



Driving the Future of Finance

Leveraging digital opportunities to support strategic finance business partners focus on decision-making

Foreword

Over summer/autumn 2018, 37 finance executives across industries participated in the second edition of Deloitte's Future of Finance survey to provide their insights on the topic of finance business partnering. This survey aims to understand to what extent the two great enablers of business partnering, digitisation and competency development, are progressing.

In Deloitte's first edition of the Future of Finance survey, published in August 2017, more than half of the finance executives state their finance function has already transitioned to a more strategic role. While most organisations are well aware of the necessity for such a shift, results in Deloitte's second edition of the Future of Finance survey indicate that to date only a small fraction have succeeded in implementing Business Partnering effectively. This survey seeks to explain where some of the obstacles lie.

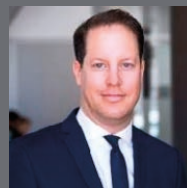
We hope that you will find this report useful when considering how to develop your own finance organisation further and we would like to thank those who contributed their valuable time and insights.

We are looking forward to continuing the dialogue with you.



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Contents

Driving the Future of Finance 2019 - Strategic finance business partnering

Executive summary	5
General perspective on business partnering	6
Scope of business partnering activities	10
Digitisation impact on business partnering	15
Business partnering competency development	19
Transformation case study	23
Survey demographics	24
Contacts	25



Tania Micki

Division Pumps CFO at Sulzer Ltd.

“We transformed the role of our Business Controllers from generalists to Business Partners focused on helping the business to improve its understanding of performance measurement and financial decision-making. This required a major transfer of operational accounting activities away from the local organisation to a shared service organisation as well creating a competency development academy to provide the controlling organisation with the appropriate skills for their new roles.”

Executive summary

With the increasing expectation that finance should provide insight and decision support in order to drive performance and growth, organisations are facing a challenge to create an environment that supports the focus on Business Partnering activities. While 78% of the executives that participated in our survey have already started adjusting their operating model to meet the need to enhance high value activities and 65% have also started introducing new digital technologies, the survey results indicate that for many organisations (**79%**) their Business Partners are still having to perform repetitive, time-consuming tasks, a situation that could be improved by accelerating the introduction of new technology. This would make it easier for Business Partners to provide strategic and commercial support.

Our Future of Finance survey provides insights on the following topics:



General perspectives on Business Partnering



Scope of Business Partnering activities



Digitisation impact on Business Partnering



Business Partnering competency development

General perspectives on Business Partnering

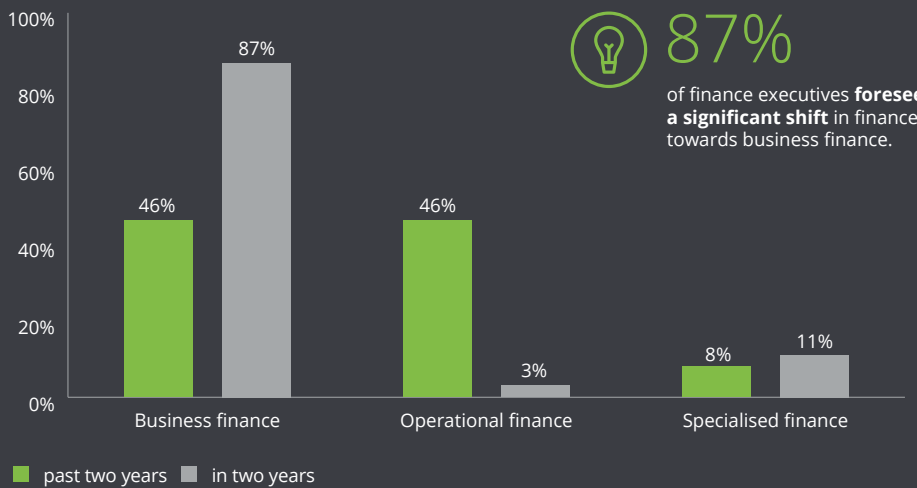
Increasing demand for finance to act as a strategic co-pilot for the business

- The survey results found that:
 - 87% of finance executives foresee a significant shift in finance towards business finance
 - 95% believe that this trend will increase in the next two years
 - 78% of companies state that Business Partnering is embedded in their finance operating model
 - Organisations have anticipated this growing need for finance to act as a source of insight for decision-making



Organisations are in the process of re-focussing finance on business insights

The strategic focus of the finance function is shifting from operational to business finance



Focus on business finance

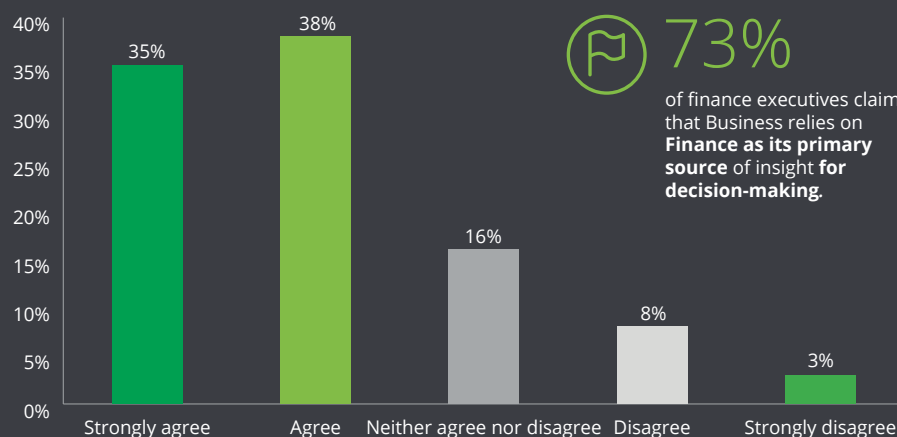
While half of the surveyed firms currently focus their finance functions on operational and transactional activities, the majority of finance executives expect a significant increase in demand for them to act as strategic partner to the business, providing insight and decision support.

■ past two years ■ in two years

Figure 1. Strategic focus of finance organisation

Business finance focuses on performance management, insight and decision-driving, operational finance covers transactional activities and specialised finance includes accounting, treasury, tax, investor relations and M&A finance

Finance perceived as key driver for business decision-making



Finance sets foundation for decision-making

Results show that finance has established itself in the role of business decision-making. However, with one quarter of respondents not seeing finance as the primary source of insight, finance needs to continue its journey.

