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Accountants for Business

Financial insight: challenges and opportunities

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About Accountants for Business

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

ACCA's smart finance function campaign
ACCA's smart finance function campaign showcases the good practices, challenges and opportunities corporate finance functions face. It explores how the quality of finance leadership, the adoption of breakthrough technologies, better people practices, and innovative thinking can transform the finance function.

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This report suggests ways the finance function can improve current approaches to business partnering.

It proposes nine pragmatic actions to improve partnering practices anchored in three core component parts: creating the mandate, fixing the information and deploying the talent.

Acknowledgements
ACCA and IMA would like to express their sincere thanks to all the finance and business leaders who participated in our global series of roundtables in London, New York, Singapore, Hong Kong, Vancouver and Toronto. Without their support and insights the production of this report would not have been possible. We would also like to extend our sincere gratitude to the finance leaders who participated in the interviews as well as to the ACCA and IMA members around the world who participated in the survey, the results of which are included in this report.

Foreword

Don't believe everything you read. Finance business partnering, and the commercial 'insight' agenda are not new phenomena. For those of us old enough to remember, enterprises had established 'commercial finance' operations before the nomenclature 'finance business partnering' was established. Nor should business partnering be seen as a responsibility now being added to the remit of the finance department. The finance function has always had a role to play in providing information insights to the enterprise to support better business decision making. These are, however, extraordinary times.

Today's business operating environment is competitive, complex, nuanced, volatile, fast changing and entrepreneurial; there are broad social and demographic changes affecting how and where business is done to meet the demands of a changing global consumer population, amid the broader economic rebalancing of the world's economy. Despite this, it is the advent of technology that is having the most profound impact on working lives. At the heart of creating competitive advantage will be technological innovation. How the business uses the data at its disposal to take more effective decisions will be the 'make or break' of corporate success.

The growing digitisation of businesses, a more entrepreneurial climate, and new successful business models that meet customer needs more efficiently will drive a highly competitive enterprise landscape. These developments will also have a profound effect on the future of the finance function because, in a fast-moving, data-rich business environment, enterprise data insights will be central to creating advantage and corporate value.

ACCA and IMA see these developments as a great opportunity for the finance function, but they also present a challenge to its internal influence and reputation. This is particularly true because this study, focused on the financial insight agenda, suggests that many practices in finance business partnering are failing to keep pace with the rapidly changing environment. Essentially there are three impediments: leadership and strategic alignment of these practices are falling short; the finance department is ineffectively 'tooled up' with poor technology; and there remains a shortfall in capability and talent equipped to deal with this changing environment.

This report draws from:

- data from a global survey in 2014
- finance leader roundtable discussions in New York, London, Toronto, Vancouver, Singapore, and Hong Kong, and an accountants for business roundtable discussion in London
- qualitative interviews with finance leaders.

The results suggest that the finance function can improve current approaches to business partnering by:

- creating a sustainable mandate for finance business partnering practices to flourish
- fixing and reworking the quality of data insights provided to the enterprise, and
- deploying finance talent with the right mindset to meet the challenges.

'The most successful organisation I have seen is where finance is balancing governance with value add and combining this with the ability to speak in a language the business understands, without going native. You cannot stand on the side of the table and forget who you are.'

(FINANCE LEADER ROUNDTABLE, SINGAPORE)

'One of the big changes for today's commercial finance function is that we are all operating in an environment that is rapidly changing as a result, particularly, of emerging technology, the growth in social media and so many disruptive players now coming into the industry. Many traditional businesses are trying to compete with very innovative business models, and we do not know quite how these may evolve further in the future. What this means is that today's enterprise has to be much more entrepreneurial to drive growth in a competitive and volatile environment. I believe the finance function really has to embrace this entrepreneurial spirit.

Reflecting on the evolution of finance business partnering practices, again I think we need to be much more entrepreneurial. If you look at many of the great commercial successes over the last 10 years, their starting point has been solving the customer problem, or making the customer happy, and then figuring out the most appropriate business model to achieve this. This is not necessarily very intuitive for the finance function. We need to be prepared to take more risks and let the business take more risks too, and allow some failure – within reasonable parameters. Also, there are simply more 'unknowns' when preparing a business case, so we have to accept more ambiguity. We definitely need to be able to challenge the business but we need to do this in a way that does not prevent really innovative decision making. Ideas and innovation will be at the heart of future commercial success. Today's commercial finance function has to support that innovation, not stop it. For me, that is why the debate on the role of today's finance function is so important.'

SUNIL GOLECHA, CFO FOR ASEAN AND NORTH ASIA, THOMSON REUTERS.

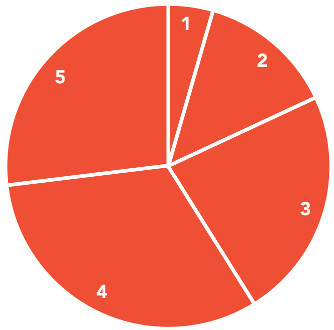
1. The opportunity

In the information-centric environment future enterprises will drive innovation and create competitive advantage through better decision making, born out of cleverer data insights. The proliferation of enterprise data presents an extraordinary opportunity for the finance function to extend its internal influence and leadership across the enterprise to support value creation.

‘The senior executives across the broader business have to believe that [finance business partnering] is valuable. And they’ll look somewhere for that partnering – but there’s the challenge – where are they going to look for the partnering? The CFO’s organisation is buried in reporting and governance – and let’s be real, the level of reporting and governance have increased dramatically over the years. It has started to limit the number of [finance] resources so the senior executives and the CEO have to look somewhere, and the investment has to be made.’

