Changing the focus
Finance business partnering in Australia

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Out of the shadows of the back office

Expectations of Finance are changing. This is as true for Australian organisations as it is globally. Not only have the recent economic pressures resulted in the need for leaner and more responsive back office functions, but there is now a greater demand from the business for Finance to drive performance. This demand requires chief financial officers (CFOs) to focus attention towards finance business partnering. Finance business partnering is the role that Finance undertakes to support business priorities through delivering insight and value in support of growth and future performance. The opportunity to redefine and invest in finance business partnering has been enhanced by:

- The explosion in the quantity and variety of data available
- Commercial demands of new business models
- Digital disruption and the opportunities it presents.

For some years, many organisations have had strategies to invest in and develop finance business partnering capabilities, but this survey finds that Australian CFOs can do more to embrace the challenge of translating capability into tangible benefits for the organisation. Making the transition from back to front office is not an easy endeavour and, in most cases, it is recognised that there is still room for improvement.

Today, 39% of Australian finance organisations are investing more than 30% of their time delivering finance business partnering activities, with 94% of organisations wanting to increase this amount of time in the next three years. These are some of the main findings of a survey conducted by Deloitte with finance leaders from large Australian private and public sector organisations, to understand how they are performing in delivering business partnering capabilities.

Based on this survey, the key priorities for Australian CFOs looking to develop finance business partnering capabilities are as follows:

1. The utilisation of credible and accessible internal and external data is essential to enable finance business partners to make more effective and informed decisions. 58% of our survey respondents said a lack of information was a major barrier in effective partnering.

   By any criteria, information at hand for any finance department has increased dramatically in the past twenty years, so why does this survey seem to suggest that lack of information is such a major issue? In our view, many Australian organisations have been slow to develop approaches to utilise the vast amounts of data and evolve from a hindsight to a foresight information provider. To address this problem, finance departments need to:

   - Understand what added information is required to support the business. Finance should play a central role in this domain
   - Put the appropriate frameworks and governance in place to ensure data integrity and consistency
   - Understand the resources and information available both internally and externally and how these can be used as enablers.

2. Finance business partnering requires advanced skills and behaviours, and developing and retaining a high talent pool is critical. 39% of our survey respondents felt they lacked the necessary capabilities within their finance function.

We see capability as one of the most difficult challenges in increasing business partnering and certainly, at least as difficult as addressing data challenges. Many Australian organisations have yet to truly develop robust finance capability and development models which provide the right framework for developing the critical finance skills which make the most impact on business value. In our view, CFOs aiming to develop strong business partnering capabilities need to commit to three objectives:

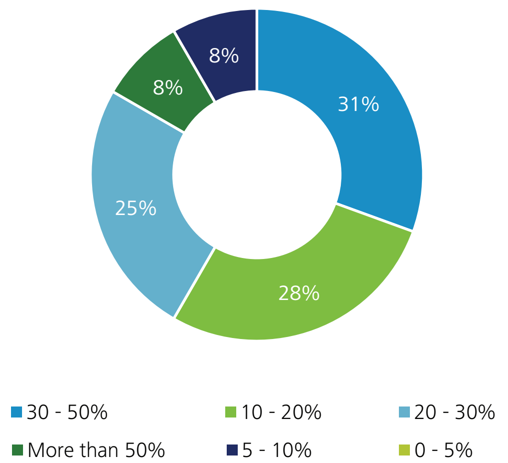
- Development of a new breed of finance leaders who are business savvy generalists, equally at home in Finance or in other areas of the business
- Brand Finance as a career launcher where future leaders are provided with advancement opportunities and the room to excel, even if beyond Finance. In short, CFOs must promote Finance in their organisation as a dynamic career – and make that promise a reality
- Own the challenge of developing value creating people. High talent individuals in Finance are distinctive and CFOs should create a distinctive strategy to find, develop and deploy them to maximum effect.

3. CFOs need to better define and articulate where and how finance business partnering can and does add value to their organisation and allocate resources accordingly. 50% of organisations have achieved a poor or only fair level of business buy-in for finance business partnering. Underpinning this, the role of finance business partner is not clearly understood. 47% of respondents considered that the finance business partner role is not clearly defined and communicated. This is a key barrier to Finance contributing to improved business performance.

