



# DynamicFinance

Connecting Business Finance with  
*Corporate strategy*

February 2023 | Adapt. Thrive. Lead.



“Individually we are one drop.  
Together we are an ocean.”

- Ryunosuke Satoro

# What's inside

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- 1 THE BIG PICTURE**  
Spotlight on Finance and corporate strategy
- 2 TRADITIONAL COLLABORATION**  
The impacts of disconnection
- 3 COLLABORATION OF THE FUTURE**  
Key enablers and benefits of being connected
- 4 MORE THAN A 'GUEST'**  
The leading role of Finance in a connected environment
- 5 KEY ACCELERATOR OF INTEGRATION**  
The power of Finance analytics for delivery of insights solutions

- 6 OUTCOME OF CONNECTING FINANCE**  
Insights unlocked for corporate strategy
- 7 WHERE WE'VE DONE THIS BEFORE**  
A look at our past cases
- 8 WHERE TO START**  
Key questions to ask first
- 9 HOW WE CAN HELP**  
The Connecting Business Finance Lab
- 10 BEFORE YOU GO**  
Closing comments



# The big picture – Spotlight on Finance and corporate strategy

## THE INTERPLAY OF BUSINESS FINANCE AND CORPORATE STRATEGY

Our ability to take actions and adapt based on impulses received from the external environment is one of the fundamental characteristics that enabled humans to survive, organise in communities and develop our capabilities.

Deep-dive into the microcosm of an organisation, the same principle of information based decisions holds true. Like humans, organisations are affected by forces that are beyond their control, a complex environment encompasses them and in it they are called to survive and grow.

*To achieve their goals and reach their destination, organisations need corporate strategy. And to check whether they are going the right way, they need Finance.*

Strategic visions often fail prematurely when pressures mount. The role of Finance is key, in providing the calm view of performance; the balancing mechanism bringing the organisation back on track to the bigger picture.

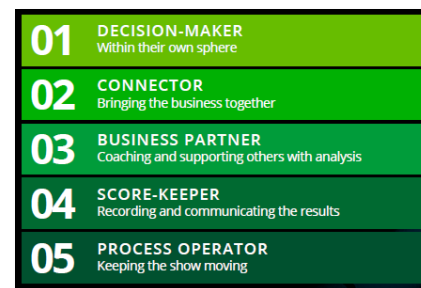
## CHALLENGES REMAIN

Corporate strategy lies at the core of success for any organisation. It requires well-thought business choices about future direction but most of the time there is a disconnect between strategic priorities and the monitoring of performance throughout the organisation.

Common issues remain and can be summarised as follows:

- Approach to performance management (led by Finance) is insufficiently aligned to strategic priorities leading to a distorted view of current position
- Planning for strategic direction, more often than not, is not informed by effective long-term scenario planning leading organisations to miss out on opportunities
- Financial and non-financial plans do not utilise connected information on value drivers leaving decision makers unable to focus on the choices that matter

Figure 1. Top five responsibilities of Finance



Source: Insight Driven Performance (Part of the Dynamic Finance series), 2022

## WHAT'S NEW?

An organisation's capacity to adapt to the external environment is what enables it to survive, compete and win. To do so, it requires a Finance function that holds the capabilities to influence the process of growth, change and connection across the business—in other words it requires a Dynamic Finance function.

**The evolution of Finance:** The responsibilities of Finance as a function (Figure 1) have evolved from score-keeper to business partner and connector (among others). This means that Finance can now play a more proactive role in shaping strategic decisions and provide the insights on how corporate strategy is performing.

