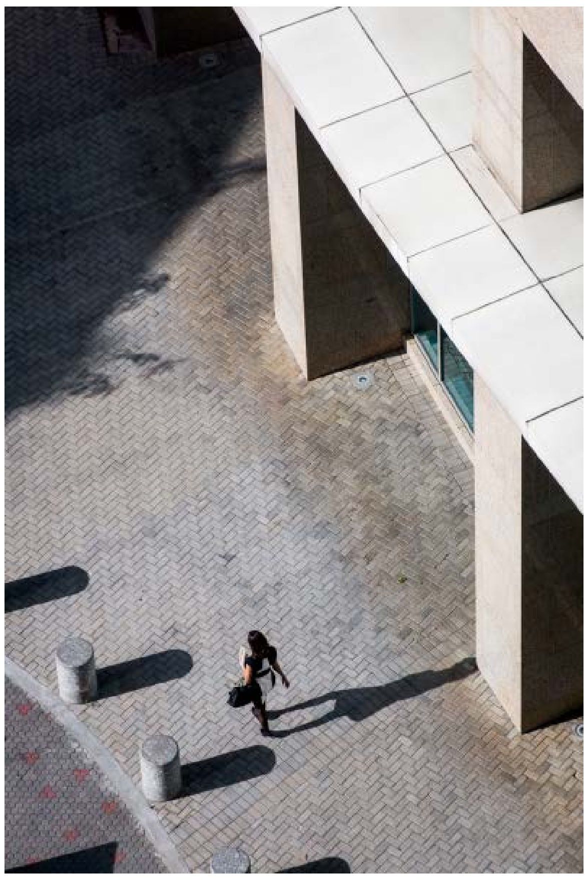
In the "3 lines of defence" model, the business is considered the first line of defence, Risk Management/Compliance are considered the second line of defence, and Internal/External audit are the third line of defence.

Our survey identified that **95%** of respondents had both internal and external audit (third line of defence) and other internal reviews (second line of defence) as key, in monitoring controls . This means that many entities are placing extremely high reliance – and arguably too much reliance, on the annual external audit and other internal reviews for identifying any irregularities.

Organisations surveyed should consider the robustness of the controls in their organisation and assess whether they are sufficiently robust to ensure that governance and compliance are adequately maintained.

Whistle blowing
Our survey revealed that only **41%** of respondents had a whistle blowing procedure in place. These procedures allow for reporting of irregularities by staff members and may allow the whistleblower to remain anonymous during the process. The challenge for whistle blowing systems is maintaining the anonymity of staff members who volunteer information.

While such a procedure is usually expected by Financial Services regulators, we would expect many other respondents to also have these procedures. These procedures are an additional way that internal frauds or other irregularities can be identified and reported, thus avoiding legal and regulatory sanctions and leading to potential monetary savings within the organisation[10].



Governance and compliance

Activities used to monitor controls	Population
Internal audit	95%
External audit	91%
Compliance reviews	86%
Risk reviews	82%
Other internal management reviews	95%
Number of activities used to monitor controls (average)	4
Is there a Whistle-blowing procedure?	41%
	n=24

7 Inventory and Supply Chain

"Managing inventory levels is a balancing act between ensuring sufficient inventory is on hand to meet demand and minimising inventory on hand to maximise working capital."

Inventory management

Can effectively managing inventory allow you to focus on what really counts?

Stock-takes

Stock counts are a critical process for management to control inventory. This process not only provides comfort over the existence of stock but also provides critical information to management as to the condition and saleability of stock.

The information gained through stock-counts can be used by management to identify:

- stock losses (which could arise through theft or inaccurate records);
- unrecorded sales;
- unrecorded purchases; and
- damaged or obsolete stock.

It is important that the coverage of a stock count is appropriate to the level of risk of theft, inaccurate record-keeping or damage and obsolescence. This will vary between industries, and the counting frequency and stock coverage should be revised accordingly. Whether an annual stock count or cyclical counts are used will again vary between industries as this choice is often driven by product type, inventory value and inventory system.

Inventory turnover

During difficult trading conditions, there is an increasing focus on managing inventory levels as a part of a broader focus on working capital management.

