Changing the focus
Finance Business Partnering

Finance Transformed

Contents

Finance Business Partnering Survey
In August 2012, we conducted an online survey. The statistics found in this document are based on 134 responses from 26 Chief Financial Officers, 54 Finance Directors, 43 Finance Controllers and 11 C-Suite Executives from 11 industries.

Out of the shadows of the back office

Expectations of Finance are changing. Not only has the recent shift in external pressures resulted in the need for leaner and more responsive back office functions, but there is now a greater demand from the business for Finance to drive performance. This demand requires CFOs to turn their attention towards Finance Business Partnering. This opportunity to redefine and invest in Finance Business Partnering has been further enhanced by:

- the explosion in the quantity and variety of data available
- commercial demands of new business models
- opportunities presented by digital transformation

Many organisations have already started to invest in and develop Finance Business Partnering capabilities, but CFOs must embrace the challenge of translating this capability into tangible benefits for the organisation. Making the transition from back to front office is not always an easy endeavour and in most cases it is recognised that there is still room for improvement.

The key priorities for CFOs when looking to develop Finance Business Partnering are as follows:

1. The utilisation of credible and accessible internal and external data is essential to enable Finance Business Partners to make more effective and informed decisions. 57% of our survey respondents said a lack of information was a major barrier in effective Partnering.

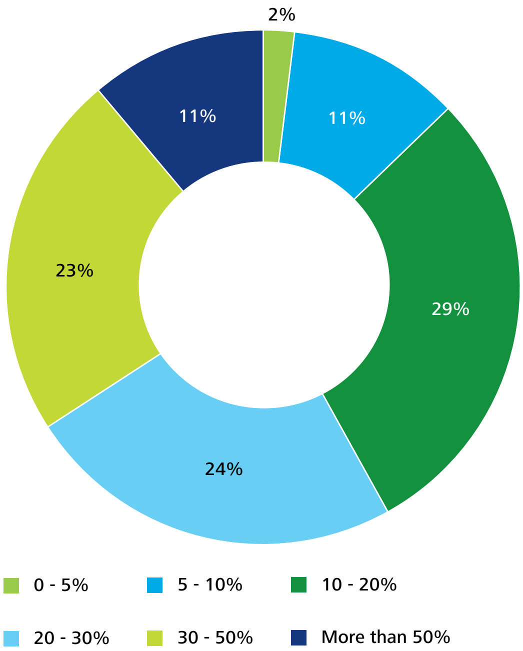
2. Finance Business Partnering requires a new set of skills and behaviours. Developing and retaining a talent pool will be critical to effective Partnering. 52% of our survey respondents felt they lacked the necessary capabilities within their Finance Function.

3. CFOs need to clearly define where and how Finance Business Partnering can add value to the organisation and allocate resources accordingly. 40% of our survey respondents were not clear on how Finance could best add value through Finance Business Partnering.

Significant time can be invested in delivering Finance Business Partnering, but more time spent does not necessarily equate to more value returned.

Finance Business Partners are a costly and valuable Finance resource that often spend a significant amount of time on data manipulation, reconciliations and reports that are of no direct value to the business. Typically this is caused by poor systems and processes, but is also due to a lack of understanding about what activities will drive value in the business and the business's uncertainty of Finance becoming a front office function.

Time spent on Finance Business Partnering today, as % of total finance capacity



34%

of Finance organisations already **invest more than 30% of their time** delivering Finance Business Partnering.

83%

of organisations want to **increase the time spent on Finance Business Partnering** over the next three years.

Striking the right balance in finance

51%

of finance organisations are involved in setting strategy, but only 17% are perceived as leading it.

CFOs must assess the opportunity to deliver more value to the business against the four key roles their Finance organisation has to play: steward; operator; strategist; and catalyst. Each role is important, however, leading businesses aspire to reduce the amount of time spent on operator and steward activities to enable finance to expend more effort on being effective catalysts and strategists.