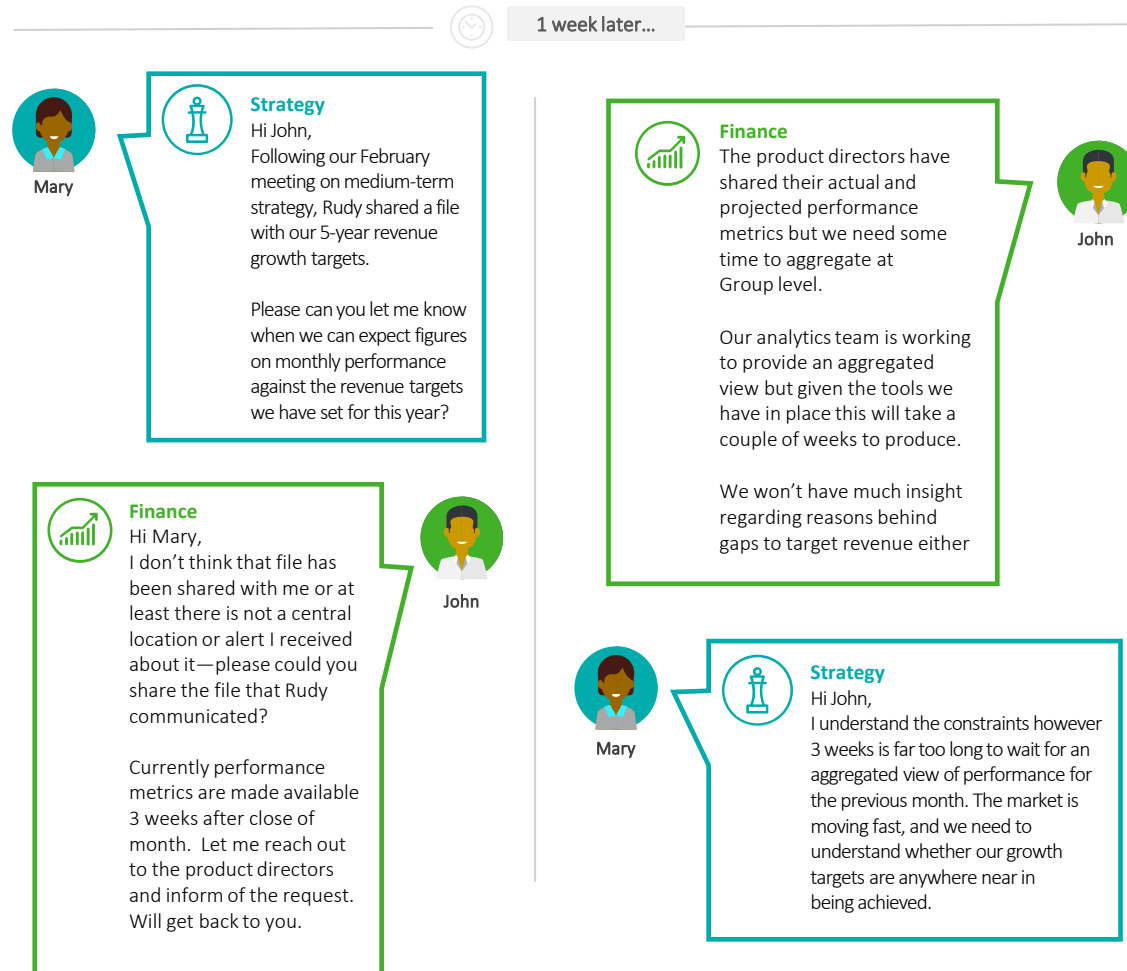
## PURPOSE OF THIS POINT OF VIEW

In exploring the interplay between Finance and corporate strategy we will turn our attention to the topic of strategic planning as a key enabler for growth companies of all sizes need to address.

- What are the common challenges companies face in their quest for effective strategic planning and how can they benefit from collaboration with Finance?
- What are the latest tools and technologies that can be deployed to address those challenges?
- What are the key ingredients of a successful corporate strategy and the role of Enterprise Performance Management led by Finance?

# Traditional collaboration – The impacts of disconnection

## FINANCE AND CORPORATE STRATEGY – A TYPICAL CONVERSATION BETWEEN FINANCE AND CORPORATE STRATEGY TODAY



Currently, collaboration between Finance and corporate strategy is lacking an important foundation; that is one common language. And in the world of business that means data which is centrally available, of sufficient quality and from which insights can be drawn that answer the “so-what” questions corporate strategy needs to direct the business.

### BARRIERS TO INTEGRATION

- Lack of end-to-end data/next gen tech**  
Data from different departments not stored centrally and of questionable quality (data entry errors, lack of common hierarchies).
- Lack of insight solutions**  
At best, the analysis performed by Finance will state the current position against a target after a lot of effort has been spent gathering the data required to do so.
- Outdated rituals and routines**  
By the time slide packs are prepared and numbers communicated to corporate strategy competition has already made strides ahead.
- Talent and teaming**  
Lack of data and analytics literacy across Finance and corporate strategy teams coupled with deep business and sector knowledge which, if present, would allow the right questions to be asked.