(FINANCE LEADER ROUNDTABLE, TORONTO)

Figure 1: There is a risk that if the CFO does not lead on the insight agenda, other corporate functions may have greater influence in this area

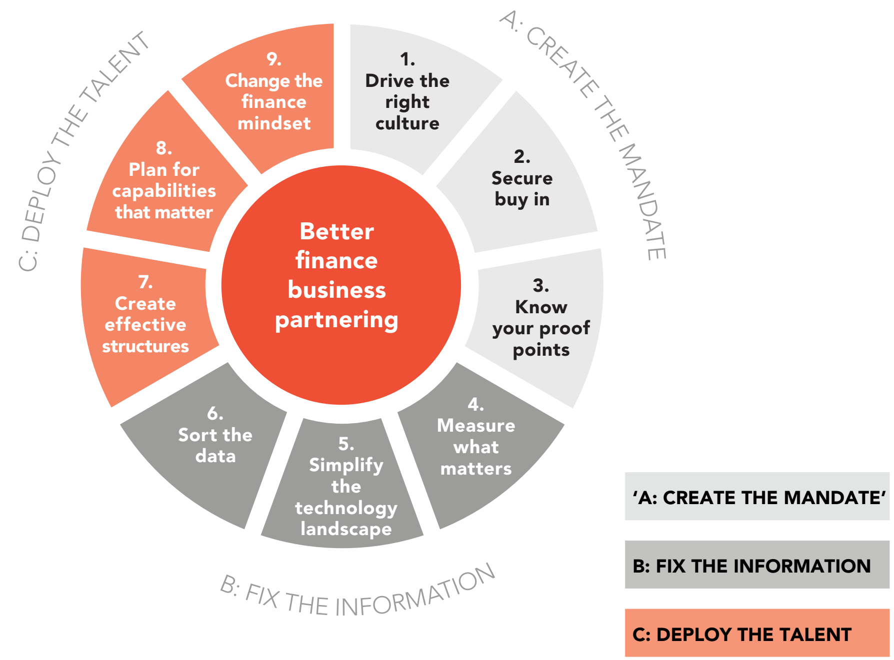


1. Strongly disagree
2. Slightly disagree
3. Neither agree nor disagree
4. Slightly agree
5. Strongly agree

2. The nine-point plan for better finance business partnering

With the growing digitisation of business, and a more entrepreneurial and competitive climate, the effectiveness of corporate decision making is central. More than ever, the enterprise needs the finance function to provide intelligent, timely and authoritative insights to inform its decisions. This puts pressure on the finance function, but the research suggests that many of the basics still need addressing. This report proposes nine pragmatic actions to improve partnering practices anchored in three core component parts: creating the mandate, fixing the information and deploying the talent.

Figure 2: Nine-point plan for better finance business partnering



'A: CREATE THE MANDATE'

The evolving business climate presents a certain opportunity for the finance function to help the business create and sustain value. More than ever before, finance can move in to provide the enterprise with great decision-support services that will make a real difference to business performance. First, however, it has to secure that mandate and make it sustainable. The perception of the finance organisation in many enterprises needs to shift. This study suggests that there are three critical elements to gaining and securing this mandate.

1. Create the right culture in finance

Providing the financial insights that the enterprise needs starts with creating the right culture in finance for partnering to be sustainable. The CFO has a critical role to play in establishing the right 'tone at the top' to change the perception of the finance organisation, and ensure a strong internal reputation for both stewardship and the provision of commercial insight. The finance function needs to be fully integrated in the enterprise, and not just to be seen as a remote 'partner'.

2. Secure commitment

Too often the finance function has 'pushed' the responsibility for business partnering out to the enterprise. It has created partnering structures without sufficient prior engagement and understanding of purpose. To be sustainable and successful, finance business partnering needs to be 'pulled' and demanded from the enterprise, and built through a deep collaborative process. This takes time. It is a long haul.

3. Know your proof points

The finance organisation needs to demonstrate consistently the value it is bringing to the enterprise. It needs to get better at showcasing the proof points, because this secures sustainable commitment and helps finance be seen as fully integrated into the business.

B: FIX THE INFORMATION

The speed of decision making is increasing, and the future will be less predictable and more nuanced than it has been. In a digital business environment the effective use of enterprise data will be central to creating and sustaining competitive advantage. Yet the data and technology landscape for the finance function remains typically complex and fragmented. With finite resources, the priorities must be: focusing on the enterprise activities that matter, identifying the most valuable data points and leveraging more effective technologies to drive better and faster decision making.

4. Measure what matters

The study suggests that most finance organisations are unsure where finance business partnering resources should be targeted to help derive most value. They continue to report on too many metrics, and the balance between retrospective and future reporting still needs addressing. A root-cause analysis of the most important enterprise metrics and the activities that affect these metrics can be helpful in targeting limited finance resources most effectively.

5. Simplify the finance technology landscape

Many finance organisations are wilting under enterprise resource planning (ERP) fatigue and business intelligence 'point solutions'. Manual workarounds and reconciliations drain finance resources on work with no added value and destroy insight opportunities. Where it can, finance needs to push for system simplification. There are newer technologies emerging in the marketplace and cloud solutions that offer hope.

6. Sort the data

The finance function needs to rearticulate its information requirements so that it can access data relevant to the identified important metrics and activities of the enterprise. Coding practices, data hierarchies and taxonomies are not keeping pace with a rapidly changing environment.

C: DEPLOY THE TALENT

The skills, capabilities and behaviours the finance function will differentiate the finance winners from the losers. Ideas, innovation and 'customer centricity' will be the attributes of the future successful enterprise. To support this, the finance function will be under greater pressure to demonstrate its commercial acumen, its entrepreneurial spirit, its confidence in challenging the business and its capacity and willingness to take calculated collaborative risks. The changing environment requires quite different capabilities and, critically, a different finance mindset.

7. Create effective structures

The effectiveness of business partnering continues to be suboptimal. In practice, it is often constrained by a multitude of other finance responsibilities; the ambition of further 'purifying' the role remains an ambition for most CFOs. The perennial question on structures is whether or not finance business partnering resource is 'fully embedded' in the business unit. While the advantages of closeness to the business are well understood, some concerns prevail about over-extension of the finance community. Finding the best 'fit' for the prevailing culture of the enterprise is essential. CFOs typically favour hybrid reporting lines into the business and into the finance department.

8. Plan for the capabilities that matter

There are clear front-runners among the skills deemed essential for improving business partnering practices: communication skills, analysis skills, and the ability to cultivate a deeper business and industry understanding are all high priorities. In addition, finance leaders cite the skills needed to meet the challenge of moving from austerity to growth phases and 'gearing up' with the requisite business capabilities, as well as the need for flexibility. This reflects a wider problem of 'short termism', with the focus of many finance departments switching from controllership to growth and back, reflecting prevailing economic sentiment and business conditions. A longer-term approach to workforce planning in the finance team is needed. The problem is compounded by a discrepancy between the learning interventions used to develop finance business partnering skills, and those deemed most valuable. Talent management approaches still need improving.

