

Finance
business
partnering.
Making the
right move



Snapshot of key findings

“Business partnering” can be defined as the role that finance undertakes to support and challenge the business in ensuring that the chosen business strategies deliver the required shareholder value at an acceptable level of risk.

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.

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.



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.

Better financial performance and enablement of key strategic initiatives are identified as the top two benefits of business partnering.



1. Moving finance to the fore

The role of finance and the demands placed on finance from today's business are ever-changing. Driven by shifts in economic dynamics, finance needs to be agile, lean and ready to respond to the needs of the business and drive performance.

The increasing demand on finance to create a high-performing business culture has encouraged CFOs around the world to look to and embrace 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 and economic conditions
- Opportunities presented by digital transformation

Many organisations have already started to invest in and develop finance business partnering capabilities. However, it is important for CFOs to translate such capabilities into tangible strategic benefits which are meaningful to the organisation. Making the transition from a traditional, back-office function to a more strategic, business facing, front-office is not always an easy endeavour and requires commitment and effort to achieve.

The key priorities for CFOs looking to develop finance business partnering are as follows:

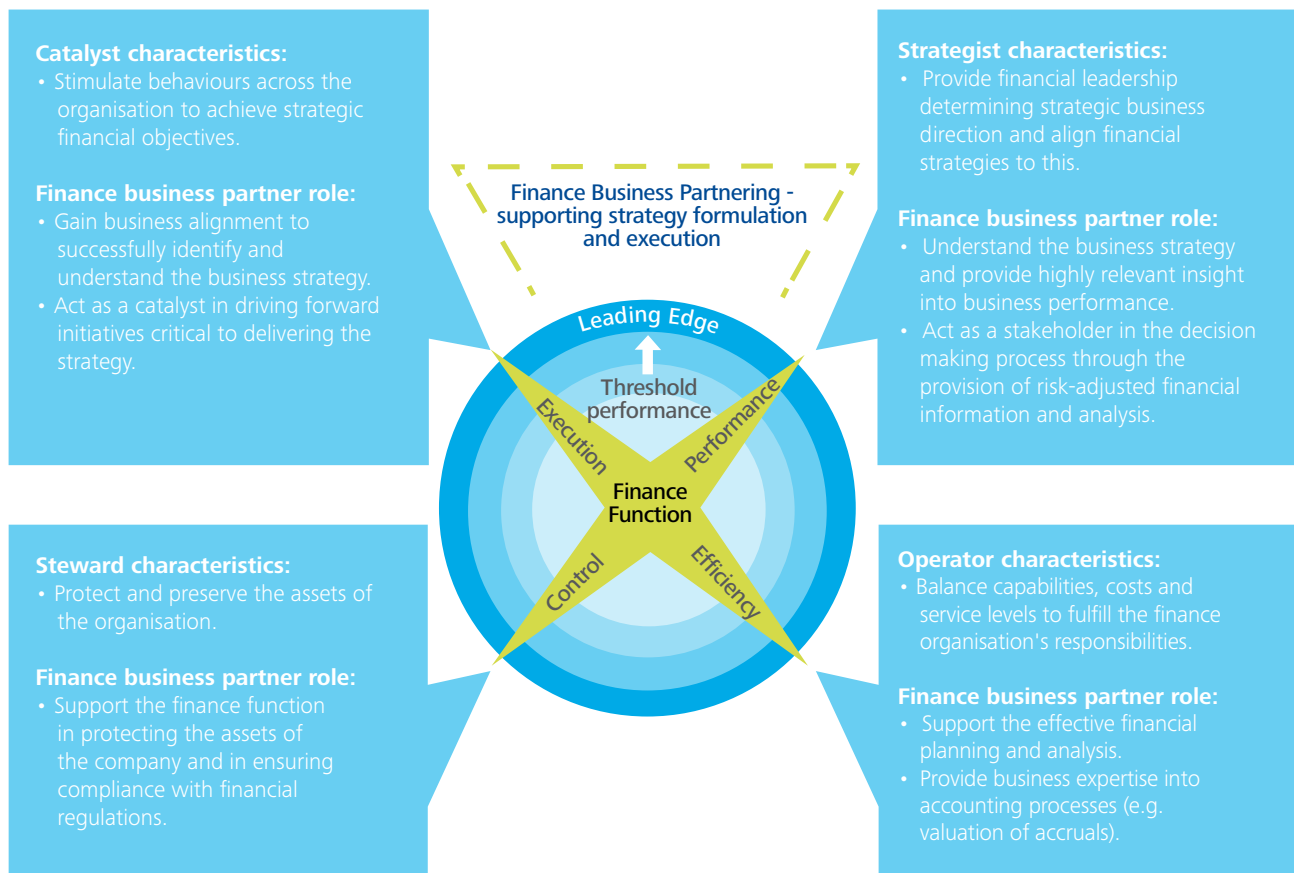
- 1. Taking a strategic view:** Organisations are developing multiple strategies to provide a better environment for business partnering. Effective implementation of these strategies is key to ensuring that businesses can reap the benefits of business partnering.
- 2. A structured approach to drive value:** Agreeing on where and how finance business partnering can add value to the organisation in order to allocate resources accordingly can be a challenging process.

