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Accountants and
Financial Professionals
in Business

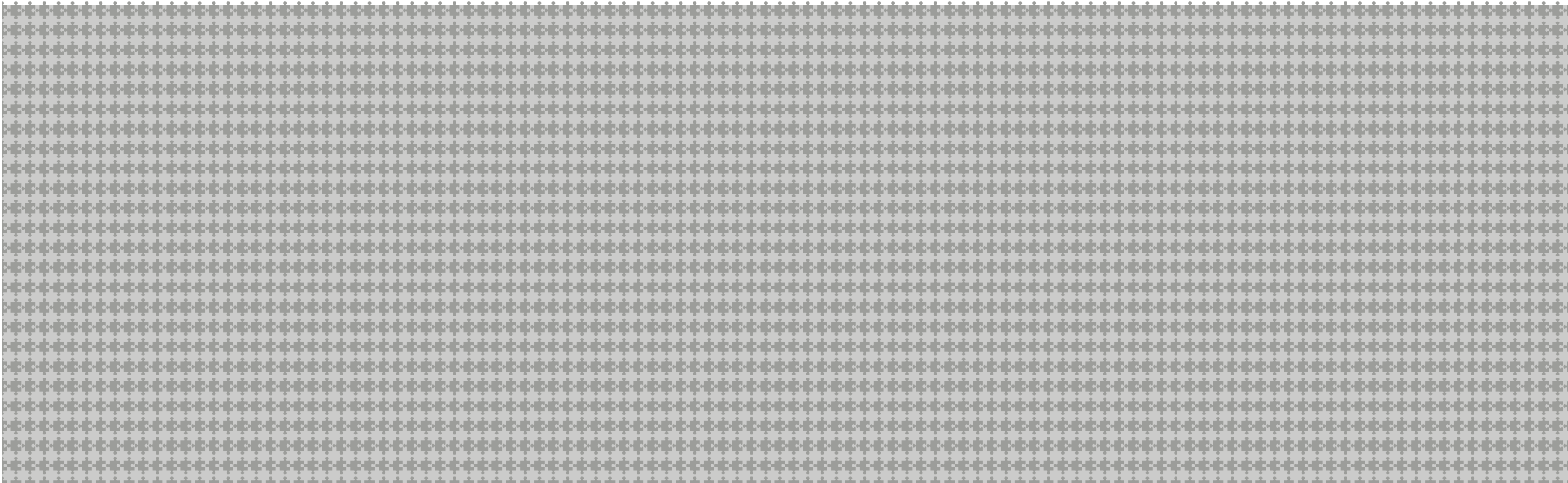
The global
body for
professional
accountants



Accountants for Business

Financial insight: challenges and opportunities

A SUMMARY OF THE SINGAPORE DISCUSSIONS



About ACCA

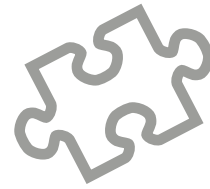
ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 170,000 members and 436,000 students throughout their careers, providing services through a network of 91 offices and centres. Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting our members wherever they work, we aim to meet the current and future needs of international business.

About IMA®

IMA®, the association of accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) program, continuing education, networking and advocacy of the highest ethical business practices. IMA has a global network of more than 70,000 members in 140 countries and 300 professional and student chapters. Headquartered in Montvale, N.J., USA, IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe, and Middle East/Africa.

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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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Contents

Foreword	4
Introduction	5
1. The opportunity	7
2. The nine-point plan for better finance business partnering	8
3. Key conclusions from the finance leader roundtable in Singapore	15



This briefing provides a summary of the 2014 ACCA–IMA report *Financial Insight: Challenges and Opportunities* and draws particular reflections from the outputs of the October 2013 finance leader business partnering roundtable in Singapore.