Catalyst

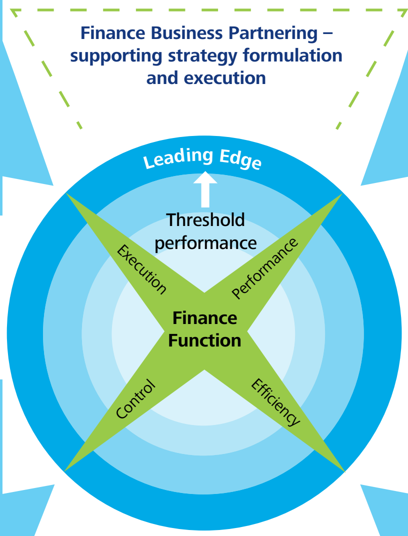
Characteristics:
- Stimulate behaviours across the organisation to achieve strategic financial objectives.

Finance Business Partner Role:
- Gain business alignment to successfully identify and understand the business strategy.
- Act as a catalyst in driving forward initiatives critical to delivering the strategy.

Strategist

Characteristics:
- Provide financial leadership in determining strategic business direction and align financial strategies to this.

Finance Business Partner Role:
- Understand the business strategy and provide highly relevant insight into business performance.
- Act as a key stakeholder in the decision making process through the provision of risk-adjusted financial information and analysis.



Steward

Characteristics:
- Protect and preserve the assets of the organisation.

Finance Business Partner Role:
- Support the Finance Function in protecting the assets of the company and in ensuring compliance with financial regulations.

Operator

Characteristics:
- Balance capabilities, costs and service levels to fulfil the Finance organisation's responsibilities.

Finance Business Partner Role:
- Support effective financial planning and analysis.
- Provide business expertise into accounting processes (e.g. valuation of accruals).

Benefits of Finance Business Partnering

The Strategist and Catalyst roles deliver the most value to the business, enabling better decision making and supporting the delivery of strategy and performance. CFOs must prioritise their efforts to unlock the benefits that Finance Business Partnering can deliver.

The Deloitte Finance Business Partnering survey confirmed that the main benefits identified are those that support Finance's Strategist and Catalyst roles: Making better decisions (76%), enabling strategic initiatives (58%) and improving financial performance (56%).

To achieve tangible benefits requires a focussing of partnering effort on areas of the business where the effort can deliver the greatest value in return. Understanding where in the business a Finance Strategist or Catalyst role is most useful is essential to picking the right focus, but this is often where Finance falls down. To identify how to deploy effort successfully requires a strategic approach, supported by sound knowledge of the business drivers and of the untapped business opportunities across the organisation.

Finance finds multiple barriers to becoming a successful business partner

Businesses demand more from Finance and Finance has more to offer, so why do finance functions find it so hard to move out of the shadows of the back office?

A refocus in effort towards driving value, and providing the right environment to successfully deliver this value are demanding tasks. There are a wide range of factors that prevent Finance organisations from executing Business Partnering successfully.

Take a strategic approach to adding value

Taking a strategic approach to ensure Finance Business Partners are focused on key areas of activity will gain trust and buy-in from the business. A consistent approach to defining and delivering Finance Business Partner activities ensures valuable resources are aligned to common goals. Involving the business in the definition of these activities and goals can result in shared expectations of the value that Financial Business Partners can provide.

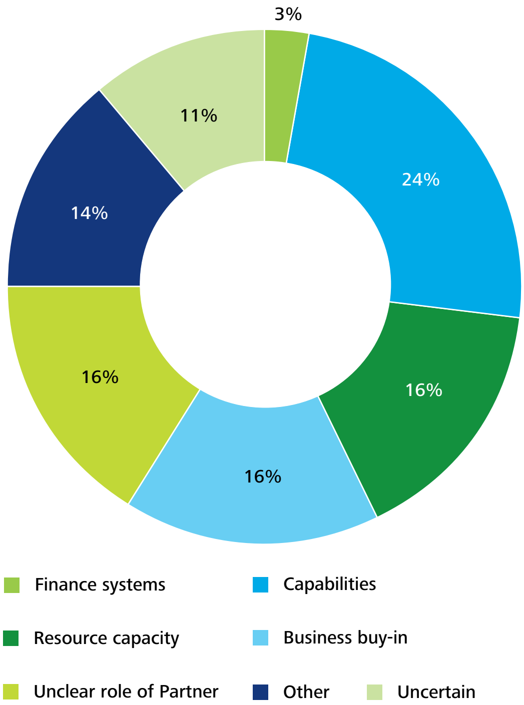
Optimise data & analytics

In addition to understanding value drivers and KPIs, internal and external data needs to be credible, readily available and easy to analyse, to fully equip Finance Business Partners to perform their role.

