Business partnering

Part 1 2 3

The road ahead

Robert Half® Management Resources

An independent report on the expanding role of finance teams

Executive summary

As the business environment becomes more complex, the finance department is having to adapt.

Focused in the past on traditional accounting tasks, finance executives are increasingly being asked to support other parts of the business through finance business partnering, whereby the finance function supports strategy development and decision-making across the whole business.

In the UK, this partnering is already well established in many companies. This expanded role infuses greater rigour into a company. But it requires a different set of skills from those traditionally deployed in a finance department, and these can be hard to find or develop.

The first of three in the series, this report gauges the progress that companies in the UK and their European counterparts have made in developing finance business partnerships. It reviews how the finance team has transformed and the drivers for business partnering.

About this report

The Robert Half Management Resources report, written in collaboration with Longitude Research, is based on a survey of 1,000 group or divisional finance directors, spread evenly between the UK, France, Belgium, Germany and the Netherlands. In addition to the survey, we conducted 16 in-depth interviews with financial professionals and experts.

FACT!

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Finance in transformation

Over the past 10 years, the finance function has been under increasing pressure from several directions. Shifting shareholder and market expectations, new regulations, rapidly changing technology and increased competition have all taken their toll. This has led many companies to launch cost-cutting initiatives, reduce duplicated work and extend the influence of the finance function across the organisation.

When it comes to transforming the finance function, there is no one specific approach. However, certain trends are clear. Typically, a shared service centre or outsourcing provider now undertakes routine financial activities. Centralised centres of excellence are charged with running specialist activities, such as treasury. And the rest of the finance department, while still overseeing compliance and control, is increasingly expected to take on a value-added, 'business partnering' role, to help other parts of the business improve their analysis and decision-making.

According to Gary Rourke , VP Finance of AstraZeneca: "There is a vital role for finance business partners to help optimise performance and make the right business decisions to ensure we're allocating resources in the right way, and making the right calls in terms of strategy and the overall direction of the business."

> There is a vital role for finance business partners to ensure we're making the right calls for strategy and the overall direction of the business.
>
> **Gary Rourke**
> VP Finance, AstraZeneca

FACT!

39% of executives say business partnering improves corporate performance

How business partnering supports the business

Finance business partnering often means different things to different people. Broadly, though, it involves finance executives working alongside different business departments, providing financial information, tools, analysis and insight to executives, challenging their thinking, helping them make more informed decisions and driving business strategy. "The pilot has to drive the vehicle and make decisions on the road, but he has to have someone with him able to identify road turns, to give him hints on what's going on, give early warning when they are heading off track," says Thierry Vernier, Vice President for Plan & Financial Control at Sanofi, a healthcare company.

These relationships operate in myriad ways. For example, business partners might work with business unit heads to help clarify how particular key performance indicators (KPIs) are calculated or how exchange rates are dealt with. They can work with HR to help calculate compensation packages across the business – using comparable data and correcting for inflation. They might review forecasts to ensure these are realistic and that no big risk factors have been overlooked. They may explain to a sales team, the financial impact of guarantees included in a promotion. They might work with the R&D department, ensuring that competing research projects are evaluated consistently, or by setting the criteria, such as short-term returns, level of risk, or strategic interest, in order for such judgements to be made.