Managing inventory levels is a balancing act between ensuring sufficient inventory is on hand to meet demand and minimising inventory on hand to maximise working capital positions and minimise the risk of obsolescence.

Having an accurate understanding of customer demand and scheduling ordering to align with demand is imperative to managing inventory levels – this requires that the Sales and Procurement / Inventory departments work together.

Proportion of inventory that was counted during a stocktake

	Population Average
Stocktake as a % of inventory	73%
	n=9

Inventory management

Are you able to trim the unnecessary costs?

Stock-count variances

Assuming accurate counting, stock variances arise as a result of shrinkage (theft or loss) or inaccurate record-keeping (purchases or sales inaccurately recorded).

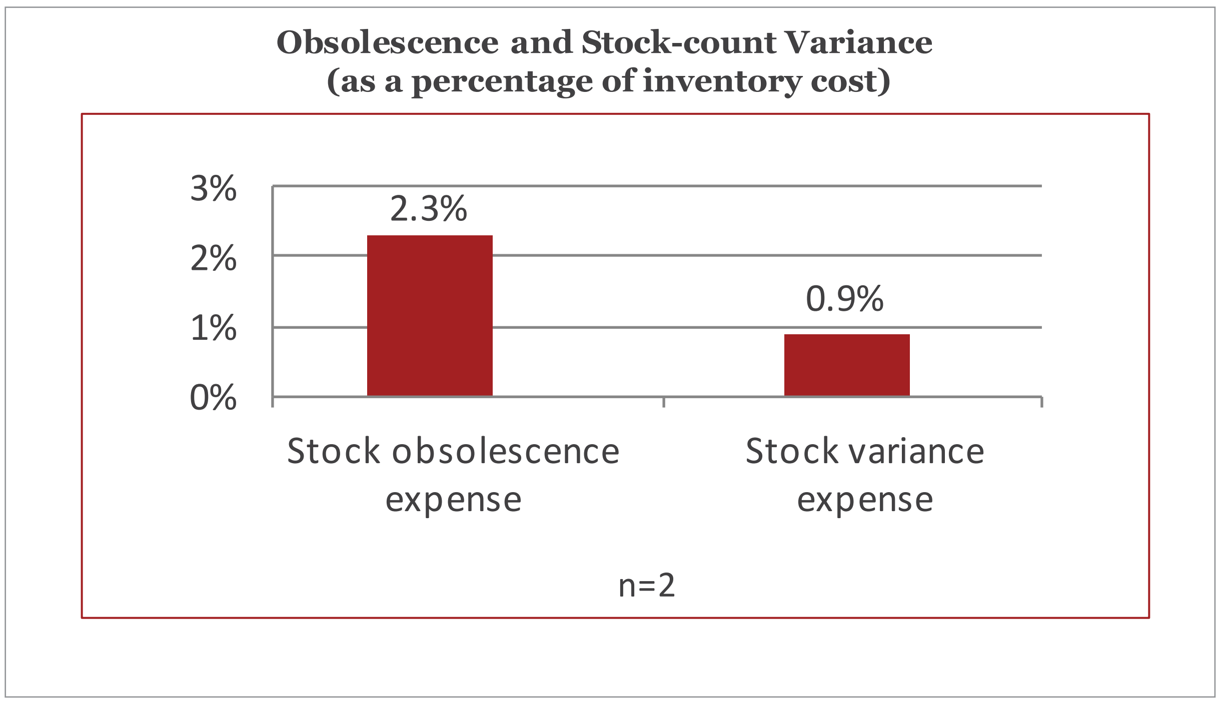
Misappropriation of assets increases during times of economic hardship, such as during the 2009 shrinkage in the major sectors of the Ghanaian economy.

It is important for management to monitor variances for trends (e.g. consistent losses in one particular location or one particular product) or variances outside an acceptable tolerance. Controls that can be implemented to prevent variances could be physical security, strengthened processes around receipting and dispatching or more frequent cycle counts.

Lean manufacturing

Lean Manufacturing is the systematic review of all aspects of the production-related processes to eliminate inefficiencies.
The objective is to only have activities in a process which add value for the customer.
It may involve activities such as re-designing product specifications to standardise components and implementing Just-In-Time (JIT) inventory supply. Successful lean implementations typically involve cross functional project teams and a strong tone at the top from senior management.