A personality not a job description

A simple one size fits all approach to Finance Business Partnering does not work and sourcing more technical accounting skills is not the answer. To define the skills, knowledge and behaviours necessary for effective Finance Business Partnering requires a prescriptive approach. To develop these competencies requires a clear strategy.

The number one barrier to successful Business Partnering



57% of respondents believe that their Finance systems are a barrier to Business Partnering.

52% of organisations believe that they do not have the right capabilities in Finance to successfully deliver Business Partnering.

40% of organisations believe lack of buy-in from the business is a barrier to Finance Business Partnering.

Get coordinated: know where and how to create value

27%

of respondents stated they were unclear of the value that partnering provided.

Most organisations employ multiple strategies, with no clear common theme. Consumer Business and Energy and Resources organisations, however, focus on data quality, identifying KPIs and addressing training needs as a set of strategies.

Strategies employed to improve the environment for business partnering

Organisations rarely apply a consistent approach across the business when implementing Finance Business Partnering. This means that priority areas and activities cannot be confidently identified and the financial return on any partnering investment is potentially undermined.

By trying to tackle all opportunities at once, Finance will also find it harder to convince the business of the benefits they can bring. Focussing attention first on the delivery of partnering activity to a few high value opportunities can both test and prove the worth of such an exercise.

A coherent partnering strategy allows the prioritisation of investment, be that capital or employee effort. If the strategy delivers real value for the business then this can act as a springboard for Finance to take on further partnering activities.

A practical approach

Deloitte has developed a proven methodology to support our clients in identifying value drivers, defining the Finance Business Partnering role and recognising the operational enablers required to deliver it.

Case study – Leading global education and publishing company

Situation
Digital transformation was presenting new challenges and opportunities for this leading global education and publishing company. Industry dynamics were changing, creating greater complexity across the organisation's various business models. As a result, the business was looking to their Finance Business Partners for answers to very different, often more complicated questions.

Finance Business Partners were well respected across the organisation. However, because many of them were still carrying out a mix of transactional and partnering activities they were not always able to respond to new requirements. The organisation was two years into their Finance Transformation journey and having moved transactional processes into shared services and outsource arrangements it was an opportune time to review their Finance Business Partnering capability.

Approach
Deloitte were engaged to work with Finance leadership in each line of business to; redefine the future activities to be delivered by Finance Business Partners; understand the current capability gaps; and develop a roadmap of initiatives required to address these gaps. We applied our Finance Business Partnering framework, which helps clients define the partnering activities expected, to deliver the most value to the business and the enablers required to deliver these.

Our approach consisted of four key phases:

1 – Key Stakeholder engagement: We initially met with the CFO of each business to understand their perception of the maturity and effectiveness of their Finance Business Partnering capability. This perspective was then played back to their team for validation and challenge in the subsequent workshops.

2 – Finance Business Partnering maturity self-assessment: In advance of the workshops we asked the CFO and their team to complete a short Business Partnering maturity questionnaire which provided a high level view of some of their key capability gaps. These were then explored further in the workshop.

3 – Workshop facilitation and good practice insight: We facilitated workshops with the CFO of each line of business and their leadership team. Each workshop followed the same framework to ensure consistency but carefully considered Business specific requirements, challenges and Finance Business Partnering maturity. Deloitte insight into good practices was also leveraged throughout.

4 – Workshop follow up and recommendations: Following each workshop we developed a report for each CFO which detailed output from the workshop and our short and longer term recommendations.

Challenges
A similar project was kicked off three years before and was not successful so there was natural scepticism across the CFO group. Each CFO was engaged with throughout the project to understand their expectations, agree objectives and obtain sign off on final deliverables.

Each business had unique requirements, challenges and varying levels of Finance Business Partnering maturity that needed to be considered. We addressed this by running separate workshops with each business, but by applying the Deloitte Finance Business Partnering framework we were able to achieve consistency in how current maturity was assessed across the Group.

Benefits to the Client
Each CFO and their senior team were provided a collaborative environment that enabled them to assess and challenge their Finance Business Partnering capability and a framework that comprehensively mapped partnering activities to key areas of value.