9. Change the finance mindset

Finance leaders cite the right behaviours as fundamental to finance business partnering success, but lament that they are often missing in the finance team. The capacity to build strong collaborative relationships across the enterprise, the confidence to challenge the business with authority (this comes partly from having confidence in the numbers in the first place), and the desire to have a real impact on corporate performance are all valued. In a fast-paced, competitive and entrepreneurial environment, being prepared to take calculated risks collaboratively with business colleagues, and a capacity to be comfortable with uncertainty are increasingly valuable traits that finance must cultivate.

'Finance at McDonald's is truly integrated into the business. One of the things I loved about the company when I first joined is that we weren't sat in isolation from other departments. We don't just hand over information and then walk away, we're customer facing and part of the solution – working cross-functionally across the whole business.'

'It's important to set the right tone from the top. Our executive team first look at issues from a customer perspective, before looking at how internal functions are impacted. We don't approach questions by discipline and this ethos is echoed throughout the organisation. The role of our finance function is more than stewardship; it's about partnership with the business; it's about bringing the business to life from a finance point of view and working on the why and also the how.'

'Let's take fruit smoothies as an example. From a finance point of view, it is important to understand what we're going to deliver to our customers and how we can maximise space in restaurants to accommodate the new product. We need to work with our suppliers to ensure a shelf life that delivers a fresh product to our customers every time. We also have to work with component suppliers, such as our suppliers of strawberries, to minimise stock holding costs while at the same time ensuring that we don't run out of product. Therefore, we need to first understand the needs of our customers and the impact on our restaurants before working back. Fundamentally, it's about being able to apply a deep understanding of finance to commercial situations.'

'Our approach to developing people is essential to our success. While our commercial finance team functions together, each individual is also highly integrated into the different business areas they are responsible for. We also look to rotate our qualified accountants across different finance roles so they can develop a breadth of finance and commercial experience as well as a greater understanding of the business.'

'We look to recruit individuals with a spark and the potential to grow and innovate within the business. We look for people not only with the right skills but also with the right behaviours and mindset. After all, our finance function needs to work collaboratively with the leaders of the business, our franchisees and our suppliers to achieve the best results. Fundamentally, the success of any business comes back to attracting talent and developing this talent in the most effective way.'

PAUL POMROY, CHIEF FINANCIAL OFFICER, NORTH WEST DIVISION, MCDONALD'S

3. Detailed insights

'A: CREATE THE MANDATE'

1. Drive the right culture in finance

For finance business partnering to be truly successful a business-centric and commercially orientated culture must exist in the finance department. Finance leaders must seek to strike the right balance between the stewardship responsibilities of the finance organisation, and the need to provide valuable commercial insights to the enterprise. For some finance departments, the shift to a greater commercial orientation can be a challenge, but it is here that finance leaders themselves must now visibly lead the way.

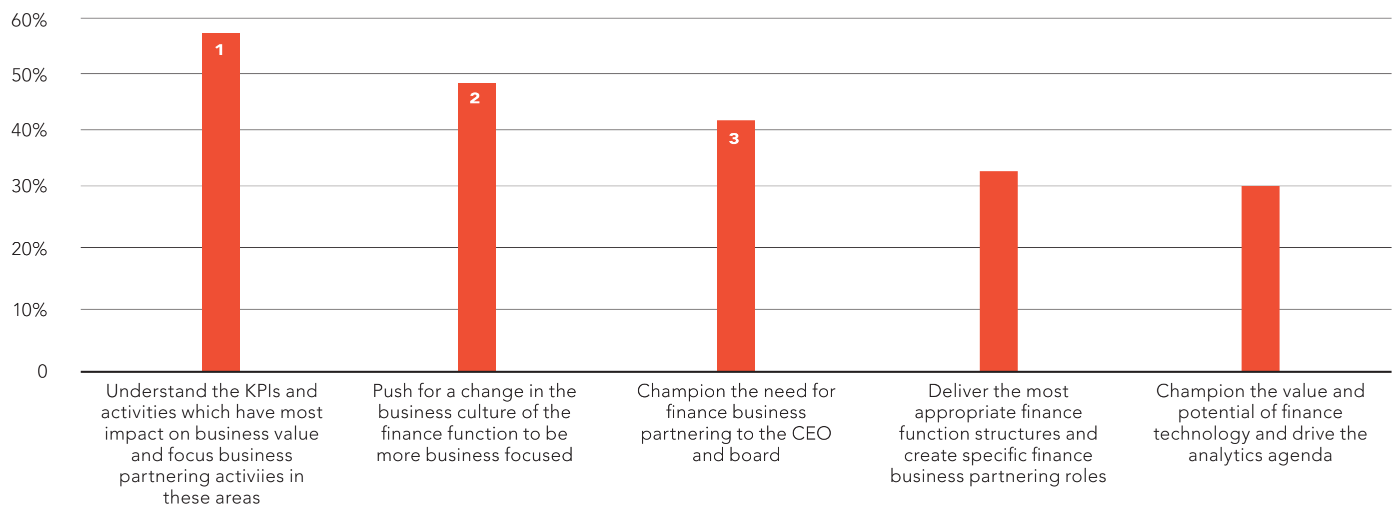
Pushing for a change in finance culture to be more business focused was identified as the second highest priority for CFOs in leading the finance partnering agenda (see Figure 3).

> 'I think the CFO does need to be empowered, but the CFO also need to empower himself or herself by providing useful and user-friendly and valuable services to the rest of the organisation.'
>
> (FINANCE LEADER ROUNDTABLE ,HONG KONG)

Establishing the right culture starts at the top: the CFO must have a vested interest in this role for finance and see it as equally important to their stewardship responsibilities. The right finance leadership sets the tone from the very top, helps permeate the mindset of employees and inculcates a 'can do' attitude, which is needed right across the finance organisation for insight-seeking activities to be successful. Challenges remain, according to the finance leaders surveyed – the history of the enterprise, its sector and industry profile, its corporate culture and its geographic cultural footprint can all appear to have an impact on efforts to establish the right culture.