Foreword



In October 2013, ACCA and IMA (Institute of Management Accountants) initiated a global study of the practices finance functions around the world were adopting in finance business partnering. *Financial insight: challenges and opportunities* commenced with finance leader business partnering roundtables held in key locations around the world, including New York, London, Toronto, Vancouver, Hong Kong and here in Singapore to discuss the challenges and opportunities facing finance leaders. Complemented by a global survey of 1,100 finance professionals and qualitative interviews with CFOs from leading enterprises during 2014, the results of the global study were published in September 2014. This report provides an executive summary of the key conclusions from the global study and suggests a number of recommendations on how finance functions can look to improve how they work with the enterprise to improve business partnering practices. The report also draws out a summary of the conclusions from the discussions held in Singapore.

I would like to take this opportunity to extend my sincere gratitude to the finance leaders who participated in the Singapore roundtable in October 2013 without whom the production of this summary, and the global study, would not have been possible.

Leong Soo Yee,
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ACKNOWLEDGEMENTS

- Ms Kee Kim Eng, Courts, Chief Financial Officer
- Mr Jeffrey Lee Hing Hook, CrimsonLogic Pte Ltd, Chief Financial Officer
- Ms Tanvi Sharma, Deloitte Analytics, Associate Director
- Mr Ho Sai Weng, Deloitte Consulting South East Asia, Director, Chief Financial Officer Services
- Mr Alagappan Perianan, Europ Continents, Chief Financial Officer
- Mr Neel Augusthy, Johnson & Johnson Medical, Finance Director, Supply Chain Asia Pacific
- Ms Alexia Gan, Kerry Logistics, Regional Financial Controller, South and South East Asia
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- Mr Vincent Lim, Motorola Solutions, Finance Director Asia
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Introduction

In September 2014 ACCA and IMA published the results of a global study titled *Financial Insight: Challenges and Opportunities*. The study was based on a global survey of finance leaders, as well as insights drawn from finance leaders at roundtables held in key locations around the world, and qualitative one-to-one interviews with finance chiefs.

The study outlines the challenges faced by finance leaders in driving more effective finance business-partnering activities, and outlines a suggested framework for improving insight practices.

This short briefing provides a summary of the global study and draws reflections in particular from the finance leader business partnering roundtable in Singapore.

Do not 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 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 new digital technology that is having the most profound impact on working lives. Technological innovation will be at the heart of creating competitive advantage in the future. How the business uses the data at its disposal to take more

effective decisions will be the 'make or break' aspect 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, 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.

Drawing on global survey data, finance leader roundtables in New York, London, Toronto, Vancouver, Singapore, and Hong Kong, and interviews with finance leaders, this study suggests that the finance function needs to take advantage of the opportunities in three key areas. It needs to create a sustainable mandate for finance business partnering practices to flourish, it needs to improve the quality of data insights provided to the enterprise, and it needs to deploy the right 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'.

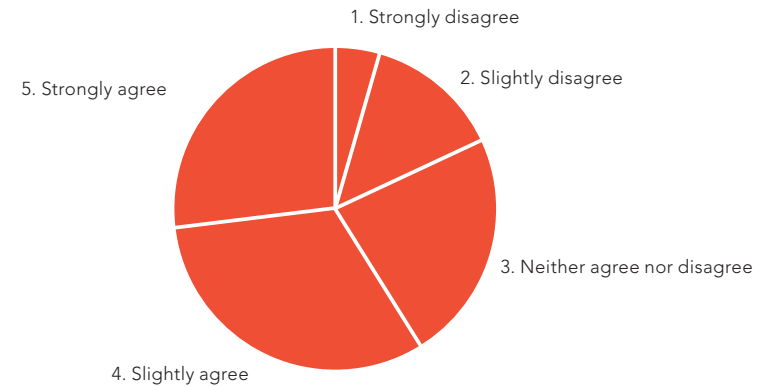
FINANCE LEADER ROUNDTABLE, SINGAPORE

1. The opportunity

In the information-centric environment that is increasingly pervasive, 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. ACCA and IMA believe it is the corporate function best placed to produce enterprise insights, bringing to bear on corporate decision making the critical qualities of objectivity, independence and professional judgement, qualities enshrined in professional accountancy training.