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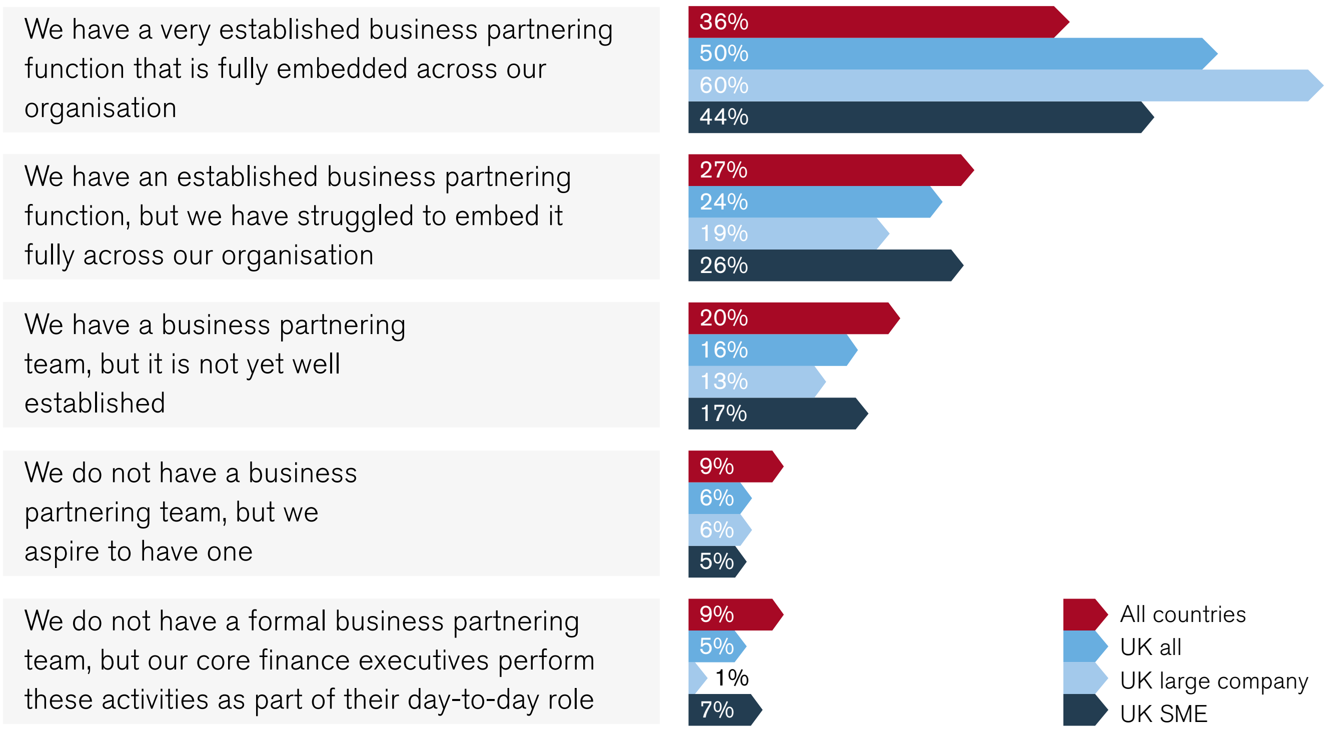
>
> to identify road turns and give early warning when heading off track.
>
> **Thierry Vernier**
> Vice President for Plan & Financial Control, Sanofi

Although business partnering has been around for many years, it has taken on increased importance, particularly because of economic volatility – a major concern cited by half of respondents, including two-thirds of UK finance leaders. Frank Plaschke, Partner and Global Topic Leader for "Office of the CFO" at BCG, a consulting company, notes: "In today's volatile business environment, business partnering is crucially important to assure alignment between the finance function and the business." Furthermore, "companies will need to develop a good risk culture; they will need to be good risk managers," he notes.

Characterising the maturity of business partnering within organisations



SME: 50-1000 employees, Large: 1000+ employees

This uncertainty and volatility has made support for forward-looking decision-making the most important priority for business partners – a goal identified by half of all respondents. This entails a shift away from a historical view of the business using lagging indicators. Business partners are also involved in analysing the effect of initiatives on the development of the business. “I expect my business partners to get involved in shaping any new product development or any new pricing strategies across the organisation,” says Stuart Rollings, Finance Director: Personal Current Accounts of Lloyds Banking Group.

Given today’s shorter business cycles, resource allocation has become a complex area to manage. Companies need to be extremely agile to relocate resources from areas where it no longer makes sense and invest in areas where it will have a high-value impact on the business. Indeed, finance is increasingly expected to support strategic development – often the biggest bet a company will make. More than half (53%) of UK respondents report that finance collaborated with the business in different aspects of the strategy development process.

Finance is not just checking the data and the formulas, but understanding and checking the hypotheses behind management’s views, and ensuring the goals being pursued are aligned with company strategy.

> I expect my business partners to get involved in shaping any new product development or any new pricing strategies across the organisation.
>
> **Stuart Rollings**
> Finance Director: Personal Current Accounts, Lloyds Banking Group

FACT!

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This dual role is a challenge in itself. This requires the strength to take a tough line, despite any pressure to the contrary. As BCG's Mr Plaschke notes: "This job is not about being liked. Finance partners need to give the right input and challenge – not just say yes and do everything you want."