   In our view, Finance needs to address this by developing a working list of the decisions that matter most within the organisation. These decisions are where people can act more wisely with better decision making inputs and infrastructure and are important enough to seriously impact upon value creation. For example, key decisions in areas such as enterprise planning, pricing, cost to serve, supply chain, capital projects and technology investment, to name but a few. To meet the challenge of better communicating its business partner role, Finance should evaluate where and how it will influence and contribute to the most critical business decisions. It then must demonstrate how its insights and skills are making contributions that matter and how it performs these over time.

Significant time can be invested in delivering finance business partnering, but more time spent does not necessarily equate to more value returned. Finance business partners are valuable resources that often still 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. Hopefully, some of the findings from this survey will help you generate fresh thinking about how business partnering can be more effective in your organisation.

Time spent on finance business partnering today, as % of total finance capability



39%

of finance organisations already **invest more than 30%** of their time delivering finance business partnering

94%

of organisations want to increase the time spent on finance business partnering over the next three years

Technology & analytics is the biggest enabler of change in the time for 64% of finance organisation focused on finance business partnering, ahead of awareness, and strategy & relationships (14% and 11% respectively)

Striking the right balance in finance

69%

of organisations consider that the greatest benefit in adopting a finance business partnering approach is making better decisions based on data

56%

of finance organisations are involved in setting strategy, but only 11% are perceived as leading it

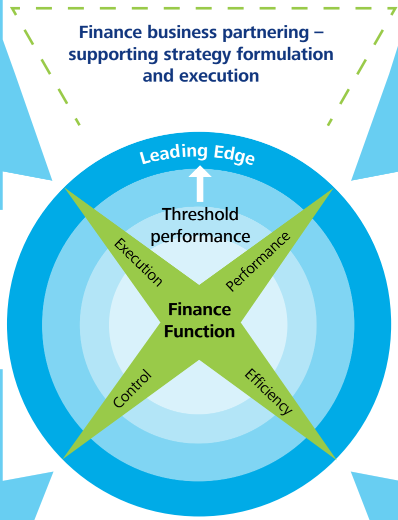
The opportunity for Finance to deliver more value to the business can be considered against the four key roles that Finance has to play: steward; operator; strategist; and catalyst. Each role is important; however, leading businesses aspire to reduce the amount of time spent on operator and steward activities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

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

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

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

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



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

Finance business partner role:
- Support the Finance Function in protecting the assets of the company and in ensuring compliance with financial regulations.

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

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

Benefits of finance business partnering

The strategist and catalyst roles derive the most value to the business, enabling better decision making and supporting the delivery of strategy and performance.

The Deloitte Finance Business Partnering survey confirmed that the main benefits of better business partnering underpin the strategist and catalyst roles: Making better decisions (69%), enabling strategic initiatives (64%) and improving financial performance (56%).

Understanding where Finance has the potential to make most impact is essential to picking the right focus. This is an area where Finance often falls down. Identifying where and how to deploy finance effort, requires a highly strategic approach, supported by a sound knowledge of the business drivers and an understanding of where unrealised business opportunities exist.

Finance finds multiple barriers to becoming a successful business partner

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

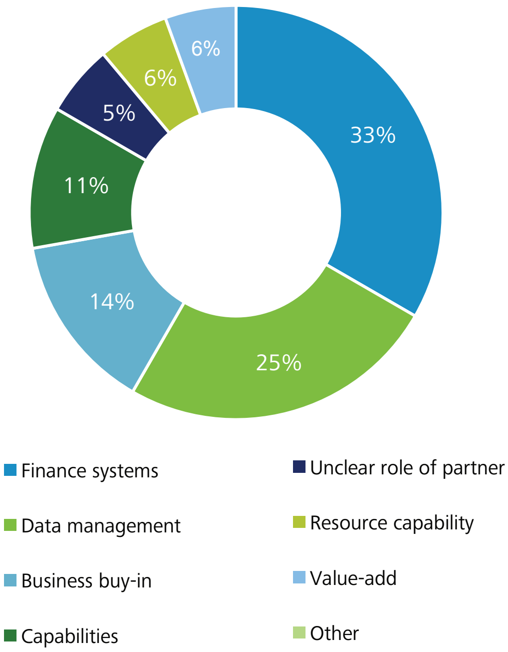
Refocusing effort towards driving value, and providing the right environment to successfully deliver this value is a demanding task. This requires strategies to address three specific barriers to effective business partnering:

Take a strategic approach to adding value
Taking a strategic approach to ensure finance business partners are focused on the key areas of activity will gain trust and buy-in from the business. Finance cannot, and should not, be trying to influence every decision; it needs to prioritise based on the areas where it can truly make a difference. This requires a designed and consistent approach to defining and delivering finance business partner activities. This should involve the business in order to develop shared expectations of the value that financial business partners can provide.

