

Finance Business Partnering Less than the sum of the parts

Key points

- Deloitte's research into Finance Business Partnering has analysed the responses of 75 senior Finance executives from UK headquartered organisations.
- In over half of organisations, the business does not use the insight produced by Business Partners on a consistent basis. Moreover, in only eight per cent of organisations does the business view this output as their primary source of insight.
- Demand for Decision Support and Finance Business Partnering activities increased between 2012 and 2014 and is expected to continue to increase over the next three years. However, the amount of time spent on partnering activities as a proportion of total Finance capacity fell between 2012 and 2014.
- The average Finance function focuses a quarter of its total capacity on delivering Business Partnering activities. Business Partners prioritise cyclical, calendar-based activities such as budgeting and planning.
- Only five per cent of respondents have clearly defined Business Partner roles that are applied and communicated across their organisation. Deloitte analysis shows that organisations with defined roles are more likely to have Business Partners that exhibit the skills required to guide, influence and challenge the business.

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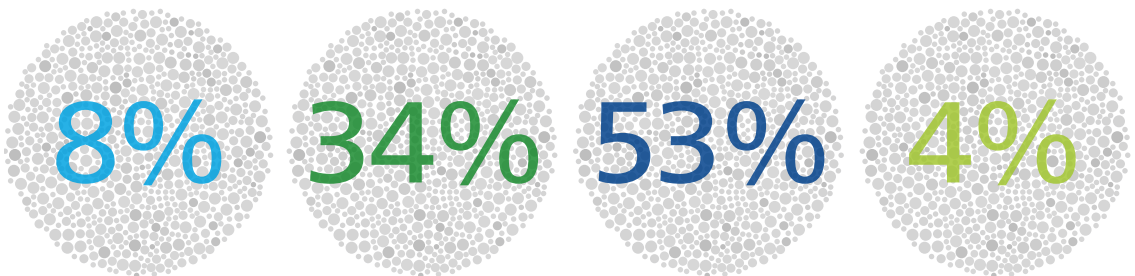
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Organisational perception of Finance, percentage of respondents agreeing with statements



The business **views** Finance as its **primary source of insight** for decision-making

The business **sometimes views** Finance as its **primary source of insight** for decision-making

The business **views** Finance as a **source of trusted** Financial information but **does not consistently use Finance's insight** in decision-making

The business **sometimes views** Finance as a **hindrance** to decision-making

Definitions

For the purpose of this publication **Decision Support** is defined as Finance's analysis of data (including the use of macro economic, financial, sales, marketing and customer data) to support Business Partnering activities. **Business Partnering** is defined as the role that Finance undertakes to support the strategic and tactical priorities of the business by delivering insight and guidance in support of growth and future performance. **Business** is defined as Finance's internal customer or stakeholder.

Methodology

Deloitte asked senior Finance executives to complete an online survey on the subject of Decision Support and Finance Business Partnering. This information, collected between July and September 2014, has been analysed in aggregate and forms the basis of this report. It should be noted that additional information collected by Deloitte via an online survey in August 2012 has been used as part of the analysis for Figure 3. In some Figures, because of rounding, percentages may not add up to 100.

In this publication, references to Deloitte are references to Deloitte LLP, the UK member firm of DTTL.

Executive summary

The ability of Finance to provide the insight needed for better decision-making is rapidly becoming a comparative advantage. This is especially the case for the many companies trying to achieve profitable growth in difficult markets. However, in many organisations Finance does not deliver the insight required to drive better performance.

Finance Business Partners typically provide financial information to the business. However, in over half of the organisations Deloitte surveyed the business does not use Finance's insight on a consistent basis. Given the investment made in partnering activities this is far from ideal. Business Partners are a costly resource, especially if their output is not utilised. Providing data and information, rather than insight and guidance, cannot drive the differentiated decision-making needed to improve business performance. On average a quarter of Finance's total capacity is spent delivering Decision Support and Business Partnering activities. However, in only eight per cent of organisations does the business consider such activities as their primary source of insight.

Business Partnering as a discipline is poorly defined. Only five per cent of respondents indicated that Finance applies and communicates clearly defined roles across their organisations.

Deloitte analysis has found that as partnering roles become more clearly defined Business Partners are more likely to exhibit the skills required to challenge the business. With a clearly defined role they are better able to provide effective guidance for decision-making. Yet Finance continues to focus on developing capabilities rather than defining the role.

