Deloitte.



CFO: Transform from "Adding Up" to "Adding Value"

4 October 2018

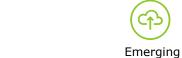
Finance Business Partnering is existing for more than 50 years...

What's changing now?

Evolved need for a Finance Business Partner in a rapidly changing business environment

With constant change and disruption in the business landscape, Finance must be prepared to rapidly transform and evolve its Finance capabilities to drive impact





technologies



Risk



Globalisation and emerging markets



Servitization



Explosion of Data



Positioning for growth



Mergers & acquisitions



Open Talent Economy



Enterprise collaboration and innovation



The Business is expecting new things from its Finance Business Partners

- Truly understand the business and its operations
- Bring financial insight and challenge to help address its problems
- Be agile, insightful, and proactive in how you engage

Process improvements, technology optimisation and cost savings are no longer enough. It's no longer about incremental improvement.

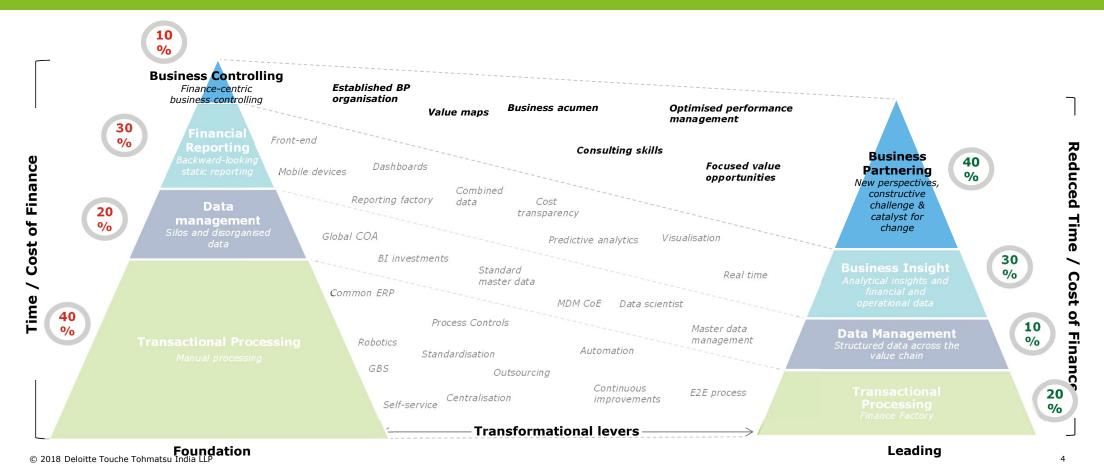
It's about enabling the business strategy through large scale finance transformations

The new finish line: Business Impact

How is finance responding to the new requirements?

The composition of finance is likely to change significantly in the years to come

Finance will have to evolve from Business Controller to Business Partner to meet the previous needs



What is Finance Business Partnering?

Finance Business Partnering is more than a role description; it refers to all activities that the Finance function carries out to support business decision making in order to increase business value.

• Stimulate behaviours across the organisation to achieve strategic and financial objectives • Gain business alignment to successfully identify and

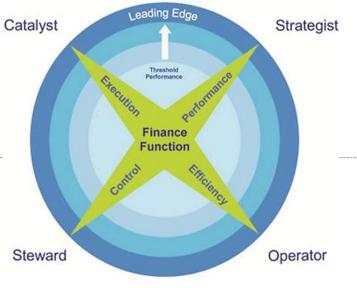
understand the business strategy

 Act as a catalyst in driving forward initiatives critical to delivering the strategy

STEWARD

 Support the Finance Function in protecting the assets of the company and in ensuring compliance with financial regulations

<u>Finance Business Partnering</u> supporting strategy formulation and execution



Deloitte's Four Faces of the Finance Function model

STRATEGIST

- Provide financial leadership in determining strategic business direction and align financial strategies
- Understand the business strategy and provide highly relevant insight
- Act as a key stakeholder in the decision making process through the provision of risk-adjusted financial information and analysis

OPERATOR

- Supporting effective financial planning and analysis
- Provide business expertise into accounting processes (e.g. valuation of accruals)

Shift

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Shift

What enables effective business partnering

Structure

- Degree of decentralization
- Dotted reporting to business heads
- Co-located with business teams
- Develop network and trust by working on crossdepartmental project

Skill

- Commercial acumen/ Decision making
- Challenge, Negotiation & Influence
- Analytical capability
- Relationship management
- Strategic Thinking

System

- Involvement of Finance in system and process design projects
- Right balance between comprehensiveness and achievability
- Understanding current state or reality of organization systems/ processes

Business demand

- Solving a key business problem to generate business demand
- Overcoming concerns hampering business demand
- Introducing business oriented finance tools and techniques

Typical finance business partner's day



- Spends time with the sales team to understand current situation with key clients and get a temperature check on current pricing challenges
- · Check-in with GM to align on current value priorities and align on expectations
- · Brief update on pricing challenges in top 10 customers

- · Receives the data from Data & Ops
- Conducts analysis identifying interesting findings that need benchmarking against other areas