Figure 2. Finance as a primary source of insight for decision-making

Demand for Business Partnering has increased significantly since 2016

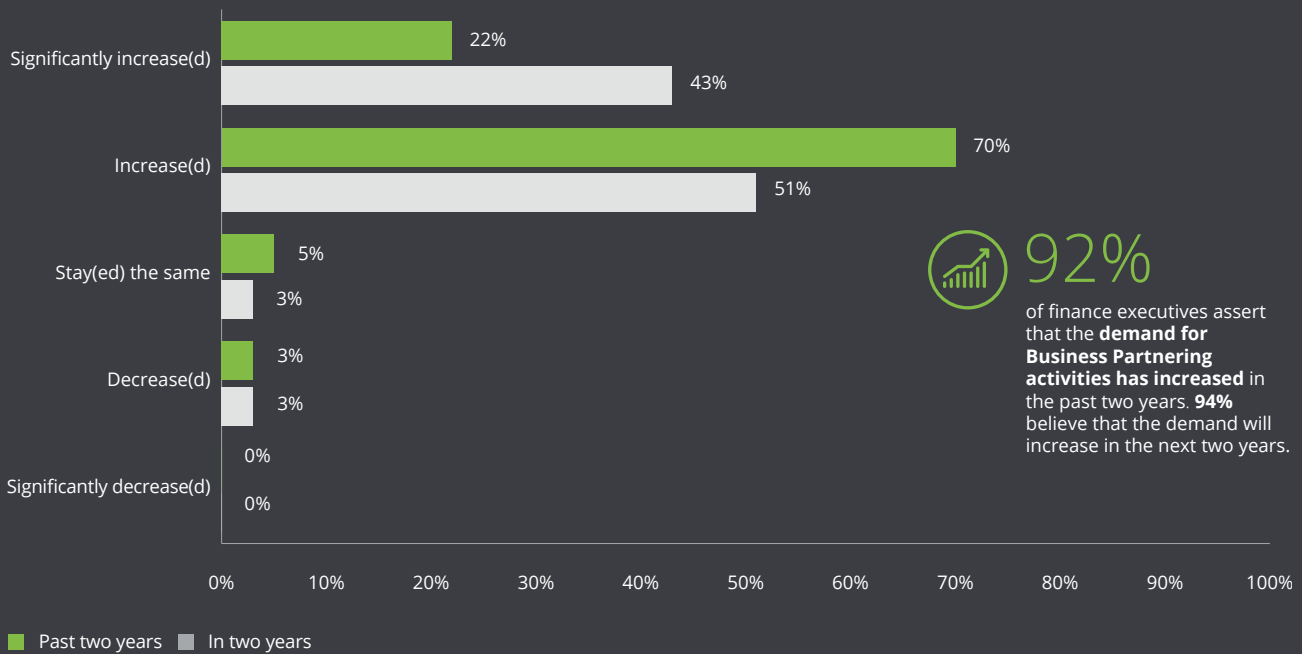


Figure 3. Evolution of the demand for finance Business Partnering in the past two years

Companies believe that growth in the demand for Business Partnering will continue in the next two years

Business requests insights from finance

The majority of executives in our survey have anticipated the need for finance to perform more Business Partnering activities that add value to the business.

Further increase in demand

Nearly half of the executives foresee the demand for strategic decision support to increase significantly.

Organisations incorporate Business Partnering into their finance operating models



Figure 4. Business Partnering as strategic component of finance operating model

Finance operating model has anticipated the shift

With the emerging role of finance as a strategic advisor to the business, three-quarters of the companies in the survey have already adjusted their operating model accordingly.

Finance not yet entirely ready to fulfil its role as a predictive insight provider

Forecasting and demand planning, budgeting and planning, pricing optimisation, and product profitability are high priority activities

82%
of survey respondents assign a **high priority to forecasting and demand planning.**

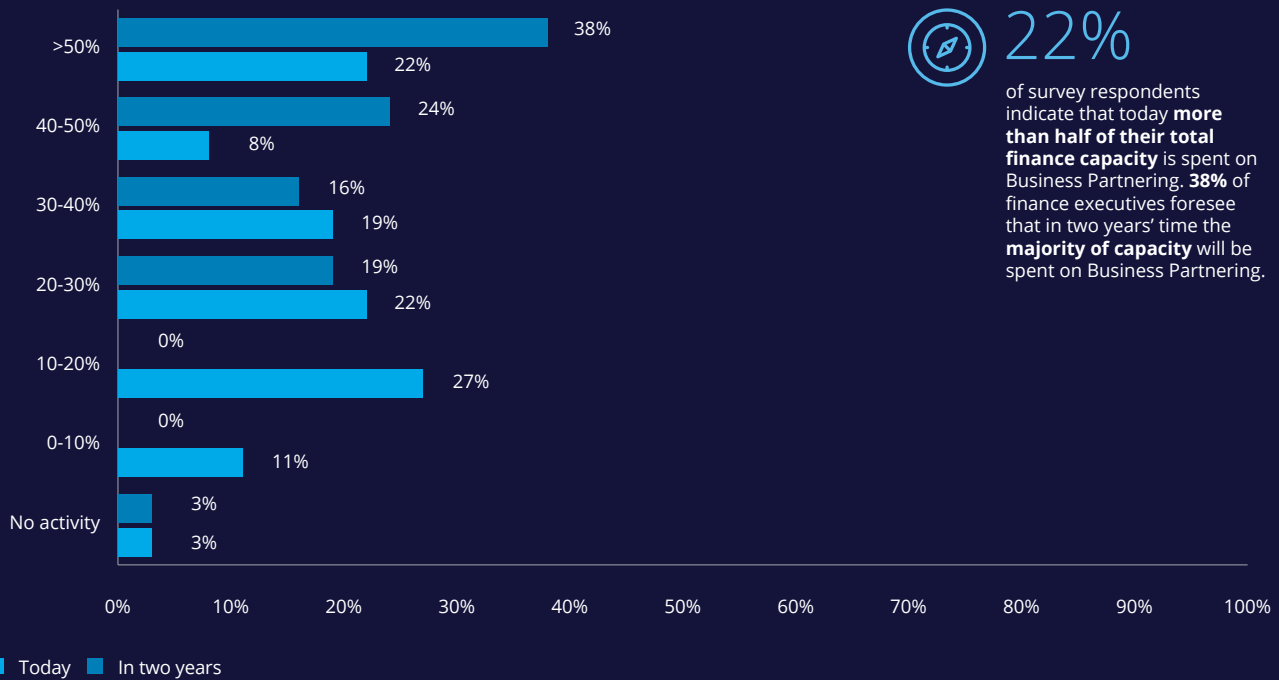
Focus on cyclical, calendar-based activities

Finance executives that were surveyed assign highest priority to cyclical activities, such as forecasting and demand planning and budgeting, as well as pricing optimisation and product profitability.