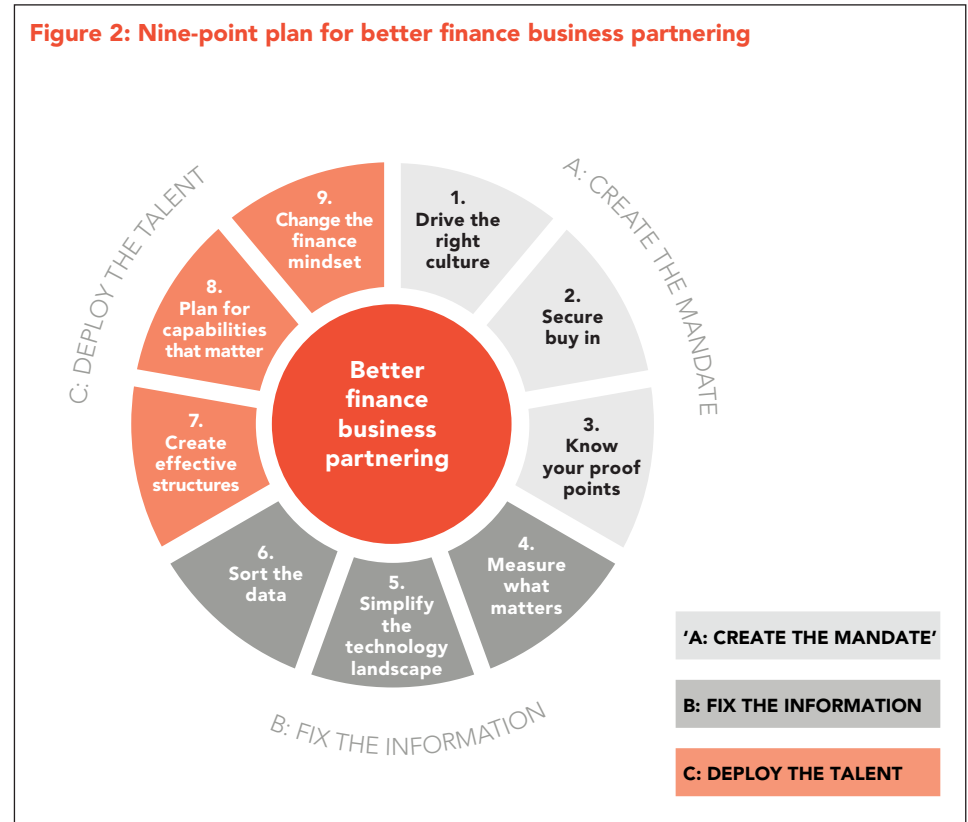
The study suggests that finance leaders see a risk to the reputation of the finance function if it does not lead in pursuing these insights. Although this in itself is notable, the perceived risk is not just that the department will lose credibility and standing. The issue is this: if the finance function does not evolve its insight capabilities to keep pace, it will reduce the capacity of the wider enterprise to create growth. Today's data-rich enterprise needs the finance function to be fully integrated in its decision-making process. This study suggests a number of practices that can help finance leaders meet this growing challenge.

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



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 surveys suggest 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 with the right mindset.



'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'.

