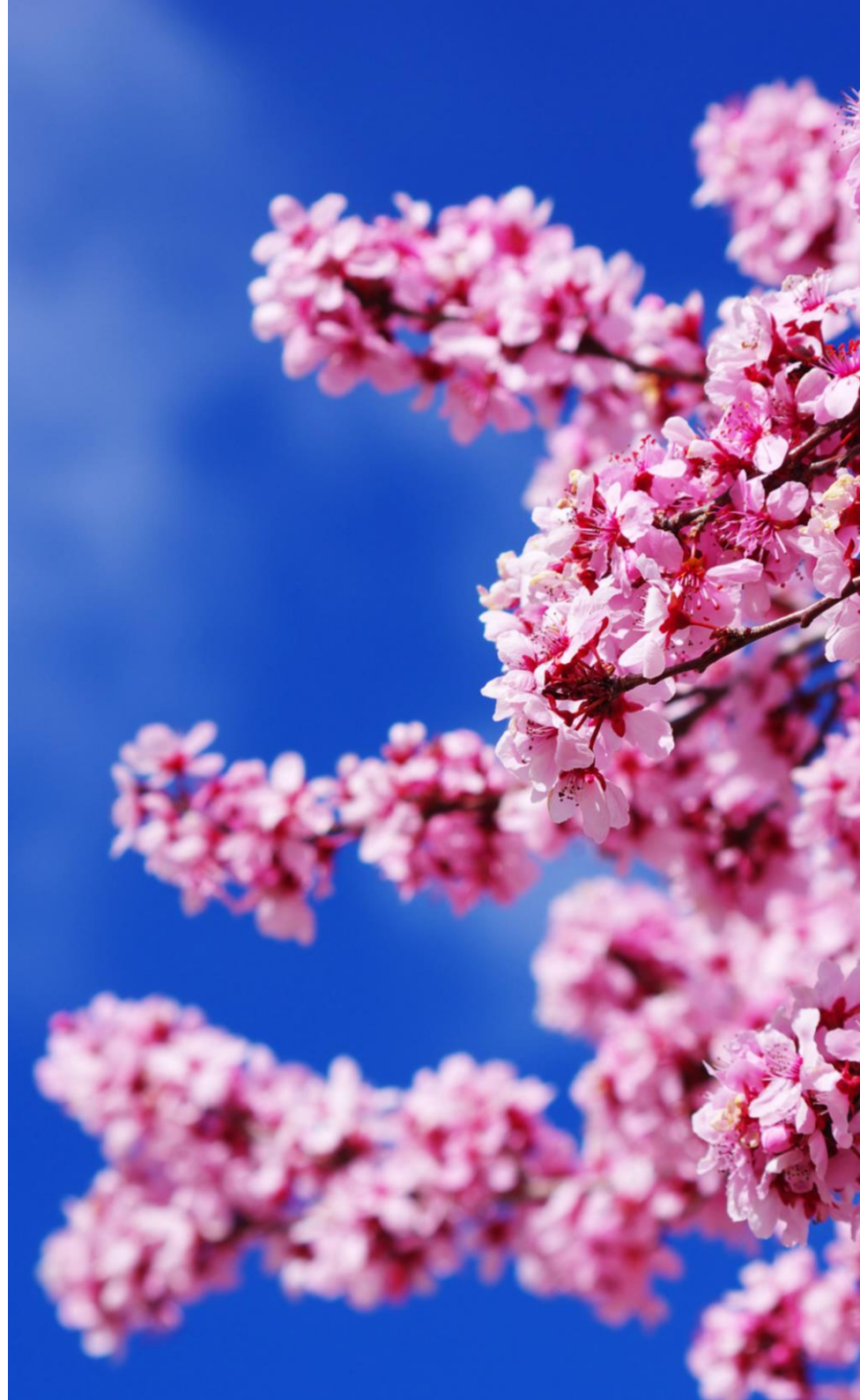


Helping your finance team blossom

CFO Program breakfast meeting

April 2016



Today's agenda

What is Finance Business Partnering

Deloitte's 2015 Global Business Partnering Survey Findings

The need to retain talent: Deloitte Millennial Survey 2016

Moving towards better practices

Examples of Finance Business Partnering

What is Finance Business Partnering?

Over the course of discussion with our clients, we have heard many different views on what Finance Business Partnering is.

“Supporting and challenging the business”

“The hinge between business and finance”

“Ensuring that a chosen business strategy delivers the highest financial value at an acceptable level of risk”

“The past of the Finance role is controllership and governance, the future is financial planning and analysis”

“Taking advantage of technology to create and present more valuable knowledge”

“A new independent role in the organization”

“With data, Finance always brings objectivity into a discussion. It takes feelings out”

“Delivering decision support, not reports”

What is your definition of Finance Business Partnering?

Expectations for Finance Business Partners in Japan

The expectations to Finance Business Partners varies a lot between organizations. Below its some of the views we have heard here in Japan

There is an expectation from the top management not specifically on partnering, but for Finance to provide greater value”

“You need people who have a curiosity looking into the future and people who have a broader generalist-type of interest”

“Accountants typically need 100% of the data, but the profile we have to build is people who are comfortable with 60% of the data”

“In Japan, senior management does not know what to demand or expect from Finance. ”

“Sometimes we Finance guys have to say ‘no’. But in a value add sense, there has to be a ‘but’ in it: ‘No, you cannot do that, but...’.”

“I have never heard the term “Business Partnering” from Japanese CFOs. Pretty much, they are the chief accountants”

Which expectations for Finance Business Partnering do you experience?

Your experience with Finance Business Partnering

How Business Partnering is done varies greatly between organizations. What has your experience been?

Our experience is that there is often a gap between what is done globally and the level of Finance Business Partnering activities in Japan

We would like to hear about to what extent you have worked with Finance Business Partnering so far?

?

How many of you have established a Business Partner Framework in your global organizations?

?

And in Japan?

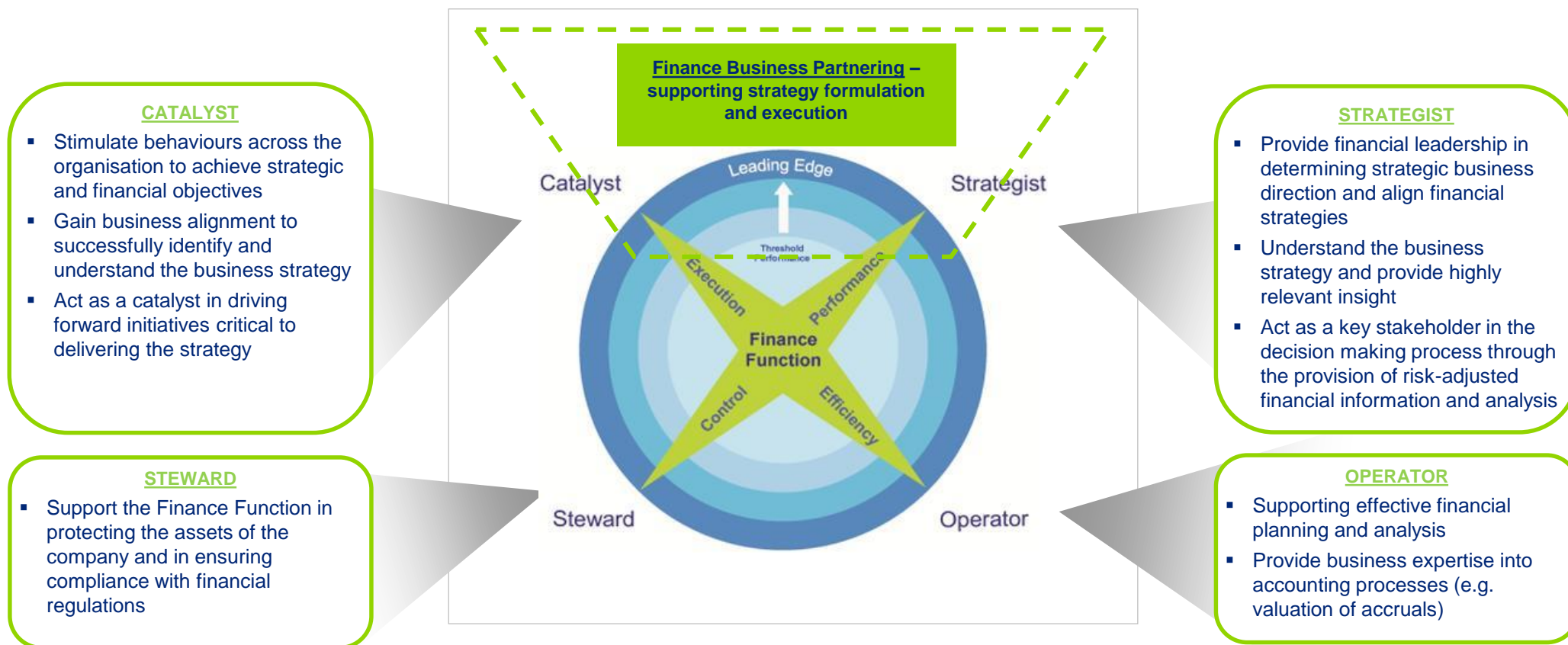
?