### IMPACT FROM DISINTEGRATION

- Ad-hoc analysis**  
A lot of time, effort and money spent by Finance and corporate strategy to bring data together, cleanse and analyse before any decision can be made.
- Hostage to descriptive analytics**  
When Finance cannot provide the analyses and insights required to answer why a gap to target is documented, corporate strategy can do little to address that gap in collaboration with other departments.
- More time spent advocating**  
The ability to focus on the key business questions that affect performance is severely impacted by the amount of time spent advocating about the validity of presented information.
- Working in silos**  
Meaningful data analysis leads to an understanding of the “why”. Even when Finance has the skills to drive that, limited communication with corporate strategy hinders reaching the conclusion of the “how” for growth.

# Collaboration of the future – Key enablers and benefits of being connected

## FINANCE AND CORPORATE STRATEGY



1 day later...



Mary



### Strategy

Hi John,  
Following on from our meeting today on medium-term corporate strategy, Rudy presented the 5 year plan in our online Connected Planning tool.

Please can you let me know when we can expect the revenue performance figures to be made available?



### Finance

Hi Mary,  
You should have received an alert in your inbox that the revenue performance figures are now available on our online tool including insights into reasons behind gaps to target and our competitors' presence in the markets we recently expanded.



John



### Finance

Hi Mary,  
I am looking at the numbers now and good to see the assumptions made for those figures when I click on the dashboard.

My team has already run the process through which revenue data from our different product lines flow in the system. We need a few hours to analyse and update the online report with key insights.

The tool is able to automatically perform the analysis and this time we have also included data from our key competitors and their recently launched product lines.



John



Mary



### Strategy

Hi John,  
This is fantastic turnaround and for the first time I can see monthly performance so close to month end.

Great use of our technologies by the way to draw automatically generated insights and coupled with your teams experience I can now clearly identify the three key reasons to the gap to revenue target.

Based on the numbers presented, I believe we need to re-think our corporate strategy of expanding to the two new markets given the presented data on competition you made available in the insights dashboard. Let's discuss in tomorrow's meeting.

The successful integration of Finance and corporate strategy is the driving force behind an organisation's ability to be agile within a competitive environment in order to survive, compete and win. Key enablers of that integration lie across data, people and technologies working together to create memories of the future.

## KEY ENABLERS OF INTEGRATION

## BENEFITS OF INTEGRATION



### Connected planning technologies

They enable alignment of actions to strategic goals, by connecting data, people and information across the organisation.



### Finance analytics for insights solutions

Advanced data analytics methods drive the delivery of insights solutions that answer the "so-what" and enable decisions that move the dial to a strategic direction.



### Next gen tech

They provide a springboard to new insights that can lead to competitive advantage. They rely on foundational technologies already deployed in the organisation to drive data quality and consistency.



### Insight driven culture

The ability to provide "so-what" insights that stem from analyses utilising cross-enterprise and external data enables strategic decisions to be made that can lead to competitive advantage.



### Reduce time between insight and action

Enables a clear link of corporate strategy to everyday activities and buy-in from employees across functions working towards a common goal.



### Raising the dialogue to the issues that matter

Identifying the value drivers that inform corporate strategy is key to enhancing dialogue between the two functions. It is a testament as to why delivery of insights solutions should be the focus for any organisation.



### One step ahead of competition

As a business partner to corporate strategy, Finance has a key role to play in investing in next gen tech and people capabilities to derive competitive insight.



### Holistic approach to decision making

A culture that relies on insights to drive decisions enables an organisation to either prove corporate strategy is working right or if not the case identify the actions that need to be taken towards the right direction.