Figure 5. Priority assigned to Business Partnering activities, ranking from 1 (lowest priority) to 5 (highest priority)

Finance employees are still tied up with operational finance activities with limited focus on decision support and Business Partnering



22% of survey respondents indicate that today **more than half of their total finance capacity** is spent on Business Partnering. **38%** of finance executives foresee that in two years' time the **majority of capacity** will be spent on Business Partnering.

Figure 6. Time spent on finance Business Partnering as a proportion of total finance capacity

In the future, focus on Business Partnering activities are expected to increase

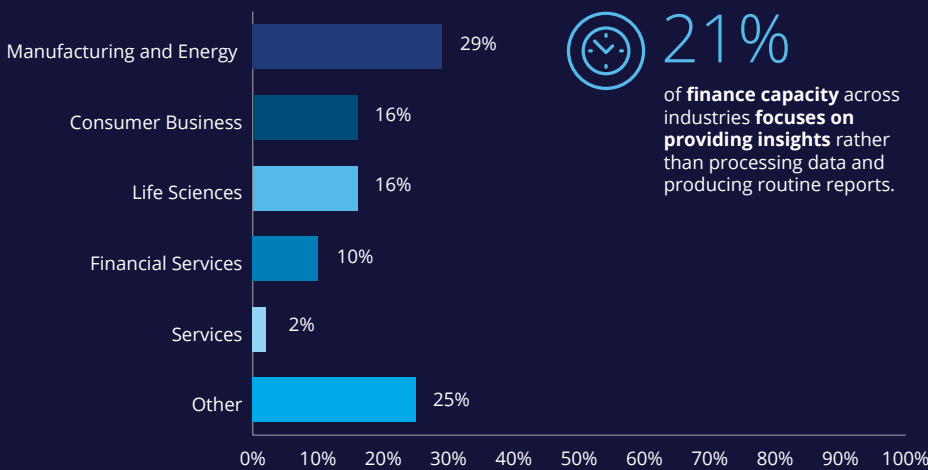
Current focus still on operational finance

With only one fifth of finance executives indicating that most of their time is spent on Business Partnering, our analysis shows a gap between demand and the current actual focus on insight activities.

Predictive analytics to steer performance

Nearly all respondents predict that the focus of finance on Business Partnering will increase above 20 per cent. One third believe that the majority of time will be allocated to decision support activities.

Little finance capacity is currently spent on Business Partnering

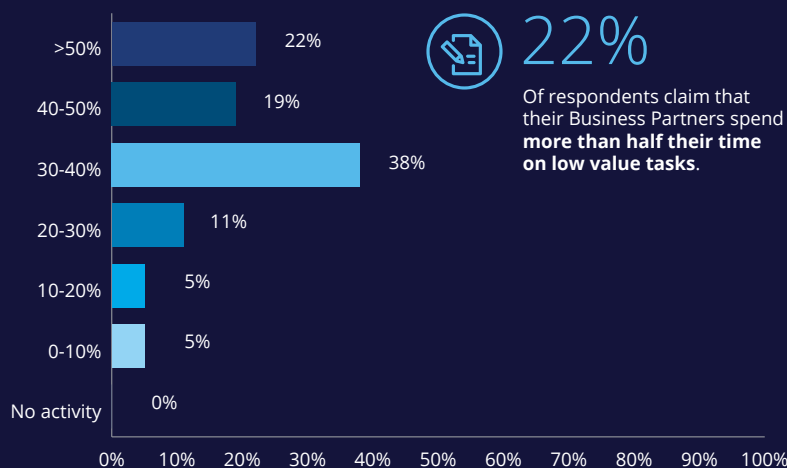


Variations across industries

Finance functions provide most decision-making support in the Manufacturing and Energy, Financial Services and Life Sciences industries.

Figure 7. Percentage of FTEs in relation to total finance FTEs that perform Business Partnering activities by industry

Business Partners still burdened with data gathering activities



Business Partners drawn into low value activities

Four-fifths of the executives in our survey indicate that their Business Partners spend at least 30 per cent of their time on activities that do not add value to the business.

Figure 8. Time spent by finance Business Partners on gathering data and using spreadsheets

Half of Business Partners manage annual revenue between USD 50 million and USD 500 million