How many of your organizations are considering it or have initiated work on this, both globally and in Japan?

Deloitte's definition of Finance Business Partnering

Deloitte operates with the following definition of Finance Business Partnering, based on our Four faces of the CFO model

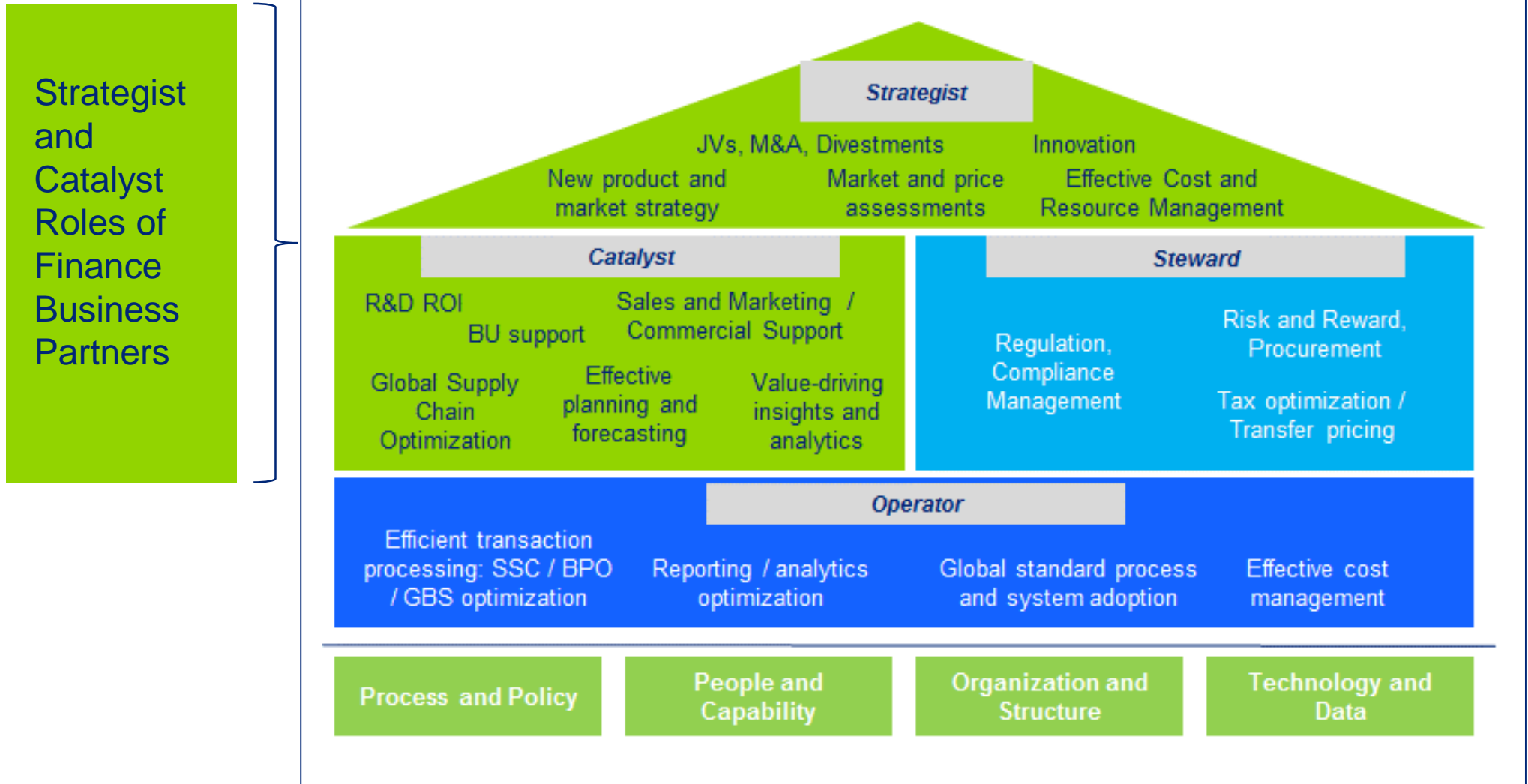
'Business Partnering' can be defined as the role that Finance undertakes to support and challenge the Business, creating value by improving the quality of decisions (e.g. investment appraisal, pricing strategy) and ensuring that a chosen Business strategy delivers the highest financial value at an acceptable level of risk



Deloitte's Four Faces of the CFO model

Finance Business Partnering within the wider Finance Context

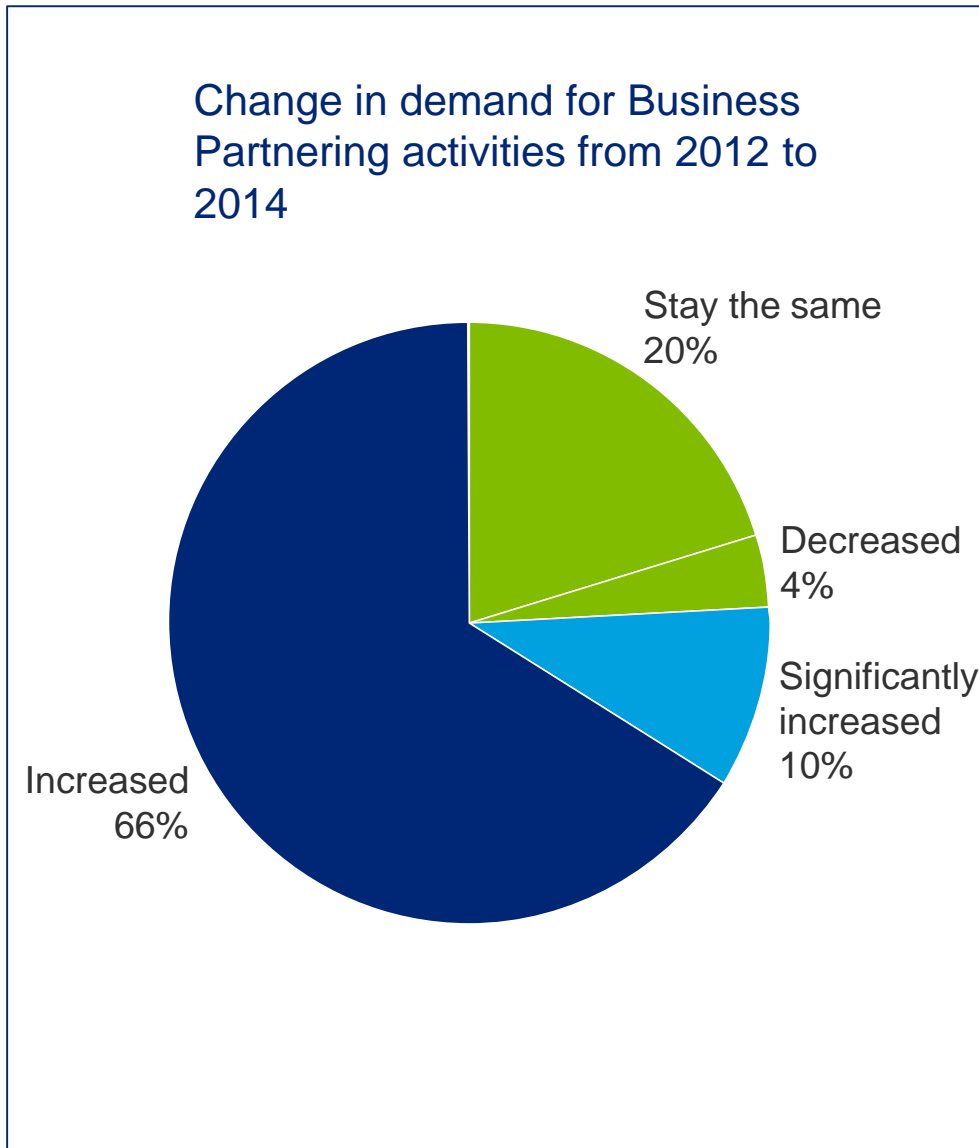
For Finance Business Partners to blossom they need to be part of an effective wider finance operating model



