



The Association of
Accountants and
Financial Professionals
in Business

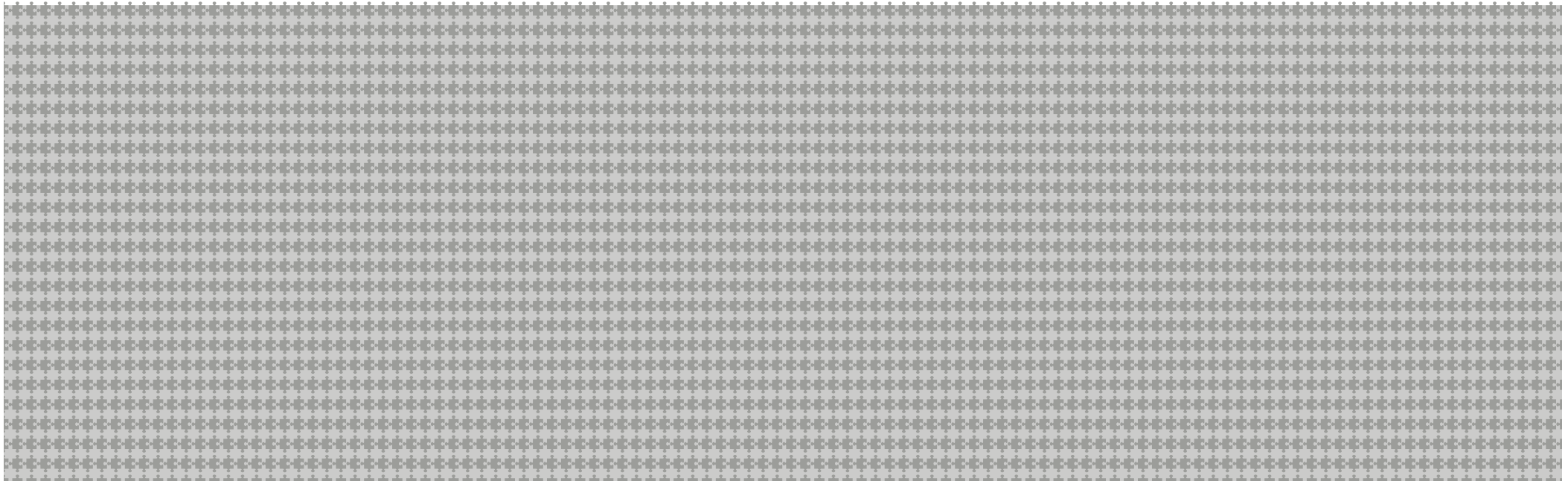
The global
body for
professional
accountants



Accountants for Business

Financial insight: challenges and opportunities

A SUMMARY OF THE HONG KONG 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.

www.imanet.org



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.

www.accaglobal.com/smart

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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 November 2013 finance leader business partnering roundtable in Hong Kong.

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 CFO roundtables held in key locations around the world, including New York, London, Toronto, Vancouver, Singapore and here in Hong Kong 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 Hong Kong.

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

Jane Cheng
ACCA Head of Hong Kong

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- Mr Tony Bloomfield, FCCA, Chief Accounting Officer Asia Pacific, The Hong Kong and Shanghai Banking Corporation Ltd
- Mr Georges R. Lauchard, Managing Director, Currencies and Emerging Markets, J.P. Morgan
- Ms Stella Yuen, FCCA, Chief Financial Officer, S Oliver

* Mr Zhou was the CFO of BOCHK when the interview was conducted.

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 Hong Kong.

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 finance organisation is at a unique place to convert commercial entrepreneurial expectation in a way that actually means that it affects bottom line to the business, and that's where we can align the risk that we're taking in driving a business forward, and where we are allocating funds into supporting that activity...I need to make sure that every organisation, including my business, understands that. If they don't understand it, then I'm failing in my role as a CFO'.