> 'To have proper business partnering I think is a leadership issue that comes down from the board and certainly the leadership position adopted by the chief financial officer, and that's absolutely fundamental to the success of this. It's a way of setting an example, as well, to the finance fraternity to become as essential to whoever they are partnering as the CFO is to the rest of the management team at that.'
>
> (FINANCE LEADER ROUNDTABLE, LONDON)

Figure 3: The leadership CFOs must show



2. Secure buy in

The success or otherwise of finance insight-generating activities rests on demonstrable support and commitment from executives across the wider enterprise. The development of a collaborative culture is essential, and reconfiguring perceptions of finance and its purpose in the minds of business leaders outside the finance function is fundamental to its success

Championing the need for finance business partnering to the CEO and the board was identified as the third-highest priority for CFOs in leading the finance partnering agenda (see Figure 3).

Part of the challenge with current finance business partnering practices is that, too often, finance departments have artifically sought to 'push' financial insight onto the business. Without the appropriate demand and pull from the wider enterprise, finance is already starting at a disadvantage, and is unlikely to create the impact it wants. The conclusions from this study are that creating the 'pull' for finance insight is typically a long, hard-won exercise, and when it occurs it is a reflection of the increasing success of finance partnering driven by multiple factors, many of which are covered in the conclusions of this study, and are not attributable to a particular action or cause.

Finance leaders who joined the roundtables, however, cited both sides of the problem, with some suggesting that some business leaders had no real interest in the control and stewardship responsibilities of the finance department and just wanted finance to provide commercial insights, assuming that stewardship responsibilities would just be exercised anyway. Others challenged the notion of finance's role as a business partner, questioning its value in the first place. Both attitudes present their own problems for the finance function.

'If you work for a traditional organisation or sector, their view and perception of finance is likely to be as the controller, the department that keeps the business out of jail, the function which essentially adds the numbers up. Finding a space or a seat at the table that allows finance to contribute insights as a partner can be incredibly difficult.'

(FINANCE LEADER ROUNDTABLE, LONDON)

'There has to be a pull from the business, and part of the success here is the strength and quality of personal relationships with the rest of the business, and the perception they have of what finance can bring to the table.'

(FINANCE LEADER ROUNDTABLE, LONDON) .

In overcoming these challenges, finance leaders in the study cited a number of initiatives that help finance secure commitment. These include working to ensure that the business as a whole, rather than just finance, 'owns the numbers' so that other parts of the business seek finance support. The presence in the wider enterprise of business leaders with finance backgrounds, and specific interventions by the finance function to ensure financial education and understanding among business leaders, help to create a platform for better discussions and relationships between finance and the rest of the business.

3. Know your 'proof points' .
The finance function needs to demonstrate its value to the enterprise continuously. With constant pressure on the cost of finance operations, the astute CFO or finance leader recognises that effective finance business partnering is critical to the internal reputation and perceived value of the function. Real value matters too, and understanding and being able to point to 'proof points' where finance has worked with the enterprise for a favourable business outcome is essential and needs to be consistently reinforced.

There are some finance leaders who do not doubt the value that finance is contributing and some instances where the finance department is becoming increasingly involved in activities such as customer profitability analysis, marketing channel or campaign effectiveness, helping to rationalise supplier and procurement costs or investigating product-pricing analytics. Yet the enterprise can be fickle; anecdotal evidence often suggests that finance's self-perception may not be shared by its customers or other parts of the business. So 'marketing' the finance brand becomes an essential tactic, and 'capturing' the value-added initiative is important.

Understanding the KPIs and activities that have most impact on value was identified as the most important attribute that CFOs must be able to demonstrate in leading the finance business partnering agenda (see Figure 3).

The CFO needs tangible proof that the investment in finance business partnering is worthwhile; CFOs need to point to clear evidence of where partnering activities are generating value. This is perhaps why finance leaders see that understanding the KPIs and activities that have most impact on value is the most important attribute that CFOs must be able to demonstrate in leading the creation of a finance–business partnership. More effective targeting of finance resources in this way helps provides assurance that resources are adding value for the enterprise.

'What tells me that a partnership is really happening is when the finance manager's loyalties are more with operations than with me. That tells me they value their input, that they're able to demonstrate value, they want to problem-solve for them; you are the expert who knows how to create value, enable value, and sustain it.'

(FINANCE LEADER ROUNDTABLE, TORONTO)

'One of the ways I see success is where leaders from the business come to you then they have a big decision to make, rather than me having to go to them. Your top of mind for them because they know you will add value to the decision-making process.'

(FINANCE LEADER ROUNDTABLE, SINGAPORE)

'I think that you've made it as a business partner, whether it's you individually, or the CFO team, when you're being sought out by the board, the CEO or the operations for advice because your advice is respected and needed.'

(FINANCE LEADER ROUNDTABLE, NEW YORK)

'If you've made it as a business partner, you're not only brought in early (for a new cross enterprise initiative), you may be asked to even lead it. To me, that's the ultimate measure of success. You've exerted the credibility and competence to lead a cross functional initiative.'

(FINANCE LEADER ROUNDTABLE, NEW YORK)

'B: FIX THE INFORMATION'

4. Measure what matters

Finance leaders continue to see a proliferation of metrics on which to report, and there is less understanding of the KPIs that are most important in helping to create value or improved business performance. In making the transition to more effective insight practices, the finance organisation must continuously challenge the business and itself on the metrics being analysed and reported.

Poor understanding of where most value can be created by finance business partners, and poor alignment between strategic outcomes and metrics – where the wrong KPIs may be measured – were identified by CFOs as two of the top three challenges to more effective finance business partnering (ACCA and IMA Survey, March 2014). In some instances, the finance organisation needs to consider whether a root-cause analysis of the drivers that create value for the enterprise should be undertaken. Do most finance departments understand and know this? It can give a clear direction as to where business-partnering resources can be most effectively deployed to help the business create value.

In understanding the activities that drive value, the enterprise and the finance function are increasingly interested in analytics. Enterprises are increasingly outsourcing data sorting or establishing centralised data warehouses and analytics functions to 'crunch the data'. This has potential benefits for the future organisation, freeing it up from data manipulation to focus on purer partnering and insight activities. While some finance leaders cite that finance should take primary ownership of analytics activity, others see this as a cross-enterprise initiative, not to be 'owned' by any particular function.

Championing the value and potential of finance technology and driving analytics development was identified as the fifth-highest priority for CFOs in leading finance business partnering (ACCA and IMA Survey March 2014).