Deloitte's 2015 Global Business Partnering Survey Findings

Demand for Business Partnering activities has been rising

Most finance organizations have experienced and increasing demand for Business Partnering activities in recent years



Over recent years, **finance organizations has seen a rise in demand for Finance Business Partnering** activities. Only very few organizations have seen a decline in demand for Business Partnering activities.

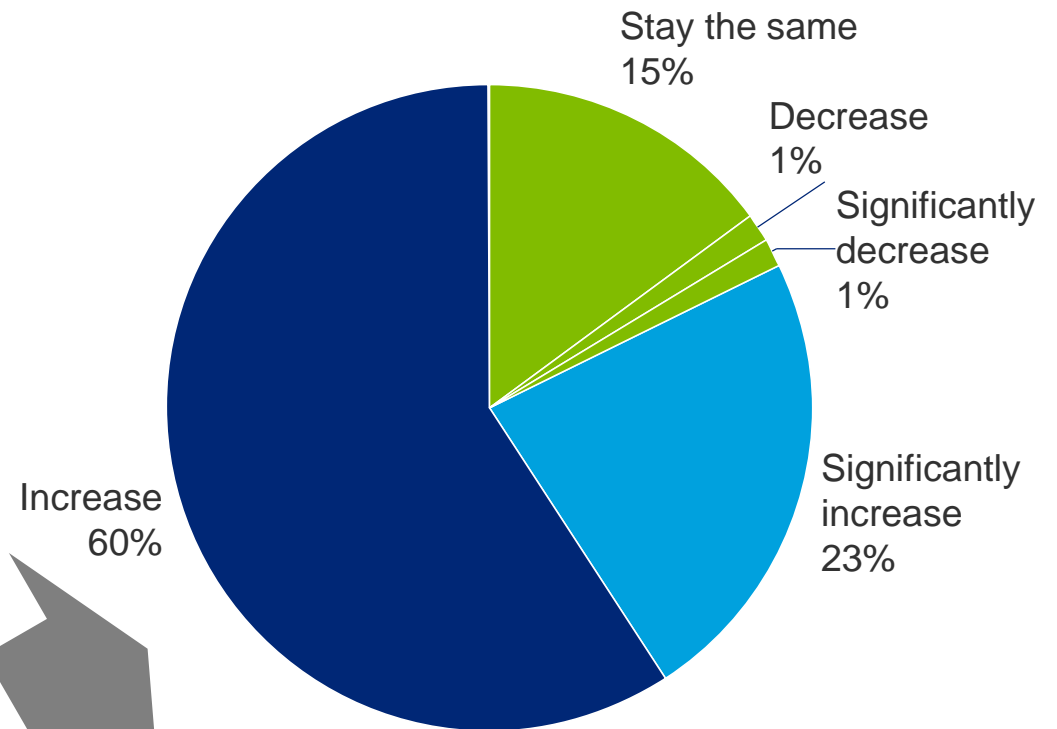
In a Japanese context, we see Finance Business Partnering being recognized as a concept to a greater extent. But the concept of partnering is often thought of as being part of more general business support activities. **Working with Finance Business partnering as a distinct activity is still done less in Japan, than in other markets.**

Further demand for Business Partnering is expected

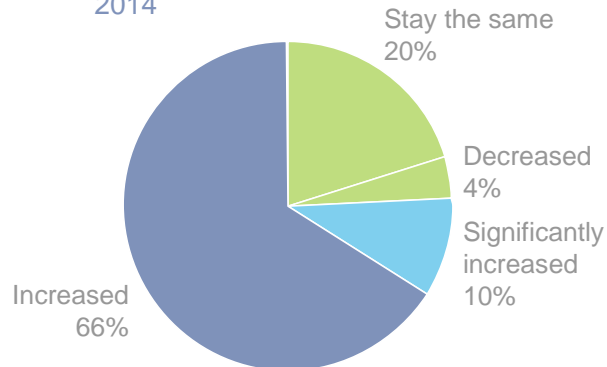
Across organization there is a growing need for Finance Business Partnering in the near future

The increase in Business Partnering activities that has already been seen is expected to be augmented by further growth in activities. Furthermore this **future growth is expected to be even bigger than the increase in activities that has already been seen.** Based on this it's reasonable to believe that the successful finance organizations of the future will be the ones that manages to excel at Finance Business Partnering

Expectations for growth in Business Partnering activities towards 2017



Change in demand for Business Partnering activities from 2012 to 2014



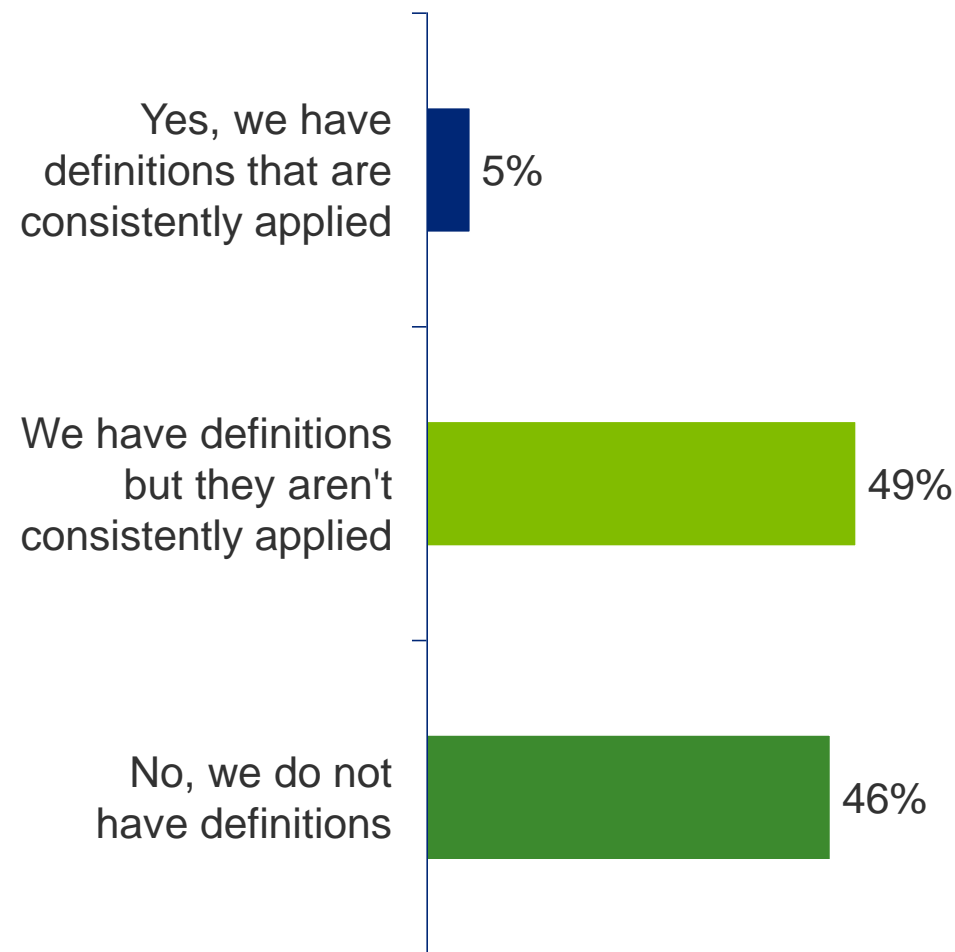
Roles still need to be clearly defined and applied