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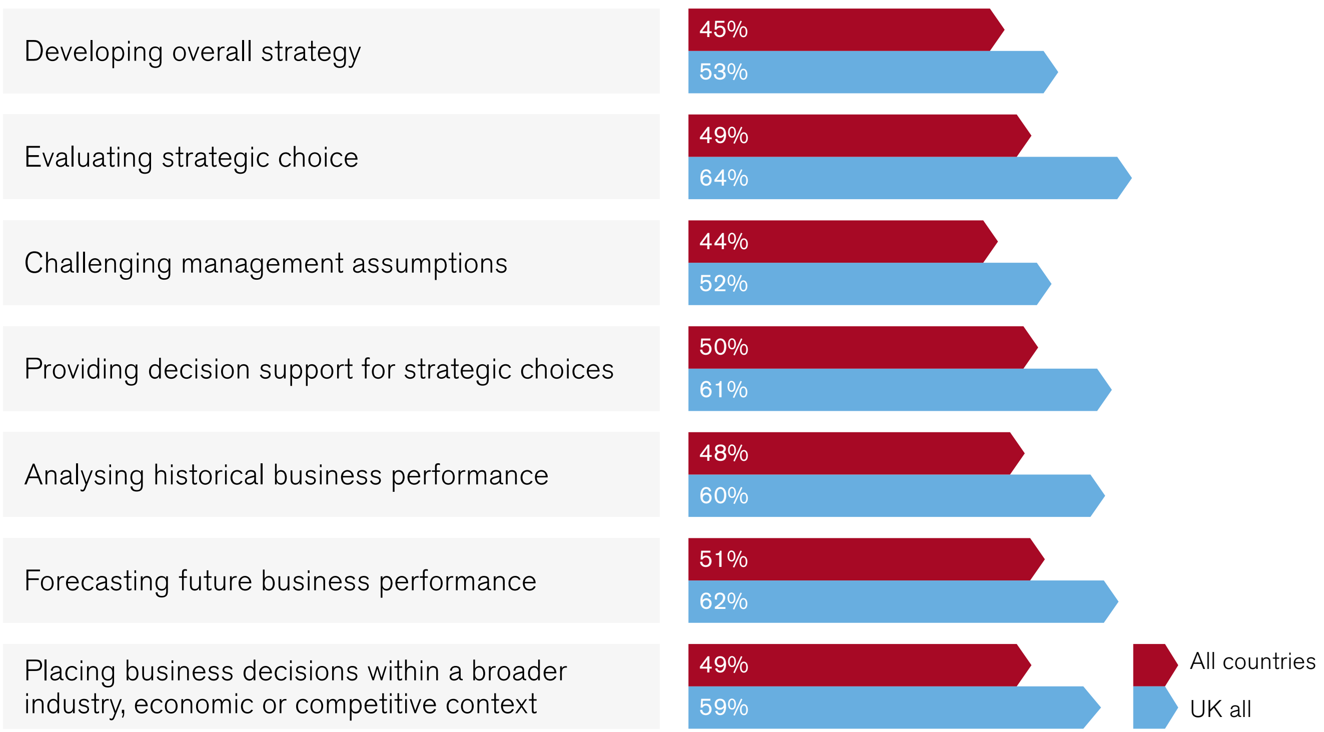
>
> **Frank Plaschke**
> Partner and Global Topic Leader: Office of the CFO, BCG

Activities currently carried out by the finance function in collaboration with the business to some, or a very great extent



Business partnering: the SME perspective

While general business perception has considered finance business partnering an issue for larger companies, interestingly, opinions of SME finance leaders are not far off.

In many ways, business partnering comes easier to SMEs than to larger businesses. Staff in smaller businesses tend to be more involved in different areas of the business. There is less functional specialisation, fewer business silos, and stronger cross-departmental relationships.

However, while classic entrepreneurs will have an optimistic, can-do outlook in how they build businesses, finance professionals tend to bring a countervailing, evidence-based approach. This is not always welcomed. Resources are another challenge: SMEs do not always have deep enough pockets to hire the personnel they need, or pay enough to compete for top talent.

Our survey shows that SMEs share many similarities with larger companies. Indeed, business partnering is equally accepted in SMEs and larger businesses alike: nearly half (45%), respectively, feel that wider acceptance from the business is necessary to enable partnering to prosper. But SMEs certainly need help getting over the more repetitive finance tasks. More than half of those polled point to increased usage of shared services as a key measure to allow partnering to prosper. The survey also shows that business partnering in SMEs tends be less involved in various aspects of strategy, which may be connected to this need to look after more routine financial transactions.