The Group CFO was able to view the organisation's Finance Business Partnering capability holistically and deduce the common challenges from those specific to each of the businesses. They could then prioritise initiatives that would be led from the centre and challenge each CFO on their own investment portfolios.

Ultimately the engagement allowed Finance to look at their Finance Business Partnering capability in a different way, one that focused on value and not process, and the roadmap provided them with a set of focused initiatives that if prioritised would enable them to deliver more effective Finance Business Partnering.

A personality not a job description: Seeing beyond the numbers

Commercial acumen was ranked the **number one** competency required by a Finance Business Partner.

All respondents operated some degree of dual reporting line for Finance Business Partners.

64%

of organisations' Finance Business Partners report into Finance, but have a dotted line to the business.

Higher Performance, through functional and personal excellence, leads to greater organisational value.

Successful Finance Business Partners are seen as leaders that can influence the decisions a business makes beyond the numbers. Traditionally Finance development programmes have focused on honing technical proficiency and not on commercial, leadership and influencing behaviours.

The combination of the top competencies identified suggests that Finance Business Partners should be business leaders and strategic advisors. This is a move towards a more commercial skill set than has traditionally existed in Finance.

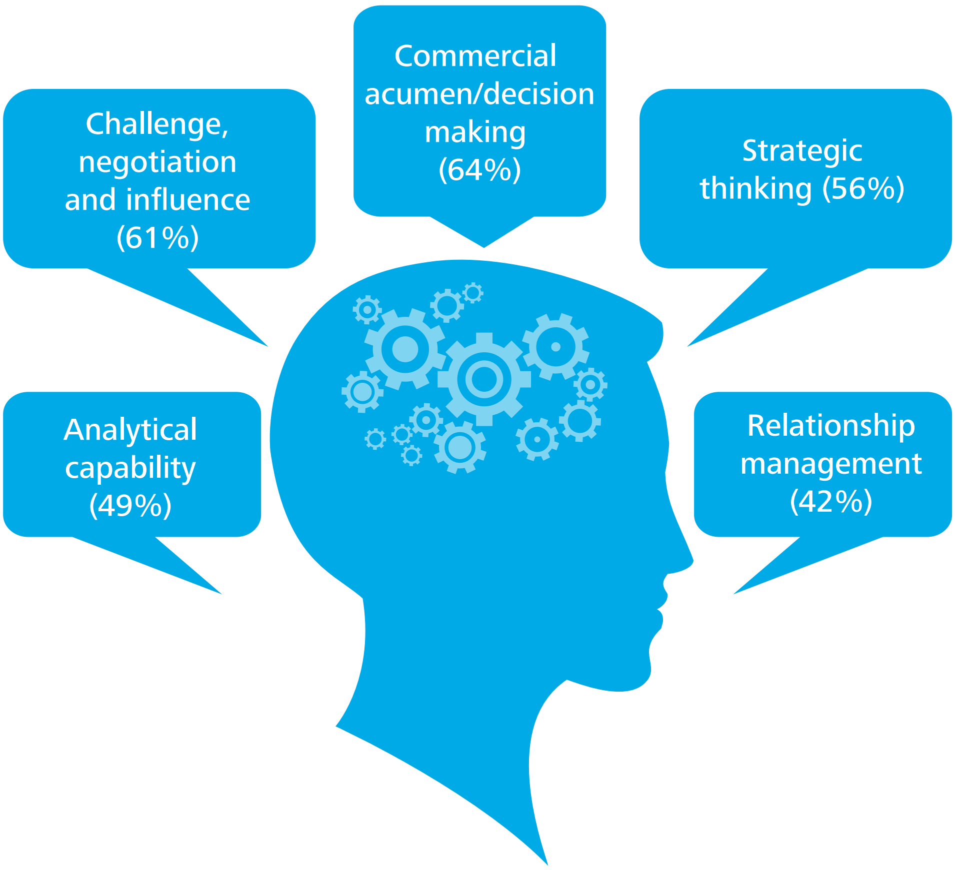
With this list of necessary competencies comes a challenge of how to recruit, train, develop and retain talent that meets the criteria. The key question an organisation must ask itself is … nature or nurture?

A practical approach

Managing employee performance when there are complex reporting lines and responsibilities to both the business and Finance requires a strong definition of these responsibilities and accountabilities and a set of clearly prescribed performance outcomes.

