



DAV
management
redefining the management of change



FINANCE TRANSFORMATION

A highly competitive environment

The airline industry remains one of the most competitive with low margins and in recent years reduced airline passengers and rising fuel prices. That said, with economic confidence on the up the industry is predicting an increase in UK airline passengers of 33 million in 2014. At the same time fuel prices have also started to stabilise, albeit at a higher level. However, it's axiomatic that airlines must continue to focus on business efficiency and improving the customer experience, in order to maximise margins and increase market share.

In 2011 this leading UK airline embarked on a number of business improvement initiatives including a refresh of its aging financial system, intended to deliver better financial management and control across the airline. The finance department hadn't changed for more than 10 years and the airline decided that the first step would be to implement a new HR and finance system. In 2011, Oracle Financials was selected and the airline undertook a project to implement the solution, with the new system going live in January 2012.

Maximising on investment

The new system was implemented quickly with the support of a third party service provider and from a technology perspective the project was deemed successful. However, the opportunity to re-engineer the finance function and all of the reporting processes was yet to be realised. Although there was a new system in place, the people, processes, and in particular the paper flow remained very much unchanged. The finance team continued working in the same way, which meant they missed the opportunity to take advantage of the benefits the new system could enable. This, compounded by legacy management controls meant that the finance function was not delivering a good service to the business.

The timeliness of management information was a particular problem, with month end reporting taking anything up to 13 – 15 working days to produce. The decision was therefore taken to tighten up the reporting processes and to make this underdeveloped finance department more efficient.



INCREASE OF 33 MILLION AIRLINE
PASSENGERS IN 2014

The objective was to refresh the monthly routine with a goal of delivering the numbers by working day six of each month, and the full month-end report available by day eight.

The airline's Chief Financial Officer (CFO) takes up the story: *"The key thing for us was to make better use of the technology in order to reduce a ridiculous level of paper flow and introduce tighter controls. This meant that we needed to define the right organisational structure to support the business going forward. Of course we needed to accomplish all the basic accounting procedures and controls but we wanted to really focus on delivering value to the business. This would require a complete culture change, which we realised wasn't going to be easy."*

A pragmatic approach

To achieve its objective it was clear that the airline not only needed to refine its systems and operational processes, but it also had to remove added complexity that had been introduced into its chart of accounts and journal procedure as part of the Oracle implementation. And all of this needed to be addressed whilst running the business in what was already a challenging environment for the airline and the industry as a whole. At this point the organisation realised that it would need external support to deliver the changes required. Independent change management consultancy DAV Management was selected following a competitive tender process. The CFO continues: "DAV had worked on a number of programmes for us previously and we knew its people understood our business. DAV also has deep experience of the airline industry as well as an impeccable reputation for quality. That said, we still took a competitive approach to the project. We selected DAV in the end because we genuinely liked and respected the people, we felt that the team DAV put forward had the right level of experience (both airline and finance) and represented excellent value for money. While cost was a small factor in the decision I have to stress that the quality of the team was paramount."

One of the critical business requirements was that the project needed to deliver 'in year' with everything in place ready for the

airline to start the new financial year. This meant incredibly tight timescales and an absolute need for the business to commit time and resources to the project.

Getting to the heart of the problem

Starting in January 2013, DAV brought in one of its partners, ASE Consulting, to work within the project and together the team conducted a diagnostic of the finance function and identified a number of key systemic issues that were the cause of the poor performance including:

- Perceived lack of accuracy and an emphasis on levels of detail that added no material value.
- Process deficiencies and a lack of appropriate management controls.
- Lack of fiscal responsibility and ownership in the business.
- Oracle implementation issues, poor integration of finance systems and processes.
- Overall complexity and inefficiency in the airline's finance function.

These and other historic cultural and behavioural issues were causing the finance function to be reactive to the needs of its customers and were preventing it from delivering a value-added service.

Working as part of the team

Following the finance diagnostic, the DAV team defined a programme of work, utilising its tried and tested performance improvement methodology, based on a Lean/Six Sigma approach, to deliver a programme of key improvements to the finance function. The changes included improvements to processes and systems, and also improvements to the organisational design and operational management of the function. The knowledge gained during this process also enabled the DAV team to work with senior finance managers to finalise the project's investment case for sign-off by the airline's Board.

