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Changing The Focus – Finance Business Partnering

Out of the Shadows of the Back Office

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"Effective Business Partnering delivers enhanced business strategy formulation and execution, whilst maintaining Finance's stewardship and control capabilities"

What is Finance Business Partnering?

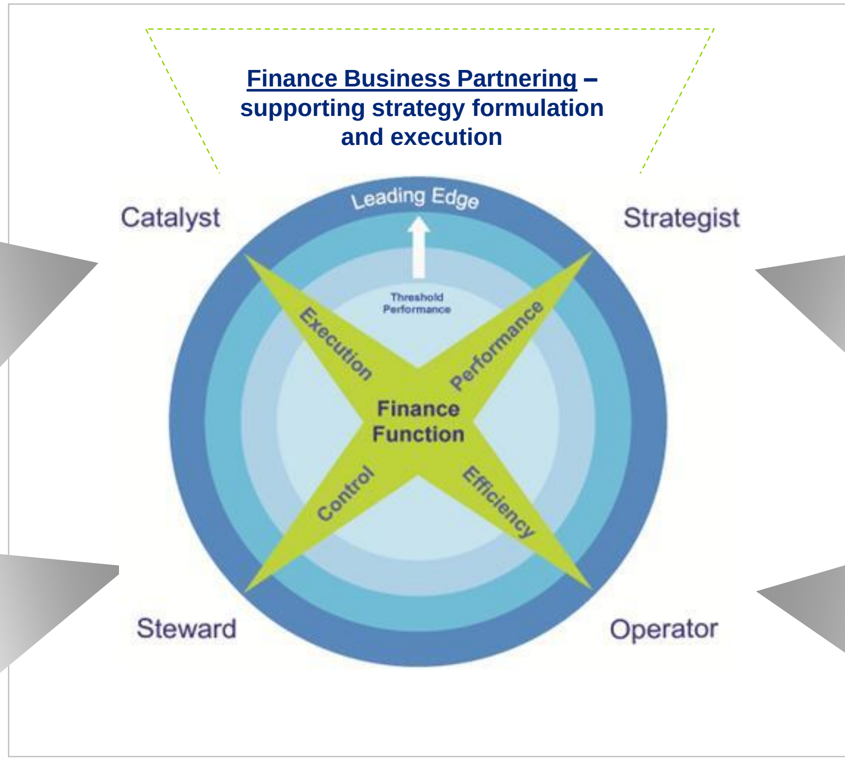
‘Business Partnering’ can be defined as the role that Finance undertakes to support and challenge the business, creating value by improving the quality of decisions (e.g. investment appraisal, pricing strategy) and ensuring that a chosen business strategy delivers the highest financial value at an acceptable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

CATALYST

- 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



Deloitte’s Four Faces of the CFO model

STRATEGIST

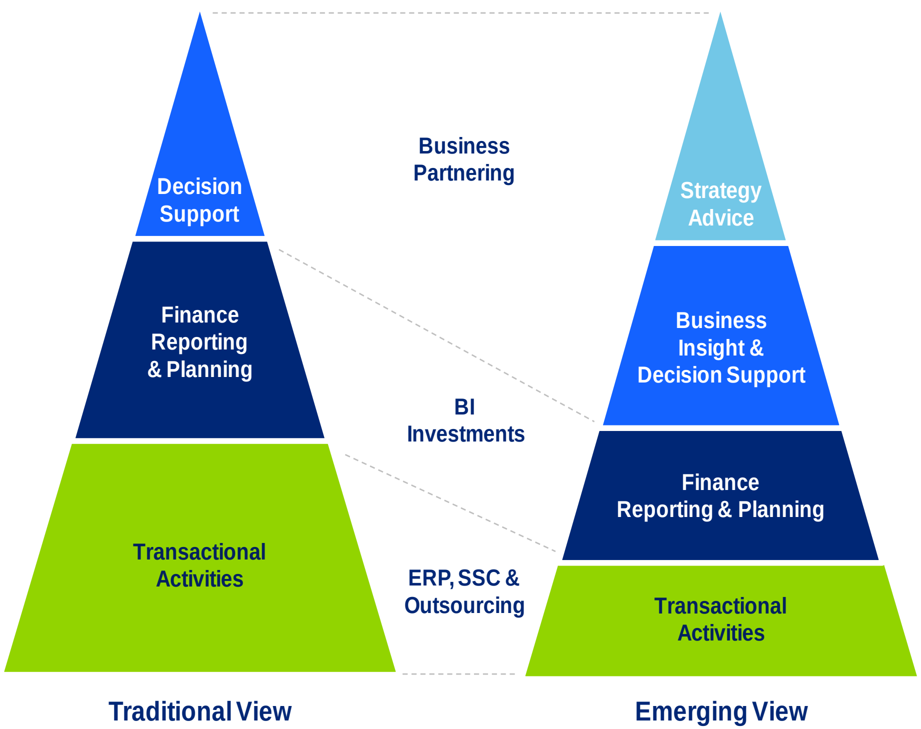
- Provide financial leadership in determining strategic business direction and align financial strategies
- Understand the business strategy and provide highly relevant insight
- Act as a key stakeholder in the decision making process through the provision of risk-adjusted financial information and analysis