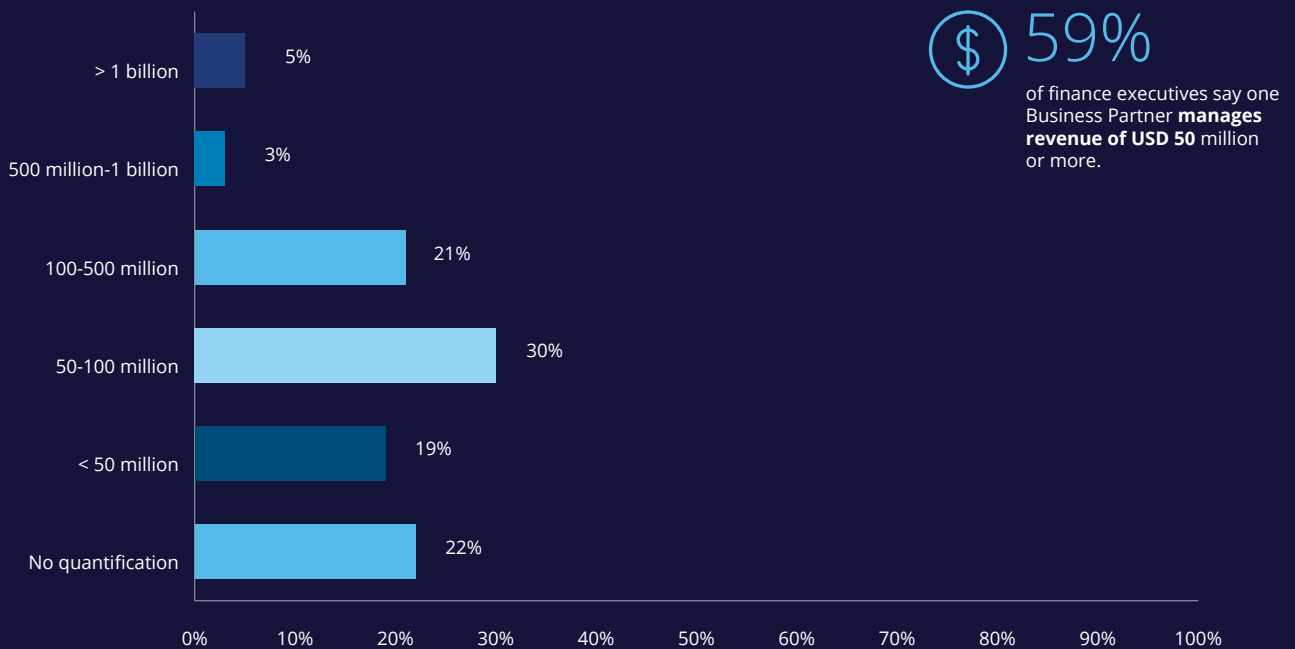


Figure 9. Amount of revenue approximately managed by a typical finance Business Partner

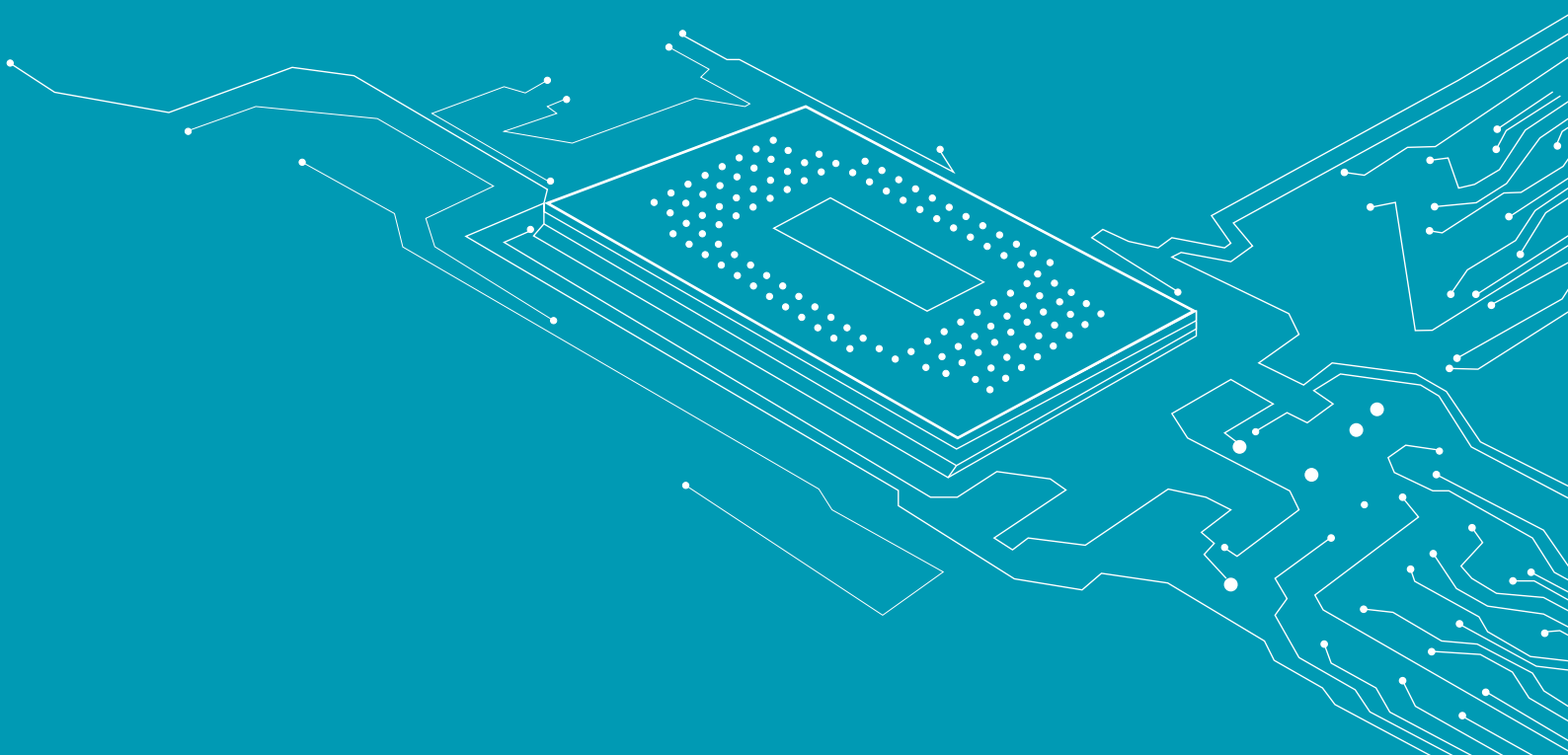
Most firms apply quantification criteria

Four-fifths of executives in the survey use quantification criteria to define their Business Partners.