1pm

Requests internal

findings

benchmarking analysis from

the PB&F team to support

Receives benchmarking data from

PB&F providing further evidence and supporting facts about her findings

3pm

Spends time with another area Sales Manager to check local nature of pricing challenges

 Contacts the Sales Manager and communicates results. challenging the current approach

Close of

Business

• The Sales Manager calls a meeting to discuss improvement options



Illustrated

during the day



Commercial acumen

Understands the broad commercial context and is business savvy

Influences outcomes

Persuades others to a different way of thinking and gains commitment



Action orientated

Shows initiative and acts with a sense of urgency





2pm

Strategic thinking Sees the big picture and

thinks long term



Relates to others

Builds strong, trusting relationships that foster success



Verbal communication

Achieves the desired objective when conversing and presenting

What does the future look like?

Real-time scenario planning, forecasting and analytical capabilities will position **finance leaders as highly valuable business partners** and substantially evolve the organization's ability to make decisions enabled by disruptive technology



Snippets of how companies are increasing business partnering quotient



- □ Finance used predictive analytical models to forecast sales
- Forecasted numbers are compared to bottom up numbers provided by sales team
- Sales numbers are challenged in a meaningful way to increase budget/forecast accuracy



Consumer Electrical goods company

- Finance controller and FP&A team conducts market visits every month
- ☐ Finance understands business drivers and takes part in deal negotiations



Financial services company

- Finance helps negotiate for cheaper liquidity
- Finance SSC conducts pre-close calls in few regions with business
- □ Increasing scope of COE services such as *predictive modelling*, *pricing analytics*, *cause* & *effect analysis*



Agri-business company

- ☐ Combined ownership of P&L by CEO and CFO
- ☐ Finance controller gives joint presentation of budget to business heads



Leading telecom company

- ☐ Conduct financial analysis of new product launch
- ☐ Analyzing quality and stickiness of revenue being booked every month

Appendix

What do Finance Partners do?



Defining clear accountabilities is critical to success

A Finance Partner does not...

A Finance Partner does...

- ✓ Provide analysis, insight and challenge to support and influence decisions
- ✓ Stimulate behaviours to achieve objectives

✓ Provide leadership to strategic direction

- ✓ Gain Business alignment to understand strategy, gain buy-in and communicate
- ✓ Act as a catalyst for change in seeking out value opportunities
- ✓ Have business knowledge and relationships to support effective management
- ✓ Review and challenge
- ✓ Support continuous improvement

- X Execute **repeatable processes** and routine management accounts production
- X Generate reports, collect or reconcile information
- X Post journals and financial accounting
- X Take **full accountability for budget numbers** or actual performance
- X Build or manipulate budget models
- X Work in silos

Measuring the progress of the Finance Partner Journey

- A large portion of your work is focused on operational duties
- You struggle to have an impact on the business
- You rely heavily on MS Excel to report and analyze information
- It is **not clear** in the organization where your **roles** starts nor ends
- You lack insight in the drivers of your business
- The Finance organisation is oriented towards providing a correct financial view of the company
- You are not having the right competencies in your team to play a more prominent role

- You spend your time on strategic tasks that target to achieve the top business priorities
- You clearly measure and communicate the value you bring
- You effectively **deliver** against aligned Finance & Business objectives
- You have access to intelligent tools to analyze financial and operational information
- You are regarded as part of the top talent pool in the organization
- The Finance organization is business oriented
- When the business faces an unexpected crisis, your team is **called in at the first meeting** to address it

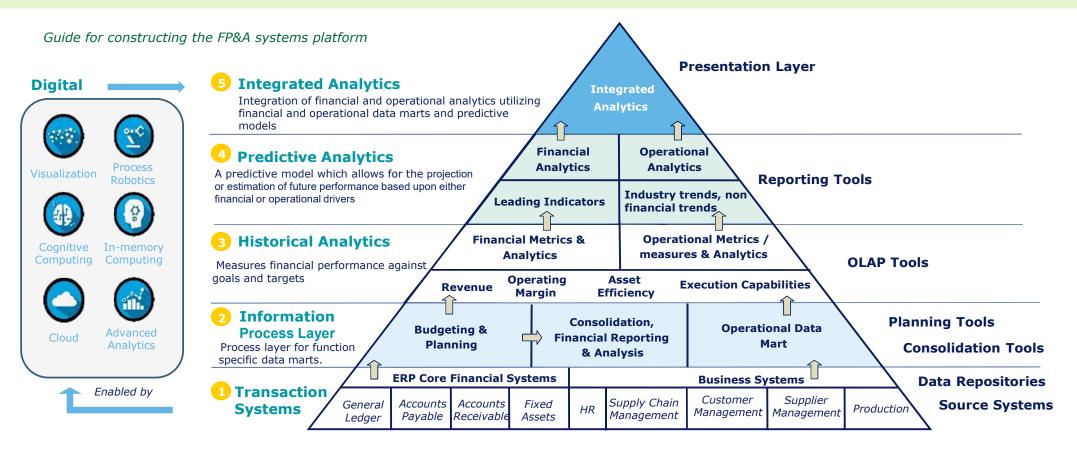
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Lagging Business Partner

