CFO Forum 2013
Retrospective
The CFO as a business partner
Introduction

The second annual Deloitte CFO Forum was held in the Four Seasons Hotel, Dublin on 30 May 2013. Chief Financial Officers (CFOs) and Finance Directors of Ireland’s largest businesses gathered to hear the views of four eminent speakers on the key role that finance can perform to support and challenge the business, and how CFOs and their teams can be strategic business partners.

Recent years have seen a shift in the focus of CFOs and their finance teams; the complexity of today’s operating environment means that there is a need for a leaner and more responsive finance function. Finance has an increasing role to play in contributing to strategic decision making, driving business performance and acting as a catalyst for change.

While business partnering can manifest itself differently across organisations, a common theme is the focus on improved business performance and in turn shareholder value.

This retrospective provides a look at the key themes and insights from the forum.

About the Deloitte CFO Programme

The CFO Forum is a key element of the Deloitte CFO Programme. This programme is our way of supporting CFOs through the many challenges and opportunities they will face in their role. Other elements of the programme include finance leadership development initiatives, CFO Transition Labs, our quarterly CFO survey, and research and perspectives on topics of interest to CFOs.
Contents

The CEO’s perspective
Ian Livingston, CEO, BT Group plc 4

Transforming finance
Donal Flynn, Group Finance Director, ESB 5

Finance analytics
Aoghán O’hAoláin, Executive Finance Director, Dell EMEA 6

The CFO as a strategic business partner
Brian Mehigan, CFO, Kerry Group plc 7

Enabling business partnering 9

Forum themes 10
1. Finance organisation and talent 11
2. Data and technology 12
3. Change leadership 13

The Deloitte Finance Business Partnering Research Study 14

Thought leadership 15
Ian Livingston became CEO of BT Group in 2008 having previously served on the Board as Group Finance Director and CEO of BT Retail. Under Ian’s leadership, free cash flow has tripled and BT has become one of the best performing European telco stocks over the past three years.

Ian structured his talk around his personal leadership maxims and their relevance for the CFO. “First and foremost, CFOs are business leaders, and secondly a functional leader.” The CFO should be a true business partner aligned to the CEO’s priorities while being the biggest source of constructive critique. Ian also believes that diversity of experience and commercial acumen make better leaders and CFOs.

Leaders also make good, but bold decisions in the face of uncertainty. He recommended being aware of the information that the competition is using and trying something different so as to “avoid following the herd”. He talked about honesty and why it’s important. “Talk frankly about what you’re doing and always have room for improvement,” he said, while acknowledging where it can go wrong.

Agility and pace featured high on his list of maxims. “The speed of information determines the speed of the organisation,” he noted. Effective and timely decision making is linked to the pace of information. “Act like a small business,” he advised. “Stay close to your customers, make quick but informed decisions and limit bureaucracy where possible,” he added.

On the subject of failure and risk, Ian believes that leaders should “have the ability to try things quickly, but reverse out quickly too”. He added that the top risks for any business is data privacy, data loss and cyber security and that the CFO needs to be on top of these areas. “Any of these can take a business down,” he said.

“Truly great finance teams are drivers of change in the business. Ask yourself are you driving change?”

Ian Livingston, CEO, BT Group plc
Transforming finance

Donal Flynn, Group Finance Director, ESB

Donal Flynn became Group Finance Director of ESB in 2010. Prior to joining ESB, Donal was Chief Financial Officer for Airtricity, and has also worked in a number of finance roles with General Electric. From the onset at ESB, Donal set three immediate priorities: raise €1.8 billion in funding, support delivery of a 25% reduction in ESB’s cost base and progress an ambitious programme to transform the finance function. At this forum, Donal outlined ESB’s journey to transform finance.

In theory, the finance manager’s role at ESB had a significant focus on business partnering with 40% of their efforts aimed at driving performance and supporting strategy. However, the reality was very different. Like many organisations, the finance teams were challenged by the huge amount of ad-hoc and transaction processing activity that impacted their ability to be effective business partners.

The solution spearheaded by Donal involved restructuring the operating model to reduce the transactional workload by 30%. This was achieved by eliminating duplication of effort and by consolidating some finance activities within a newly created business services centre. The result was a finance team more focused on providing value-add business partnering activities, such as strategic planning and decision support, to the business units.

Donal discussed some of factors that enabled their finance business partners to deliver on their mandate. Firstly, finance resources need to be embedded in the organisation, “but respect the line into finance,” he said. Being close to the front line allows finance to be more proactive rather than reactive.