OPERATOR

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

Why is Business Partnering becoming more important?

The modern Finance function is an increasingly important strategic partner to businesses facing a range of complex challenges



The changing role of Finance

The drivers for change

- In an increasingly complex business environment the Finance function is now tasked with delivering decision support and strategy advice, moving away from low value transactional activities.
- By taking advantage of improved data availability, smarter tools and skilled resource, Finance now has the opportunity to transform to meet business needs.

The impact on Finance functions

- The Finance function is increasingly expected to shift resource away from transactional activities towards strategic value add activities
- This has increased investment in Finance Business Partnering capabilities which deliver the strategic insight and decision support capabilities required to support value creation

"Business partnering is high on the CFO agenda, to support strategic execution and improve business performance"

Insight from Finance Business Partnering surveys: BP trends and expected benefits

- **Just over half** of finance leaders surveyed are involved in all aspects of the strategic planning and performance management of the business, but a mere **17% drive the process end to end**
- **83% of Finance leaders look to increase Finance Business Partnering** activity over the next 3 years (compared to 46% in Japan that expect an increase in business partnering and decision making support in the future)
- **2 in 3 finance organizations spend less than 30% of their time partnering with the business** (whereas the time dedicated to business partnering and decision making support in Japan stands at only 17%)
- 45% of organizations still **lack control and efficiency** of traditional accounting, reducing capacity to focus on business partnering

- According to survey participants, the **benefits of Finance Business Partnering include:**

- If the finance function gets business partnering right, they become an **integral contributor to key business processes**, including target setting, forecasting, capital investments, risk management and governance.
- Effective partnering can lead to better business decision-making, enablement of strategic initiatives and improved financial performance. However, for many, achieving these benefits presents significant difficulties.

Sources: Deloitte Research, Hosei University

Insight from Finance Business Partnering surveys: BP approach

- Deloitte survey reveals, that 1 in 3 organizations **lack an coordinated approach to partner with the business**
- Half of the finance leaders surveyed have begun to **identify value drivers and KPIs** to better focus our Finance Business Partners
- In addition, 40% have started to better **define Finance Business Partnering roles**, in line with the organizational structure
- Still a quarter of survey respondents are unclear of the **value** that partnering could provide

- **In Japan, collaboration and information sharing** with general management is somehow established with a frequency of two to four interaction points a month

- But for **partnering with other corporate functions** like R&D, production, marketing or sales, the frequency is even lower at once a quarter to not more than 1 or 2 times a month

- Finance leaders must **set a clear agenda for finance business partnering** – one that will help to deliver the business strategy by focusing on high-value areas
- By understanding where partnering effort will add the most value to the business, the finance **business partnering activities can be meaningfully prioritized**

Sources: Deloitte Research, Hosei University

Insight from Finance Business Partnering surveys: BP skillset

- 1 in 3 organizations state a **lack of capability**, combined with a **lack of resource capacity** as being the greatest barrier to effective Business Partnering

- 35% of organizations surveyed are identifying skills gaps and conducting training to **skill up existing resources**

- **Key competencies** identified as required for successful partnering:

Commercial Acumen & Decision making
64%

Challenge, Negotiation and Influence
61%

Strategic Thinking
56%

- In Japan, **interaction skills** with management and other corporate functions and **business acumen is deemed less important** for finance personnel and **rated lower** than basic accounting, financial background or analytical mindset

- Building partnering competencies presents a challenge for many organisations whose selection and development programmes have focused on **technical proficiency rather than a more commercial skill set**

Sources: Deloitte Research, Hosei University

“Business partnering is a lot like dancing. Do it right, and it looks effortless – graceful and smooth. Do it wrong, however, and you are likely to step on someone’s toes.”