With the investment case emphatically approved, the main implementation phase could begin. Working with key finance staff, a new finance vision and set of principles was defined and workstreams were established in all the major functions within the finance operation. To ensure that change was genuinely 'owned' by the business, the programme team was staffed mainly with client resources, with the organisation committing to backfill where necessary. The programme also utilised the airline's IT resources to support changes to the Oracle application and development of new interfaces.

The CFO picks up the theme: "It was really important that this wasn't just 'done to us' but that we worked together to achieve the end goals and that the finance team were a big part of the decision making process. We felt that with the DAV team we had the leadership support that would enable us to achieve this. It also meant that we had to allocate staff to the project. We freed them up from their day jobs in order to work on this programme and then backfilled these roles."

The DAV team was responsible for all programme management activities, through programme definition, design, build, testing and programme close, and provided qualified subject matter experts with deep experience of finance in the airline industry.



EFFECTIVE, TWO-WAY COMMUNICATION IS THE KEY

The team designed and led the change management interventions, critical in a transformation project of this nature, delivering significant operational and organisational changes. Engagement with all finance staff was established early in the project and included formal assessment of the team's commitment to and understanding of the proposed changes at several points during the implementation. DAV also provided independent quality assurance at defined points throughout the implementation.

With any significant change programme it is understandable that people will become anxious about their role and position in the company. Effective, two-way communication is the key to managing this. Therefore, once the programme started communication was given a great deal of focus. A comprehensive communications plan was defined and followed. Staff were brought together regularly and the project team polled sentiment over time to monitor how well people understood and felt about, the changes taking place. DAV worked with business leaders in the finance team to communicate the vision and personality of the programme and there was plenty of informal communications to back up the formal programme, on a day-to-day basis.

The CFO comments:

"We published our mission, vision and goals and shared this with the team. We were consistent with our messages and reiterated them at every opportunity. In fact, we had our mission, vision and goals up on the walls and on mouse mats, so it became ingrained in our day-to-day working. It was important that we were completely transparent about what we were trying to achieve and where we were at any given point on the journey. We also had to ensure we made change real. Therefore as part of the programme we refreshed the working environment, this included installing new carpets, paint, brighter lights, and a new seating arrangement. In this way staff could see that things were physically changing and that we were committed to making this happen."



THE BENEFITS SPEAK FOR THEMSELVES

When the programme successfully completed on time and to budget, the airline had a month end close process that was now 50% faster, reducing the cycle from 13-15 days to 6-8 days. Additional benefits included automation of the purchase to pay process and improvements in accounts receivables, including a new debt collection system and improvements in fraud prevention and management. The project also simplified the level to which costs and revenues are allocated to the general ledger and streamlined the monthly finance reporting pack. As a result the entire finance function is now much more efficient and effective and has transformed from a transactional function to one that adds real value to the business. Finance can now provide greater and faster visibility of performance to enable better management of the business. Additionally, DAV introduced the concept of business partnering whereby designated partners from key areas of finance are appointed to work with internal staff so that they can deliver a contextualised service that helps the business function more effectively.

The DAV team was acutely aware that establishing a culture and method of continuous improvement would be critical to the long term success of the transformation achieved within the airline. To enable this, the programme identified, trained and implemented process owners for the majority of finance processes with responsibility to continuously drive improvements to finance processes, systems, policies and organisation. The improvement opportunity log is now managed by the Financial Controller and reviewed by the CFO on a monthly basis. The new operational performance measures, agreed for all finance teams, are also reviewed by the CFO on a monthly basis.

The CFO concludes: *"Today we are light years away from where we were a year ago. We now produce the results on Day Six and Day Eight as requested. The finance team know what they need to do and because month end is completed faster this leaves more time to undertake more valuable tasks for the business. I also now have a much more motivated and engaged team."*

"Overall this has been a great programme. It all worked to plan and the DAV team really delivered for us. The knowledge transfer undertaken by the team was seamless and, as a result, we now have a framework for continuous improvement in the business which is an additional benefit that I hadn't accounted for at the outset."



"THE ENTIRE FINANCE FUNCTION IS NOW MUCH MORE EFFICIENT AND EFFECTIVE AND HAS TRANSFORMED FROM A TRANSACTIONAL FUNCTION TO ONE THAT ADDS REAL VALUE TO THE BUSINESS. FINANCE CAN NOW PROVIDE GREATER AND FASTER VISIBILITY OF PERFORMANCE TO ENABLE BETTER MANAGEMENT OF THE BUSINESS."



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