



TRANSFORMING THE FINANCE FUNCTION FOR SERVICE DELIVERY /PERFORMANCE AND ACCOUNTABILITY:

The Finance Function as a Business Partner

Presentation by:

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Presentation agenda



Overview of Presentation

- ❑ The Current Environment: Dynamic Business Environment which does not augur well with the Traditional View of the Finance Function
- ❑ The Transformation of the Finance Function
- ❑ The Finance Function as Business Partner in the Innovation Cycle

The Current Environment

The current environment



Our current environment is characterised by;

- ❑ Innovation
- ❑ VUCA (Volatility, Uncertainty, Complexity, Ambiguity)
- ❑ World after midnight by Eddie Obeng
- ❑ Political and Economic upheavals
- ❑ Competition from new entrants and traditional rivals
- ❑ Traditional roles and mind-sets, under siege

VUCA Phenomena



VUCA was introduced by Army War College to describe the multilateral world which emerged from end of the cold war. In a business context, VUCA took off after the 2008 financial crisis

- ❑ Volatility- nature of change, speed, type, volume, scale
- ❑ Uncertainty-lack of predictability, surprise
- ❑ Complex- widespread confusion, no clear connection between cause and effect
- ❑ Ambiguity –haziness, lack of precision

VUCA

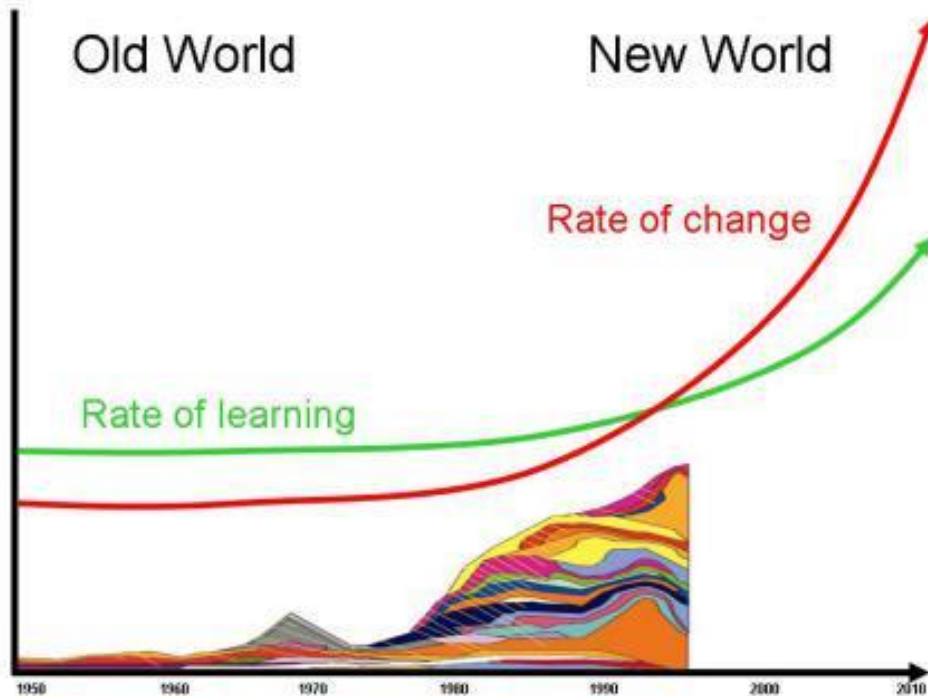
Phenomena...continued



Impact of VUCA;

- ❑ Change is greater, future less predictable, options increasing rapidly and the way we think about these options
- ❑ Need to make faster decisions, process huge amount of data, everything more interconnected
- ❑ Move from learning from the past to predict the future; to considering what is possible and not probable

World after midnight.....



- ❑ Introduced by Eddie Obeng
- ❑ The New World was ushered with the widespread use of the internet
- ❑ The rate of change outpaces rate of learning

A case for innovation....