In many companies there is no clear definition of what a Finance Business Partner is and even when it is the case, the roles are not necessarily applied

Performing well on a task that has not been defined is obviously difficult. But the vast majority of respondents either has no clearly defined role for the Finance Business Partner or do not apply the roles in their day to day work. This means:

- Difficulty in taking on the right tasks and handling them in the best way possible
- Difficulty in measuring results and demonstrating the value of Finance Business Partnering to the business
- Difficulty in allocating the right resources to do Finance Business Partnering

Assessment of Decision Support and Finance Business Partnering role definitions

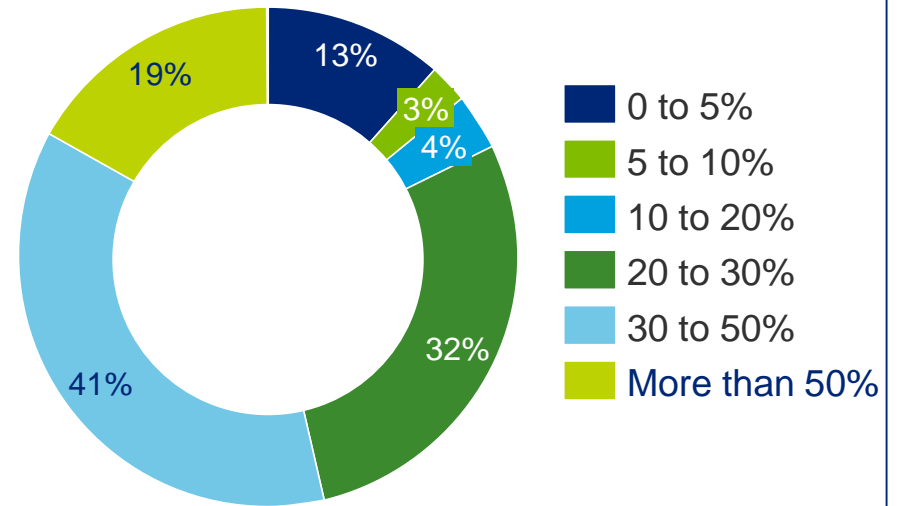


Finance organizations tend to look to the past

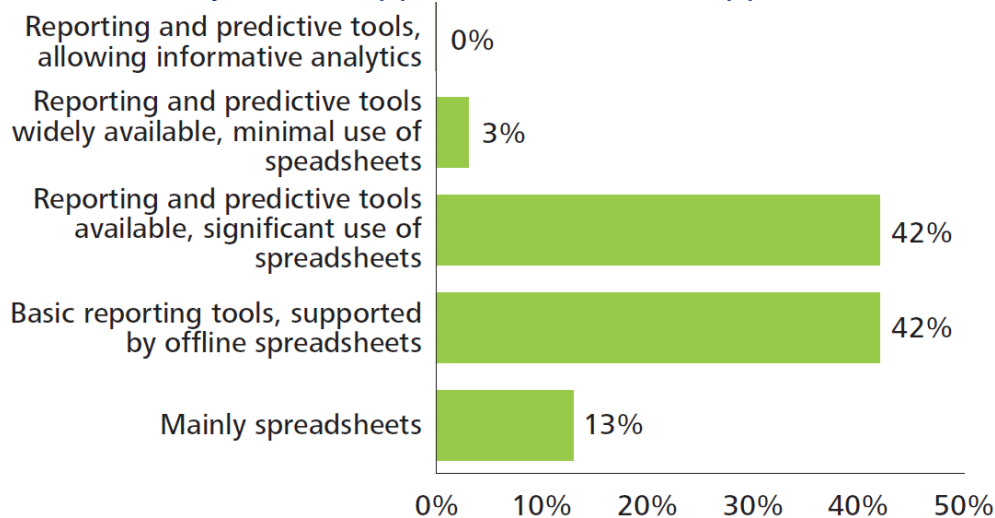
Though demand for Finance Business Partnering is on the rise, it is often the case that the majority of resources is spent on reporting on past events, not future possibilities

The work in today's finance organizations are often characterized by **spending most of the time looking back into time** and reporting on past events. This leaves fewer resources to do predictive work, which would deliver far greater value in a Business Partnering relationship.

Amount of time spend on spreadsheets



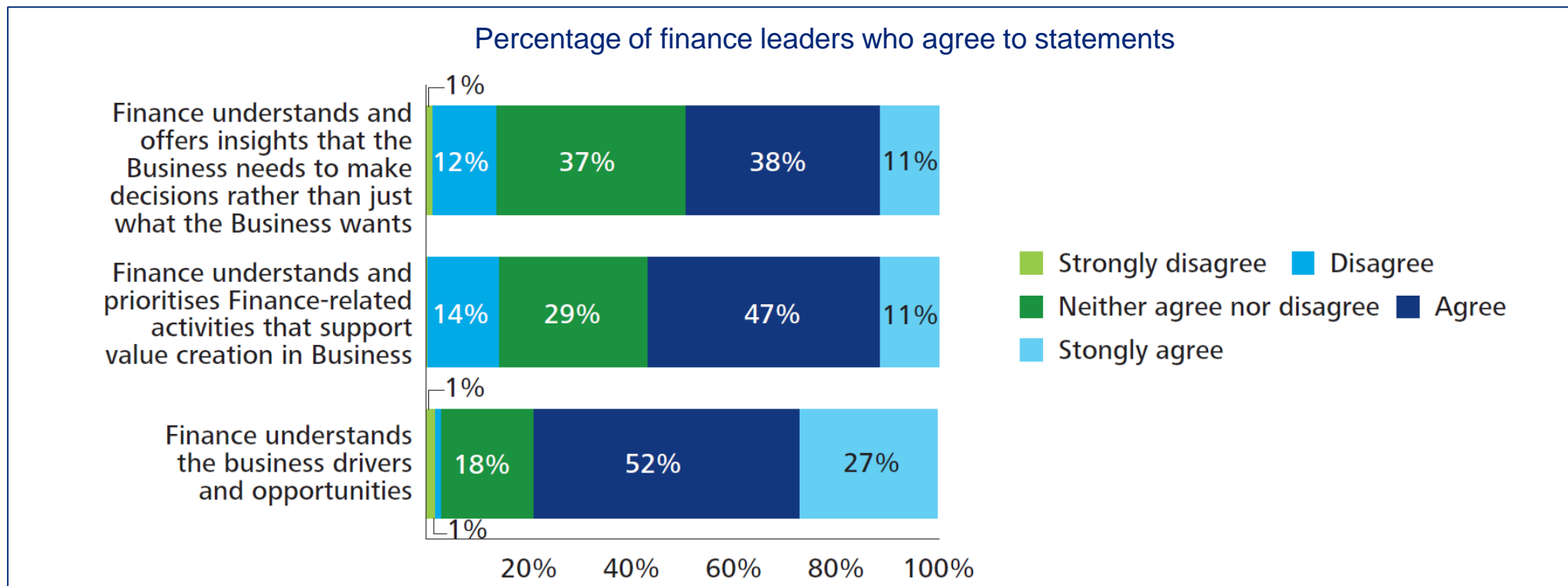
Level of systems support for Decision Support activities



There is a **great lack of technological support for doing predictive analyses**. Spreadsheets are still the tool of choice with tools for predictive analyses playing second violin.