Digitisation impact on business partnering

Importance of supportive technologies understood but the benefits still need to be realised

- The survey results show that:
 - 35% of companies do not yet provide their Business Partners with supportive digital technologies
 - 84% of finance executives say that offline spreadsheets are still the main tool used by their finance Business Partners
 - 73% of respondents indicate that their organisations have mediocre or low levels of standard reporting
 - Limited application of digital tools, resulting in the use of offline spreadsheets and low levels of reporting hinder Business Partners from fulfilling their role as strategic advisors to the business



Ad hoc reporting and offline spreadsheets are common practice in finance

As of today, Business Partners currently have only limited support from digital tools

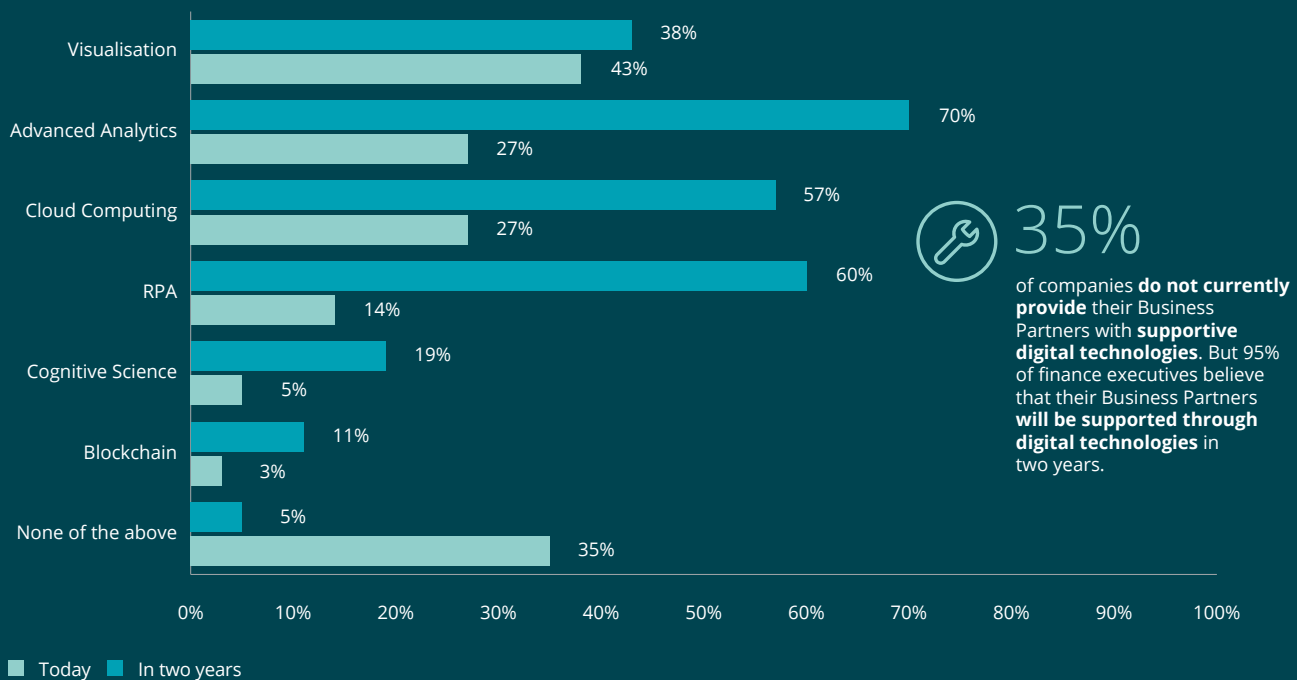


Figure 10. Technologies that support financial Business Partnering (multiple selection possible)

Provision of tools for steering business performance to increase

Limited application of digital tools to support insights

Visualisation, advanced analytics and cloud computing are among the most commonly-used digital tools. However, it is striking that slightly more than one-third of companies in the survey do not offer any supportive tools.

Support through digital tools to be increased

The trend towards using technologies to support Business Partnering, focusing on business decisions and generating insights, is expected to continue, with an increase in the planned implementation of robotics, advanced analytics and cloud computing.

Although an increased application of digital technologies can be observed, less than half the organisations in our survey consider these as effective enablers for Business Partnering

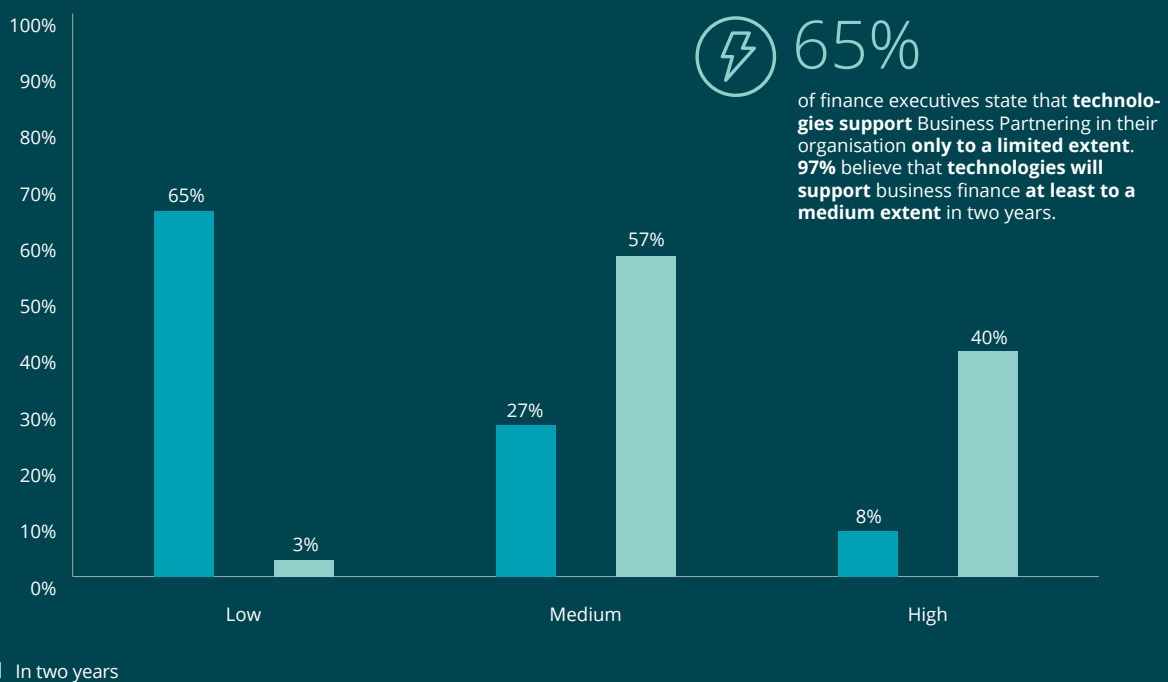


Figure 11. Level to which technologies enable and support financial Business Partnering