An uncoordinated approach to business partnering was identified by 31% of respondents as the biggest challenge in achieving finance business partnering buy-in within the organisation.

- 3. Instil a new set of skills and behaviours in the organisation:** Developing and retaining a talent pool is critical to effective finance business partnering, with 28% of our survey respondents identifying talent deficiencies as a roadblock to developing finance business partnering activity.
- 4. Access to high-quality timely data:** Content rich internal and external data is essential to enable finance business partners to make more effective and informed decisions. Based on our study's results, there is an opportunity for Irish businesses to introduce greater systems support along with more standardised reporting to foster finance business partnering activity. Spreadsheets are the principal finance business partnering reporting tool, as identified by 42% of respondents. Similarly, 65% of respondents rely on bespoke reporting tools which are a more time-consuming alternative to standardised reporting.

91% of respondents are looking to increase the time spent on finance business partnering efforts in the next three years.

Figure 1: Four faces of the CFO



Benefits of finance business partnering

CFOs must assess the level of opportunity to deliver more value to the business against the four key roles their finance function 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 in order to enable finance to expend more effort on being effective catalysts and strategists.

The strategist and catalyst roles deliver the most value to the business, enabling better decision making and supporting the delivery of business strategy and performance. CFOs must prioritise their efforts to unlock the benefits that finance business partnering can deliver.

The Deloitte finance business partnering research study confirmed that the main benefits identified are those that support finance’s strategist and catalyst roles including:

- Enabling strategic initiatives (28%)
- Improving financial performance (28%)
- Better sense of our risk and better able to react to changes in the economic environment (15%)

Achieving tangible benefits requires the concentration of partnering effort on areas of the business that can deliver the greatest value in return. Understanding particular business areas where a finance strategist or catalyst role is most useful is essential to selecting the right focus. However, 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.

2. Taking a strategic view

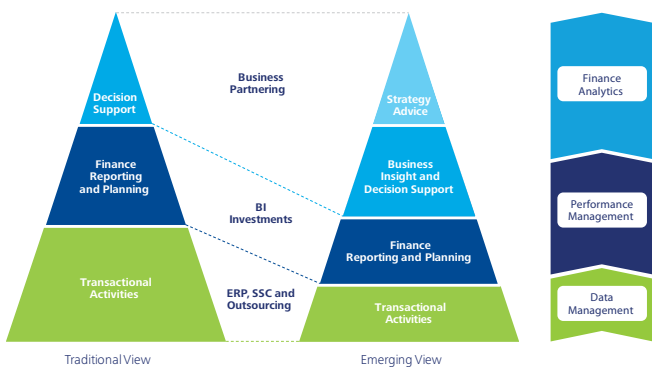
Why is business partnering becoming more important?

Expectations of finance are changing and there is a greater demand from the business for finance to drive performance with increased focus on strategic advice and business insight. This provides an opportunity for CFOs to help drive the strategic agenda of the organisation.