Our approach to help clients identify their individual partnering competencies and then develop Finance Business Partnering talent follows a structured path, and consideration is given to tangible outcomes that individuals can describe, recognise and deliver. These outcomes, which we call "value events" are again focussed on identified priority activities that help Finance's business counterparts create additional value.

The priority competencies required in a Finance Business Partner



Case study – Leading global pharmaceutical company

Situation
Finance Leadership recognised that, following a programme of activity to offshore much of Finance's transaction processing activity, there was an opportunity to assess the performance of their retained 'in-business' Finance organisation. Their conclusion was that the Finance staff closest to the business were not successfully partnering with their counterparts to drive the business outcomes desired.

To date, it had not been clearly established where and how Finance could best add value to the organisation. It was also evident that improvements were needed to enhance the partnering capabilities of the retained organisation. As a result, the Finance Leadership wished to establish a Business Partnering Capabilities Framework that would set expectations for the required actions of Finance Business Partners, and that could be used to source and develop talent in future.

Approach
The organisation needed a tangible structure to explain and measure Finance Business Partnering capabilities. This structure also had to form part of a global strategy for Finance Business Partnering. This strategy was centred around developing and focusing the partnering organisation's efforts to better support areas within the business where, through its involvement, Finance could help drive additional value.

Deloitte Delivered
A small Deloitte team worked with the client to establish:

1 – Priority Business Value Opportunities: Deloitte helped the Finance Leadership identify the key opportunities that the business wanted to pursue with Finance to generate more business value and increase shareholder return. The Leadership identified a small number of priority opportunities for Finance Business Partnering from a list of over $1bn of opportunities identified through Deloitte's work with the business and Finance. These priorities were used as a pilot for the new Finance Business Partner strategy. This focused approach on just a portion of the overall opportunity gave Finance an increased chance of success with its Capability Framework and helped achieve business buy-in.

2 – Key Finance Value Events: Using Deloitte Finance capability and talent development expertise we identified where Finance needed to get involved/lead/orchestrate to bring insight and to influence the business's value decisions.

Providing evidence of good partnering capability in real situations within the organisation was a key element of this work.

Individuals identified as Finance Business Partner role models were involved in workshops with Finance and the business to define key Finance "Value Events", the critical events in which Finance participated to drive value in the business. Specific actions, decisions and outputs from Finance were explored. Competencies that these role models needed to be successful were then identified.

3 – Capabilities key to Finance Value Events: The definition of the mindset, skills, knowledge and behaviours that the business wanted their Finance team to display were then developed. These definitions used the specific examples found within the business, as well as the team's expertise in competency development, to ensure the framework was relevant, and could be applied in practice.

4 – Dynamic Development Programme: To allow the Capability Framework to support the development of the Finance Business Partnering organisation on an ongoing basis, Deloitte assessed which of the existing learning & development channels would be most effective, such as on-the-job training, learning from others and training courses.

Challenges
Soft skills are intangible and difficult to pinpoint: Through the identification and involvement of role models and their business counterparts Deloitte ensured that the outcomes from this work were tangible for existing teams, prescribing activities and capabilities that were specific and relevant to those using the framework.

Lack of buy-in: Engagement of both Business and Finance was essential to ensure the Framework was adopted across the whole of Finance and was accepted by the business.
The personal engagement of Business Leadership to develop opportunities for Finance Business Partnering activity and the involvement of Finance's business counterparts were critical to securing this type of change.

Outcome & Benefits
Higher Performance, through functional and personal excellence, leads to greater organisational value
Defining and embedding the Finance Business Partnering capabilities framework was identified as a critical enabler to unlocking c$1bn of value in the business. The framework allowed Finance Business Partners and their managers to drive specific learning and development plans, whilst also providing a central structure for the development of capabilities across the Finance Business Partnering organisation. This standardised framework set expectations within the whole organisation, will be used in recruitment, selection and assessment, and over time will be fully embedded into all Finance People Processes.