Here finance leaders also cite the issue that business leaders are increasingly having to satisfy their own data needs, with insufficient support in information production from the finance function. This again this may drive finance to a 'purer' form of finance business partnering, and perhaps provide greater opportunities to 'add value'. Nonetheless, it also presents some risk to the finance team, as the ACCA/IMA survey suggests that a lack of sophisticated analysis tools and techniques is one of the top three technology challenges.

'One of things we've done at our company is we've integrated KPI reporting…and it has really helped focus staff on what's important. One of the other things we've noticed is that it changes, too. It's a developing process. What you measure you master, and it drives the behaviours in the specific areas that you want it to.'

(FINANCE LEADER ROUNDTABLE, TORONTO)

'So by moving to a business 'self-service' model you're reducing that cycle time, that finance person resource is freed up to do more value added by actually using the information to draw conclusions, to make recommendations to point out growth opportunities or opportunities to optimise cost – to use the information rather than just moving it around.'

(FINANCE LEADER ACCOUNTANTS FOR BUSINESS ROUNDTABLE)

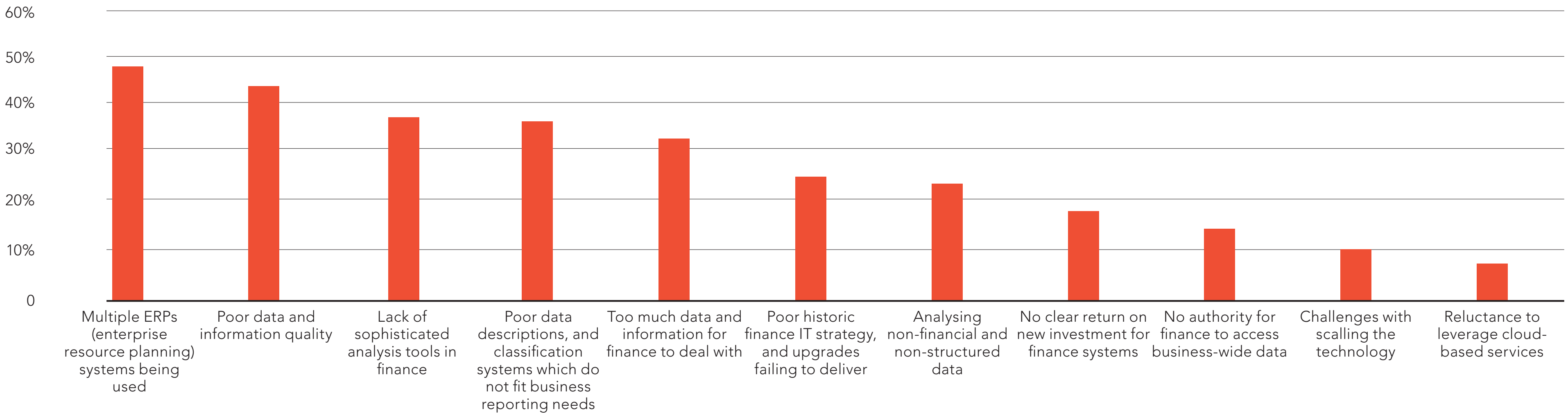
'I think you have to bring a group of people together from finance and other functions and other disciplines so they can bring different skills to the analytics piece.'

(FINANCE LEADER ACCOUNTANTS FOR BUSINESS ROUNDTABLE)

'We're coming across the attitude now of 'who owns the data, who's responsible for it?' And our sense is that finance needs to own it.'

(FINANCE LEADER ROUNDTABLE, VANCOUVER)

Figure 4: Technology and data challenges



5. Simplify the finance technology landscape

A recent ACCA report[1] concluded that many finance organisations are suffering from significant ERP fatigue and fragmentation. The finance IT landscape is extraordinarily complex – as businesses have evolved, the organisation or finance team has typically implemented 'point solutions' to address specific business issues or reporting needs, and these solutions quickly become outdated. Complexity means more data work around, less confidence in the numbers and less time on understanding the implications. Finance leaders see value in simplification (see Figure 5).

The number one technology and data challenges, according to CFOs, are that multiple ERP systems are being used and there are too many manual 'workarounds' and reconciliations as a consequence (see Figure 4).

With many finance organisations historically investing significant funds in major ERP implementations, perhaps the appetite for new systems investment is low. With the advent of cloud and software as a service, new options for technology adoption are increasingly available but perhaps still need to be fully embraced by the finance team. Clearly, the limitations of the tools and technologies that the finance function has as its disposal remain a frustration for many (see Figure 6 and Figure 7).

So what are the barriers to system investment for the finance team? Do CFOs understand the tools available? Is the finance community overly concerned about the security of the cloud? Are unworkable business rules rather than the technology itself creating problems? Some finance leaders in this study cited training issues in working with the finance technologies now available. Others cited the challenges global standardised ERP implementations have presented in reporting that meets the needs of the local business.

'There is a geographic dimension too here. We struggle to customise our global ERP to meet the local reporting needs. So on the one hand there is a drive to standardise, but also each country or region may need particular customised information.'

(FINANCE LEADER ROUNDTABLE, HONG KONG)