# More than a 'guest' – The leading role of Finance in a connected environment

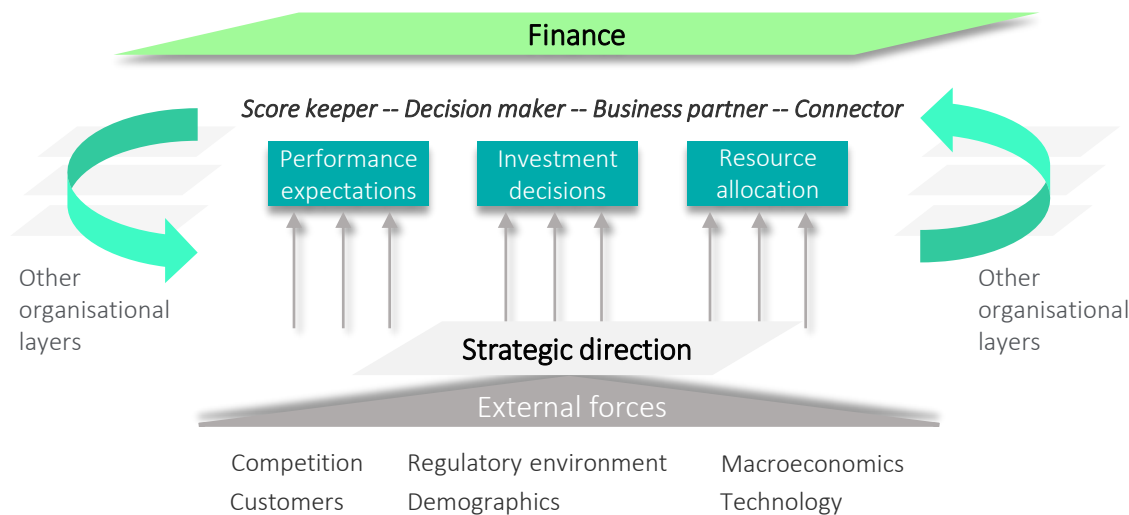
## THE ROLE OF FINANCE IN SUPPORTING THE SETTING AND EXECUTION OF CORPORATE STRATEGY

Per figure 2, the role of Finance is to be the score-keeper, decision maker, business partner and connector corporate strategy needs to shape and help fulfil an organisation's strategic direction.

In turn, corporate strategy makes the decisions or else a set of choices which position an organisation in its external environment in a way that is aimed at creating advantage over competition and increasing shareholder value.

In an integrated environment, Finance sets the performance expectations and makes the investment and resource allocation decisions that act as levers in adjusting and ultimately achieving long-term corporate strategy.

Figure 2. The interplay between Finance and corporate strategy in creating sustainable advantage



### PERFORMANCE EXPECTATIONS

#### Finance's role as a score-keeper

The basic role of Finance is to record and in a timely manner report financial performance in comparison to target to the rest of the organisation.

Investing in today's tools and technologies the time to record and report these results could be near real-time.

### INVESTMENT DECISIONS

#### Finance's role as a business partner and decision maker

Execution of corporate strategy requires investments to be made.

Finance's role in making the decisions as to how funds will be allocated to assets required to meet strategic goals is fundamental.

### RESOURCE ALLOCATION

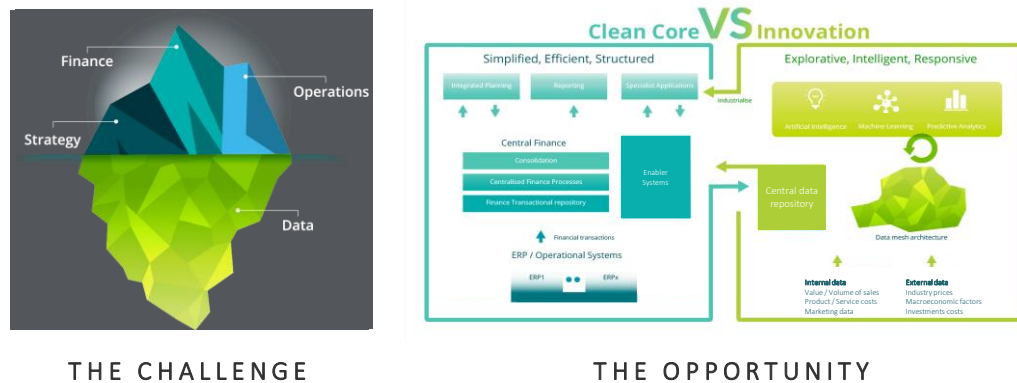
#### Finance's role as a connector

Allocating resources within an annual planning cycle cannot be done independently to the process of strategic planning.

It is important that the latter informs the former with Finance bringing the business together to create a common understanding of available and required resources across the organisation.

# Key accelerator of integration – The power of Finance analytics for delivery of insights solutions

Figure 3. Illustrative integrated Finance analytics architecture



To fulfil its role as a strategic business partner, Finance holds the capabilities that allows it to coach and support other functions, including corporate strategy, with data analyses and insights.

Finance analytics refers to the delivery of insights solutions, using a combination of Finance, operational and external data and powered by Finance ERP and innovation technology platforms.

## THE CHALLENGE

Data quality issues hide beneath the surface of insights consumed by different parts of the business including Finance and corporate strategy (Figure 3).

In cases where there is lack of incentive to address these, Finance and corporate strategy are exposed to the risk of making decisions based on incomplete information.