Checklist – are you ready for great partnering relationships?

- ❑ I can name the top three concerns of my business counterpart in less than one minute
- ❑ When the business faces an unexpected crisis, I'll be in the first meeting called to address it
- ❑ I spend more than half of my time this week focused on business challenges, not finance operations
- ❑ I know exactly what my internal partners think about Finance service levels and value
- ❑ They don't always like what I say, but our business leaders are satisfied with the advice I give them
- ❑ I network with decision makers as a matter of routine – not just when one of us needs something

Checklist – getting started

- ❑ Begin with a clear purpose in mind – critical moments, such as major investment decisions or restructurings, can be an optimal time to have impact
- ❑ Build a structured approach to partnering to help ensure success
- ❑ Develop the ability to know where you can help the most and where to say no. Is there some part of the business you are avoiding? That is the place to go first
- ❑ Identify and seize opportunities to offload routine, lower-value tasks in favor of more strategic business partnering activities
- ❑ Look in the mirror and honestly assess if your finance organization is ready for the challenge
- ❑ Pick the right team – you only need a handful of people to make a big impact on the business

“Successful business partnering takes a lot of work, but it also requires a special type of person”

The best Business Partners share some traits that make them standout from the crowd

✓ **Experience**
Proven, experienced, and knowledgeable professionals

✓ **Curiosity**
Constantly asking “why” questions, always eager to understand how things really work

✓ **Capacity to surprise**
Willing to set aside preconceived notions about “what they already know” and an openness to new possibilities

✓ **Courage**
Able to deliver hard news and take unpopular stands. A good understanding that risk is just one more aspect of business that has to be managed

✓ **Ethical standards**
Unwavering

✓ **Open and accessible**
Eager to listen, willing to make time. Returns emails and calls promptly

Session Summary

The CFO is the role model for business partnering

CFOs commented:

(abridged and edited for clarity)

"How close the CFO's office is to the CEO's office is what defines partnership – because that is how the rest of the organization also sees it. If one makes the effort to sit next to the CEO, that sends a clear message to the organization: the CFO is influential. You have to listen to this person."

"Japan is quite different [from other countries] from my experience because for current Japanese CFOs, their mindsets are still protected. I have never heard the term "Business Partnering" from Japanese CFOs. Pretty much, they are the chief accountants."

"The past of the Finance role is controllership and governance, the future is financial planning and analysis. Accountants are usually one or the other – rarely persons can bring both requirements together – so that is the CFO's role."

Adding value as business partner is a must

CFOs commented:

(abridged and edited for clarity)

“In my company, I feel that there is an expectation from the top management not specifically on partnering, but for Finance to provide greater value add. ‘If you can’t add value, why are you here?’”

“You are in Finance in Business. Your job is about delivering value, measuring value, protecting value and these are the areas we want you to concentrate on.”

“I think the value also comes from bringing objectivity. With data, Finance always brings objectivity into a discussion. It takes feelings out of the discussion. Finance can help navigate those difficult conversions.”

“Finance is the language that describes what happens in the real world. The insight that comes from being able to make the connection from numbers to what is happening to our business on a forward looking basis is extremely powerful and valuable.”

But to actually add value, Finance has to play offense and defense both at the same time

CFOs commented:

(abridged and edited for clarity)

"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…'. That is where the value comes in. Finishing the sentence with 'No, you can't do that' is not acceptable. Adding 'but…' or 'Have you thought about this…' makes the difference – the value Finance provides comes in the second half of the sentence."

"We in Finance can also change our behavior in a sense that too many times, Finance is seen as the guys who say 'no' and I think, we in Finance have to learn how to say 'yes'. When someone suggests an idea, we should not say 'well that' s a stupid idea' or 'that will not work' or 'here are ten reasons why it will not work'. We have to understand how to make it work. Somebody thinks this is a good idea, so how can Finance make it better. If we change our mind set, we will change our ability to contribute."

Earning respect as a business partner is not easy

CFOs commented:

(abridged and edited for clarity)

“There is a sort of time period until the rest of the organization starts respecting you, trusting you and depending on you as partner.”