A refocus of efforts towards driving business and shareholder value, and providing the right environment to successfully create value are demanding tasks. Organisations are thus focusing on implementing strategies to provide a better environment for business partnering.

The figure below illustrates the evolving role of business partnering and how finance functions have shifted the emphasis from traditional transactional activities in favour of providing strategic advice, business insight and decision support to enhance business partnering activities.

Figure 2: The evolving role of business partnering

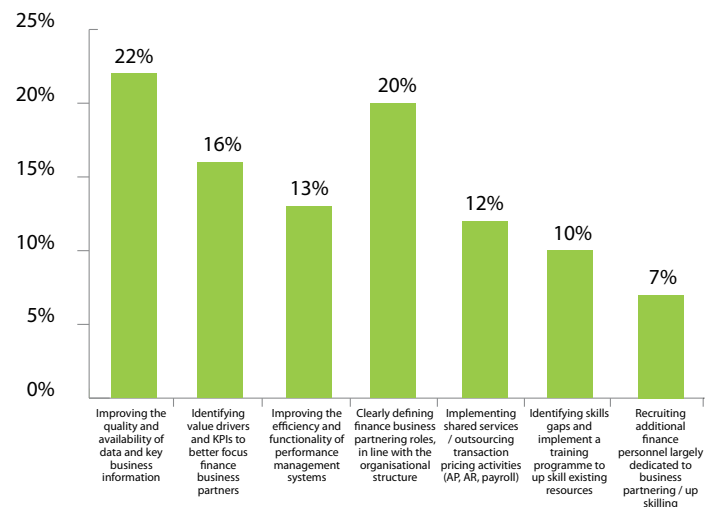


Taking a strategic approach to ensure finance business partners are focused on key areas of activity will gain trust and buy-in from the business. A consistent approach to defining and delivering finance business partner activities ensures valuable resources are aligned to the organisation’s goals. Involving the business in the definition of these activities and goals can result in shared expectations of the value that finance business partners can provide.

17% of organisations identified the lack of role definition as a barrier to effective finance business partnering.

As a result, businesses are tackling the areas that have been identified as barriers to effective business partnering. Defining business partnering roles in line with the organisational structure (20%) and improving the quality and availability of business information (22%) represent the top two strategies being implemented to provide a better environment for finance business partnering.

Figure 3: Strategies that finance organisations are undertaking to provide a better environment for business partnering



3. A structured approach to drive value

Which finance activities should be considered when adopting a business partnering approach?

Business partnering plays a critical role across the organisation by delivering timely, relevant and insightful management information to the business so that the best decisions possible are made. Agreeing which activities to focus on and include in the business partnering agenda can be a challenging process.

31% of respondents stated that an uncoordinated approach to business partnering represents the biggest challenge to achieving finance business partnering buy-in within the organisation.

Organisations are currently focusing on improving the quality and availability of data and business information and aligning finance business partnering roles to organisational structure.

Organisations rarely apply a consistent approach across the business when implementing finance business partnering. As a result, priority areas and activities cannot be identified and the financial return on any partnering investment is potentially undermined.

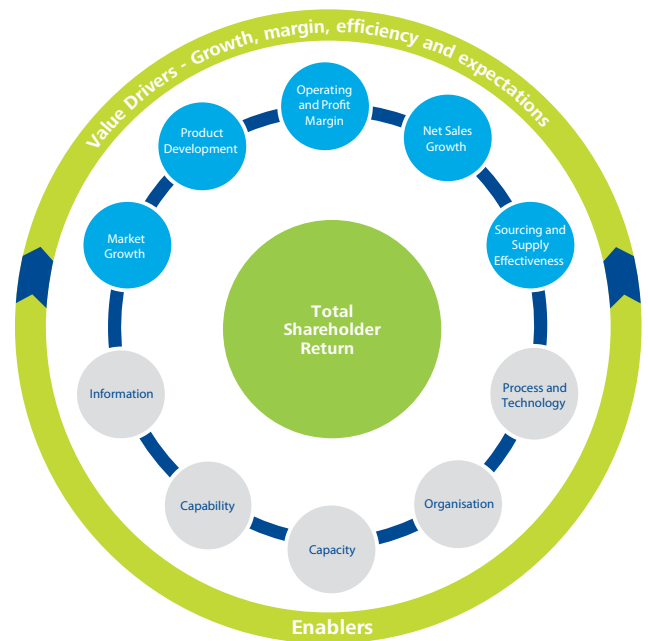
By trying to tackle all opportunities at once, finance will also find it harder to convince the business of the benefits that a finance business partnering environment can deliver. However, through identifying a small number of value-add opportunities, a pilot approach can be deployed, to evaluate the merit in investing in business partnering.