The business partnering role also becomes increasingly important and challenging as SMEs scale up. CIMA's Peter Simons comments "In a good small business, the finance director already works alongside junior executives in a partnering kind of way, complementing his skill set, but as the business gets larger it becomes increasingly important to cascade his influence throughout the business to become, in effect, better at partnering with the business," he says.

Interestingly, SMEs put more emphasis on developing existing finance talent than larger companies do. Although they tend to have fewer resources to hire people with the right skills, SMEs do not feel disadvantaged when recruiting finance business partners.

Company case study: Edwards

Financial partnering supporting business transformation

Edwards, a Nasdaq-listed vacuum pump producer, has undergone a remarkable transition from a mainly UK operation to a global company over the past decade. Along the way, this expansion has transformed the finance function, especially its finance business partnerships.

The company operates a global shared services centre from the UK, the Czech Republic and Korea, which is responsible for transaction processing. Commercial and operations controllers act as key business partners, and are embedded across the business alongside their operating colleagues, to enhance decision-making and ensure the business stays on track.

David Smith, Edwards' CFO, helps set overall strategy for the business. His operations controller partners with the COO responsible for manufacturing and development, while a sales and an after-sales controller partner with their respective vice presidents. "Finance has a very good overview of the business," says Mr Smith. Its main contribution is "to ensure that the very best information and data is presented to decision-makers in a prompt way".

With the company now operating in over 25 countries, its key priority is to ensure consistency of data across regions, and that analysis translates into strong customer policy and operational strategy. This can be harder to achieve in some markets. A couple of years ago, finance operations in Asia largely involved processing receivables and payables, with very little decision support. But today, the firm boasts a network of analysts who can help on pricing and operational cost decisions.

The company recruits people in the early stages of their career who can learn the basics quickly and then start adding value on more analytical roles. "The key is to channel their enthusiasm into the hard work required to understand how the business works and then develop those strategic skills on top of that," says Mr Smith. "Over the next couple of years, training the 160 or so new recruits worldwide will be the key challenge of business partnering in the company".

> Finance's main contribution is to ensure that the very best information and data is presented to decision-makers in a prompt way.
>
> **David Smith**
> CFO, Edwards

Conclusion

Finance business partnering has become 'mission critical' in many companies.

The increased complexity of business, more intense competition, technological change and greater business volatility are all drivers for finance departments extending beyond their traditional scorekeeping roles. As economic uncertainty lingers, companies of all sizes are benefiting from the forward-looking insight and analysis that finance departments can bring to overall organisational strategy and decision-making. Yet, firms continue to struggle to fully embed finance business partnering and more needs to be done.

In the first of our three-part series, we have examined the changing role of finance, where we have come from and where we are headed, but this is just the beginning. In the following reports we will review what finance leaders indicate is a skills gap and talent shortage as well as practical advice from the experts on how to implement business partnering within your organisation.

Watch the video:
The skills required to become a genuine and influential business partner

Often the finance partnering teams are the most valued part of the business.

Gary Rourke
VP finance, AstraZeneca

Acknowledgements

We would like to thank the following UK and European interviewees for their participation in this report:

André Oerlemans
CFO
Weight Watchers Benelux

Antoine Bayon de Noyer
Deputy Group CFO
Carlson Wagonlit Travel

Antoine Grenier
CFO: France
Altran

Byron Rader
Former CFO
Microsoft France

David Smith
CFO
Edwards

Diederik Bossuyt
VP, Group Controller
Belgacom

Frank Plaschke
Partner and Global Topic Leader:
Office of the CFO
BCG

Gary Rourke
VP Finance
AstraZeneca

Dr Joachim Jaeckle
Corporate SVP: Financial Operations
Henkel

Michel Allé
CFO, SNCB; Finance Professor
Solvay Brussels School of
Economics and Management

Nathalie de Wachter
Regional Finance Director
AstraZeneca

Peter Simons
Technical Specialist
CIMA

Stuart Rollings
Finance Director: Personal Current Accounts
Lloyds Banking Group

Thibault de Tersant
EVP and CFO
Dassault Systèmes

Thierry Vernier
Vice President Plan & Financial Control
Sanofi

Wolfgang Zorn
Area Controller DACH
Avaya Deutschland GmbH

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