Optimise data and analytics
In addition to understanding value drivers and KPIs, internal and external data needs to be credible, readily available and easy to analyse, to fully equip finance business partners to perform their role.

A personality not a job description
A simple one size fits all approach to finance business partnering does not work and sourcing more technical accounting skills is not the answer. To define the skills, knowledge and behaviours necessary for effective, finance business partnering requires a finance talent approach which sources, develops and deploys finance talent such that it makes the most difference to business decision making.

The number one barrier to sucessful business partnering



58%
of respondents believe that their finance systems are a barrier to effective business partnering

39%
of organisations believe that they do not have the right capabilities in Finance to successfully deliver business partnering

42%
of organisations believe lack of buy-in from the business is a barrier to finance business partnering

Get coordinated: know where and how to create value

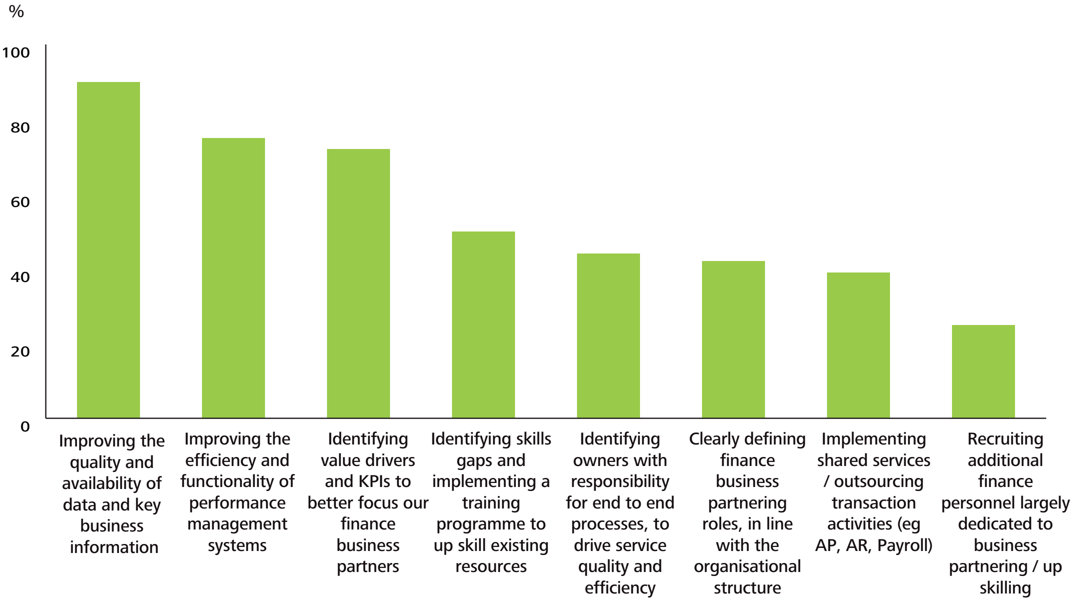
50%

of finance organisations have achieved poor or only fair level of business buy-in for business partnering

50%

of organisations believe that business partnering generates benefits but that Finance has not quantified or been able to quantify specific benefits

Strategies employed to improve the environment for business partnering



Organisations rarely apply a consistent approach across the business when implementing finance business partnering. This often means that the highest potential areas for better finance partnering cannot be confidently identified and communicated. Consequently, the financial return on partnering investment is potentially undermined.

By trying to tackle all opportunities at once, Finance will find it hard to convince the business of the benefits they can bring. Focusing priority attention to high value opportunities can both test and prove how finance can do more to add value to the business.

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

A practical approach

Deloitte has a proven approach to help our clients improve business partnering. Our framework helps clients to:

- Identify business value drivers
- Define the finance business partnering role in relation to each driver
- Consider the operational levers which will help delivery.

An industry generic outline of the approach is outlined overleaf. It highlights five value drivers which are associated with a range of finance business partner activities that can significantly improve business outcomes.