A gap between understanding and delivery

Finance to a large extent gets what drives business decisions, but is to a lesser extent able to deliver insights for those decisions



Finance understands the business drivers but is less comfortable offering insights that the business needs.

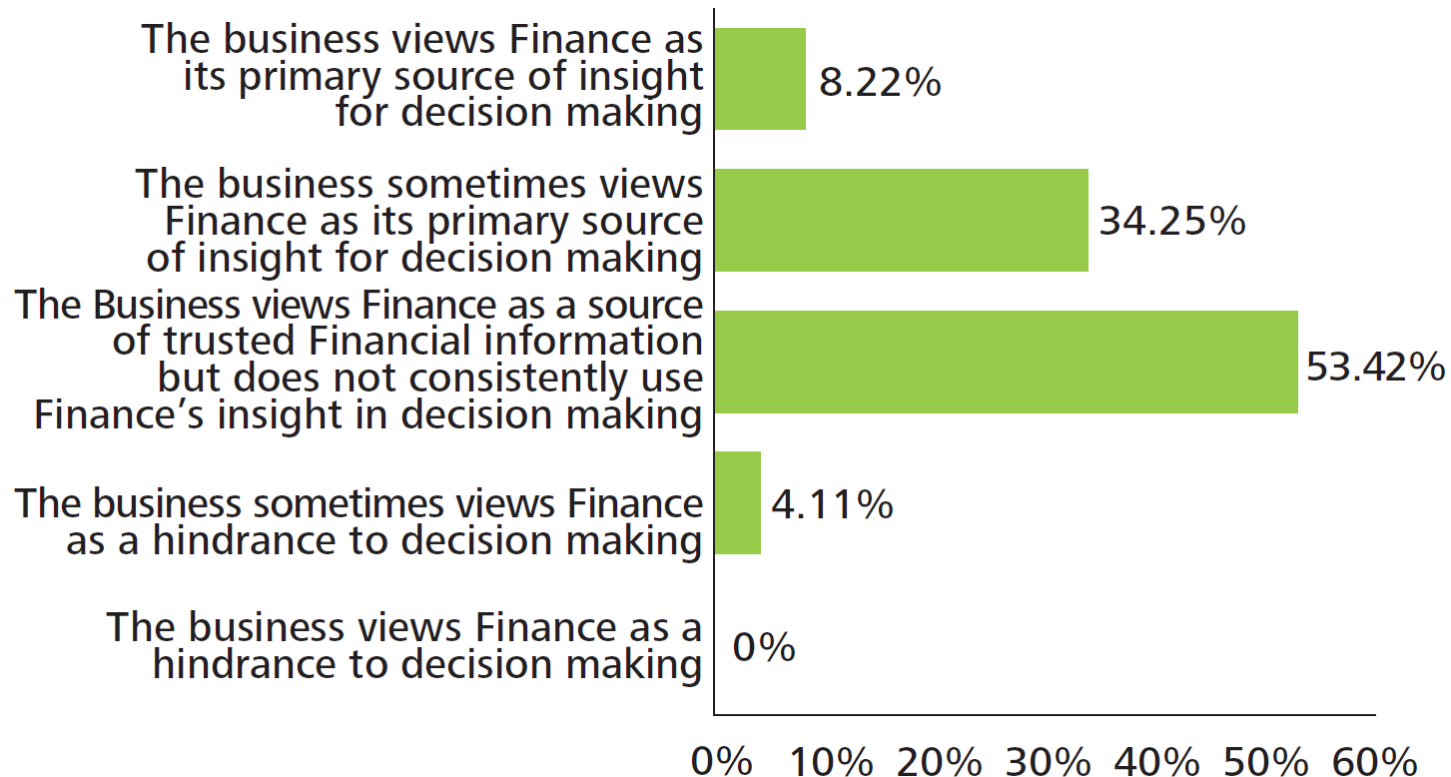
As a result, in many instances **Finance continues to provide the information business demands or has grown accustomed to receiving instead of delivering high value insights**. Understanding business drivers and opportunities is only the start of effective Business Partnering. Knowledge has to be provided to the business.

Old views persist

Despite the increased need for Finance Business Partnering, Finance is still primarily viewed as a source of financial information and not as providing input to the decision making

In line with Finance's understanding of its own offerings, **the business most often see Finance as only a source for trusted financial information** and to a lesser extent as a source for insights for decision making.

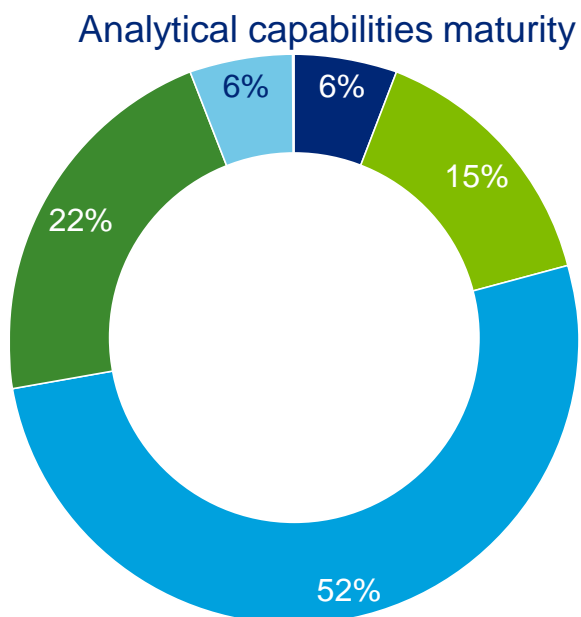
Percentage of finance leaders who agree to statements



Bringing the right analytical capabilities is essential

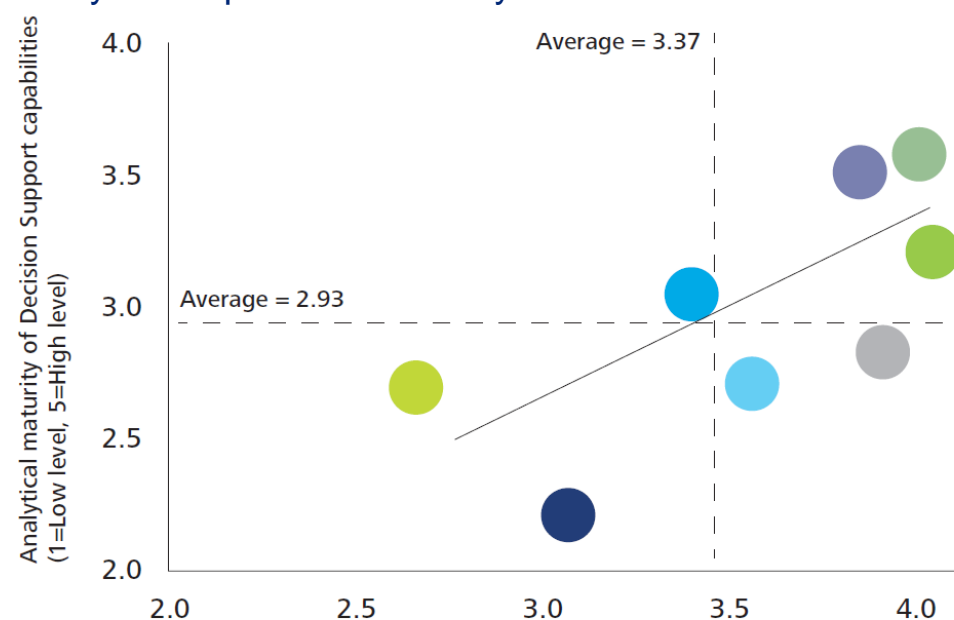
In order to take part in business decisions analytical capabilities are needed, but these are currently lacking in Finance organizations