Without a clearly defined role it is left to individual Business Partners to address their own development needs. This is often influenced by feedback from the business leaders they serve. This type of feedback can instil behaviours that have the opposite effect of those that are required.

The rise in the complexity and amount of data available to executives has not resulted in a comparable rise in the amount of insight available to them. Over half of respondents to Deloitte's

survey believe their Decision Support teams only have "some" technical and analytical capability. This mediocre assessment points to the challenge that Business Partners face in translating large amounts of complex information into insight.

Forty-two per cent of Finance functions provide data in significant detail but with limited context. While detail does not necessarily help decision-making it does reinforce the perception that Finance is a reliable source of information, but not necessarily an insightful partner.

Business Partners provide what the business wants rather than what the business needs. The need to meet or exceed the expectations of the business underpins how requests for Finance support are prioritised. Many Business Partners are not comfortable challenging the business about the insight they need to make better decisions. Instead they provide detailed data and information, which then requires further analysis by the business.

Finance executives indicated that Business Partners spend a significant amount of time gathering data and using spreadsheets. The cyclical, calendar-based activities that Business Partners focus their time on often require the use of spreadsheets. Business Partners also view spreadsheets as a more straightforward format for delivering information requested by the business. However, the increased availability of visualisation software means that this is no longer always true. The use of analytical tools to visualise data presents an opportunity to articulate insight more effectively. It also presents an opportunity to automate and improve the efficiency of the monthly reporting cycle.

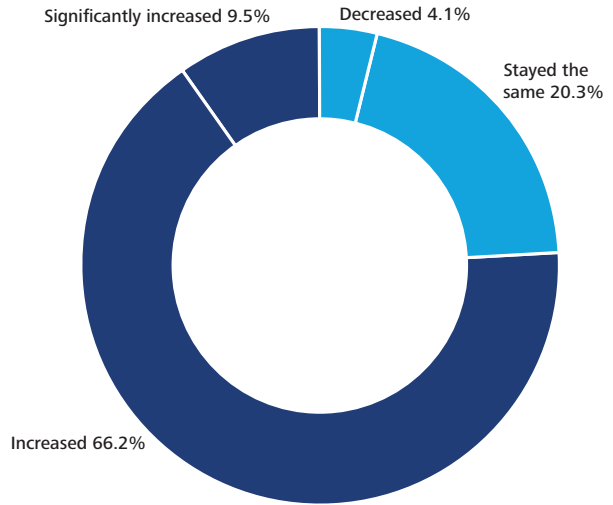
Deloitte's view is that Finance now has the opportunity to use the wealth of data available to provide insights that guide, influence and challenge decision-making in the business. However, this will remain difficult to achieve as long as Business Partnering continues to be an ill-defined discipline. As such, Finance must clearly define the role of a Business Partner, the capabilities required and the performance expectations to take advantage of this opportunity.

Upward trend in demand

Demand for Finance Business Partnering activities increased between 2012 and 2014.

Three-quarters of respondents indicate that there has been an increase or significant increase in demand for Decision Support and Finance Business Partnering activities.

Figure 1. Change in demand for Business Partnering activities 2012-14, percentage of respondents

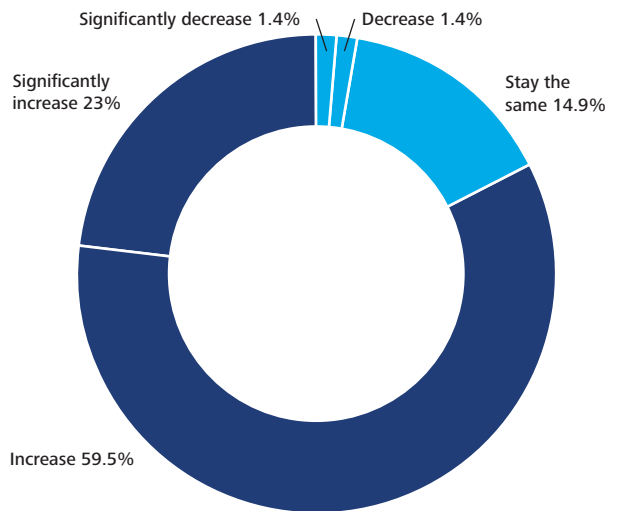


Source: Deloitte analysis n=75

Demand is expected to increase further over the next three years.

The increase in demand for partnering and analytical activities is expected to continue until 2017. Over 80 per cent of respondents anticipate either an increase or significant increase in demand.