Over the course of the next two years, digital tools are expected to become vital enablers for Business Partnering activities

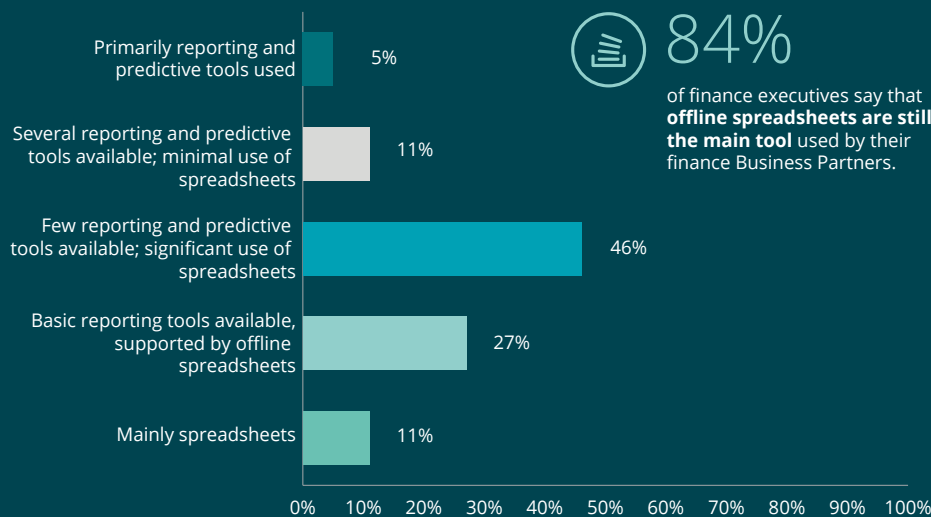
Use of tools does not yet result in added value

The finding that only one-third of respondents indicate a use of technology support shows that companies not only need to increase their use of tools to help Business Partners fulfil their role, but are also challenged to use these tools effectively.

Importance of tools will continue to increase

Nearly half the executives in our survey attribute high importance to technologies as enablers for Business Partnering, while the other half attributes medium-level importance.

Even though firms are increasingly using technologies to support their Business Partners, spreadsheets are still in common use

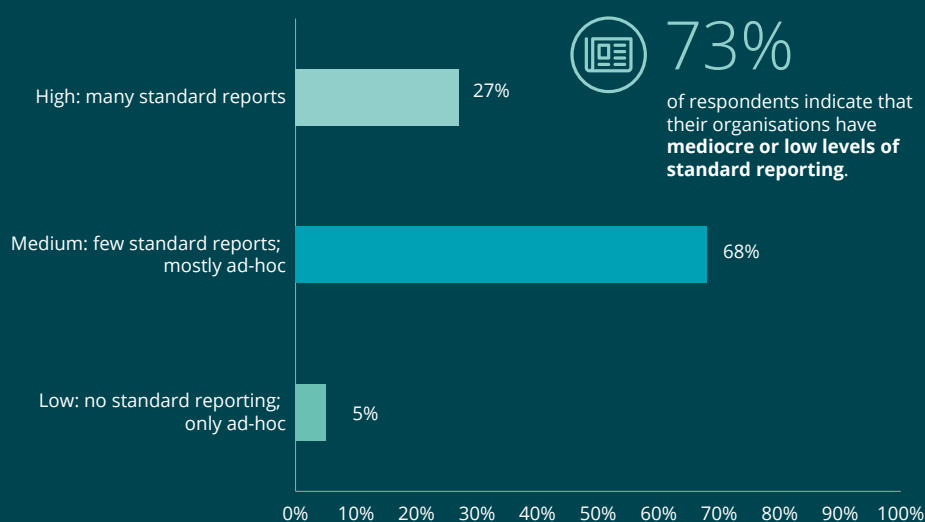


Systems do not yet fully support business finance

Only sixteen per cent of respondents report that the use of spreadsheets has been kept to a minimum, resulting in less manual re-working by finance Business Partners, who are expected to focus on strategic guidance to the business.

Figure 12. Level of system support for finance Business Partnering

Majority of Swiss-based companies still rely on ad-hoc reporting



Ad-hoc reporting still common

Despite the increased need and expectations for Business Partners to provide guidance for decision-making, one-third of executives claimed that standard reports are in place with little ad-hoc analysis provided.

Figure 13. Level of standardisation of reports for financial Business Partners

Business partnering competency development

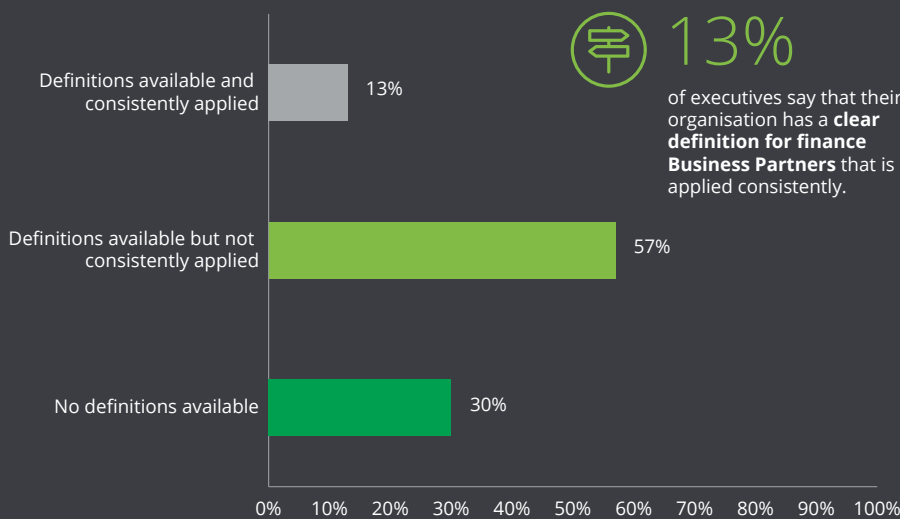
For Business Partners to fulfil their role in providing strategic decision support, they are increasingly required to possess commercial acumen and be effective communicators and influencers