## THE OPPORTUNITY

Better insights rely on good quality data and use of deep analytics. They are enabled by a combination of Finance and operational data systems as well as innovation platforms.

Clean core provides the controlled foundation for standard Finance processes and reports that are simplified, efficient and as automated as possible. (Figure 3).

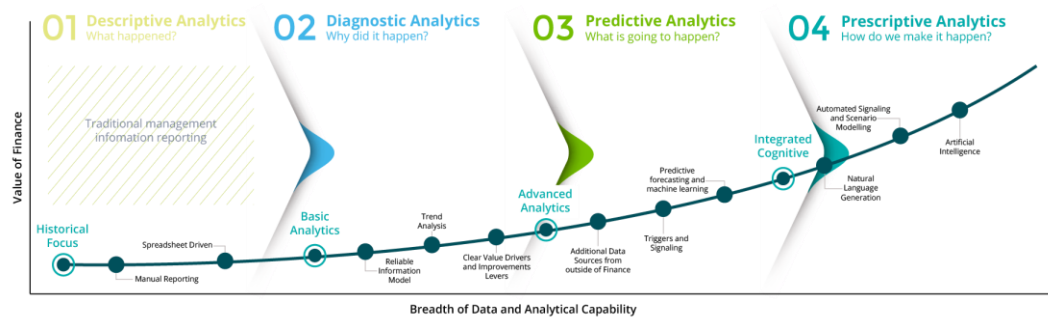
Innovation platforms enable cleansing and analysis of large amounts of data (including external) through use of advanced analytics techniques that are necessary to ascertain for example the potential effect of external pressures to business operations.

## THE JOURNEY

The journey to unlocking better insights and driving foresight (Figure 4) goes through various stages. Organisations that are able to inform strategic direction through analytics, do so by providing insights not just on what might happen (scenario planning) but on how they can make it happen.

- They systematically link value drivers with improvement levers into analytics tools reinforced by deep learning and artificial intelligence
- They are able to ask questions such as “how can we improve revenue growth in market x in the most efficient manner”, with the analytics engine able to model various scenarios based on historical data, non-Finance data and external market data to propose the best option

Figure 4: The journey to unlocking analytics capabilities





# Outcome of connecting Finance – Insights unlocked for corporate strategy

Creating a culture in which Finance and corporate strategy collaborate to jointly shape strategic decisions and monitor performance is key to unlocking opportunities for growth.

## BREAKING LIMITS TO GROWTH GOALS

- Finance can often justify the need for underinvestment when growth goals reach a limit
- On the contrary, it is often the case that additional investment in capacity is required to strengthen demand

### Why connecting Finance matters?

- Achieving a healthy relationship between corporate strategy and Finance ensures that underachievement of growth goals is seen in its true light with corporate strategy being a custodian to holding the vision and encouraging aggressive investments as a strategy for creating the demand Finance aims to achieve

## BALANCING LONG-TERM GAINS WITH SHORT-TERM EXPECTATIONS

- When goals are not met, the performance metrics Finance delivers to the business are accompanied by pressures to adjust the goals
- Regardless of how effective that corporate strategy might seem in the short-term, it can lead to lower goals being locked-in the mindset of both corporate strategy and Finance

### Why connecting Finance matters?

- Connecting corporate strategy to Finance is critical to avoid the pitfall: it is a balancing act, with corporate strategy needing to continuously pull towards greater goals so that any financially driven actions taken to improve conditions in the short-term do not become business as usual



# Where we've done this before – A look at our past cases



A **Global Telecommunications company** sought to address a number of challenges in their planning process which prevented the business from being able to accurately forecast financial performance and set growth strategies.

The CEO, set as a top priority for the company, the development of a scalable forecasting solution that would help the business identify drivers of revenue growth in support of strategic planning.

To enable that, the client needed to direct the sales teams to accounts with the highest projected future performance.

**Our impact**— We deployed a team of Finance analytics and planning experts to develop a customer level revenue forecasting model covering our client's 1000+ customer base.

The revenue forecast model developed in a cloud-based technology platform has brought about the following benefits:

- supports our Telco client in developing accurate forecasts at the customer level; the forecasting output being a key input to developing valid strategic objectives
- increased transparency of forecasting, exposing assumptions made and their effect on final forecasting output
- highlighted drivers of performance allowing corporate strategy experts to focus on the customers that have the biggest impact on growth
- provided accurate performance analysis to operations



A **Global pharmaceutical and healthcare company** set an ambitious growth strategy for their Consumer Healthcare business unit to become the top Consumer Healthcare business globally over a five-year period.