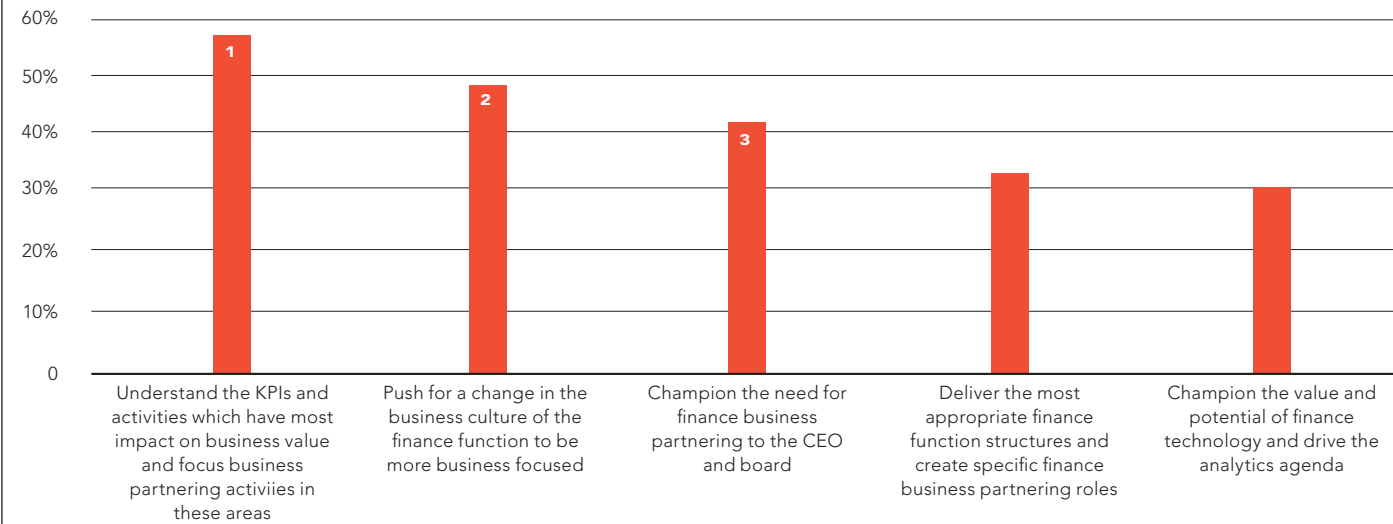
2. Secure commitment

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.

Figure 3: The leadership CFOs must show



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.

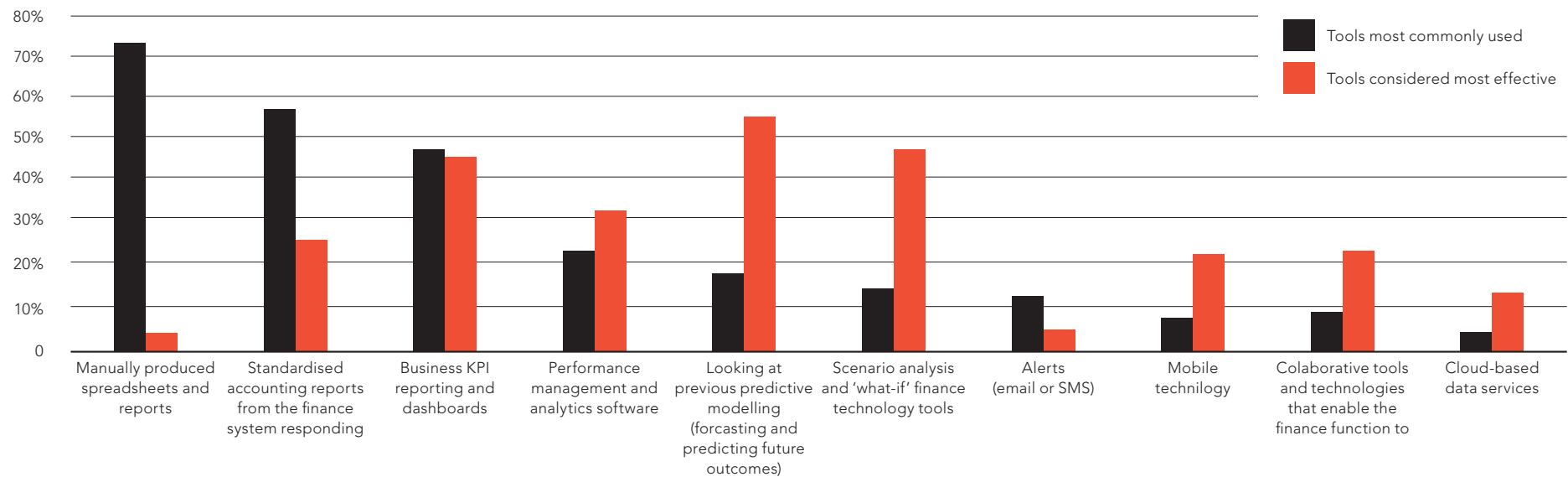
5. Simplify the finance technology landscape

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.