- The survey results show that:
 - 13% of executives say that their organisations have clear definitions for finance Business Partners that are consistently applied
 - 92% of companies offer their Business Partners ways to develop required competencies
 - 73% of respondents see strategic thinking as a key capability for finance Business Partners
 - Despite solutions to develop Business Partners with the required skill set, a clear definition is important to enable Business Partners to understand their role



Finance as a predictive insight provider

The majority of firms provide their finance function with a definition of Business Partnering, but only a small number know to implement it



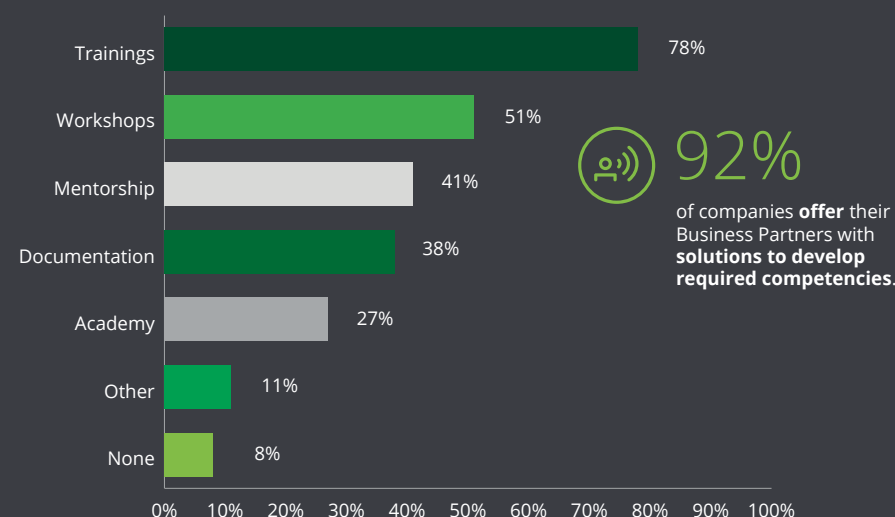
Definitions for Business Partnering not yet applied

Two-thirds of respondents state that their organisation has defined clearly the role of Business Partnering, yet only a fraction applies the definition across finance.

Alarming, one-third do not provide a role description at all.

Figure 14. Availability and application of definitions for decision support and finance Business Partnering

Companies provide their Business Partners with development support initiatives



Training as a core development tool

Four-fifths of the executives in our survey rely on training, together with workshops and mentoring, as a way to develop skills to enable Business Partners to fulfil their role as a strategic advisor to the business.

Figure 15. Solutions for development of financial Business Partnering

Technology limitations, inefficient processes and an inadequate talent pool are key challenges for developing a focus on Business Partnering

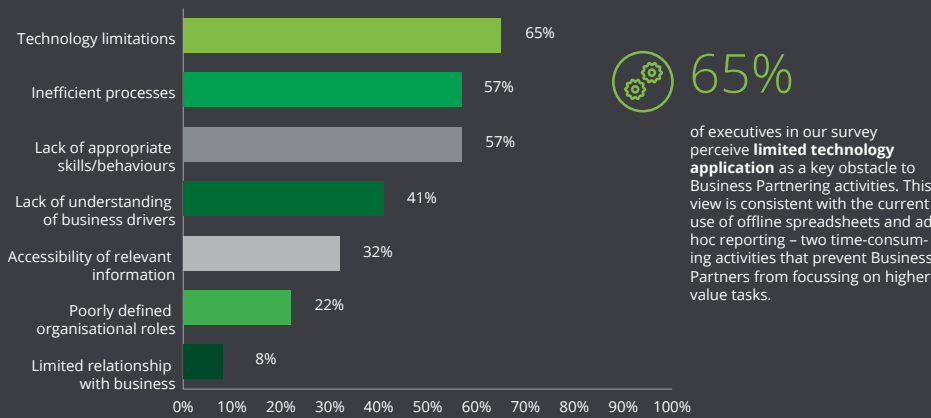


Figure 16. Challenges in delivery of finance Business Partnering activities (multiple selections possible)

Business Partners are expected to be strategic thinkers possessing commercial acumen and acting as effective communicators and influencers

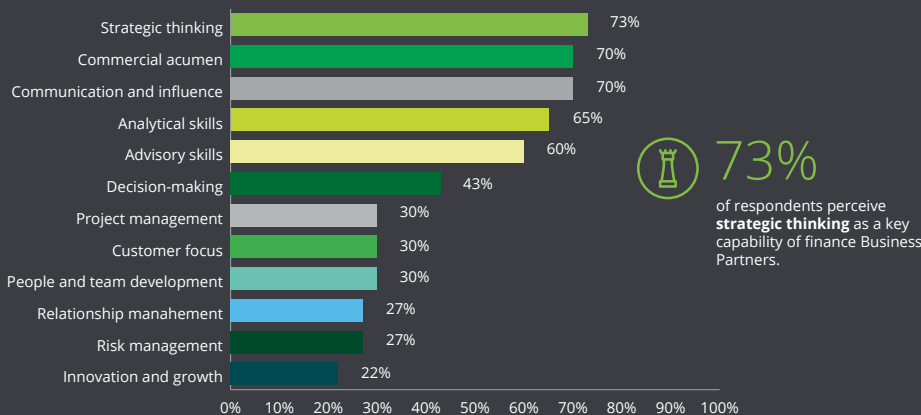


Figure 17. Required capabilities for further development of finance Business Partnering (multiple selections possible)

Analysis and steering , together with data quality and availability, provide the most effective environment for Business Partnering activities