As companies in more developed economies sought to minimise costs and maximise efficiencies during the economic downturn, we have seen them adopt "lean" principles. This has been adopted either in part (e.g. just in the warehouse or a single product) or in full (warehouse, manufacturing and all products). The benefits of lean principles can bring significant efficiency benefits including reduced cycle times, lower inventory levels, improved productivity and increased capital equipment utilisation. Companies in Ghana also stand to gain these benefits from the adoption of lean principles.



Supply Chain

Is your supply chain function supporting your business strategy?

Effective supply chain management (SCM) has emerged as a strategic imperative for manufacturing companies. A well-managed supply chain delivers the essential benefits of :

- consistently controlled costs;
- reliable movement of inbound supplies & outbound products; and
- satisfied customers whose expectations are met with an end product's quality, availability, and speed of delivery.

Best Practices in SCM include;

Investigate supplier candidates against stringent criteria. Leading functions go beyond the basics of ensuring a supplier is financially sound and scrutinise a range of issues that provide a deeper view of the supplier's business and ongoing viability. They consequently report fewer problems with supplier turnover and unreliability.

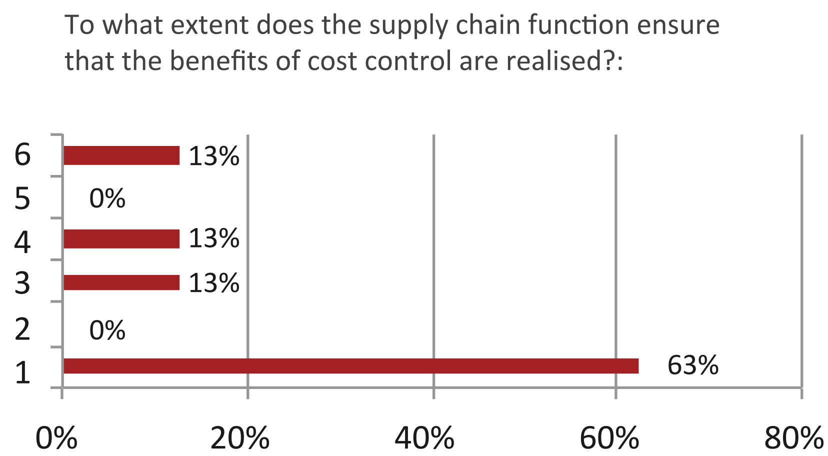
Cultivate value-based partnerships with suppliers. Leading companies recognise that building close partnerships with key suppliers can strengthen benefits while also improving product design, supply continuity, and the alignment of sourcing with business goals. In the new paradigm, the vendor with the lowest price may not win the sale..... it may well be the more expensive competitor whose close relationship with the buyer delivers benefits that mitigate the higher price!

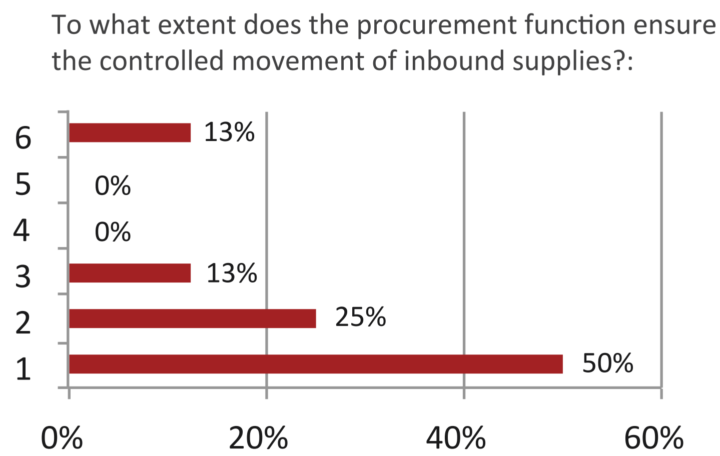
Logistics operations. Companies that coordinate all their logistics systems, professionals, and vendor contacts from a central location discover savings opportunities such as lower prices from freight carriers by leveraging most of their freight business. Consolidated logistics also provides a faster, and more effective way to communicate delivery information to customers, enabling them, for example, to inquire about their order status at a single, centralised point of contact instead of having to navigate a company's logistics structure.