Optimise data and analytics: broaden your focus

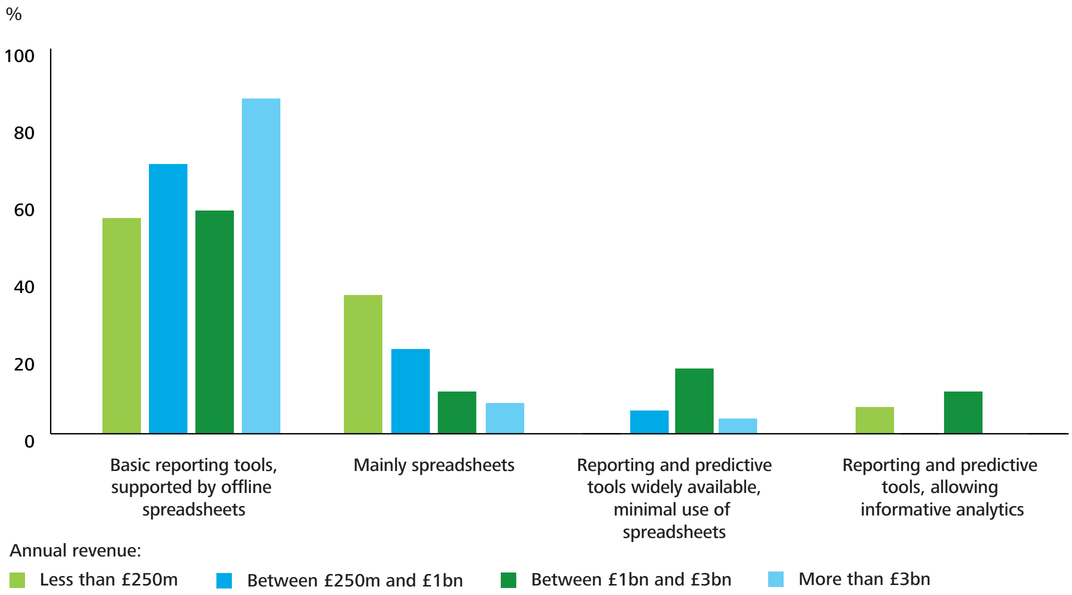
10%

of organisations have widespread use of reporting and predictive tools to aid Finance Business Partner activity.

23%

still rely on spreadsheets as the primary support tool.

How would you best describe your organisation's current level of systems support for Finance Business Partnering activities?



Many organisations have invested in new ERP platforms and optimised business processes. The question is – have organisations sold themselves short by not broadening their transformation investments to incorporate reporting and analytical tools required to enable Finance Business Partnering activities?

A practical approach

Finance Business Partnering requires a mix of internal and external data inputs, as well as the bringing together of financial and operational data, some of which is not necessarily within Finance's current reach. There is a tendency for Finance to focus on what is comfortable – historical backward looking data. The organisation, with support from Finance must further embrace looking to the future through the use of leading performance indicators.

Finance should be driving the organisation to consider future indicators and outcomes, and be sourcing the data and information that will support Finance Business Partners in this activity.

Case study – Leading consumer brand owner

Situation
A leading consumer brand organisation recognised the importance of Finance Business Partnering to their organisation and set out to increase the Partnering activities conducted by Finance. However, it quickly became apparent that these partnering activities were being hindered by poor quality decision making, an inflexible organisation and a costly Finance function. These factors were preventing the effective delivery of quality finance information to the wider business.

The Finance Leadership recognised that to achieve their ambition to increase Finance Business Partnering activity a major transformation was required, which would improve the availability, quality and types of information used by Finance. The transformation required a clear definition of the information needed by Finance Business Partners to support the business. Changes to the financial management system and the supporting reporting systems architecture would then also be necessary, in order to provide this wide-ranging financial information.

Approach
The finance leadership asked Deloitte to lead in the development of a clear strategy for defining and delivering this information requirement. Data quality and structures, technology, process, organisation and governance were all considered as a part of the programme of work.

Deloitte Delivered
Deloitte worked with Finance leadership to understand how the Finance Information Strategy was linked to other Finance and IT change programmes, and then to agree a set of focus areas that would allow Deloitte and Finance team members to develop the strategy. To develop the Finance Information Strategy, Deloitte led work across four areas:

1 – Definition of the Finance Information Requirements:
Deloitte set out to help the organisation define a common set of information requirements needed to partner effectively with the business, a complex task given the organisation operated with multiple brands in multiple markets. The activity centred on the recognised value drivers of the business that would be the focus for the improved business partnering capability. Information requirements and gaps were identified by c.40 key stakeholders and the results assimilated into a set of key reporting themes. These themes were recognisable within Finance as supporting their Business Partnering priorities (e.g. Customer and channel profitability, cash forecasting and reporting). Exploring the current and future requirements against these themes produced a set of initiatives which the Finance organisation could focus on to achieve both quick wins and longer term improvements in the quality, granularity and availability of information.