Figure 2. Anticipated change in demand for Business Partnering activities 2014-17, percentage of respondents



Source: Deloitte analysis n=74

Actual activity decreases

An average Finance function now spends less time delivering Business Partnering activities than in 2012.

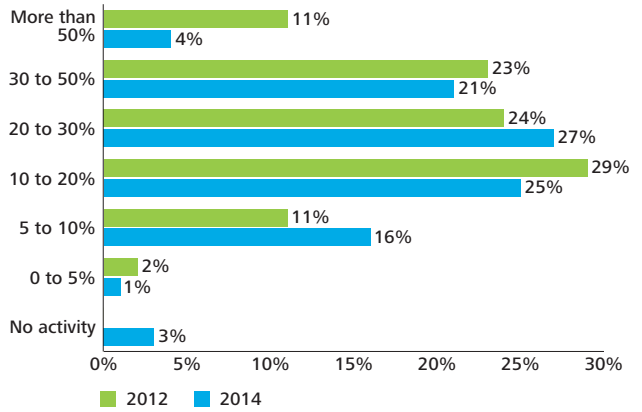
The typical Finance function focuses approximately a quarter of its total capacity on delivering Decision Support and Business Partnering activities. Although demand for these activities has increased and is expected to increase further, time spent on Business Partnering has decreased since 2012. On average, 23 per cent of total Finance capacity is dedicated to partnering and analytics compared with 29 per cent two years ago.

Business Partners and Decision Support teams prioritise cyclical, calendar-based activities.

Budgeting and planning, forecasting and standard performance reporting are high priorities for Finance Business Partners as well as the most automated activities.

As expected, standard performance reporting has the smallest gap between levels of prioritisation and automation. Supply chain optimisation has a similarly small gap while commercial and corporate activities such as Merger & Acquisition advice have the largest gaps between levels of prioritisation and automation.

Figure 3. Time spent on Finance Business Partnering as a proportion of total Finance capacity, percentage of responses



Source: Deloitte analysis n=75

Figure 4. Prioritisation and automation of Decision Support and Finance Business Partnering activities, private sector respondents
On a 5-point scale where 1 implies lowest priority or lowest level of automation and 5 the highest priority or highest level of automation



Source: Deloitte Analysis n=53

Roles not defined

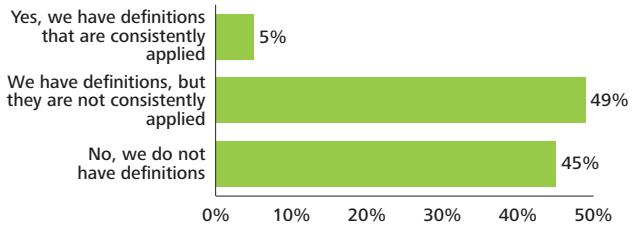
Despite the high level of resource allocation almost half of all organisations do not have definitions for their Decision Support and Business Partnering roles.

Forty-five per cent of Finance functions have no role definitions for their Decision Support teams and Business Partners. More alarmingly, only five per cent of respondents apply the definitions they do have consistently across their organisation.

Finance executives rank lack of skills as their main barrier to delivering Business Partnering activities.

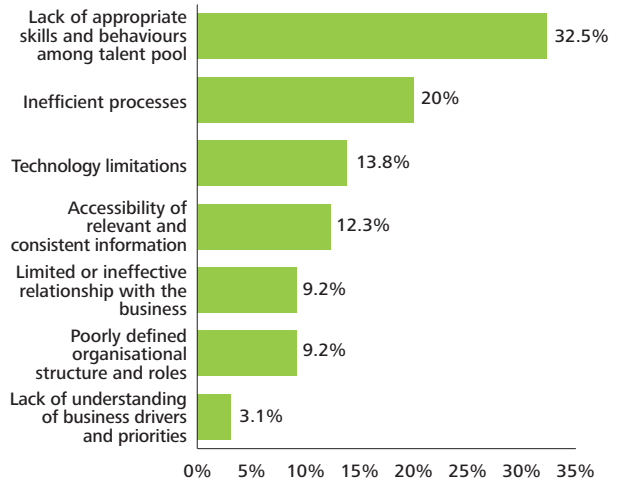
Thirty-two per cent of respondents indicated that poor access to skills and behaviours is their most significant challenge to providing Business Partnering. Only nine per cent list poorly defined organisational structure and roles as their main barrier.