Figure 5: Finance functions need to streamline the number of finance systems

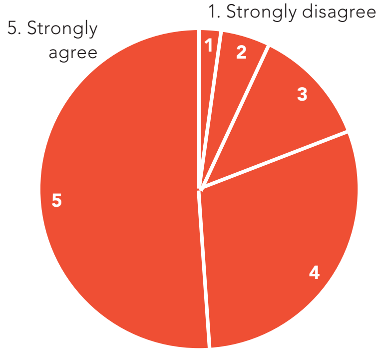
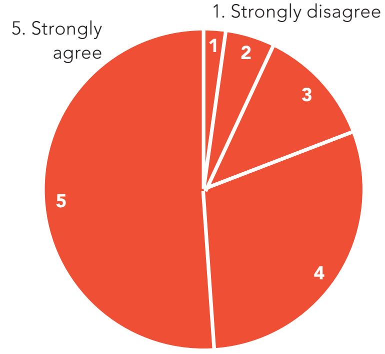
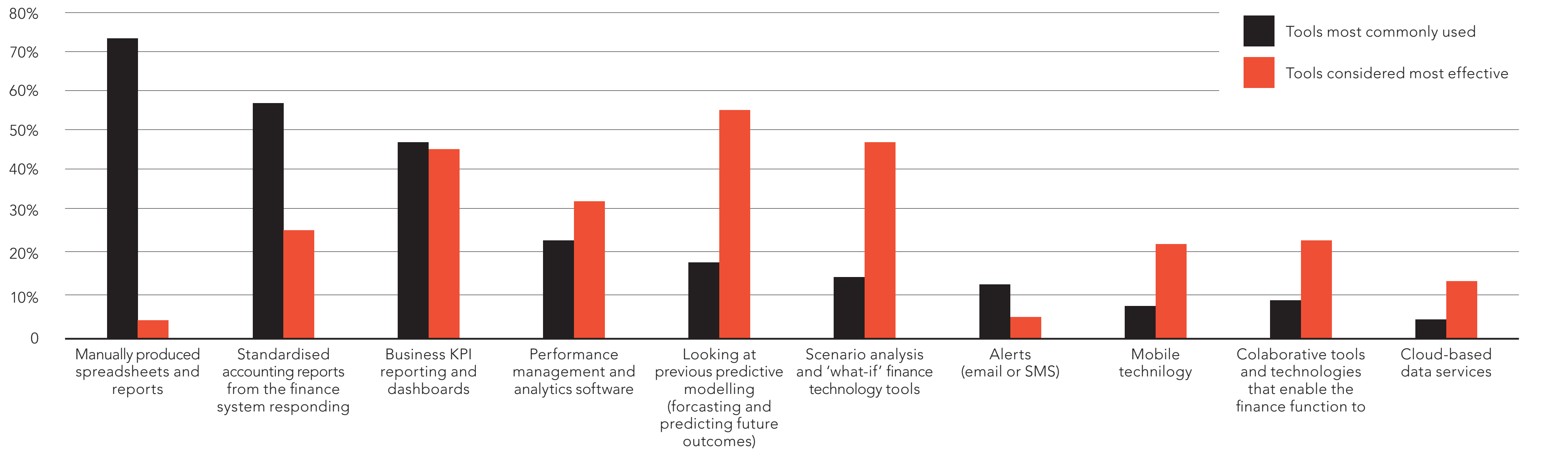


Figure 6: Financial planning and forecasting could be improved by better technology



1. *Is Finance Function Technology Delivering on its Promise?* ACCA 2014.

Figure 7: An analysis of the most common tools used to support business partnering activities versus those deemed to be most effective



6. Sort the data

The study suggests that finance functions need to rearticulate their finance information requirements to produce the most relevant data, increasingly drawing on both external and internal data sources, working with financial and broader business information, and analysing both structured and unstructured data.

Part of the challenge facing finance departments is the quantity and quality of data in the finance and business systems. With multiple systems there is typically no single version of the data 'truth'. In an environment of significant change and transformation, coding practices and data taxonomies are struggling to keep pace. Data hierarchies, the way in which data is captured in the system, and the way in which reports are pre-specified do not reflect evolving business needs.

Poor data and information quality, and no single version of the data 'truth' were together identified as the second-highest technology and data challenge by CFOs (see Figure 4).

Poor data descriptions and classifications systems that do not fit business reporting needs were together identified as the fourth-highest technology and data challenge by CFOs (see Figure 4).

'Think about what information we have in our organisation, accounting factors, market data, economic data, and competitor's comparables, and functional forecasting and so on. The job to integrate all this data and information and to make it make sense is difficult but I think that ability to integrate all the information together is a prerequisite for a progressive finance function.'

(FINANCE LEADER ROUNDTABLE, HONG KONG)

'There's so much information, so much data out there now, both structured and unstructured data – making sense of it really important. I think the expectations that our business colleagues have is that as finance business partners [we] can do that better, and…add [more] value than we have, historically.'

(FINANCE LEADER ACCOUNTANTS FOR BUSINESS ROUNDTABLE)

7. Create effective structures

It is essential to business-partnering success that the finance organisation has appropriate structures, roles and responsibilities. Here is the fundamental question: should finance business-partnering resources sit within the finance department, and report directly into the CFO or senior finance leadership team, or should the alternative approach be taken, embedding finance partnering resources much more deeply in the business units, reporting into those parts of the business rather than to the finance leadership?

Establishing the most appropriate finance structures and creating specific partnering roles were together identified as the fourth-highest priority for CFOs in leading the finance partnering agenda (ACCA and IMA Survey March 2014).

In practice it seems that two different approaches are adopted, and both approaches have a number of advantages and disadvantages. The creation of pure embedded roles reporting directly into the business functions can bring finance 'closer to the business' , but do finance business partners then start to lose their independence and objectivity – in other words does the finance 'family' become over-extended, and what is the implication for the culture of the finance department?

Consider the flip side. By retaining finance personnel in the finance department, can finance truly expect to develop the commercial insight and business understanding necessary to perform insight activities effectively? Moreover, can finance professionals be expected to develop the personal relationships that are so essential so success? Will the department have the necessary 'visibility' across the enterprise? Herein is the fundamental finance dilemma – how closely can it work with the rest of the enterprise without losing control and objectivity? This is a challenge that goes right up to the top and is at the heart of the CFO's role.

Perhaps the issue is one of maturity, and there is a natural evolution of finance partnering practices outside the areas controlled by the finance organisation, once the business has committed to the partnership and seen the benefits that can accrue. Perhaps the appropriate structure depends on the prevailing culture of the organisation. For many, the optimal solution is to have finance business partners with a dual responsibility to report both to the leadership of the business unit concerned and to the finance organisation.

One other point is worth noting: for smaller organisations, typically the finance department does not have the capacity to assign particular finance resources solely to purer business partnering roles. Here the additional challenge is to create roles with both controllership and insight responsibilities. Finding individuals with this special blend of capabilities remains a particular challenge.

'I very much like the hybrid role. I have always pushed for that. For finance people their career path is still managed by finance, not the business. In a business partnering role their performance may be managed by the business for a point in time, but the chances are that they will come back to finance so they need to keep their connections. I think the hybrid role is really the best model to go with.'