A coherent partnering strategy allows the prioritisation of investment, be that technology, operating model 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 clients in identifying value drivers, defining the finance business partnering role and recognising the operational enablers required to deliver it. The finance business partnering framework identifies the key activities that finance may deploy to add value and the operational enablers required to deliver this value.

Figure 4: Finance business partnering framework



Value drivers

The finance business partnering framework identifies four ways through which business partners can add value. If the finance function is not actively engaged in these debates there is an opportunity for it to reposition itself and become a 'player' not a 'scorekeeper' in the eyes of the business. Each value driver can be associated with finance business partner activities that can add significant value to an organisation and help to unlock opportunities.

Enablers

The underlying enablers required to effectively deliver desired business partner activities are identified in the diagram above. Aspects such as organisational structure, people, data, process and technology are key to empowering the finance function with the tools to deliver these value add activities.

Case study – Leading energy provider

Finance Function Design

Situation

In response to regulatory changes (EU Third Directive) and associated business developments, a distinct energy supply and trading business unit had to be established. This was established by drawing on elements from three business divisions within this previously integrated energy business. A key internal enabler was to establish a fit for purpose finance function that drew on good industry practices and delivered the necessary financial processes, systems and capabilities to the business.

Approach

Deloitte assisted the finance leadership team to design and agree a vision for finance. To facilitate the translation of the corporate strategy and finance vision, a target operating model for finance was developed with a strong focus on service delivery, organisation structure, process and technology changes. The 'as is' landscape of the business was function-specific in design with dedicated teams for payments and payroll, credit management, finance reporting, projects, planning and budgeting, back office and procurement. The executive team soon realised that the current design of finance was not fulfilling the needs of the business and there were opportunities for improving delivery of regulatory and business objectives. The new finance operating model was designed to allow finance to better partner with the business. The consolidation of standard, routine activities delivered economies of scale benefits and released time and resources to coordinate a dedicated business partnering function. The business partnering functions now feature sophisticated, strategic finance activities which are highly analytical and decision based in nature. Business partnering activities include financial planning and analysis, decision support, commercial analysis, capital appraisal, local reporting, cost management/accounting and customer/product/channel profitability.

Value delivered

Embedding the finance business partnering framework is an ongoing journey; the main challenges are around ensuring effective finance operations and information delivery in order to enable the business partners to deliver on their mandate. However, the rewards are tangible and there is an immediate benefit in the quality of business decision making when business partners are involved; it is more results focused and the EBITDA (earnings before interest, tax, depreciation and amortisation) delivery by business unit has seen a positive increase which can be directly linked to results based decisions.

4. Instil a new set of skills and behaviours

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. Defining the skills, knowledge and behaviours necessary for effective finance business partnering requires a prescriptive approach. Developing these competencies requires a clear talent strategy.

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.

68% 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 that a business makes beyond the numbers. Traditionally, finance development programmes have focused on honing technical proficiency and not on commercial, leadership or influencing behaviours.

The combination of the top competencies identified suggests that finance business partners should be business leaders and strategic advisers. 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. Organisations need to look at their existing talent agenda and ensure that the focus is correct for the changing role of finance.

30% of organisations believe that they do not have adequate resource capacity in finance to successfully deliver business partnering.