Figure 5. Decision Support and Finance Business Partnering role definitions, percentage of respondents



Source: Deloitte analysis n=75

Figure 6. Challenges to delivering Finance Business Partnering activities, percentage of respondents ranking the following as a significant challenge



Source: Deloitte analysis n=65

Impact on skills and behaviours

Forty per cent of respondents cite “communication and influence” as a capability that should be prioritised to develop Business Partners further.

Capabilities linked with effectively challenge the business such as “challenge and negotiation” and “advisory skills” are downplayed by respondents. However, the capabilities prioritised reflect “soft” skills linked with leadership development.

Figure 7. Capabilities required to develop Finance Business Partners further, percentage of respondents ranking as top priority

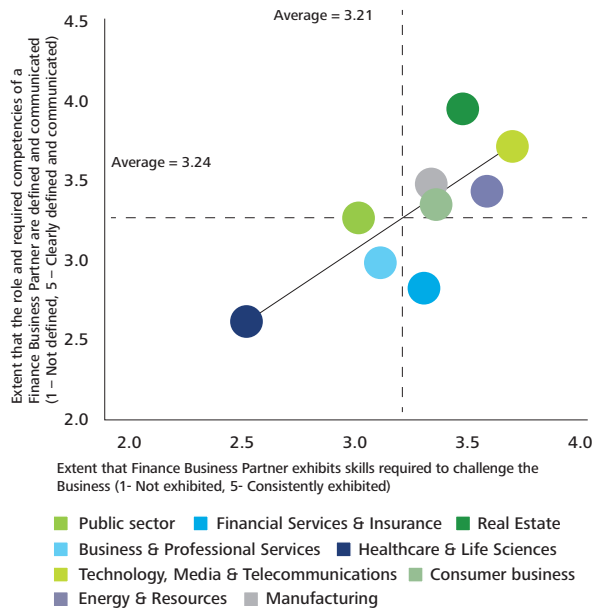


Source: Deloitte analysis n=69

As roles become more consistently defined and communicated Business Partners are more likely to exhibit the skills required to challenge the business.

In Figure 6, 32 per cent of respondents cited lack of skills as their main challenge to delivering partnering activities. However, Figure 8 (right) shows that role definition drives skill exhibition among Business Partners. By consistently communicating the required skills, knowledge and behaviours required by the role Finance can ensure that their Business Partners demonstrate these capabilities.

Figure 8. Relationship between Finance Business Partner role definition and skill exhibition by industry, scale of 1 to 5



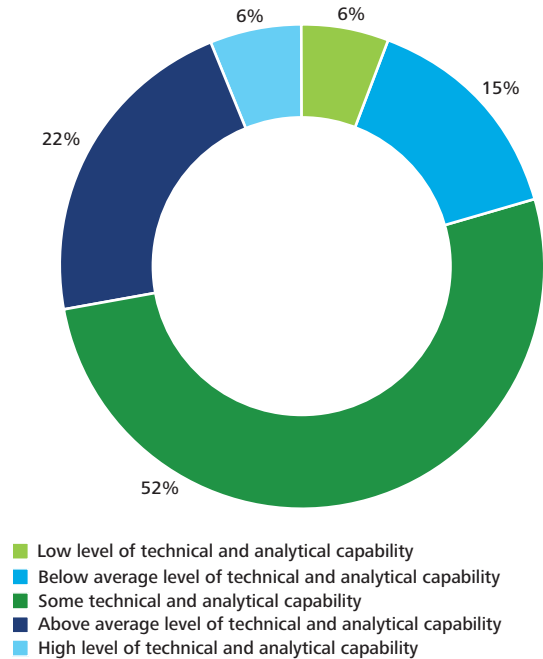
Source: Deloitte analysis n=71

Analytically average

Over half of respondents believe their Decision Support teams have “some” technical and analytical capability.

The broad range of responses suggests that many Decision Support teams are mediocre. Decision Support teams typically provide the analysis that Business Partners use in their role working with the business. Low levels of technical and analytical capability limit the impact that partnering activities can achieve.

