

CGMA® CASE STUDY

COST
TRANSFORMATION

James Agar, ACMA, CGMA
Head of Finance Transformation
British Gas



*Transform the business to compete
harder, drive down costs and deliver
better service*

Case study:

JAMES AGAR, ACMA, CGMA HEAD OF FINANCE TRANSFORMATION BRITISH GAS



At a glance

Company	British Gas (part of Centrica)
Current role	Head of FP&A – British Gas cost strategy
Industry	Gas supply
Market	UK
Website	britishgas.co.uk

In his role as head of finance transformation at British Gas, James Agar led a programme to put in place management reporting and structures that would pave the way for cost-consciousness and efficiency across the company's 500-member finance function. These initiatives are now providing a solid foundation for efficiency goals laid out in the group strategic review, which was implemented by Centrica to reduce controllable costs by £750 million per annum by 2020.

When I joined British Gas in 2009, I was delighted to be with a company where I could get close to the strategy of a business and begin to influence it. I'd graduated two years earlier from Reading University with a business management degree and arrived at the group, which supplies 11 million homes and 760,000 business premises, following a stint at Nortel Networks.

I started at British Gas as an opex (operating expenditure) and IT change plan analyst. In 2010, having qualified with CIMA soon after arriving at the group, I undertook several roles across finance and management information. I then became head of finance transformation in 2014 as the change journey was starting.

Delivering better service

This position gave me the opportunity to play a key role in British Gas's change agenda. This aims to help us compete more effectively in the energy marketplace and deliver better service to our customers amid falling commodity prices and a challenging political and regulatory environment.

Using systems more effectively to create and drive a cost-conscious culture was central to the transformation, enabling a new level of focus on cost. We took immediate action on addressable spend and delivered a targeted saving in 2015 as well as setting out targets for longer-term initiatives and greater savings over the coming years.

Achieving a cost-conscious culture is about increasing visibility, getting people to think about British Gas's cash as if it were their own and 'understanding why we've got to change'. Rather than imposing change, we took a collaborative approach to getting buy-in from our stakeholders. And, with around 500 people in British Gas finance, a lot of communication was required.

Taking ownership

The reporting advances we achieved, combined with targeted communication and stakeholder engagement from across the finance team, also enabled us to push for greater cost accountability. Through the transformation programme, we significantly improved ownership of cost and how our people make use of our cost-centre structure.

We went through a process of understanding who should own all the different 'buckets' of cost, making sure that these people had visibility of their cost. In doing this, we not only ensured ownership of groups of cost centres, we also achieved this for individual cost centres. In addition, we looked at the issue from the functional and accountability perspectives alike and devised a way of reporting both.

That underlying architecture has enabled us to give every single budget holder an automated report showing all the different costs and how they can better manage each cost centre.

That's not all. Standardised cost reporting has also facilitated central analytics and insight, enabling us to identify and share best practice from across the business. In a strategic advancement, it has enabled us to shift the focus of the finance team away from reconciliations and generating reports towards developing insights and partnering with the business.

A better understanding of our cost base

The biggest benefit arising from the finance transformation programme is that we now have a much better understanding of our cost base. From a purely finance perspective, we have also removed a great deal of work from the finance function. Thousands of reports that previously would have been reported by different people are now automated, enabling us to start moving up the value chain within finance. So, whereas we previously spent much time as the 'guardians' of data and churning out reports, we're now able to partner with the business more effectively. And this is exactly what's needed to drive this kind of cultural change around cost.

In addition, people's roles have become clearer in terms of where they should be focusing. I don't think we're by any means at the end of the journey yet, but we do now have the three key pillars of finance in place: financial control; FP&A (financial planning and analysis); and financial management/business partnering. I think we're a much more effective finance function as a result.

Overcoming risk

During the programme, it was really important to develop momentum as soon as possible and prove to people that we were able to deliver. Moving from the design to the implementation phase of a big project like this involves a lot of risk, and the main way to overcome this is to announce some early wins. That way, people start to believe in the next thing you're proposing, something that may have previously seemed impossible.

The management reporting and structures put in place through this project are now providing a solid foundation for the British Gas efficiency goals laid out in Centrica's group strategic review, which aims to enable £750 million in annual savings by 2020. I have now jumped over to the role of head of FP&A British Gas cost strategy. In effect, I am now a customer of the finance transformation and am actively using many of the tools we designed to influence the way we look at cost and to make a significant contribution to driving the £750 million saving.