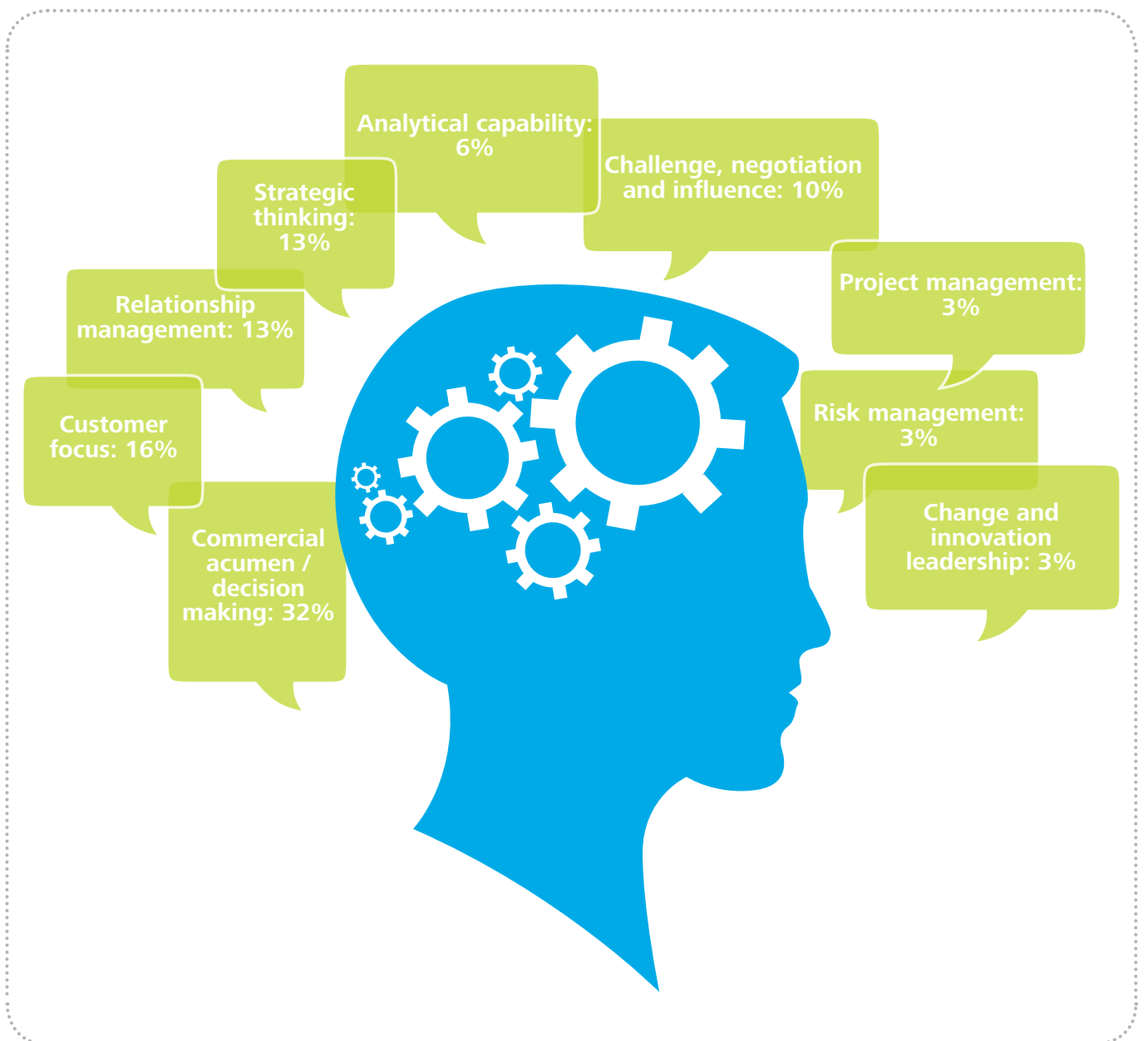
A practical approach

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.

The Deloitte 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 focused on identifying priority activities that help finance's business counterparts create additional value.