Figure 4: An analysis of the most common tools used to support business partnering activities versus those deemed to be most effective



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.

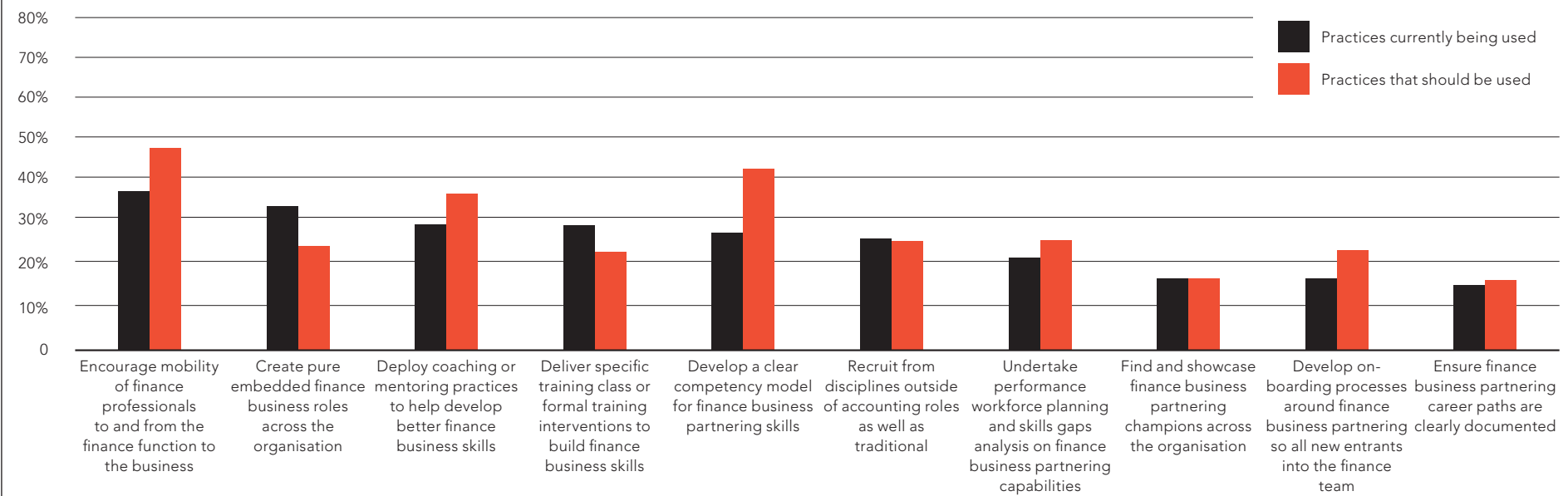
8. Plan for the capabilities that matter

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.

Figure 5: The use of different interventions in developing partnering skills



3. Key conclusions from the finance leader roundtable in Singapore

DO NOT LOSE SIGHT OF THE GOVERNANCE MANDATE

Although the term 'business partnering' in some contexts can refer solely to the provision of insight and analysis by the finance function as part of the 'value added' agenda, the governance and stewardship responsibilities of the finance function are critical. For finance to be an effective partner to the organisation, it must both add value and preserve existing value, and it cannot concentrate too much on one while neglecting the other. As one participant in the Singapore roundtable put it : 'growth with governance' is needed. Good stewardship is the basis for earning the mandate for effective business partnering.