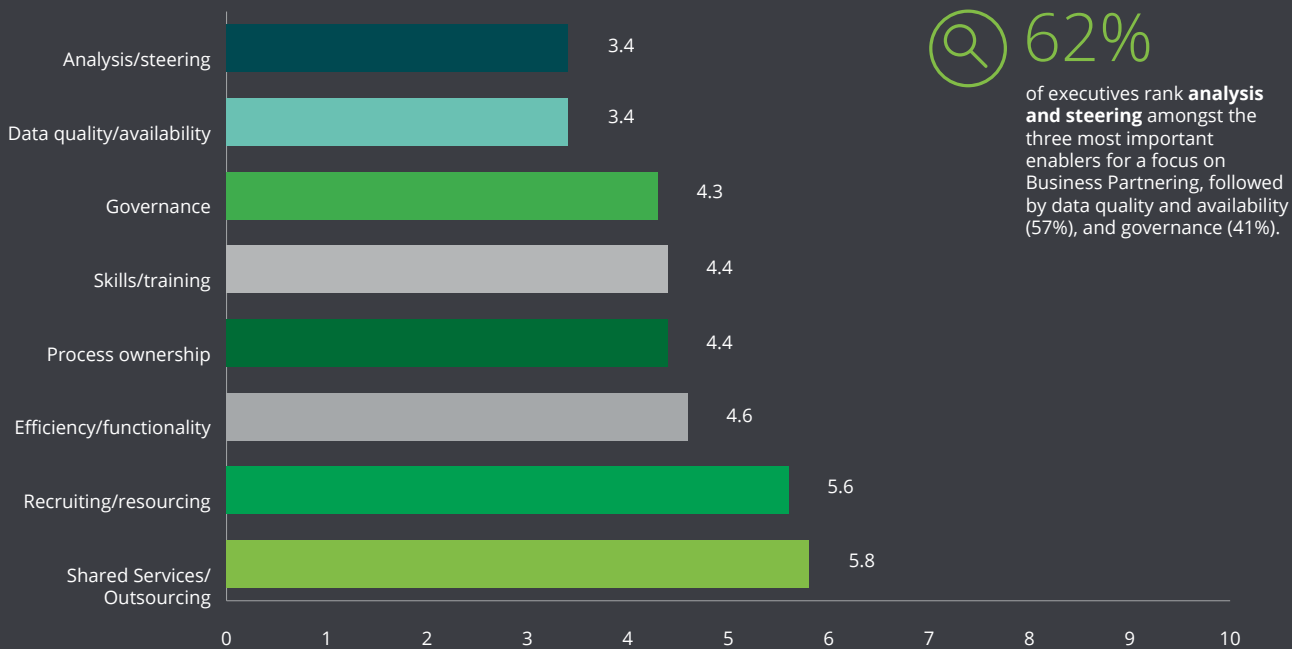


Figure 18. Most important enablers for finance Business Partnering, ranking from 1 (most important) to 8 (least important)

Case Study: Business Partner transformation and development

Operating model transformation to develop finance professionals, drive performance and increase focus on business insight, supported by an in-house Finance Academy

Swiss multinational manufacturing corporation – Finance transformation

With the increasing expectation that finance should provide insight and decision support in order to drive performance and growth, organisations are facing a challenge to create an environment that supports the focus on Business Partnering activities. While 78% of the executives that participated in our survey have already started adjusting their operating model to meet the need to enhance high value activities and 65% have also started introducing new digital technologies, the survey results indicate that for many organisations (79%) their Business Partners are still having to perform repetitive, time-consuming tasks, a situation that could be improved by accelerating the introduction of new technology. This would make it easier for Business Partners to provide strategic and commercial support.

Approach

A four-step approach to ensure successful transformation and development of the finance organisation from a scorekeeper to reliable Business Partners and trusted co-pilot to the business.



Develop Business Partner Competency Framework

Identification of value drivers and recognising operational enablers required to develop finance as a trusted advisor to the business



Develop Learning Strategy

Identifying role requirements and associated competency-based learning objectives from overall competency framework



Design Learning Curriculum

Assessment of required competencies at each role/ career level and building a training curriculum tailored to meet learning objectives and business strategy

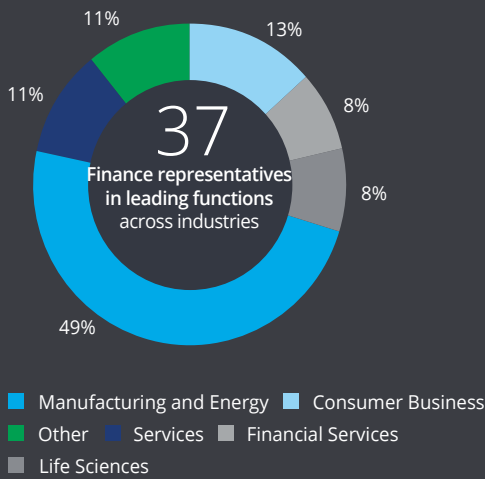


Deliver Learning

Workshop-based global roll-out with a dedicated faculty and interactive learning modules

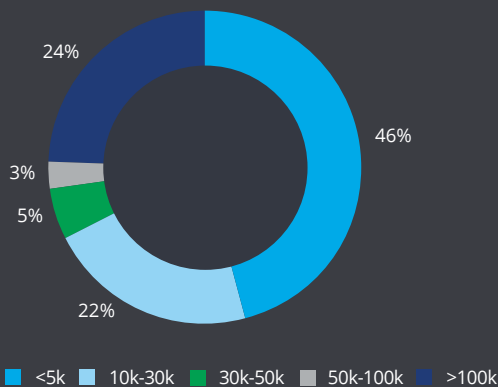
Survey demographics

Industry coverage



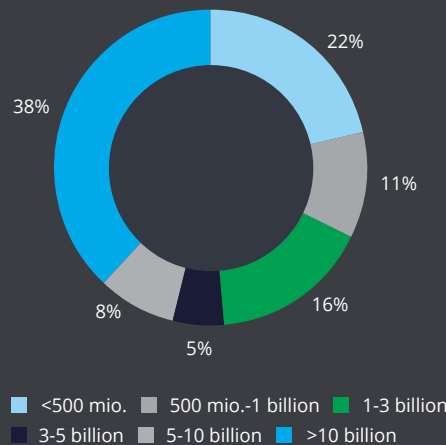
Workforce

(Employees)



Annual turnover

(USD)



Our survey partners are mainly from the Manufacturing and Energy industry.

54 per cent of respondents work for companies with more than 5,000 employees, and 32 per cent in companies with more than 30,000 employees.

38 per cent of those interviewed represent companies with an annual turnover in excess of USD 10 billion.

Contacts

If you would like to participate in our next survey and/or would like to discuss the results, please do not hesitate to contact us. For additional insights on the future of finance, please refer to our Crunch Time series. www.deloitte.com/ch/crunch-time



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