There is currently a **lack of resources with the needed analytical capabilities**. Having a **low analytical capabilities maturity means less inclusion in business decisions**. This indicates a strong need to either train people to be able to handle new tasks or acquire talent from outside



- Low level of technical and analytical capability
- Below avg. level of technical and analytical capability
- Some technical and analytical capability
- Above average technical and analytical capability
- High level of technical and analytical capability

Analytical capabilities maturity vs inclusion in business decisions



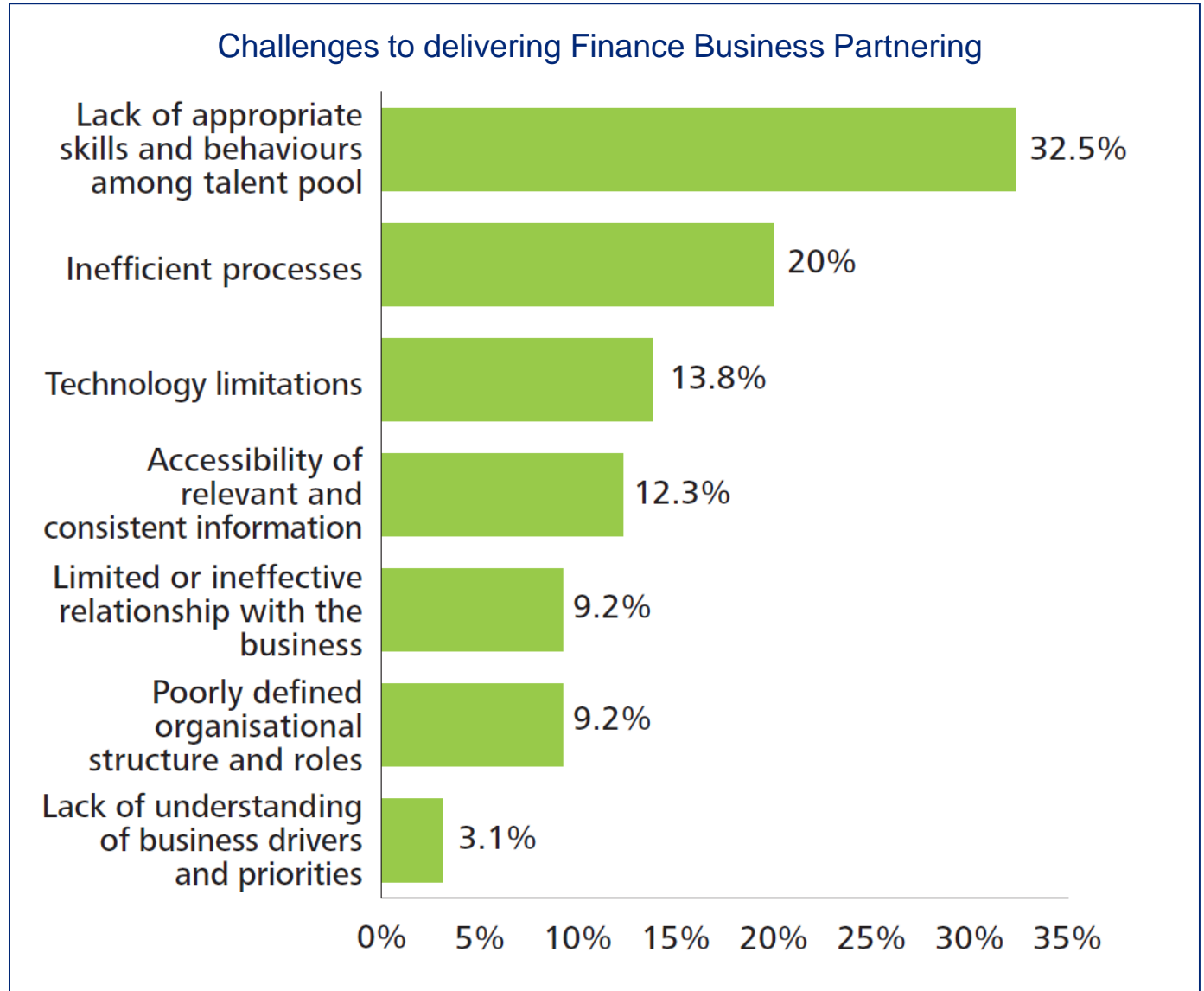
Business Partners' contribution to decision making (1=Business views finance as a hindrance, 5=Business views Finance as its primary source of insight)

- Public sector
- Financial Services & Insurance
- Business & Professional Services
- Healthcare & Life Sciences
- Technology, Media & Telecommunications
- Consumer business
- Energy & Resources
- Manufacturing

Lack of talent is the biggest hurdle, but not the only one

Having the right people on board is seen as the most important obstacle to doing successful Finance Business Partnering

While a number of factors standing in the way of successful Business Partnering has been identified, **the lack of fitting talent is significantly the most important obstacle.** Coupled with the need for advanced analytical capabilities as previously mentioned, it seems that **organizations that want to succeed in Finance Business Partnering needs to focus on acquiring talent with data handling and analysis skills.**