2 – Definition of a Conceptual Information Model:
A high-level Global Financial Data Model was designed in parallel, which articulated what information was required and at which level of granularity. The Deloitte team worked to understand the current information landscape and future strategic priorities within the business, making it possible to map both current and future value improvements against the key themes previously identified. This helped the organisation to confirm the type and granularity of information required to deliver the Finance Business Partnering reporting requirements.

3 – Definition of a Governance Model: A Global Governance Model was defined and implemented using the standardised Deloitte Governance Framework. This framework, covering processes and organisation associated with the new Information Model, would drive and coordinate the delivery of the Finance Information Strategy through the identification of accountabilities and ownership across the different data sets.

4 – Assessment of the Global System and Data Architecture:
The current system architecture was reviewed against the Conceptual Information Model to assess the optimal platform for the delivery of global financial management reporting that could provided the information identified.

Benefits to the organisation
The Finance Information Strategy provides a structure by which to develop the information required that allows the Finance organisation to perform its Finance Business Partnering activities effectively. The model sets out a common set of data and information requirements across business units and takes into account their future priorities. The strategy serves as a platform for a transformation programme that will deliver substantial tangible and intangible benefits, including:

- Increased data quality and a single version of the truth across the organisation for Finance information.
- Improved quality of decision making, with improved insight into business priority areas and value drivers.
- Standardisation and simplification of information processes and clearer accountability and ownership for data definitions and governance.
- Improved organisational flexibility, with an information model designed to adapt well to business changes.

Finance Business Partners are a costly and valuable resource, yet they often spend a significant amount of time on data manipulation, reconciliations and reports that are of no direct value to the business.

Typically this is caused by poor systems and processes, but is also due to a lack of understanding about what activities will drive value in the business.

Making your move

The expectation for Finance to add greater value to the business is growing and the opportunity for Finance to support business success has never been stronger. Within a complex economic context, in which the path to profitable growth is unlikely to be straightforward, Finance Business Partners are in a unique position to help steer the business. The quantity of data available, and the tools to turn that data into insight, are enabling an unprecedented level of analytical and commercial input into decision-making.

Within this context, CFOs and finance leaders must take action now to ensure that they and their teams are able to effectively step into the role of Strategic Finance Business Partner, and become a catalyst for change. While the journey to effective Finance Business Partnering is one of continuous improvement and learning, there are some practical actions which can set the right course for this journey:

1. **Be very clear on where Finance can add value to the business**
   Set an agenda for Finance Business Partnering to enable the business strategy, address obvious high-value areas, and ensure that all value opportunities are reviewed over time (as some of the quickest wins can come from areas that have not previously received any focus). By understanding where partnering effort will add the most value to the business, activities can be prioritised and Finance can work with the business right from the start, gaining agreement of the partnering role and ensuring immediate buy-in to the approach.

2. **Remove the barriers to adding value, and demonstrate the results – step-by-step, area-by-area**
   The most critical enabler of effective Finance Business Partnering is leadership and good leaders make progress despite the challenges they face. Addressing each value area in turn – and doing whatever is necessary to obtain the insight and influence to deliver the value – creates a "virtuous circle" of belief in Finance's Business Partnering ability, both within the function and also within the wider business. Celebrating successes, and highlighting role model behaviours will help set the tone for the way Finance wants to act as a Strategist and Catalyst.

3. **Sustain the improvement – by addressing the fundamental enablers of financial capability**
   While immediate progress can (and should) be made irrespective of the challenges, in order to sustain that progress it is important to address the four fundamental enablers of financial capability. Insight tools, data quality, skills development and career progression opportunities are all necessary to maintain the motivation of good Finance Business Partners. Setting a clear and achievable roadmap to address the gaps in these enablers over time (with an initial focus on the higher-priority gaps) will sustain the capability development.

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