Why do organisations need to innovate;

- ❑ There more players, efficiencies and enlightened market
- ❑ Top companies have being replaced by completely new players such as Google and Amazon
- ❑ Pace of innovation is accelerating
- ❑ Scope of innovation has widened from products and services to incorporate processes and business model innovation (intraprenuer)

The Transformation of the Finance Function

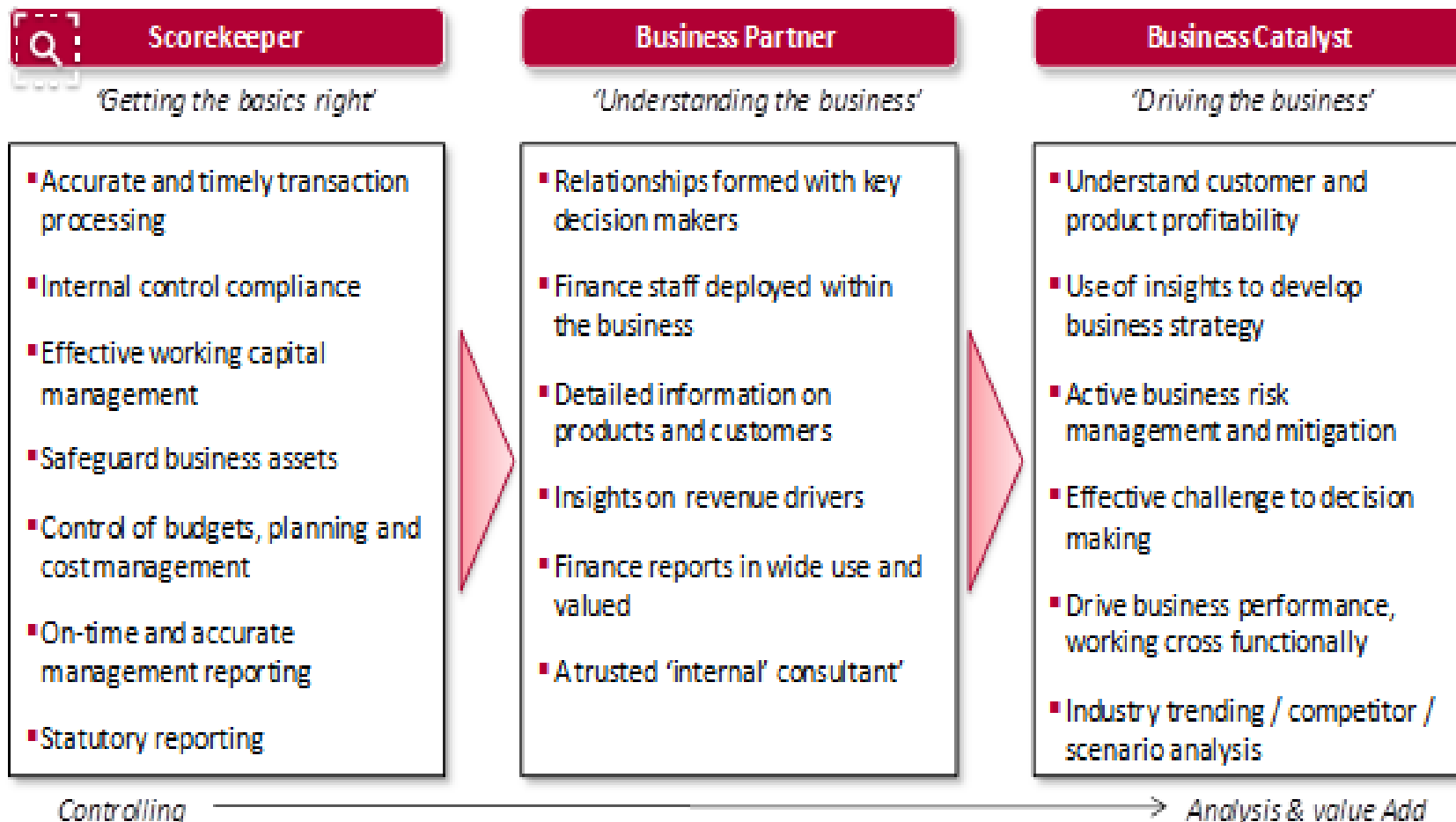
Transforming the Finance function



Factors driving transformation of the finance function:

- ❑ Shift in the finance mandate; moving from the traditional role to value preservation
- ❑ Increasing digitalization and automation, providing additional value and disrupting finance jobs
- ❑ Need to make complex business decisions faster
- ❑ High influx of data, making it harder to match the pace of analysis with the pace of information

Transforming the Finance function



Transforming the Finance function



The Finance Function as a Business Partner



Business partnering is the role that finance undertakes to support and challenge the business in ensuring that the chosen business strategies deliver the required shareholder value at acceptable level of value.