“We are focusing much more on the front end and trying to be involved before contracts are actually negotiated, even before talking about a contract, when we are still developing a solution. We are really trying to focus on the front and try to show the Business ‘We are involved here’. We have been able to do that in Japan to show the value Finance has. We are not asking to be involved, but the Business is asking us to be involved.”

“Accounting is in the past, where money has been spent, and you can not do anything about it and just make sure how it is reported. But before you spend the money, where could you add value? This is the way how you can build more respect and trust.”

The ideal business partner

CFOs commented:

(abridged and edited for clarity)

"You need people who enjoy social interaction, I mean this is what we need. You need people who have a curiosity looking into the future and people who have a broader generalist-type of interest, who question 'How does the business actually work?'"

"Accountants typically need 100% of the data, but the profile we have to build is people who are comfortable with 60% of the data. The CFO's role is to help these resources grow and to protect them. As they just have 60% of the data, they get a lot of attacks and questions."

Identifying and developing the right people seems the biggest challenge (1/2)

CFOs commented:

(abridged and edited for clarity)

"Working in Marketing and Sales opened my eyes to understand what Business needs from Finance. I recommend more exposure and job-rotation to Marketing and Sales positions to increase understanding of business's requirements in Finance. If Finance people come back after rotating jobs, they definitely have a better understanding of the Business and by that become stronger business partners."

"We try to fill in that gap by secondment to smaller organizations, such as joint ventures and subsidiaries. The Finance guy has to do everything, reporting, cash management, tax return and sits with the business and supply chain people."

"It is a different skill set that we are looking at and it is the perception by the Business. I had Marketing people saying 'I love you guys. You're like the little feet underneath the swan.' Is that a compliment? But how do I get myself out of the water? That is how they are thinking – making sure the structure is there so that they are on top of the market."

Identifying and developing the right people seems the biggest challenge (2/2)

CFOs commented:

(abridged and edited for clarity)

“One of the strongest Finance guys in my team is moving towards a business partnering role and the business departments really value him and ask him to be involved. He actually is a Sales person located in the finance department.”

“We have created two separate career paths, but there are common points for the first couple of years to build the same background. Then they diverge into a controllership role or a financial planning and analysis role. Within the FP&A area, they don’t have to stay in Finance and actually should rotate out to the Business. Once that person is going to be the next CFO, that person really needs to go spend some time in the Business before they can come back and become a CFO.”

“Is it hard to find these Finance people? Business partners are not finance people, traditionally. They need to be much stronger on the social competence side.”

For successful partnering, mindset change is required on both the Finance and Business side

CFOs commented:

(abridged and edited for clarity)

“Part of the obstacle is in changing people’s mind sets: Changing the mind set of people in Finance who think -maybe even more true in Japan- ‘I got an Accounting degree so I am an Accountant’. Or changing the mind set of people in other functions, who think ‘You are just the Finance guys. If I have a Finance problem I will come to you. But otherwise leave me alone.’”

“Even if you prepare a career path for Finance personnel, not every person has the appetite to take on such an opportunity. One of the key jobs of the CFO and CEO is to find and stimulate those people.”

Business partnering in Japan

CFOs commented:

(abridged and edited for clarity)

"In Japan, senior management does not know what to demand or expect from Finance. They are not looking for that because they don't realize it should be there. And for HR, the situation is very similar. Management does not know what to expect or what HR could deliver if they just asked or insisted."

"The education system in U.S or in other places is much more Strategy and Finance orientated, the Japanese education system seems to be on the other side instead. But one can still develop Japanese people to be strategic in their work."

"We need to educate our people. People tend to stick with accounting as accounting professionals. It's fine for some people being good at that way, but we need to stimulate them and have them think of something else. Especially in Japan, people stick with transactional work so their job security is limited."

Managing transition is key

CFOs commented:

(abridged and edited for clarity)

“The simultaneous journey of transforming Finance with off-shoring transactional staff and adding the Business Partnering requirement on top demands extreme change from organizations. You push 80% of your transactions out which means you normally put your operations to death, and then you add a new job profile you don’t have the people for. If the remaining local organization is not skilled in traditional accounting and you do not make the necessary adaptions in the skillset to cover the new role, you end up actually with two problems: You are still in the traditional role which you’re not fully performing, and you cannot perform the new role.”

“I think, there is a limit on how much you can do with training to change attitudes and competencies. They are accountants, they are good accountants, and they enjoy their job. So they have no motivation to change.”

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