FINANCE LEADER ROUNDTABLE, HONG KONG

1. The opportunity

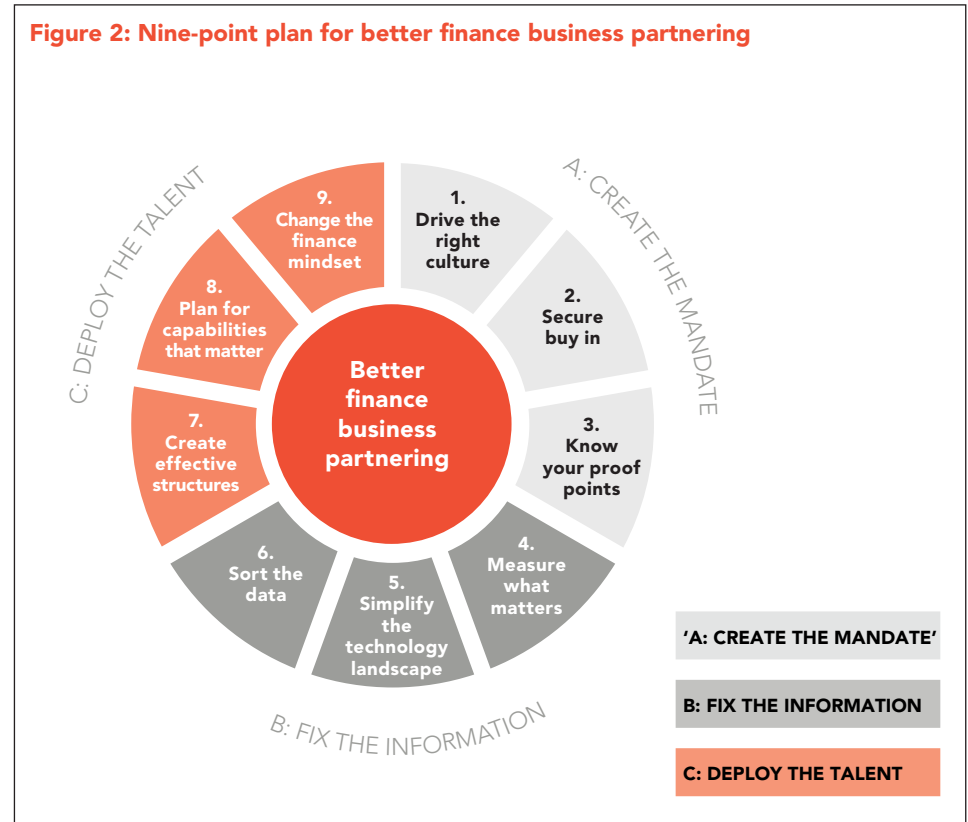
In the information-centric environment that is increasingly pervasive, future enterprises will drive innovation and create competitive advantage through better decision making, born out of cleverer data insights. The proliferation of enterprise data presents an extraordinary opportunity for the finance 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.



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 right 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'.

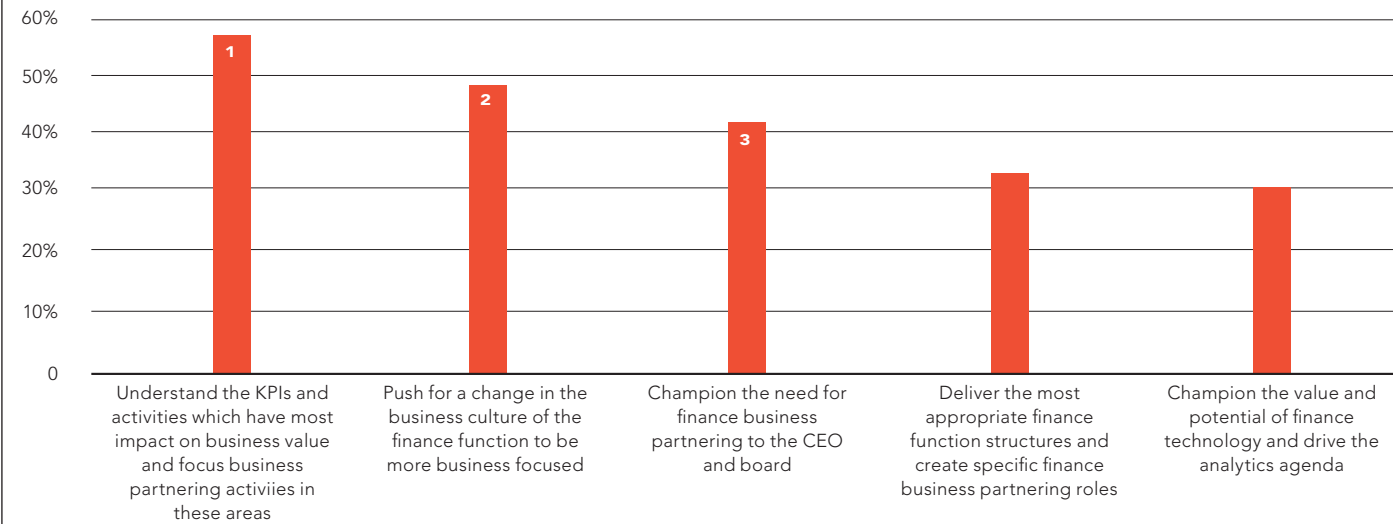
2. Secure commitment

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.