Figure 9. Level of analytical maturity among Decision Support teams, percentage of private sector respondents

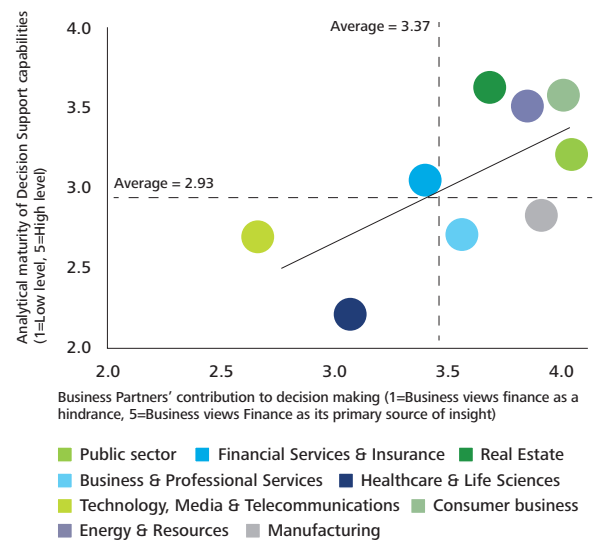


Source: Deloitte analysis n=54

As the analytical maturity of Decision Support teams increases, the perception of Business Partners’ contribution to decision-making improves.

Finance functions with high levels of technical and analytical capability are more likely to believe that the business perceives them to be a source of insight. In contrast, Finance functions with lower levels are more likely to believe that the business perceives them as just a source of trusted information, and worse still a hindrance to decision-making.

Figure 10. Relationship between analytical maturity of Decision Support teams and Business Partners’ contribution to decision-making, scale of 1 to 5



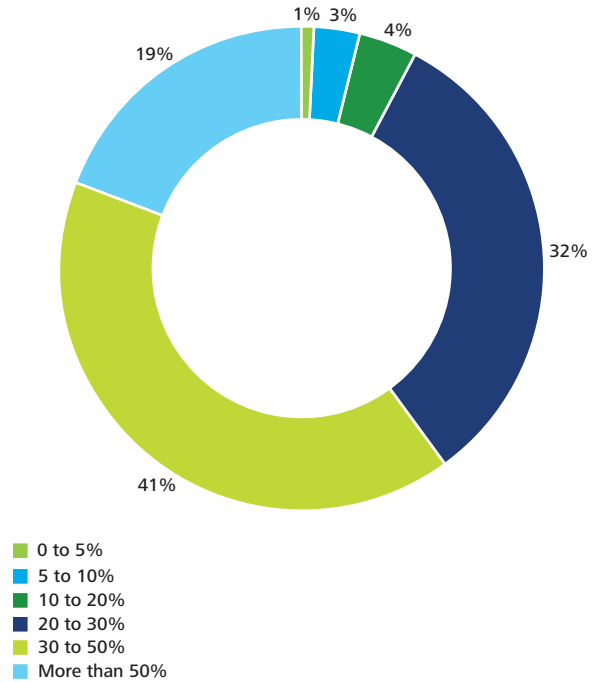
Source: Deloitte analysis n=73

Ubiquitous spreadsheets

Forty-one per cent of respondents indicated that their Business Partners spend 30 to 50 per cent of their time using spreadsheets and gathering data.

In Figure 4, respondents indicated that Decision Support teams and Business Partners prioritise budgeting and planning, forecasting and standard performance reporting activities. This may explain the significant proportion of time that is dedicated to gathering data and using spreadsheets. Nevertheless, if the purpose of partnering is to deliver insight to the business in support of future performance, then Business Partners should not be drawn into lower value tasks such as gathering data.

Figure 11. Time spent by Business Partners gathering data and using spreadsheets, percentage of respondents



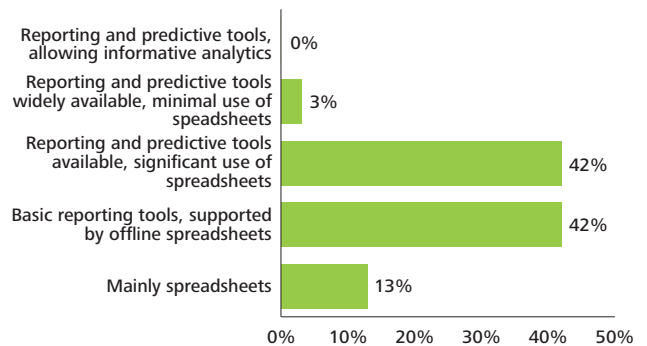
Source: Deloitte analysis n=69

Only three per cent of Decision Support teams use predictive tools that minimise the use of spreadsheets.

The need to manipulate data on a recurring monthly or quarterly basis creates significant inefficiencies. If Decision Support teams are unable to visualise and articulate their findings then Business Partners have little alternative than to repurpose the data analysis using spreadsheets. This type of rework prevents Business Partners from challenging the business and providing the guidance that is typically expected of them.