In addition to the value drivers, the underlying enablers required to more effectively deliver desired business partner activities are considered. These cover aspects such as finance organisational structure, people and talent, data, process and technology. These “levers of change” are key to helping Finance deliver value.

Framework for improving business partnering

Value drivers

Product and service development
An active role in ensuring that resource and capital is focussed on developing the optimum product and service set.

Operating and profit margin
The link between the functions in the Value Chain and they will help drive communication, efficiency, optimisation and reduce time to market.

Sales growth
Deliver the customer analysis required to develop and communicate a plan of action to achieve the company's strategic objective and to monitor it.

Market growth
An active role in removing business performance guess-work, through consumer proposition effectiveness and promotion optimisation.

Sourcing and supply effectiveness
Deliver supply chain analysis required to support strategic sourcing and understand and optimise cost to serve.

Enablers

Information
Companies often want to focus on leading edge analytics, but first need to address the collation and management of business information, especially in relation to the key value drivers.

Process and technology
To deliver effective finance business partnering the business' processes, technology and data must be well designed and aligned to the business' key value drivers.

Capability
Finance business partners should have both the technical ability and emotional intelligence to improve the finance and commercial acumen of the business

Organisation
The optimal organisational structure will permit finance business partners to act as trusted advisors to the business. There should be strong personal relationships with the business and a collaborative culture with appropriate networks to enable effective decision making.

Capacity
Finance business partners should be able to focus effort on their priority value add activities, rather than being required to undertake transactional activities or basic data manipulation.

A personality not a job description: Seeing beyond the numbers

Commercial acumen was ranked the **number one** competency required by a finance business partner

All respondents operated some degree of dual reporting line for finance business partners

58%

of finance business partners report into Finance, but have a dotted line to the business

Successful finance business partners are leaders that can influence the business decisions a business makes, "truly acting beyond the numbers". Traditionally, many finance development programs are too narrow, being overly focused on honing technical proficiency and not on commercial, leadership and influencing behaviours.

The combination of top competencies identified in this study suggests that finance business partners need to be business leaders and strategic advisors. This is a move towards a more commercial skill set than has traditionally existed in many finance organisations.

With this list of competencies comes a challenge of how to recruit, train, develop and retain finance talent. One of the key questions an organisation must ask itself is… nature or nurture?

We believe that the answer is both – with a need to select for nature and then to nurture in a systematic way. When we look at the ability of finance business partners we differentiate between capability (which is developable through the right training and experience) and potential (which is hardwired and much more difficult to change). In our view organisations need to hire and retain staff with high levels of potential – particularly for challenging business partner roles. They then need to focus on how they systematically develop critical capabilities.

A systematic approach

The first step for organisations – and one which is often missed – is the need to define what 'great' looks like – what they are looking for from their finance business partners.

As mentioned above, this needs to differentiate between what can be developed (capability) and what is more hardwired (potential). This is best achieved through defining a robust competency framework which informs and shapes the talent strategy used to develop effective business partners.

This should help in consistent recruitment and development – allowing for an integrated approach to attracting, retaining and developing key talent. It also facilitates reward of skills, knowledge, behaviours and mindset which will drive value in the organisation and establish Finance's strategic influence.

The competency framework must:

- Be easy to apply to recognisable situations that finance business partners will face on a day to day basis
- Articulate what good looks like in the context of those recognisable situations
- Even on first reading, engage employees in such a way that challenges their existing mindset about their role.

In our experience, many Australian companies have inadequate finance competency and development models which do not meet the needs of modern finance. Further, many Australian organisations could do more to explore and develop innovative career pathways – for example, finance talent is often dissuaded from pursuing opportunities outside of Finance.

A practical approach

Managing employee performance and developing talent, when there are ambiguous and complex reporting lines, requires a strong definition of capabilities and clearly prescribed performance outcomes.

Our approach to help clients identify business partnering competencies follows a structured path, where consideration is given to tangible outcomes that individuals can describe, recognise and deliver. We focus on "value events" to determine which capabilities are critical to the business partner role. We do this in partnership with Finance and the business so that all agree on what is required from finance business partners.

Effective development needs to be cognisant of the 'aquarium' trap. By way of analogy, when pet fish are looking off-colour and not swimming around as purposefully as they might, you may decide to take them out of the tank, clean them up and then put them back in the tank – expecting them to then swim around much better. In fact, they may not show any improvement at all, because the real problem is not with the fish, it's that the water is toxic, or the tank's too small, or they haven't been fed.