In addition, he stressed the importance of selecting “the right person with a developed commercial skill set” to provide creative solutions, analysis and the ability to close the deal.

“For business partnering to work, the centre needs to have the right philosophy.”

Donal Flynn, Group Finance Director, ESB
Aogán O’hAoláin, Executive Director Finance, UK, France, Germany, Dell EMEA.

Aogán O’hAoláin has held numerous finance roles in Dell, and prior to joining Dell was Finance Controller of AST Ireland.

At the outset of his presentation, Aogán highlighted how there has been an explosion of data in the last number of years together with an enhanced ability to use data. This has been a key driver for the increasingly important role finance analytics plays in today’s organisations. The availability of robust, timely data has in turn empowered the role finance can play as a business partner.

Aogán shared his views on the key considerations in relation to financial analytics. A key enabler to leveraging the full potential of analytics is the existence of a single source of truth and a consistent data set with one point of data entry. “We have moved to a single source of truth in Dell, a standard and consistent vision globally, regionally, countrywide and by segment,” said Aogán. It is imperative that information is used effectively with a focus on a few, but critical metrics that will direct the company towards delivering commercial gain. Finance analytics should drive business insights and help identify opportunities for improvement. It can be a key enabler to delivering a competitive edge by supporting a business to determine where time and resources should optimally be focused. To propel analytics, Aogán recommends that it is worth investing in a programmes team to continuously drive improvements and efficiency.

Many businesses will use data to “look in the rear-view mirror” – essentially comparing financials and wider performance to prior years and forecast metrics. However, Aogán stressed the importance of looking to the future. On-time, real-time financial and revenue pipeline information with the ability to drill down into the detail when required is where companies should be aspiring to. This can be a powerful tool in allowing companies to make faster decisions, lead responses to changes in market trends and create more accurate and timely predictive modeling.

“Aogán O’hAoláin, Executive Director Finance, UK, France, Germany, Dell EMEA

“Driving the business insights on a day by day, week by week basis at the various levels is a huge enabler for you to deliver the competitive edge that you want to see in any organisation.”

Aogán O’hAoláin, Executive Director Finance, UK, France, Germany, Dell EMEA
The CFO as a strategic business partner

Brian Mehigan, CFO, Kerry Group plc

Brian Mehigan is Group CFO of Kerry Group plc. Having held this position for the last 12 years, Brian has deep experience of how CFOs can be strategic business partners and shared his learnings at the forum.

Outside of the core support services finance provides to the business, the function also plays a number of strategic business partnering roles. Business strategy and planning can greatly benefit from the insights finance can provide. However, finance is not only an important business partner at a company’s strategic level but also at an operational level. For example, the process analytics finance can develop can help identify problems or opportunities in a business’ operations. “Finance enables business functions to be successful through business partnering,” said Brian. “Business partnering is about making other functions of the business stronger.”

Perhaps one of the key areas that finance plays a role in is the talent pipeline. “Finance builds capable people who are not only finance leaders but business leaders,” said Brian. In fact, the finance function has provided a number of leaders to the business in the past – not only leaders in the various divisions of the business but Group CEOs. A key part of developing this talent pipeline is allowing staff to get the breadth of experience across the business functions.

The finance business partnering role in Kerry Group is structured between commercial finance, operations finance and financial control. “All finance business partners are fully fledged members of the commercial or operations team and are put on a career path through the different roles to become the finance leaders,” said Brian. Commercial finance is embedded into the front office. This team is responsible for knowing the customer and the sales strategy and being a key support to the execution of this sales strategy. Operations finance sits in the middle office and is involved in executing on efficiencies and the cost of conversion in the factories. Both commercial and operations finance work together in terms of risk management and supply chain management. The back office function of financial control performs the traditional roles of tax, treasury, transactions processing, control and overall reporting.

“Finance has produced approximately 7 out of 10 senior business leaders in the organisation over the last 30 years. That is a key part of finance, in terms of building people through their experience that they are not only capable of being finance leaders but CEOs in the businesses and the divisions.”

Brian Mehigan, CFO, Kerry Group plc
Learnings from Kerry Group

1. Create a business plan that clearly outlines responsibilities and ownership in the organisation.
2. Align finance to the organisation structure and also to the business plan.
3. Identify and address any competency and resource gaps in the organisation structure.
4. Ensure business partnering empowers the other business functions, instead of replacing or compensating for them.
5. Build strong tools for business performance management and decision making.
6. Make transaction processing efficient to enable finance to do more value-add activities.