An opportunity exists to automate and increase the level of systems support with relatively simple to implement and easy to use technologies.

Figure 12. Level of systems support for Decision Support activities, percentage of respondents agreeing with statements



Source: Deloitte analysis n=71

Need to meet expectations

Business Partners' need to meet or exceed the expectations of the business underpins how requests for support are prioritised at 65 per cent of organisations.

This is understandable as stakeholder feedback often forms the basis of Business Partners' appraisals and impacts their performance-related rewards.

It also suggests that at most organisations Business Partners provide guidance based on what the business wants rather than what the business needs to drive performance. This results in high levels of customisation, which can only be achieved through the use of spreadsheets as seen in Figure 12.

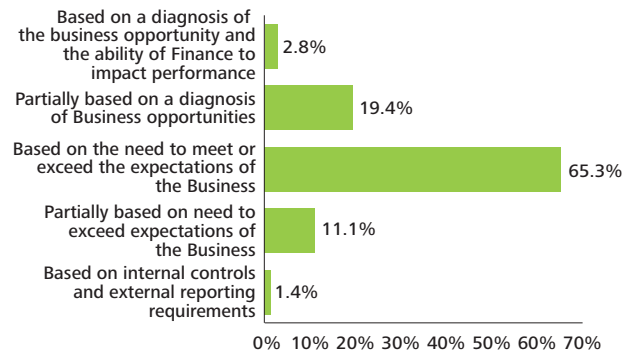
Forty-two per cent of senior Finance executives believe their Decision Support teams provide data in significant detail but with limited context.

With great detail but limited context Finance Business Partners are restricted in the guidance they can provide and the input they have on decision-making.

A further 25 per cent of respondents behave in a very reactive manner by providing anything the business requests. This type of behaviour makes it hard to partner effectively.

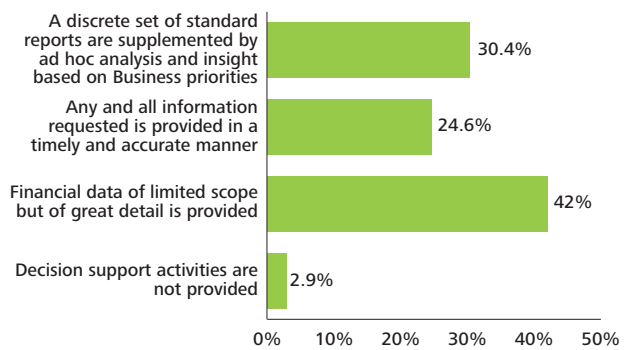
Reassuringly, just under a third of Finance functions diagnose the needs of the business to provide ad hoc analysis that supplements standard reports.

Figure 13. Methods used to prioritise requests from the business, percentage of respondents agreeing with statements



Source: Deloitte analysis n=72

Figure 14. Level of detail provided by Decision Support teams, percentage of respondents agreeing with statements



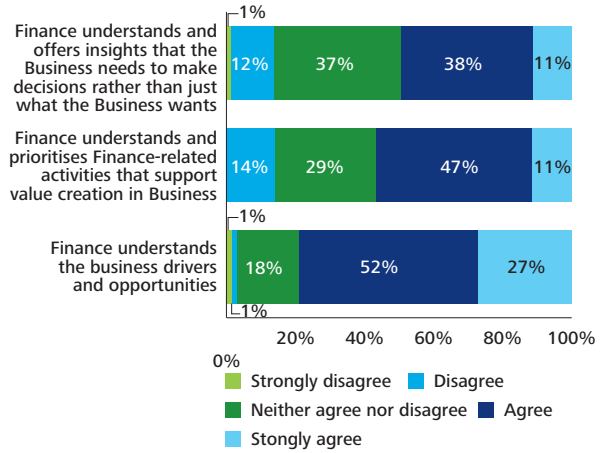
Source: Deloitte analysis n=69

Wants over needs

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 the business demands or has grown accustomed to receiving. Understanding business drivers and opportunities is only the start of effective Finance Business Partnering.