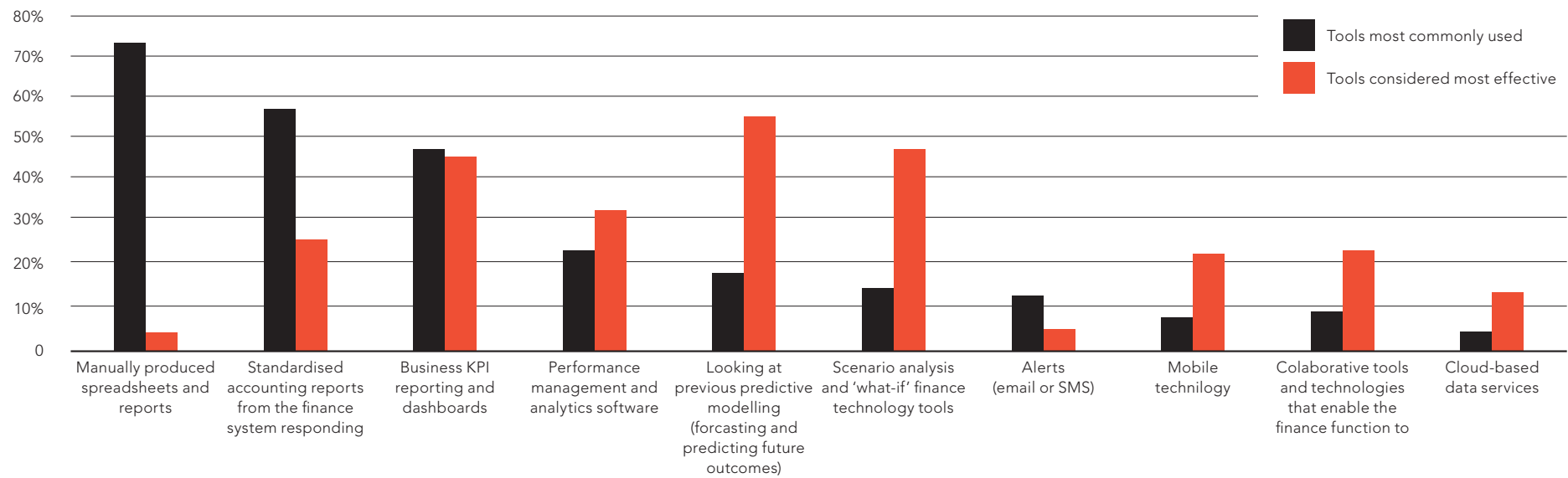
5. Simplify the finance technology landscape

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.

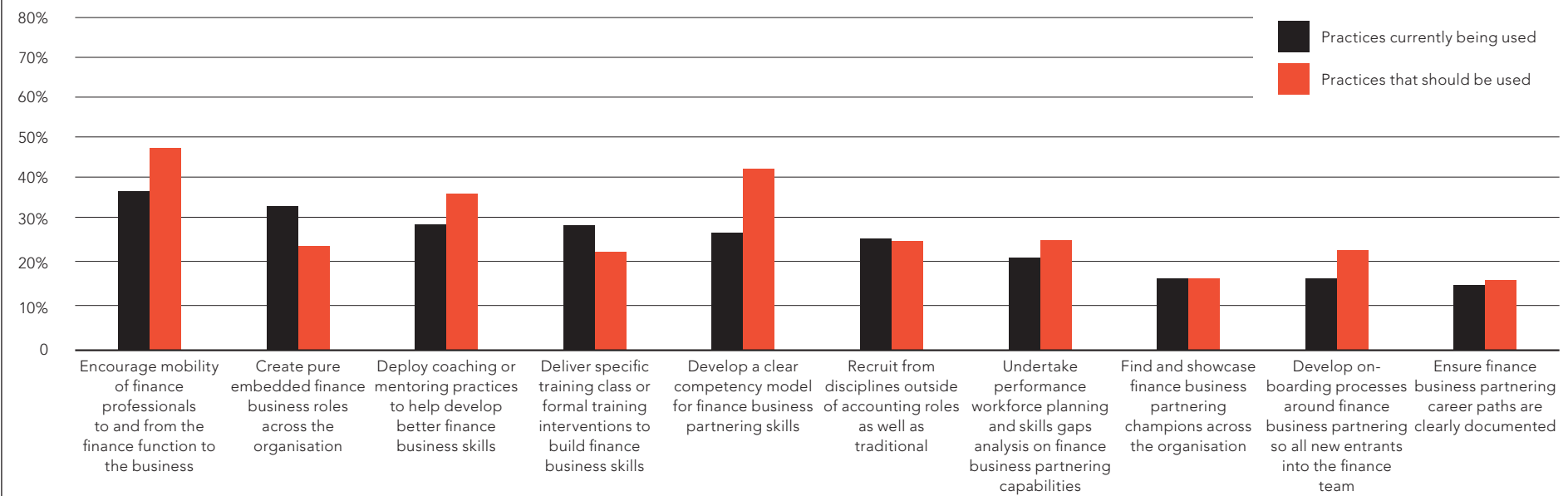
8. Plan for the capabilities that matter

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 Hong Kong

FINANCE MUST CAREFULLY BALANCE ITS GOVERNANCE AND BUSINESS PARTNERING RESPONSIBILITIES

The imperative for the finance function is clear. It must look to balance out effectively its governance and insight responsibilities. Appropriate stewardship of the enterprise provides the finance function with a sound platform and basis for more effective financial business partnering and insight activities. If finance loses its controllership mandate, then its reputation is severely impacted. These two important roles of the finance enterprise are also not mutually exclusive, and they may vary depending on the nature of the specific business, or the time in the economic cycle and the priorities of the enterprise.