Too often organisations try to address capability gaps in this way – they take people out of the 'fish tank' and send them off to a training course to be 'cleaned' – without addressing any of the more systematic issues.

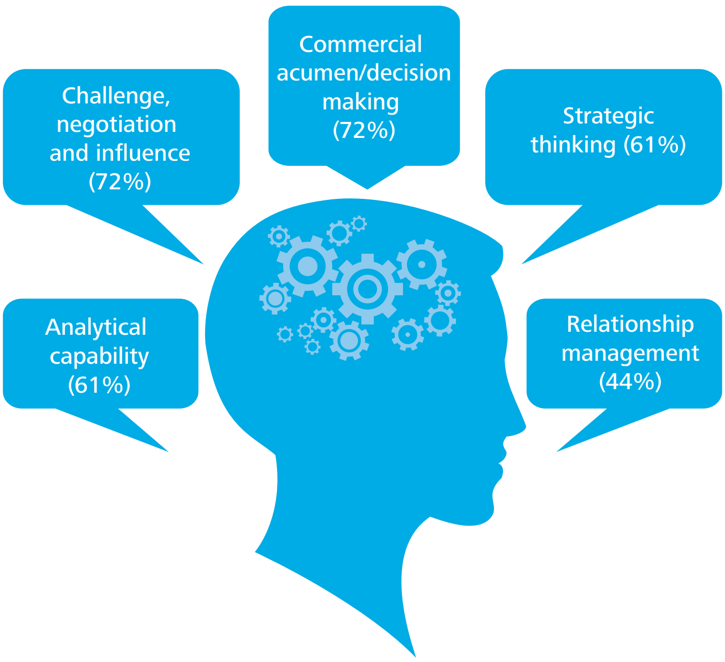
Finance organisations need to think in a systematic way when looking at improving business partnering capability. Training is important – but on its own will not be enough. Finance needs to look at how it is developing talent over the long term, what performance is being rewarded and who is being recruited into key roles.

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

22%

of organisations say that lack of talent with appropriate skills is the biggest challenge they experience when equipping the finance organisation with the capability and capacity to deliver finance business partnering

The top five competencies required in a finance business partner



Optimise data and analytics: broaden your focus

53%

of Australian organisations have reporting and analytical tools that are available but underutilised, with an over-reliance on offline spreadsheets

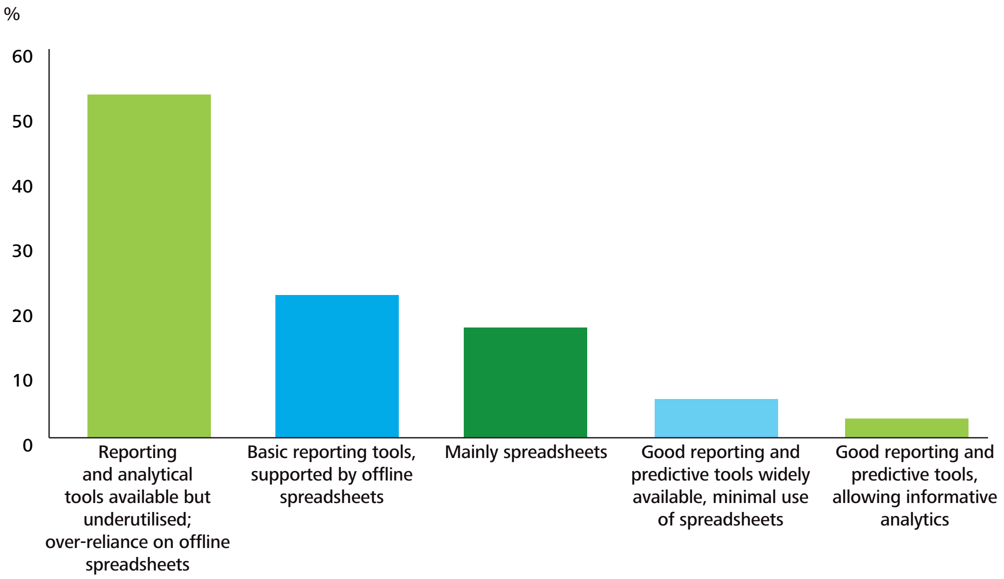
17%

still rely on spreadsheets as the primary support tool

6%

of organisations have widespread use of reporting and predictive tools to aid finance business partnering

How would you best describe your organisation's current level of systems support for finance business partnering activities?