Figure 5: The number one competency to be prioritised for developing finance business partners



Case study – Global pharmaceutical entity

Finance Decision Support Centre of Excellence Implementation

Situation

The organisation faced a number of challenges around reporting and decision support activities across the business, with insufficient time in markets to invest in value-add finance business partnering activities. Finance business partners and other finance teams were devoting a significant amount of their time and effort to routine, transactional and historical accounting activities such as time reporting, planning and data validation and reconciliation activity. As a result, finance was restricted in their capability to partner with and advise the business on its strategic priorities such as performance and trending analysis and cost reduction through increased standardisation.

Approach

To cultivate a business partnering organisation, the solution was to reorganise the business and establish a Decision Support Centre of Excellence (DS CoE). The DS CoE offers a centralised platform to consolidate and streamline standard decision support activities such as planning, budgeting and forecasting, data validation, management reporting and cost of sales reporting. By creating this centralised platform for decision support activities, management time was released to focus on high value business partnering activities.

Value delivered

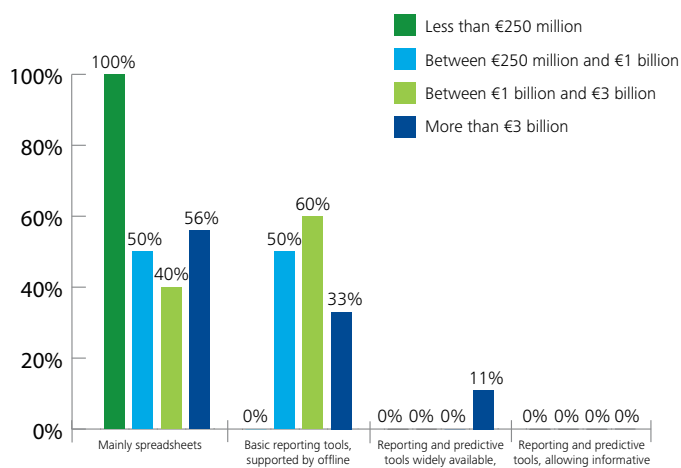
As a result of the success of the DS CoE, a collaborative business partnering environment has been fostered and a stronger business partnering capability has been developed across the organisation. Other benefits include significant cost savings, standardised processes, enhanced governance, process improvement, business focus, talent development/innovation, improved quality of management information through increased reliability, usefulness, and availability, enhanced analysis, silo busting/valued partnering, exposing process redundancies and scope expansion opportunities. The DS CoE continues to grow from strength to strength with a strong viewpoint of further enhancing the business partnering presence at markets over the coming years. The key priority is to add further value to the business through consulting and partnering with the business. As this organisation grows, it recognises the strategic importance of strengthening the overall business partnering power of the organisation through equipping the organisation with the business partnering enablers, the people, with the required toolkit - time and resources. According to the Deloitte Shared Services Survey 2013, the ultimate goal for 43% of organisations is to offer heart of the business/core centres of expertise.

5. Access to high quality timely data

42% of respondents stated that their organisations still rely on spreadsheets as the primary support tool for analysing and predicting business performance.

Only 13% of respondents have widespread use of reporting and predictive tools to aid finance business partner activity.

Figure 6: The current level of systems support for finance business partnering activities (organisations by revenue size)



Internal and external data needs to be high quality, timely and easy to analyse in order to fully equip finance business partners with the tools to perform their role. 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 the reporting and analytical tools required to enable finance business partnering activities?

A practical approach

Finance business partnering requires a combination of financial and operational data supported by robust finance systems. In addition, 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.

Finance business partners are a 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.

30% of respondents believe that their finance systems are a barrier to effective finance business partnering.

Case study – Leading consumer brand owner

Finance and Reporting Systems Transformation

Situation

A leading consumer brand company 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. A programme of work was agreed, 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 also be necessary, in order to provide this wide-ranging financial information.

Approach

The finance leadership team 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 part of the programme of work.

Value 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 finance team members to develop the strategy. The finance information strategy provides a structure 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

6. 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, is enabling an unprecedented level of analytical and commercial input into decision-making.

Within this context, CFOs and finance leaders have the opportunity 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 that 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 on 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, it is important to address the four fundamental enablers of financial capability in order to sustain that progress. 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.



“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.”

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