‘I think there is a risk of trying to do too much finance business partnering. There is a good example in one of our countries outside of Asia where stewardship and governance has fallen apart, and there has been a concern expressed that the finance team became too entrepreneurial and focused solely on business partnering’.

‘Striking the credibility that comes from finance, but with the commercial know how, if you like, it’s about that balance’.

BUSINESS PARTNERING REQUIRES A DIFFERENT MIND-SET AND CULTURE

Essential to business partnering success is the creation of the right ‘culture’ in finance, with a finance team that display the right ‘mind-set’ to deliver. The confidence to challenge the business, the passion to help drive business performance, the ability to communicate a message which the business may not like, and the development of an entrepreneurial spirit were consistently cited, as was the role of finance in helping foster an appropriate ethical climate in which these activities could flourish. But it was also firmly felt that the trust from the business to finance had to be ‘earned’ and that the finance function had to build and earn its credibility. It needed proof points to point to.

‘In terms of ethics and the role of finance business partnering, the business heads very much rely on the CFO in the organisation to drive that’.

‘I think we should also be able to provide challenge in terms of how things are done – behaviour. It’s not just about profitability. If you’re looking at a product or transaction if it doesn’t feel right you should be pushing back as a finance person’.

BUSINESS PARTNERING REQUIRES NEW SKILLS AND CAPABILITIES

In addition to establishing the right culture and mind set, effective business partnering requires different capabilities, particularly a deeper understanding of the enterprise and its industry, the environment in which it operates, commercial acumen and understanding. Historically some finance functions have been challenged in providing these sorts of skills, and increasingly there is interest in recruiting from wider parts of the business to fill some of the business partnering roles in finance. The finance department needs to be put in place the appropriate learning interventions such as coaching and mentoring, and experiential opportunities for employees to develop these capabilities, while also recognising that not all employees will be suitable for these responsibilities. Speaking the same 'language' of the business was a key skills often cited, and these skills take time to develop.

'It takes many years of experience to bring them up to speed in finance business partnering. That's why you have the people that are a bit more senior, that have been around a bit more, and why we have quite a lot of mobility between the functions'.

THE TONE AT THE TOP IS IMPORTANT IN HELPING FINANCE BUSINESS PARTNERING TO FLOURISH

Taking personal responsibility for demonstrating the right leadership qualities that support finance business partnering activities to flourish is important at CFO level. The CFO must be expected to be a role model business partner for the rest of the finance function and they should learn to visibly demonstrate good examples of partnering activity with the enterprise. However, they need to also recognise that for business partnering to be successful and have longevity, it becomes a wider team responsibility which individuals themselves must take accountability for.

'Sometimes it takes a top-down approach, and the CEO to promote the importance of the finance profession, because if the head of the organisation does not treasure finance's contribution to the business, it will be very difficult for other peer groups to trust that the finance team can play this value-added role'.

THE PROLIFERATION OF DATA PROVIDES A GREAT OPPORTUNITY FOR THE FINANCE FUNCTION, PARTICULARLY IN PROVIDING FORWARD-LOOKING INFORMATION, BUT CHALLENGES CONTINUE TO PREVAIL

The wealth of enterprise data that the finance function has access to today provides enormous opportunity for the finance function, but it remains a significant challenge too. The balance between time spent reporting retrospectively (often for regulatory reasons) rather than producing forward looking commercial information which can help the business plan needs redressing. The group felt that understanding the future environment was an essential part of successful business-partnering activities.

‘You need to address the fundamental enablers of the whole finance function process that is the data, applications and technology. We have to make sure that the accountants can do the basic things before we can talk about finance business partnering’.

THERE IS MORE OPPORTUNITY WITH FINANCE TECHNOLOGY

Finance leaders cited some issues with the quality of technology in the finance department. The inflexibility of global ERP implementations to meet local business reporting needs was cited as one particular issue. Other issues raised included the speed at which the enterprises continued to evolve, rendering certain reporting functionalities less useful, and limited usefulness in producing forward looking rather than retrospective information.

‘Without a good finance system, it’s very difficult to produce meaningful information, because we have lots of data’.

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