'I think the fullness of business partnering is a finance professional recognising the full mandate of both governance as well as value add and growth'.

SPEAK THE LANGUAGE OF THE BUSINESS

The importance of speaking the 'language' of the business is a critical success factor in driving more effective finance business-partnering practices across the finance function. The finance team needs to use simple language that the business can understand, and ensure that they in turn have a strong grasp of the commercial realities of the enterprise. There is also the need to extend financial understanding throughout the enterprise so that business leaders have a strong understanding of fundamental financial concepts. This in turn helps underpin the success of finance business partnering.

'A big part of business partnering is [asking] "are we having business conversations with our businesses in a language that makes sense to them'.

THERE IS A NEED TO DEVELOP NEW FINANCE CAPABILITIES

Effective business partnering requires the finance team to develop new capabilities and in particular to develop the appropriate behaviours that are critical to achieving the business partnering vision. This means working across the finance function to develop a new 'mindset' in the team so that it has the confidence in working across the enterprise. Finance business partnering at a very high level is a very unique skill set. Skills such as confidence, the ability to challenge the business, to negotiate effectively, and influence senior management were all cited as critically important.

'I am looking at setting up a finance structure that focuses on governance and traditional accounting. We need people like that. But at the same time, we also need a resource that looks at how we can actually partner with the business'.

SENIOR MANAGEMENT BUY-IN IS IMPORTANT TO SUCCESS

The role of the senior management team is important in establishing a business-partnering mandate for the finance function. If the CEO and business leaders are fully engaged and understand the important role the finance function can play in driving the value agenda, business partnering is more likely to be successful. Similarly, the CFO has a critical role to play in pushing both the stewardship and business-partnering roles within the enterprise. The CFO must be visible and develop appropriate relationships across the enterprise for business partnering to flourish. The senior finance team need to push for a 'cultural change' in the finance function to drive business partnering success.

'If the culture of the finance function doesn't change, then this becomes all talk only'.

FINANCE TRANSFORMATION IS A KEY ENABLER

Transformation of the finance function can be a critical enabler for effective business partnering. The push to ‘centralise, standardise, automate and simplify’ starts to provide the finance team with more focus on how it can add value and help the enterprise drive growth. Finance leaders can look to evolving the structure of the finance team to engage successfully in business partnering activities. In the case of ‘retained’ finance teams that are released from finance-processing activities, their role and purpose needs to be focused so they can develop the appropriate business-partnering experiences and skills. If finance transformation is achieved, finance business-partnering teams can spend less time producing the information, and more time analysing the data across the enterprise.

‘What transformation of the finance function has done is free up a lot of my time to actually be a business partner. So if I don’t be a business partner, effectively I don’t have a job!’

UNDERSTANDING FUTURE TRENDS IS A CRITICAL ELEMENT OF GOOD BUSINESS PARTNERING

The finance function has a critical role to play in working with the business to understand what is likely to happen in the future, rather than providing only retrospective reporting. This helps the business manage its risks more appropriately and allocate its resources more effectively, and it supports growth. Understanding the future environment is a critical part of effective business-partnering practices, and again necessitates a different capability set from some traditional finance skills.

THE BIGGEST CHALLENGE TO EFFECTIVE BUSINESS PARTNERING IS ACCESS TO THE RIGHT SKILLS, BUT THERE ARE OTHER CHALLENGES TOO?

The most significant challenge in achieving effective business partnering is obtaining access to the appropriate talent: people who can contribute the right blend of skills, capabilities and behaviours. Here experiential learning is critical but the finance function also has to understand that not all finance people have the skills to become very effective business partners – the reality is that finance functions need a blend of traditional finance skills and partnering capabilities. The other key challenges cited included access to the right corporate data to be able to help the enterprise take the appropriate decisions, and the quality of finance relationships across the business.

‘You really need a balance of human talents in order to be a successful finance organisation’.

‘Talent is certainly one of the challenges. Another one is data itself. I think we have a lot of data but no information’.

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