Many organisations have invested in ERP platforms and optimised business processes. A key question is: have organisations sold themselves short by not broadening their transformation investments to incorporate reporting and analytical tools required to enable finance business partnering activities?

A practical approach

Finance business partnering requires a mix of internal and external data inputs, as well as the bringing together of financial and operational data, some of which is not necessarily within Finance's current reach. There is still too often a tendency for Finance to focus on what is comfortable — historical backward looking data.

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.

Deloitte insights - Technology

Some of our key insights in Finance providing the organisation with better, more relevant and insightful information include:

- Don't overcomplicate your technology – Most organisations do not align their business finance partnering activities with their technology roadmap, creating bottlenecks in information systems and decreasing the quality of data available. An integrated approach should be taken to develop information, technology and process roadmaps aligned with key organisational needs
- Let go of the past – Often when challenged, the reason for doing something is because "this is how we have always done things". The illusion that it is cheaper in both time and monetary terms to fix what organisations have, rather than re-evaluating and replacing is a mistake made too often. Adopting this attitude often results in systems that have evolved over time and are for more complicated than they need to be. Organisations should not be afraid to do some re-engineering and challenge what's evolved to today's 'normal'... On the other hand, we often find clients' existing technologies are actually 'all that they need'. However, capability is significantly underleveraged due to poor data and processes
- Align your technology landscape to your organisational structure – Alignment of process and technology is essential to provide a seamless integrated flow of financial data across the organisation. A data and process governance framework should be established to ensure actions are taken and responsibilities are assigned to assure data quality. A centralised metadata governing body (like a Chart of Accounts Council) with ownership representatives from both group finance and the business is key to assuring the reliability and accuracy of information used across the organisation
- Know your data – A key mistake is not taking the necessary (and sometimes painful) step to sort out the 'good' data from the 'bad' data. Working jointly with the organisation on what information matters is critical in order to focus on relevance and quality
- Cross business communication – Fiefdoms are sometimes built around areas of the business that seem just too complicated to change. These areas are typically where the most significant risks lie, and need to be challenged. The process and/or technology usually need to be (re) aligned with the organisations strategic objectives. Regular constructive communication is essential between Finance and the enabling and partnering functions
- Predictive analytics – Many legacy planning and forecasting instruments are not sufficient to reliably plan and quickly forecast within volatile market environments. Statistical data and predictive analytics are the evolving steps for a finance function to effectively support their business analytical needs. It is essential that organisations make an investment in the right technology to fulfill these requirements.

Deloitte insights - Digital impacts

Digital trends (for example social, mobile, cloud, data) are driving change with the method, speed and frequency the business expects to deal with information. Investment in systems, processes and data are not fully realised until they are delivered as insights in the hands of people who need it. Often the very last step in data flow, the visualisation and interface to the user, is overlooked, or under-considered. Leading organisations, rather than spread sheet based static extracts, are leveraging real-time dashboards that turn their data into insights, and enable decisions to be made in the field on mobile devices.

Making your move

The expectation for Finance to add greater value to the business is growing and the opportunity has never been stronger. Under current economic conditions, in which the path to profitable growth is unlikely to be straightforward, finance business partners are in a unique position to contribute more to steer the business. The quantity of data available, and the tools to turn that data into insight, are enabling an unprecedented level of analytical and commercial input into decision-making.

Finance leaders have real opportunity to become a greater catalyst for change. While the ultimate journey to effective finance business partnering is one of continuous improvement and learning, there are some practical actions which can set the right course for this journey:

1. **Be very clear on where Finance can add value to the business**
   Set a clear agenda for finance business partnering to enable the organisation's business strategy, address obvious high-value decision 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, and clearly articulating, where partnering effort will add the most value to the business, activities can be prioritised and Finance can work more closely with the business, gaining agreement of its partnering role and the execution 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. Tracking 'wins', celebrating successes and highlighting role model behaviours will help set the tone for Finance acting 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 in order to sustain progress it is important to address the four fundamental enablers of financial capability. Insight tools, data quality, skills development and career progression opportunities are all necessary to maintain the motivation of good finance business partners. Setting a clear and achievable roadmap to address the gaps in these four areas over time (with an initial focus on the higher-priority gaps) will build and sustain capability.

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