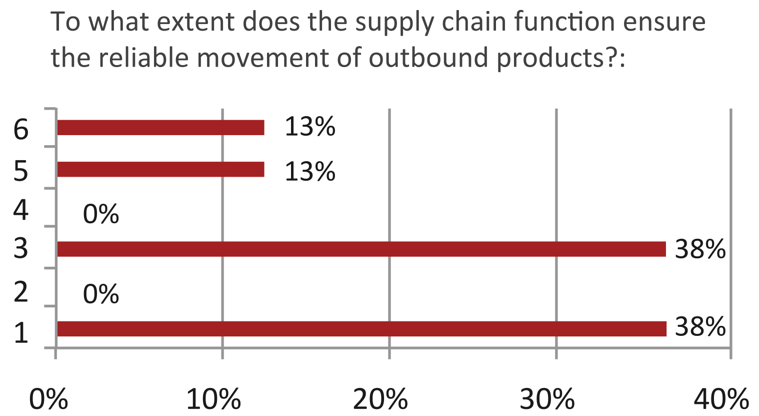
Adopt lean practices to reduce logistics. Rather than store large quantities of costly inventory, leading manufacturers work closely with suppliers to deliver the optimal amount at an affordable rate in careful synchronisation with their production schedule - a practice generally described as "lean logistics," the companion to lean manufacturing.

Use technology to enhance the performance of delivery operations. When a company tightly coordinates transporting inbound materials, managing inventory, storing materials and products, and transporting finished goods, customers receive the kind of timely and accurate product delivery that builds loyalty. Such coordination is possible through smart use of technology, which enables both shippers and receivers to anticipate the flow of materials and products, and plan accordingly[11].

On a scale of 1 - 6, with one being the highest and six being the lowest







n=8

8 *Corporate Social Responsibility*

"Encourage employee volunteer programs for a lasting impression on current and future employees "

Corporate Social Responsibility

Can you boost employee commitment by embedding social responsibility into company values ?

Leading companies realise that social responsibility is good for business and have organised corporate social responsibility programs to formally reflect their responsible leadership. Employee volunteer programs (EVP)s are one component of these efforts.

Optimal EVP programmes can help strengthen the brand of a company, and form a link between the interests of the company and society.

Why encourage employee participation?

Volunteer programs were once viewed as nice to have, but not vital. Many companies however now see volunteerism as a way to position themselves as "employers of choice" for prospective new hires and current employees. Companies are also aware that there is a positive correlation between volunteerism, effective recruitment and retention efforts, new-skill development, sharpening of existing skills, and morale building.

Companies that apply best practices, though, understand that employee volunteer programs do not impact morale or staff satisfaction in a sustainable way by themselves. They understand the importance of strategically aligning the company with a range of activities that position the company as a positive and responsible corporate citizen.

Forward-looking companies know this kind of alignment will have a lasting impact on the perceptions of current and future employees.

Global studies show that highly employable students with Master of Business Administration (MBA) degrees are strongly attracted to employers who offer workplace volunteer programs[10].

Leading companies encourage employees to participate in volunteer activities, and then support them in their efforts, while creating work environments where volunteer activity is valued and promoted. Many companies not only have formal volunteer programs that they endorse but also give an allotted number of hours for employees to perform personal volunteer work as well.

What do leading companies do?

To ensure the effectiveness and relevancy of EVPs, high performing companies:

- Link volunteer programs to the company's mission or corporate culture;
- Determine which functional area EVPs will reside in;
- Establish clear-cut policies and procedures;
- Embrace skills-based volunteerism;
- Obtain senior management buy-in for corporate volunteer programs;
- Reward and recognise volunteers;
- Show the value of the EVP;
- Manage risk involved in volunteer activities[10].

What companies gain:

- Enhanced corporate brand;
- Higher employee commitment levels;
- Better ability to attract and recruit desirable employees;
- Improved corporate reputation;
- Increased staff satisfaction;
- Lower employee turnover rates;
- Better quality of life where employees live and work;
- Greater ability to improve relationships with customers, suppliers, and vendors;
- Increased ability to penetrate new regional and international markets.[10]

n=12	Population
CSR team as % of FTE	2%
CSR budget as a % of Revenue (Average)	0.1%

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