(FINANCE LEADER ACCOUNTANTS FOR BUSINESS ROUNDTABLE)

'I inherited a team that were very focused on controllership. When we talk about business partnering they're really missing the softer skills, the strategic insight and the proactiveness. Yet I need them to be able to sit on the seesaw. It's very hard to find somebody that has both of those skill sets.'

(FINANCE LEADER ROUNDTABLE, LONDON)

'The big question for me is how you structure your finance business partnering activities. One of the obvious benefits of embedding finance business partnering roles with reporting responsibilities into the business is that is can help bring finance very close to the enterprise and business leaders outside of the finance function. However, in our experience you have to carefully balance this and not overstretch what we would call the 'finance family'. You also have to put safeguards in place to ensure [that] finance personnel do not lose their independence or objectivity, or lose sight of the importance of effective control in the organisation.

The alternative benefit of keeping finance business partners within the confines of the finance organisation is a closer relationship back to finance.

'One of the major challenges the finance function has is that many business leaders take the finance function role of control and stewardship as a 'given', and perhaps the 'value' this in itself brings is less appreciated (until we have a financial crisis!). As business unit leaders, their attention is always on the value finance can bring to improve commercial decision making, to help drive both top-line and bottom-line growth.

For business partnering to be successful everyone needs to be educated to ensure [that] the appropriate balance of finance's responsibilities is struck, otherwise the partnering model is not sustainable. In terms of the network rail journey, our sense has been on reflection that perhaps we maybe pushed finance business partnering too hard and it became too structurally embedded in the enterprise – essentially our finance family did become overstretched.'

ANIT CHANDARANA, FINANCE DIRECTOR, INFRASTRUCTURE PROJECTS, NETWORK RAIL

8. Invest in the capabilities that matter

According to the survey, many finance departments continue to under-prioritise investment in developing practices that are considered to be most effective in yielding better insights (see Figure 8). The study suggests that rotation and mobility programmes, exporting finance talent into the broader business to build commercial capabilities, are highly valued. Similarly, the establishment of clear competency frameworks, coaching and mentoring practices, recruiting from disciplines outside traditional accounting roles, such as operational research or analyst roles, can help develop the rich mix of skills, capabilities and behaviours needed, and help 'cross-pollinate' and extend finance influence.

The survey results suggest that effective workforce planning in the finance department should be important in ensuring that the function is equipped with the right skills to lead finance partnering effectively. One of the significant challenges that many finance leaders cited in the roundtable discussions was the problem of attaining the right blend of skills in the finance department while managing the impact that the economic cycle has on the expectations of finance, and the skills needed to satisfy those expectations. Leaders cited the experience of many finance departments over the last 15 years, with focus alternating between controllership and growth support priorities, reflecting prevailing economic sentiment and business conditions and affecting the value placed on the requisite finance capabilities at any given time.

Finance leaders have seen challenges in 'gearing up' for growth with the requisite finance capabilities, and continually managing the available talent to meet the needs of the business, depending on where it is in its cycle.

As to the skills deemed to be of most value, unsurprisingly there were clear front runners, evidenced by both the survey results and through the roundtable discussions and interviews. Communication skills, analytical skills, and ability to cultivate a deeper business and industry understanding are all considered high priorities (Figure 9).

'Back in the mid-1990s finance was given the mandate to add value in a partnering role. We then had Sarbanes–Oxley and, particularly for those businesses with exposure to the US, finance reverts to its control role. Then in the 2000s we move into a growth period and finance goes again to focusing on the value agenda, then the crisis hits and it reverts again to control and cash flow. It needs to be much more sustainable.'

(FINANCE LEADER ROUNDTABLE, LONDON)

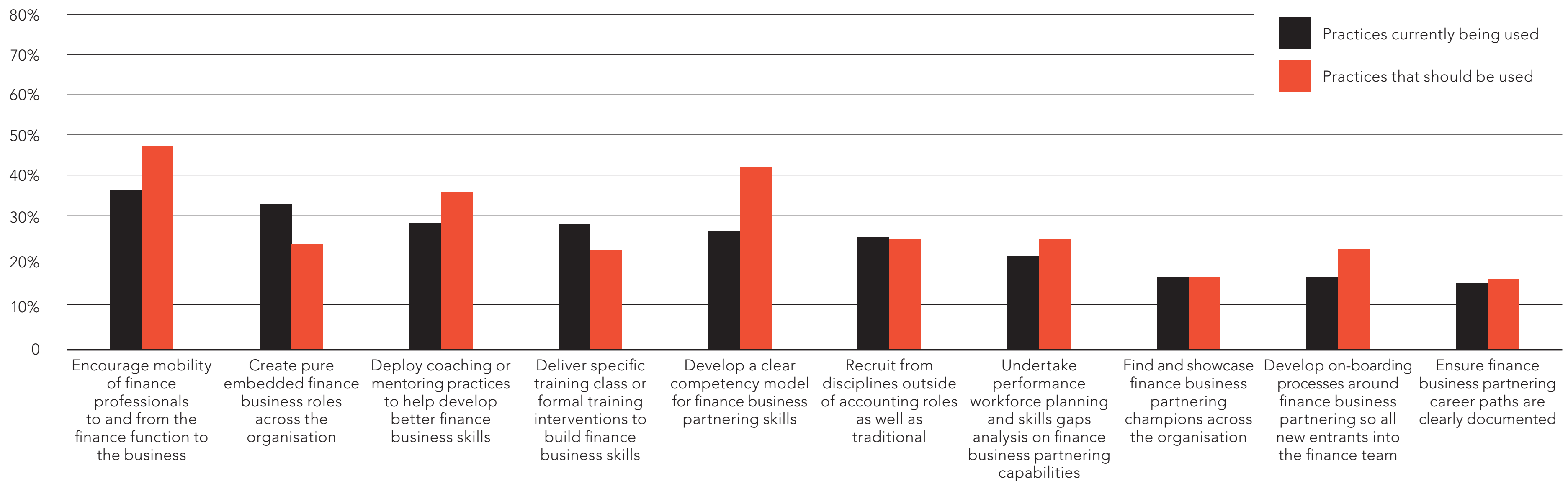
'The fullness of business partnering is a finance professional recognising the full mandate of both finance governance as well as value add and growth. The most successful organisations where finance is a true business partner is when they have the ability to balance governance with value add.'

