

Fasten your seat belt

A large Internet company was struggling to operate independently after its recent spin-off. Rapid growth and numerous restructurings had saddled the finance function with inadequate systems and processes, making it difficult to close the books or produce accurate financial statements.

A bumpy ride

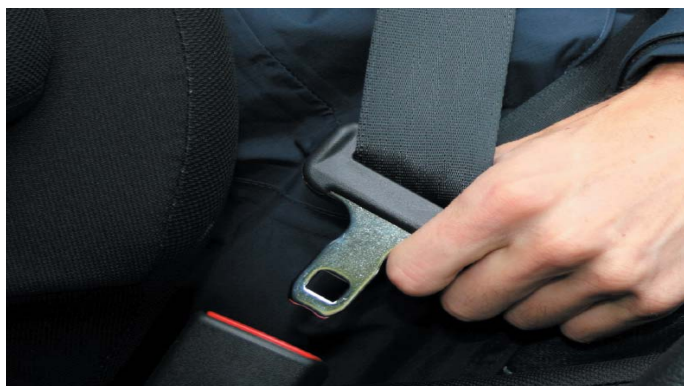
The company, one of the first Internet businesses in its field, had enjoyed excellent annual revenue growth since its inception. Unfortunately, it had underinvested in financial operations over that period and was now experiencing enormous difficulty closing the books and producing accurate financial statements. Moreover, its current form after the spin-off included four legacy businesses that had been bundled together into a single company. Each had formerly run its own accounting department with its own policies, procedures, and systems, creating a maze of non-standardized processes that precluded efficient and effective operations.

The finance organization's difficulties threatened the company's ability to carry out an IPO and make the necessary reports to the SEC to operate as a publicly held company. Among the specific issues:

- Finance personnel needed to extract information out of many separate spreadsheets and databases to perform consolidations, a very time-consuming process.
- Manual processes hampered efficiency and compromised effective control over information quality.
- High turnover after the spin-off, including the departures of the CFO and most of the senior finance team, had stripped the finance organization of necessary resources and skills.

Regaining control

With Deloitte's assistance, the company launched a major effort to stabilize its finance operations and integrate its finance systems and processes across the business. The project team created detailed drawings to show how data flowed from the company's websites to its financial system for all major revenue streams. These detailed drawings enabled the team to identify the root causes of financial errors and reconciliation issues. They also allowed company leaders and decision-makers to understand – at a single glance – how disconnected and complex the company's finance environment had become. After viewing the drawings, the Board of Directors and Audit Committee both recognized the need for major investments in finance.



As used in this document, "Deloitte" means Deloitte & Touche LLP, which provides audit and enterprise risk services; Deloitte Tax LLP, which provides tax services; Deloitte Consulting LLP, which provides consulting services, including those described herein; and Deloitte Financial Advisory Services LLP, which provides financial advisory services. These are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Key accomplishments of the improvement effort included:

- **A faster, more accurate close.** The new CFO's first priority was getting the company's financial close under control. The project team implemented a Program Management Office (PMO) to manage the third-quarter close. Then it developed a comprehensive checklist to reduce the likelihood that something could fall through the cracks.
- **Streamlined systems.** The company identified all the different rogue systems that contained important financial information and implemented a software tool to help the information flow more smoothly through the organization.
- **A new budgeting, planning, and forecasting process.** A redesigned budgeting, planning, and forecasting process standardized procedures across the organization and shortened budgeting and forecasting cycles.
- **A plan for cost reduction.** The company is implementing a cost-reduction strategy for the finance organization that incorporates process improvements, outsourcing, and increased automation.

The bottom line

The company was able to complete its IPO and is now issuing financial statements in a timely manner. Management also has much greater confidence in the accuracy of financial information. The process improvements have greatly reduced the overall cost of finance as well as the amount of effort needed to perform reconciliations and execute planning. These process improvements also helped reduce turnover by dramatically improving the finance function's working conditions.



About this publication

This publication contains general information only and is based on the experiences of Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP practitioners. Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP are not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP, their affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

Copyright © 2008 Deloitte Development LLC. All rights reserved.

Member of
Deloitte Touche Tohmatsu