For this objective to be reached, the client needed to be consistently growing above the market in its key strategic countries globally.

To track performance against the ambitious growth goal and accordingly take corrective action, a performance management solution was required. The solution would provide insights on performance gaps against strategy and inform discussions across Corporate Strategy, Finance and other functions

**Our impact**— We brought an integrated Deloitte team (Strategy and Finance) that supported our client end to end; from the creation of their growth strategy and defining the vision for Performance Tracking to embedding this into the overall strategic outcomes that the organisation was looking to achieve.

By defining and understanding the needs of the key in-market business personas responsible for driving growth, such as General Managers, Category and Brand Leads we were able to deliver the following:

- Defined a vision for an insight-driven performance culture across all business functions which senior leadership endorsed for the global organisation
- Set the foundations for the above in five of the client's most strategic markets by implementing the Growth Performance Tracking solution i.e. a coherent suite of dashboards / reports that helped deliver actionable insights, the "gold standard" for growth performance management
- One of the markets was able to identify 5 million+ euros of net new growth opportunities as a result of using the solution within six months of launch

## Where to start – Key questions to ask first



Is there a **single strategic plan** version which corporate strategy and Finance are aligned to?



Do corporate strategy and Finance base their decisions on the **same data and assumptions** about future performance?



Are there **clear guidelines that govern** the setting of strategic goals driven by consensus between corporate strategy and Finance?



Is there a **clear yearly performance** plan cascaded to individual departments that is aligned to overall corporate strategy?



Is there a clear plan in place to enable an **insight-driven cultural shift** when it comes to setting and measuring performance against corporate strategy?

# Deloitte's Connecting Business Finance Lab – how you can engage with us

## What is the lab?

The Connecting Business Finance Lab helps align Business Finance and non-Finance stakeholders on key challenges in becoming more 'connected', showcases the latest thinking in connected planning & reporting and explores how greater connectivity with specific non-Finance functions can drive more effective decision making and improved enterprise performance.

### LAB PARTICIPANT TRIGGERS

"We want to enable a **cultural shift** towards an **insight driven approach** to strategic planning utilising Finance's analytics capabilities as a driving force"

"Our **processes** today remain **siloed** between **Finance and corporate strategy** resulting in misalignment on current and future (projected) performance"

"We **want to operate** in more **co-ordinated**, and agile manner **cross-functionally and with the external environment**, to set strategies that put us ahead of competition"

"We are **unclear** on **how new technologies** can help us **drive greater automation** and **cross-functional collaboration**"

### LAB STRUCTURE

- 1 Explore** *Where we will explore the latest concept of 'Business Finance' and key trends we're seeing*
- 2 Align** *Alignment on your current state of Business Finance, in an interactive environment, with key finance and non-finance stakeholders*
- 3 Discover** *Where we dive into the "art of the possible" for your priority areas, demonstrating new technologies and use cases*
- 4 Define** *Together, we identify clear Business Finance and cross-functional improvement initiatives for your organisation's transformation roadmap*

### TYPICAL LAB PARTICIPANTS

#### FINANCE



CFO



FP&A



Finance Leadership Team



Finance transformation

#### NON-FINANCE



Strategy



IT & master data management



Marketing



Operations

Delivered via our state-of-the-art Greenhouse



# Before you go – Closing comments

The future is neither entirely predictable nor completely random.

Connecting Finance and corporate strategy allows informed decision making for an organisation’s future direction propelled by Finance’s empirical approach and the delivery of insight driven performance solutions.

Organisations that achieve connectivity across these two functions, with CFOs spending time on informing strategic direction, move one step closer to gaining competitive advantage.

Where does your organisation stand today?

## Authors and contributors

Please reach out to start a conversation on how to better ‘connect’ your Business Finance organisation with corporate strategy.



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## OUR CONNECTING BUSINESS FINANCE SERIES INCLUDES:



### Introduction: Connecting Business Finance series

Introduction to our series on why effective integration of Business Finance is key to unlocking improved enterprise-wide performance



### Connecting Business Finance with Commercial and Supply Chain

A series discussing how Finance can collaborate effectively with the Commercial and Supply Chain functions to drive enterprise performance and deliver integrated operational and financial plans



### Connecting Business Finance and HR workforce management

A series discussing how Business Finance and HR can connect together to deliver effective workforce planning and management in support of the organisation’s talent strategy



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