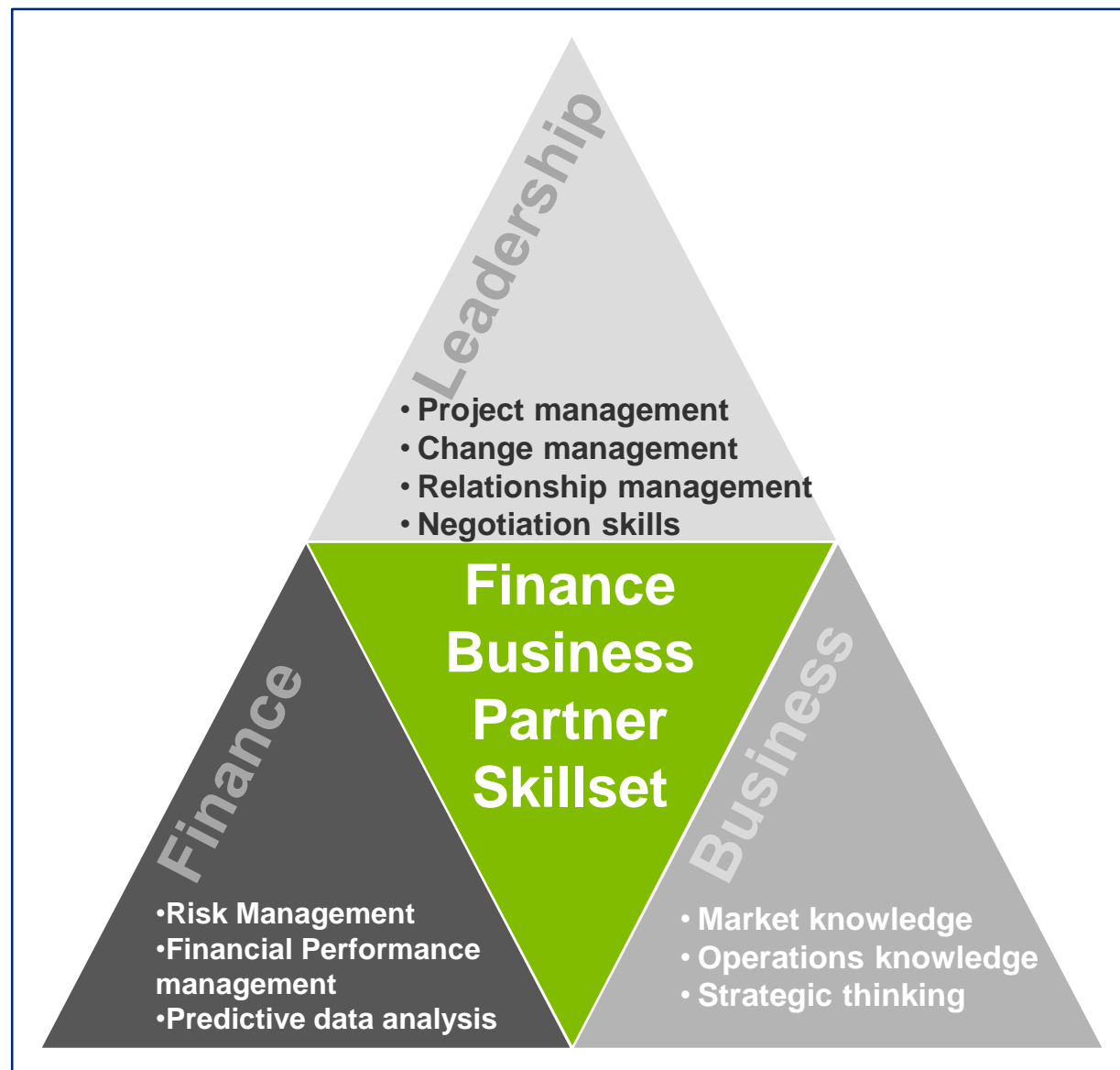


Finance Business Partners needs a diverse skillset

Spanning across professional domains means that requirements for skills is increased significantly

Whilst having the correct analytical capabilities are key to getting included in business decisions, **the successful Finance Business Partner needs a large range of skills. That is what makes them so hard to find.** Key skills are:

- **Finance** – naturally a sound financial understanding is a must have
- **Business** – knowing how the business works is key to be able to advise it
- **Leadership** – Being able to lead and act across an organization is a necessity to ensuring success



The need to retain talent

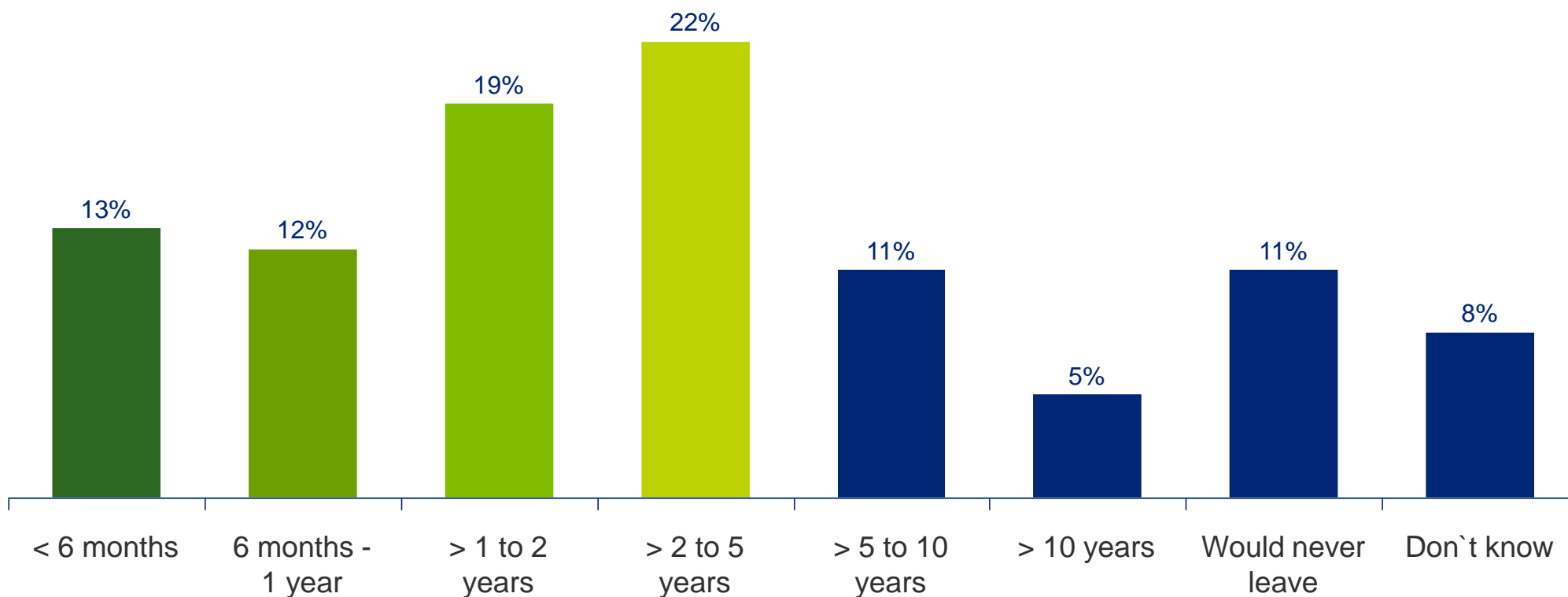
Results from the Deloitte
Millennial Survey 2016

Getting the right people provides a major challenge

Keeping younger employees on board long enough to train them for doing Finance Business Partnering and take advantage of their skills is getting increasingly difficult

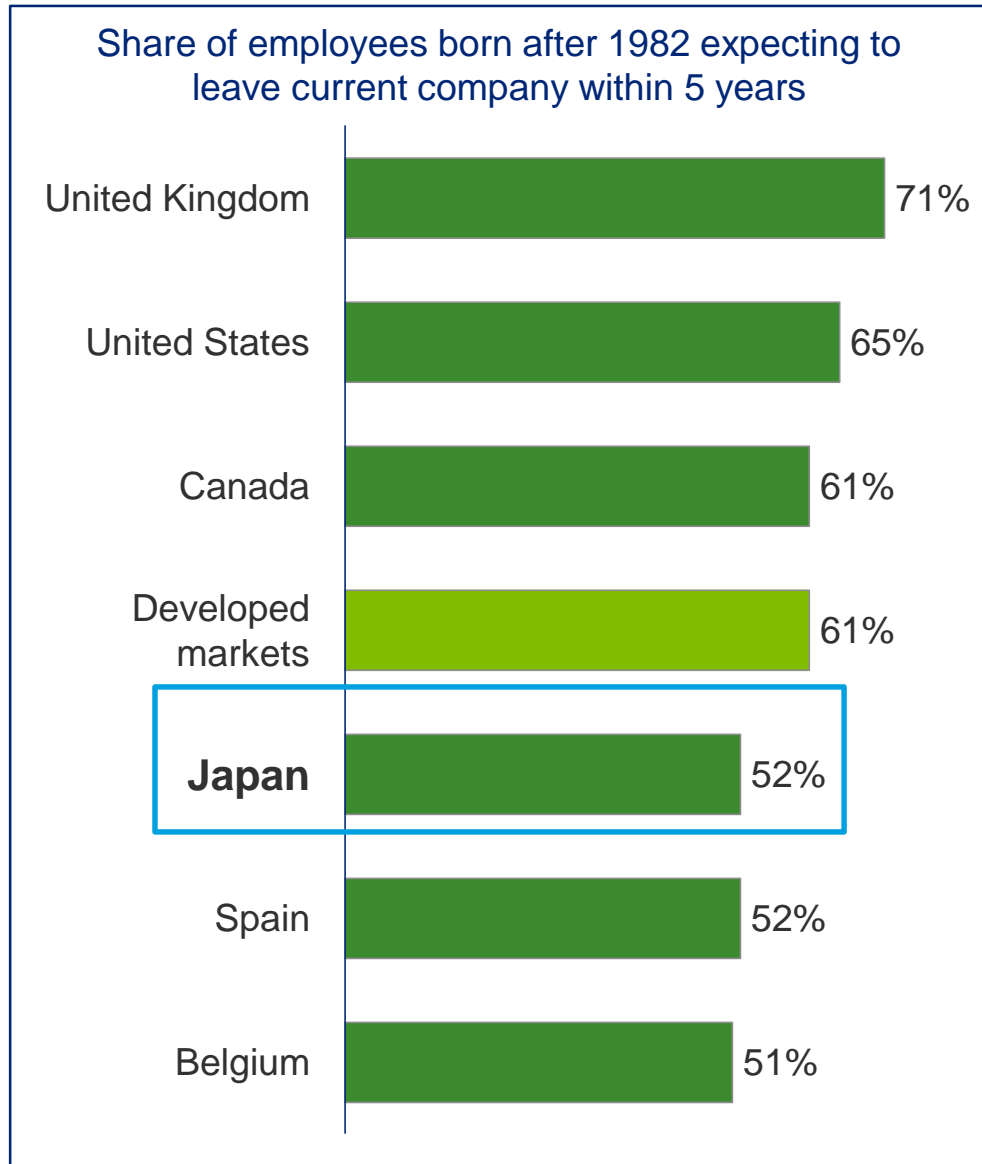
Among employees born after 1982 there is a strong desire to leave current workplaces within a foreseeable future. As much as 66 % plan to leave within 5 years. **The tendency for talent to walk out the door is will be a significant problem** to overcome for organizations looking to build the analytical capabilities needed for Finance Business Partnering