“Make other functions stronger but don’t replace them – don’t go in and do the purchasing manager’s job if he is weak – call it out, measure it and push it back to the purchasing team to do their own people development.”

Brian Mehigan, CFO, Kerry Group plc
We’re seeing a significant shift in the focus of CFOs and their teams. To better support strategic decision making, drive business performance and act as catalyst for change, CFOs are turning their attention towards finance business partnering. Businesses need analytical ‘horsepower’ to drive and support actions, and finance business partners can act as key stakeholders in the decision making process through the provision of risk-adjusted financial information and analysis.

In February 2012, Deloitte Ireland launched the Finance Business Partnering Research Study inviting senior finance personnel from Ireland’s leading companies to share their views on this topic. The results showed that finance business partnering is at the forefront of the CFO agenda. 91% of respondents indicated that they are looking to increase the time spent on partnering activities over the next three years. Driving this focus on finance business partnering is:

- The explosion in the quantity and variety of data available
- Commercial demands of new business models and economic conditions
- Opportunities presented by digital transformation

Commercial acumen ranked as the number one competency required by a finance business partner while resource capacity and finance systems ranked high as barriers in achieving successful finance business partnering.

Alan Flanagan, Partner in Deloitte Consulting and principle author of the Deloitte Finance Business Partnering Research Study, believes that an uncoordinated approach to business partnering and a lack of role definition can be an inhibitor. “It is important to be cognisant where finance can contribute and add value across the value chain of the business,” he added.

“The expectation for finance to add greater value to the business is growing. Successful finance business partners are seen as leaders that can influence the decisions that a business makes to maximise shareholder value and return.”

Alan Flanagan, Partner, Deloitte
Across our speakers at the forum, three key themes emerged to enable finance business partnering:

1. **Finance organisation and talent**
   How to design the finance organisation and secure the right talent to deliver value-add business partnering activities.

2. **Data and technology**
   How to leverage the technology to mine the data and get insightful information to support decision making.

3. **Change leadership**
   How to deliver change in the organisation, and ensure that the right philosophy and culture prevails.

“Growth is top of CFOs’ agenda today across the globe. How finance in a business partnering role can help companies to grow is a big focus right now.”

*Sandy Cockrell, Deloitte Global CFO Programme Leader*
Developing finance business partners requires a skill set that spans accounting, finance, communication and business skills. And, as our speakers testified, successful business partnering is also about getting the right balance of skills, experience and attitude. Alan Flanagan, partner and author of the Deloitte Business Partnering Research Study, explained that the key non-financial skills required by successful business partners are relationship management, negotiation, strategic thinking and (internal) customer management. He also added that finance talent programmes are essential to develop the necessary skill set.

Ian Livingston highlighted that the finance partnership is working when partners are called upon to both support and challenge management, using a combination of data and leadership skills to provide insight and influence decision makers.

Ian also recommended fostering the diversity of experience within the finance function to build up this skill set. “Get the wider skill set and take the opportunity to do something unexpected,” encouraged Ian, as this ultimately will bring more value back to the business.

Donal Flynn shared learnings from the ESB business partnering programme. “The person for business partnering needs to be commercial but respect the line into finance,” he advised. Make it a priority to get the right individuals with good commercial acumen to plug into the business and focus on business performance and strategy input.

Brian Mehigan discussed how important it is for the finance function to develop a talent pipeline to the rest of the business. The number of finance people in Kerry who take on roles outside of finance can be a measure of the success of the finance function.
“How do you find the nuggets of information that help you stray away from the herd, and grow and thrive?” posed Aogán O’hAoláin from Dell.

The answer lies in getting access to perfect financial analytics to hone your competitive edge. Analytics provides the next level of competitive advantage by showing where the business might be headed. With the fast pace of technology advancement and the explosion in the quantity and variety of data available, there has never been a better time for finance to leverage analytics to enhance decision making and generate value from insight buried in data.

“Getting access to the right information, how you manage it and what you do with it, will transform the organisation,” explained Aogán. “Analytics can provide a competitive edge, but it can also strangle you so you need to be focused on the critical few that make things work.”

At Dell, data is held in a central repository, which provides the business with powerful information on how it is tracking (i.e. sales performance) and finance teams can use this insight to drive productivity and engagement. Transformational change in Dell now enables teams to sell end-to-end solutions to customers because they now have the capability.

Aogán stressed how important it is for the finance function to build a consistent data set so that they have a “single source of truth”. Ian Livingston added that “speed is critical, and the speed of information determines the speed of the organisation”.