Figure 15. Alignment between Finance and the wider organisational strategy, percentage of respondents



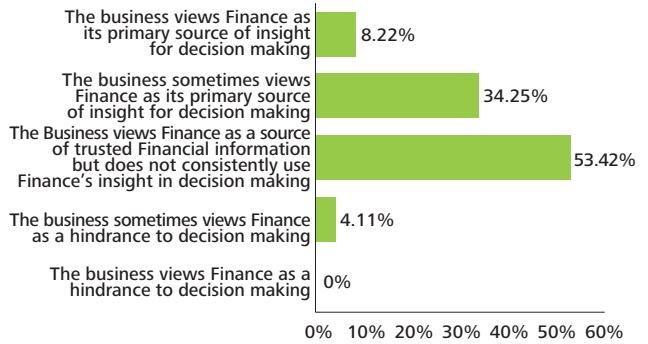
Source: Deloitte analysis n=73

Over half of respondents indicated that the business does not consistently use Finance’s insight in its decision-making.

Finance is seen as a source of trusted financial information. However, given the increase in marketplace complexity Finance can no longer just provide accurate and timely data. Effective Business Partnering takes error-free information and creates judgement-based insight that challenges assumptions, influences business decisions and sustains growth.

Only eight per cent of respondents believe that the business views Finance as its primary source of insight for decision-making.

Figure 16. Organisational perception of Finance, percentage of respondents agreeing with statements



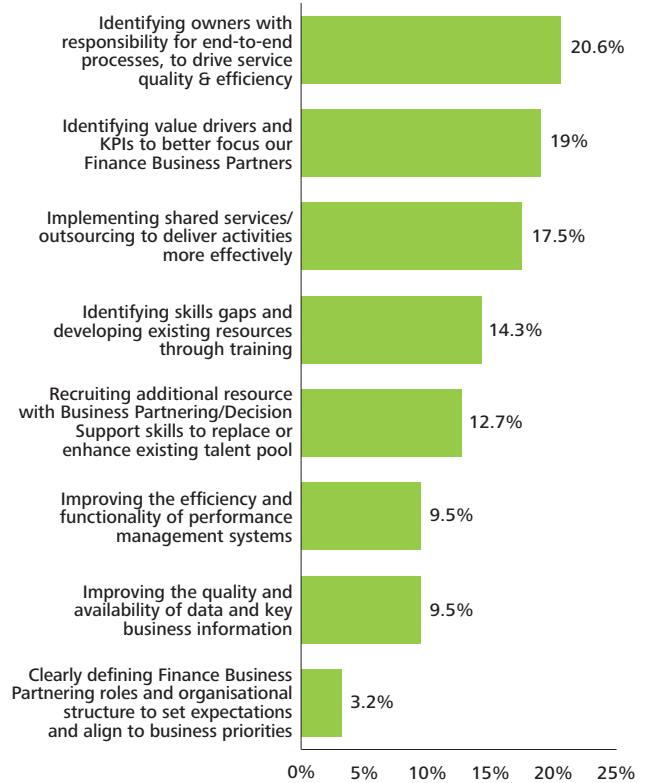
Source: Deloitte analysis n=73

Closing the gap

Although a clear relationship exists between Business Partner role definition and skill exhibition, only three per cent of respondents will prioritise this as an initiative to improve their partnering outcomes.

Improving and measuring the efficiency of Decision Support and Business Partnering processes and activities are important priorities for respondents. However, these initiatives will provide limited benefit while roles remain inconsistently defined and communicated.

Figure 17. Current initiatives to provide a better environment for Finance Business Partnering, percentage of respondents ranking as top focus



Source: Deloitte analysis n=63

Deloitte viewpoint

Business Partners are uniquely positioned to support and steer the business. However, Deloitte analysis has found that significant barriers to effective partnering remain.

Align expectations

Business Partners prioritise requests from the business based on meeting or exceeding their expectations. However, in over half of organisations the business does not consistently use the insight produced by Finance in its decision-making.

There is a difference between what the business needs to drive performance and what it has grown accustomed to receive from Finance. As Business Partners' alignment with the business increases, so does their ability to distinguish between 'needs' and 'wants'.

Effective Business Partners not only understand the current needs of the business but also appreciate how these needs change over time as markets, products and customers change. An understanding of the key drivers of value enables Business Partners to determine which activities and outputs are most valuable to the business.

Businesses that stridently demand what they want tend to receive higher levels of customisation or quicker turnaround times even if this output is eventually not used in their decision-making. Challenging this behaviour requires Business Partners to possess negotiating and influencing skills. It also requires the governance and processes to be in place to allow for the diagnosis of business needs.

Clearly defining the Business Partner role, including the expectation to challenge the business, is essential. Without a clear definition, misalignment between Finance, the business and the Business Partners themselves will remain.