Expectancy of leaving current company for employees born after 1982



Retaining talent is difficult in Japan too

Though Japan`s working culture is indeed unique, the urge to seek new challenges outside the current workplace is also strong among younger Japanese employees



Japan is traditionally famous for its life long employment and the employees loyalty towards the employer. But this is set to change. **Even among Japanese respondents more than 50 % of employees born after 1982 expects to leave their current companies within 5 years.** A number that is on level with several other developed economies.

Working to keep talents on board in Japan will require a focused effort, just as in other countries.

Conclusions: moving towards
better practices

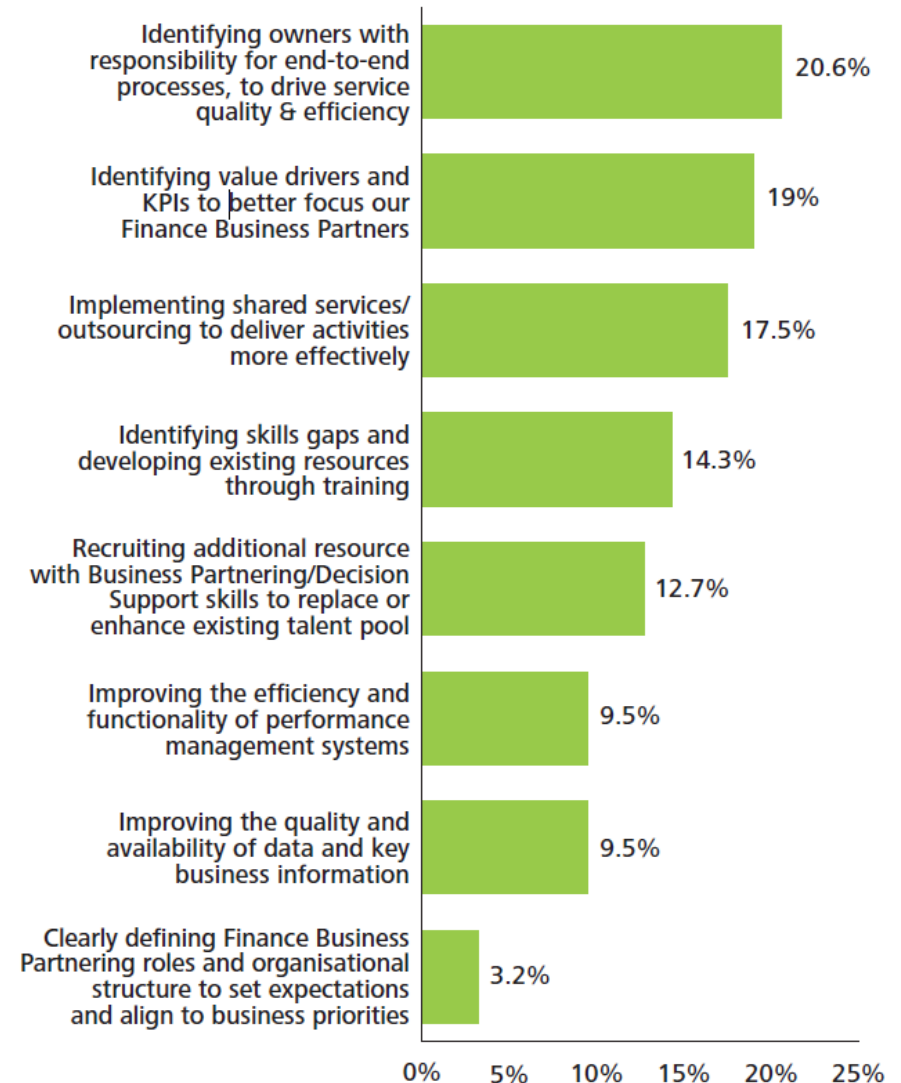
Typical initiatives to help Finance Business Partnering

Recognizing the need to do better Finance Business Partnering organization takes a number of initiatives

We see a lot of different initiatives that are taken in order to improve the value of Finance Business Partners. **Many of these initiatives focus on the tactical level**, with a focus on defining process ownership, doing better measuring or driving up general efficiency. While these are valuable efforts, **we only see few organizations that strive to define what Finance Business Partnering really means to them.**

Talent development options: global and functional rotations; secondments in/out of Finance; global talent search; ongoing lessons learned and integrated communications with BUs; open approach to improving finance support to the business.

Initiatives taken to do better Finance Business Partnering



Critical Success Factors for getting Finance Business Partnering right

We find the following three steps are key for doing successful Finance Business Partnering and deliver high value insights and advice to the business

Align expectations, set up and communicate your FBP Framework

Constantly improve your processes and systems

Constantly develop talent and capabilities

Examples of Finance Business Partnering

Case Study: Global Consumer Products Company

Clearing up roles and information requirements made effective Finance Business Partnering possible

Situation

This global consumer products organization **recognized the importance of Finance Business Partnering (FBP)** to their organization and set out to **increase the Partnering activities** conducted by Finance. However, it quickly became apparent that these **partnering activities were being hindered by poor quality decision making, an inflexible organization and a costly Finance function.**

Approach

In order to increase their FBP activity, a **major transformation was required**, prompting a **clear definition of the information needed by Finance Business Partners.** The company **established a strategy for defining and delivering this information requirements.** Data quality and structures, technology, process, organization and governance were all considered.

Results

The strategy **provided an information structure that allowed the Finance organization to perform its FBP activities effectively.** The model set out a common set of data and information requirements across business units and took future priorities into account. Afterwards **the strategy served as a platform for a transformation program** delivering increased data quality, quality of decision making, standardization and simplification of information processes.

Case Study: Global Pharmaceutical Company

Creating a Finance Business Partnering framework made enabled the company to work focused with talent development

Situation

Having initiated a shared services project, this global pharmaceutical company decided to re-examine its 'retained finance capability in parallel. An 'As-is' analysis backed up what the client already suspected: **Finance was not providing the level of support required by the business. Just under half of business partners time was being spent on 'value-add' activities**, with the remaining spent on reporting, budgeting and transactional processes

Approach

A number of business partnering structures existed with no clear link in strategic direction between Finance and business. There was a need to clearly define scope and objectives for business partnering. Key to this was **creating a common understanding that the value creation approach is driven by business strategy, which in turn inform finance partnering activities**. This in turn quantified the value of opportunities and the impact Finance could have on these.

Results

The framework allowed Finance Business partners and their managers to drive specific learning and development plans, whilst also providing a central structure for the development of capabilities across the FBP organization. This **standardized framework set expectations within the whole organization** and is used in recruitment, selection and assessment and over time will be fully embedded in all Finance People processes.



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