However, data and information on their own are not sufficient. “Companies develop a very powerful capability in their organisations when they can effectively combine data and technology with business knowledge and commercial acumen,” said Shane Mohan, Deloitte Ireland CFO Programme Leader.

“Speed is critical and the speed of information determines the speed of the organisation.”

_Ian Livingston, CEO, BT Group plc_
“Knowing what good looks like, supported by best practice and benchmarking is key to where you want to get to and has been an underpinning story in Kerry’s journey,” said Brian Mehigan.

But it can help having a call to action, or ‘burning platform’ to make the case for change. “We needed to deliver one face to the customer externally so we aligned the global Kerry organisation internally to do this,” explained Brian. They also drive strong career paths for their people with structured programmes to facilitate broadening their areas of expertise.

Ian Livingston outlined that the role of the finance function can either be an “inhibitor of change, facilitator of change or a driver of change”. When the pace of information flow is slow or systems are limiting, then finance can sometimes inhibit change. However, “truly great finance teams are drivers of change in the business”.

Donal Flynn recommends adopting a strategic partnership approach to change management. Change, even the most seemingly insignificant change, will raise questions and concerns from the people affected by it. “Business transformation should be treated as a change project with full-time communications on it. Make sure there are no unanswered questions,” he said.

He also proposes that the right philosophy is essential for business partnering to work. “Go for radical change instead of incremental change when deeper business transformation is needed,” he said. To really embed finance resources into the business, the finance function needs to reorganise itself to shift its focus. The biggest barrier to change is that some people only want to focus on legacy activities. Convincing them to let go of activities that are not useful and focus on new ones that are requires transformational change.

“Create an environment that moves people from driving ad-hoc activities to value add business partnering.”

Aogán O’hAoláin, Executive Director Finance, UK, France, Germany, Dell EMEA
The Deloitte Financial Business Partnering Research Study

... The key findings from the survey:

91% of respondents are looking to increase the time spent on finance business partnering efforts in the next three years. Successful finance business partners are seen as leaders that can influence the decisions a business makes beyond the numbers.

Commercial acumen was ranked as the number one competency required by a finance business partner. The combination of the top competencies identified demonstrates that finance business partners should be business leaders and strategic advisers.

Investment in finance systems to facilitate business partnering activity is critical for success, with 30% of respondents identifying inadequate finance systems as the number one barrier to effective business partnering.

Better financial performance and enablement of key strategic initiatives are identified as the top two benefits of business partnering.
At Deloitte, we are committed to supporting CFOs as they pursue the value of finance transformation. Through strategic business partnering, we believe that finance can change the way a company does business. To support CFOs as they take business partnering to the next level in their organisations, we provide timely, valuable thoughtware concerning the issues and opportunities facing CFOs and their finance departments. In addition, we actively share our experience with the finance community through regional executive roundtables, webinars, surveys, points of view and conferences to keep executives up to date on the latest issues.

**Finance business partnering: Making the right move**

In February 2013, Deloitte launched the Finance Business Partnering Research Study inviting finance leadership from top Irish and multinational companies to share their views on finance business partnering. The research in Ireland has been undertaken in parallel with other Deloitte organisations on an international level.

**Talent 2020: Surveying the talent paradox from the employee perspective**

Deloitte teamed with Forbes Insights for its fourth report in the Talent 2020 series, surveying employees across major industries and global regions. Based on the results and Deloitte’s analysis of the talent market, Deloitte identified three key emerging trends.

**Global Shared Services Report 2013**

Deloitte identified emerging trends in shared services by comparing and contrasting responses from the last seven Deloitte global shared services surveys completed over the last 13 years. The report provides the latest in thinking to help organisations that are beginning their shared services journey learn from others or infuse fresh ideas into more mature shared services operations. The report highlights best practices in the creation and delivery of shared services.

**CFO Survey Q1 2013: The role of the CFO in challenging times**

The Deloitte CFO survey is the only survey that seeks to establish the views of CFOs in relation to the financial markets, economic outlook and business trends on a quarterly basis. According to the most recent survey, Q1 2013 has been one of the most positive quarters to date since the Deloitte CFO Survey began.

**Business Trends 2013**

Deloitte’s inaugural Business Trends report takes a closer look at eight emerging forces that are influencing how organisations think about their strategy. Each trend delivers new insights on some of the important issues facing businesses today. Trends were selected based on topics that consistently re-surfaced during conversations with business leaders over the past year and their potential to impact strategy over the next two years.

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