Leading Business Partner

Leading Technology platform

The foundation of leading FP&A practice is a clearly defined **information model** to ensure **consistent, relevant, accurate, and timely information** to the business units and markets



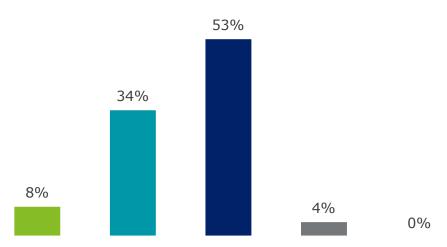
Analytics for Finance

Leverage analytics to drive value across the organization

		Accounting	Transactions	Custodian & Stewardship		Allied Commercials		Business Partnering	
Des	Management reporting	9. Open PO Analytics			21. Metrics, KPIs & reporting			38. Canned reports	
Descriptive	Slicing & dicing		8. Supplier Clustering / segmentation	20. Spend Benchmarking / Analytics				37. Synergy effectiveness – SKU, Channel	
<u>ā</u>	Exceptions and alerts		7. AR Diagnostics		19. Activity Based Management				
Diagnostic Predictive & Prescriptive	Root Cause Analysis	6. Balance sheet flux analytics		18. Revenue recognition analytics		28. Purchase price variance	29. Price / Volume / Revenue leakage		
	Advanced forecasting	5. Liquidity and cash flow analytics		16. Demand planning and forecasting	17. Cash-in/Cash- out forecasting			36. Milk route modelling	
	and modeling	Disputed AR prioritization	prediction modeling	14. Provisioning analytics	15. Warranty cost projection	26. Incentive effectiveness	27. Sales forecasting validation	34. Promotion Effectiveness (ATL/ BTL) review	35. Yield optimization effectiveness
	Simulation	3. Collections -	4. Delinquency	12. Budget simulation	13. Risk adjusted BS, P&L and CC	24. Channel optimization	25. Effectiveness of pricing & mark-down optimization	32. Effectiveness of Cross sell / Upsell	33. Scheduling optimization review
ع و ع	Optimization algorithms	1. Discounting and incentive optimization	2. Payment cycle optimization	10. Capital allocation analytics	11. Cognitive and Panel analysis	22. Non-managed spend Optimization	23. Contract terms analytics	30. Inventory Optimization effectiveness	31. Logistics optimization effectiveness

Deloitte survey results

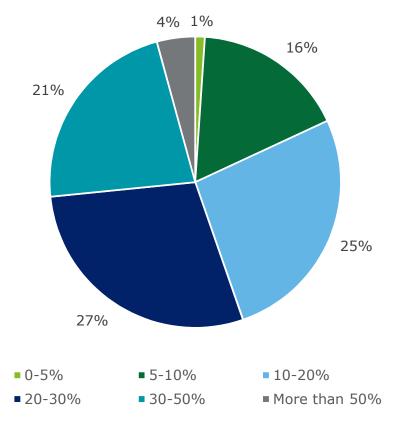
Organizational perception of Finance



- Business views Finance as primary source of insight for decision making
- Business sometimes views Finance as primary source of insight for decision making
- Business views Finance as a source of trusted financial information but does not consistently use its insight in decision making
- Business sometimes views Finance as a hindrance to decision making
- Business views Finance as a hindrance to decision making

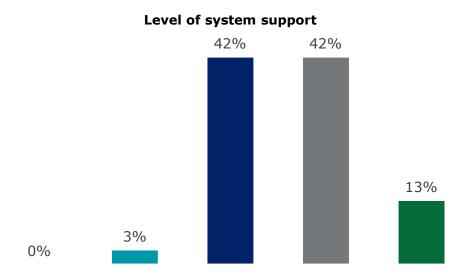
Source : Deloitte UK survey (n=75)

Time spent on finance business partnering today



Source : Deloitte UK survey (n=73)

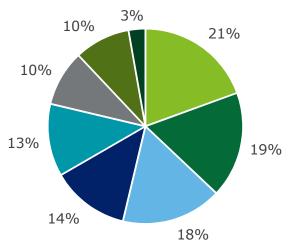
Deloitte survey results



- Reporting & predictive tools allowing informative analytics
- Reporting & predictive tools widely available, minimal use of spreadsheets
- Reporting & predictive tools widely available but significant use of spreadsheets
- Basic reporting tools supported by offline spreadsheets
- Mainly spreadsheets

Source : Deloitte UK survey (n=71)

Current initiatives to support business partnering



- Identifying owners with responsibility for end to end processes
- Identifying value drivers and KPIs
- Implementing shared service/ outsourcing
- Identifying skill gaps and developing existing resources through training
- Recruiting additional resource with Business partnering/ decision making skills
- Improving the efficiency and functionality of performance management systems
- Improving the quality and availability of data and key business information
- Clearly defining finance business partnering roles and organizational structure

Source : Deloitte UK survey (n=63)