(FINANCE LEADER ROUNDTABLE, SINGAPORE)

'I've inherited an austerity team and we are facing massive growth opportunities worldwide, it's obvious to me. And to be blunt about it, we haven't got enough of the right people, and the techniques and practices that we use during austere phases are totally inappropriate to evaluate now the opportunities, the investment priorities and so on, and the infrastructure is not geared towards that.'

(FINANCE LEADER ROUNDTABLE, LONDON)

Figure 8: The use of different interventions in developing partnering skills



9. Change the finance mindset

Finance leaders in this study emphasised that behaviours, attitudes and mindset are as essential as specific skills to future success in business partnering. At the top of the list is the capacity for finance business partners to challenge the business on its decision making, and to bring that independent vision to commercial decision making. Here the very ethos of professional training as an accountant makes senses – skills in exercising professional judgement, independence and objectivity should be highly prized when finance is acting in its partnering capacity. Finance leaders consistently emphasised the essential need for finance professionals to have the right mindset and the confidence to challenge business leaders across the enterprise. They also cited how the desire to create effective relationships outside the finance organisation, the drive to influence business colleagues and to demonstrate real impact on the business decisions that are being taken were essential qualities.

'I think for the finance function to be able to challenge the business is actually the important thing, because if there's unlimited self-service, our colleagues in the business will get whatever answer they want to get without having that independent challenge – by using information selectively, and so on, you can make anything work. But I think where finance comes in is to give that robust challenge to make sure any decisions that are taken have got some kind of integrity and some kind of logic behind it.'

(FINANCE LEADER ACCOUNTANTS FOR BUSINESS ROUNDTABLE)

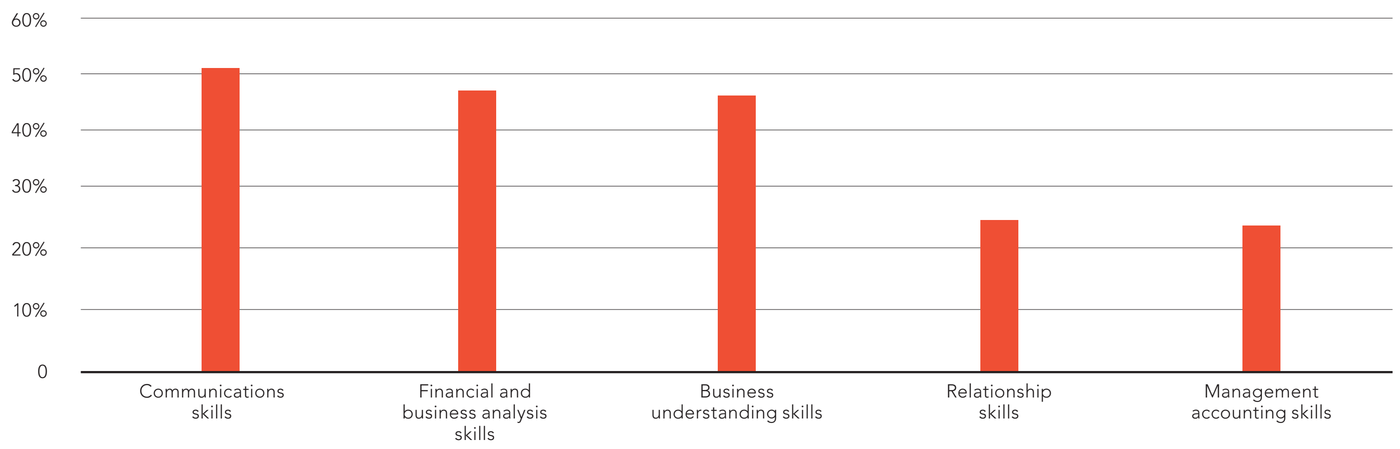
'What I have found in some of the businesses I have worked in is that the business actually really wants finance to challenge it but unless you speak the same language and phrase the questions carefully you can get pushback. So it's finding people that are willing and able to do this effectively.'

(FINANCE LEADER ROUNDTABLE, LONDON)

'The biggest challenge with finance–business partnering is getting people with the right mindset.'

(FINANCE LEADER ROUNDTABLE, SINGAPORE)

Figure 9: The most valuable finance business partnering skills



4. Conclusion

Increasing complexity in today's business environment presents challenges to the gathering of meaningful information upon which to base effective and efficient decisions. Successful organisations are meeting these challenges by encouraging business departments to partner with the finance organisation to drive insights for better decision support.

For many organizations, however, the changing technological landscape and evolving business environment have resulted in ineffective 'finance-business partnering'. The finance organisation has to evolve. It is no longer sufficient to be viewed as the scorekeeper providing management accounting data. The goal for the finance organisation is to become a key value-added participant in the analysis and decision-making processes of the enterprise. This is particularly true as we shift towards greater entrepreneurism in the global economy. The finance function needs to become more entrepreneurial too.

Finance organisations must understand, and address, the common obstacles that present challenges to successful finance decision-support activities. They must question their ability to carry out these activities from three perspectives.

Leadership and strategy – does finance have the appropriate business understanding and sponsorship to have its value-creation remit taken seriously?

Technology – does finance have access to the technical tools and the capability to base its recommendations on timely, accurate and accepted information?

Human capital – can the finance organisation supply knowledgeable and capable resources to ensure continuous business partnering support, and can it cultivate the right mindset to do this effectively in a vastly changing environment?

Finance organisations must consider a business-centric approach to addressing these challenges. The finance organisation must work with its business partners to convince them of its ability to provide the right insights to realise a much more integrated relationship. In a data-rich, entrepreneurial future, the opportunity for the finance function in extending its influence and leadership across the enterprise is very clear. Can it take the opportunity that is presented?

'I am glad to see continuous evolvement of the finance function of the Group over the past few years. We have been taking on a broader role and my team has been working closer with business units to help improve their financial management and create value. The finance function becomes a true partner to the business units. This partnership works well to better meet the Group's development needs and I expect it will get even better going forward.

Looking at the team composition, we now have diverse skills and experiences as we are recruiting talents from a broader range of backgrounds. This diversity helps strengthen the finance function which, I believe, is crucial to support the growth ambitions of our business units and hence create greater value for the Group as a whole.'

CHENGWEN ZHUO, CFO, BANK OF CHINA (HONG KONG)

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