Adopt analytical technologies

Most organisations still rely on spreadsheets that produce static and largely backward-looking reports. As a result insights may prove inaccessible or become quickly out of date.

It is possible to achieve forward-looking analytics and data visualisation, underpinned by strong data governance. Interactive visualisation software enables users to explore large and complex data sets to extract insights that could be difficult with spreadsheets alone. This type of automation improves the efficiency and business value of the monthly reporting and performance management cycle. Patterns and trends can be uncovered, findings highlighted and deeper analysis achieved. Data visualisation is even more powerful when organisations add predictive analytics to provide forward-looking scenario planning.

As decision-making timescales speed up due to the impact of digital innovation, the timeliness of insight has become a challenge for Finance. The most valuable insights are those that are available when decisions are being made, not after the fact. Business Partners need to 'embed' tools to deliver insight directly into decision-making processes. Decision Support teams can use data visualisation either to convey insights directly to the business or to create interactive dashboards that enable executives to discover their own insights.

Develop talent and capability

CFOs single out lack of skills, rather than poorly defined roles, as the most significant challenge to delivering partnering activities. However, Deloitte analysis shows that as roles become more consistently defined Business Partners are more likely to exhibit the skills required to challenge the business.

Skills and behaviours should be identified and captured in a capability model. This model should contain descriptions of the skills as well as definitions to signify different performance levels.

The skills defined must focus on business knowledge, stewardship and technical Finance expertise. In-depth knowledge of the business provides Business Partners with credibility, while Finance expertise demonstrates technical rigour to the guidance they provide. Finally, the ability to balance opportunities and risks allows Business Partners to fulfil an important stewardship role.

An ongoing programme to develop partnering capabilities is essential. This may take the form of intensive multi-day training such as a Finance Academy. Finance Academies provide content that is actionable and focuses on interactive peer engagement rather than traditional classroom-based presentations.

Developing better Business Partnering can take several years. Point-in-time initiatives will address an immediate need but will not achieve a lasting change. Setting clear, regular and realistic targets for improvement is the most effective way to sustain improved performance. However, as long as the role they fulfil remains ill-defined Business Partners will not be able to deliver the insight needed to drive better business performance.

Survey demographics

Seventy-five senior Finance executives participated.

A quarter of participants were Chief Financial Officers. Respondents came from nine industries with almost a quarter from organisations with revenues greater than £10 billion.

Figure 18. Participants by role, percentage of respondents

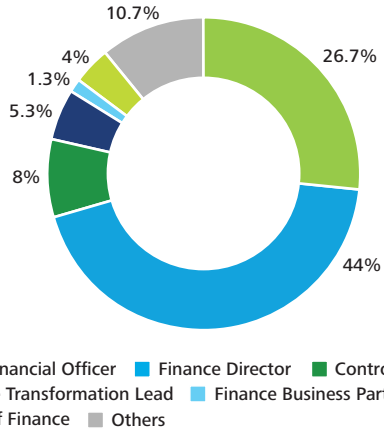


Figure 19. Participants by industry, percentage of respondents

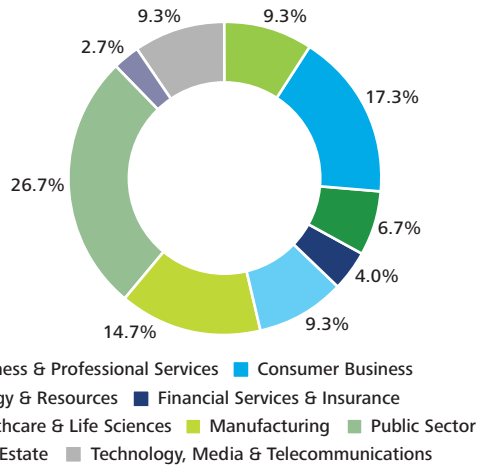
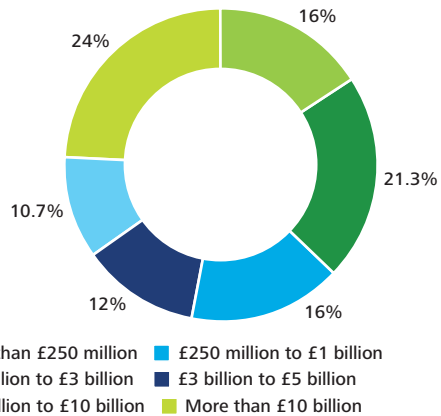


Figure 20. Participants by revenue, percentage of respondents



Source: Deloitte analysis n=75

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