There are 2 main ways of transforming the Finance Function into a Business Partner:

- ❑ Building knowledge and capability outside traditional finance role
- ❑ Rethinking Finance Talent

Knowledge of business outside the Finance function



- ❑ Finance function will need to build their capability in key areas in addition to finance, such as operations, IT, customer and commercial focus, business partnering, strategy and transformation through training and hiring non-traditional finance candidates. E.g. statisticians or data scientists to analyze data
- ❑ Finance professionals will need to have a grasp of other business function

Rethinking Finance Talent



- ❑ Turn finance into a team of information analyzers, not data caretakers: There is a greater need for collaboration, greater self-sufficiency in their use of technology, and a more forward-looking analytical view.

Benefits of Business Partnering.....



- ❑ Revenue growth
- ❑ Improved operating margins by clarifying impacts of claims and costs
- ❑ Capital and risk management -integrate risk impacts(liquidity, credit, market, operational)in decision making
- ❑ Strategic effectiveness- challenges the initiatives taken by business units and assess their alignment to strategic ambitions

The Finance Function as Business Partner in the Innovation Cycle

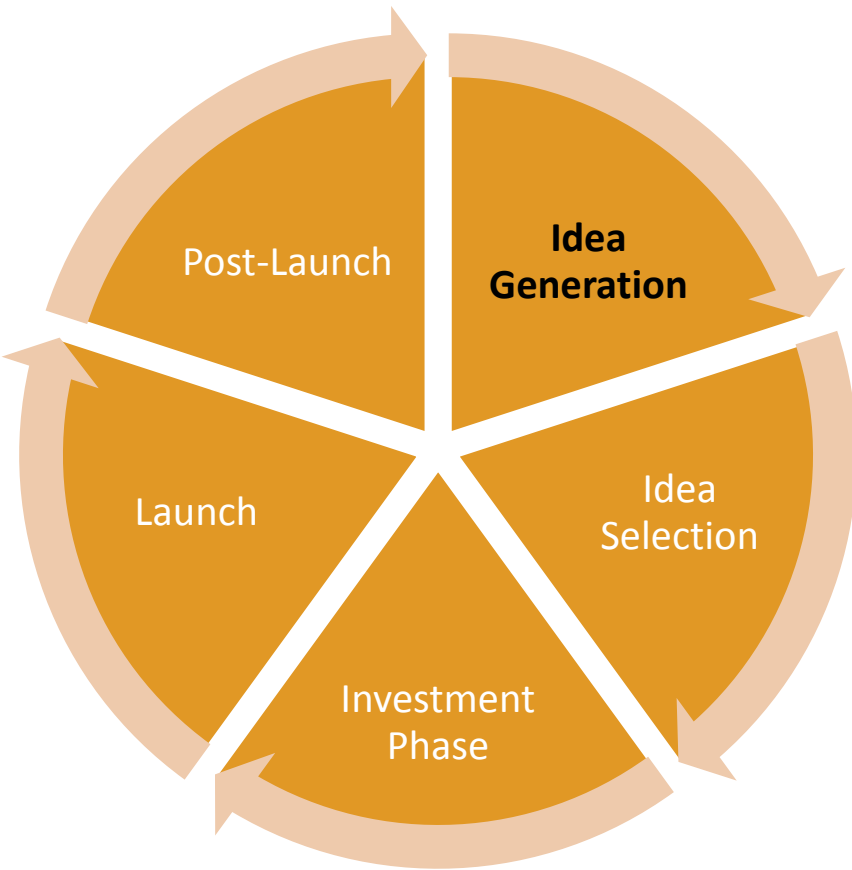
Business Partner in the Innovation Cycle



The Finance function needs to be involved in all phases of the innovation cycle:

- Idea generation
- Idea selection
- Investment phase
- Launch
- Post-launch

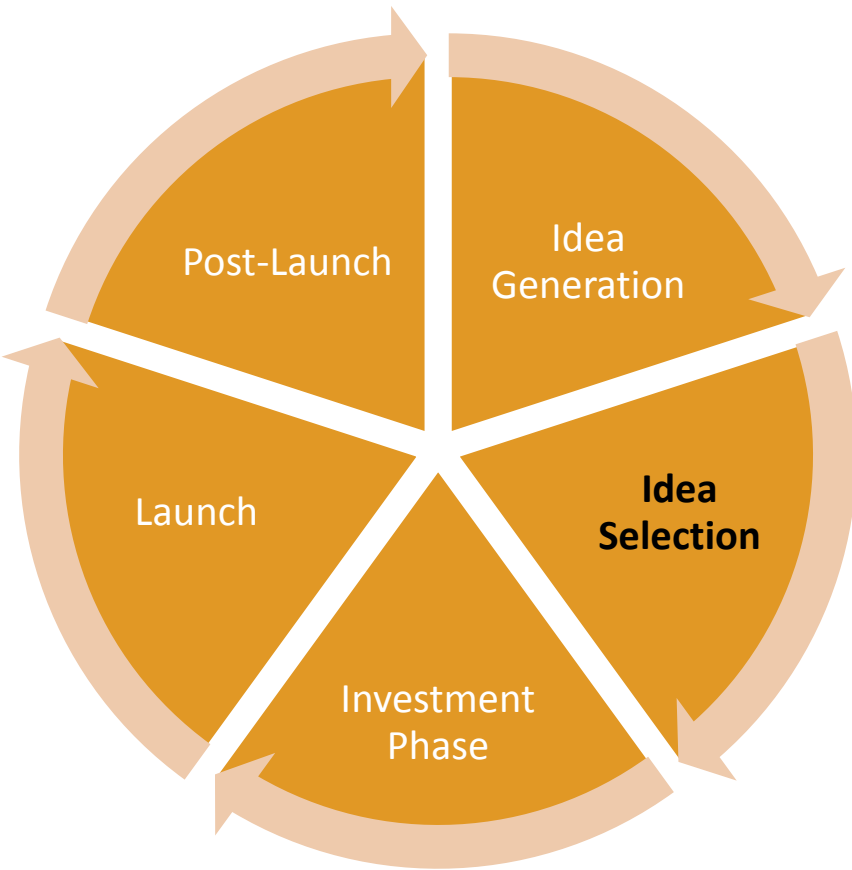
Business Partner in the Innovation Cycle



Idea generation:

- ❑ Separate finances for innovation from those for core business
- ❑ Favour judgement over modelling
- ❑ Challenge and refine ideas to ensure strong business case

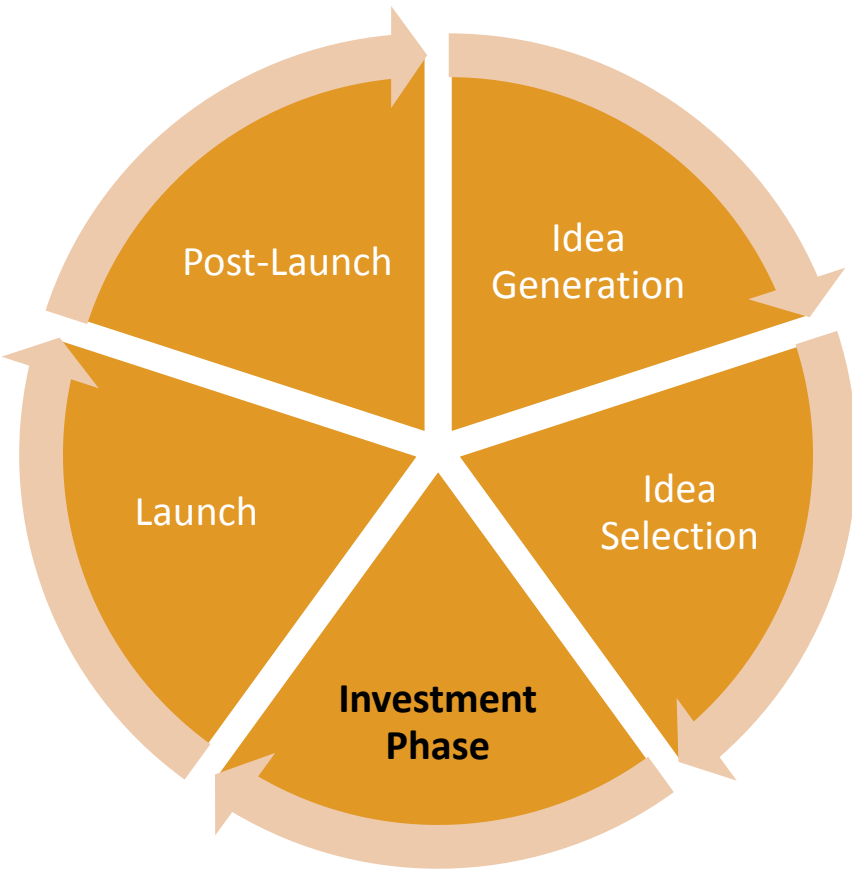
Business Partner in the Innovation Cycle



Idea selection:

- Scope the opportunity
- Assess the potential ROI
- Constructively challenge assumptions
- Prepare the business case

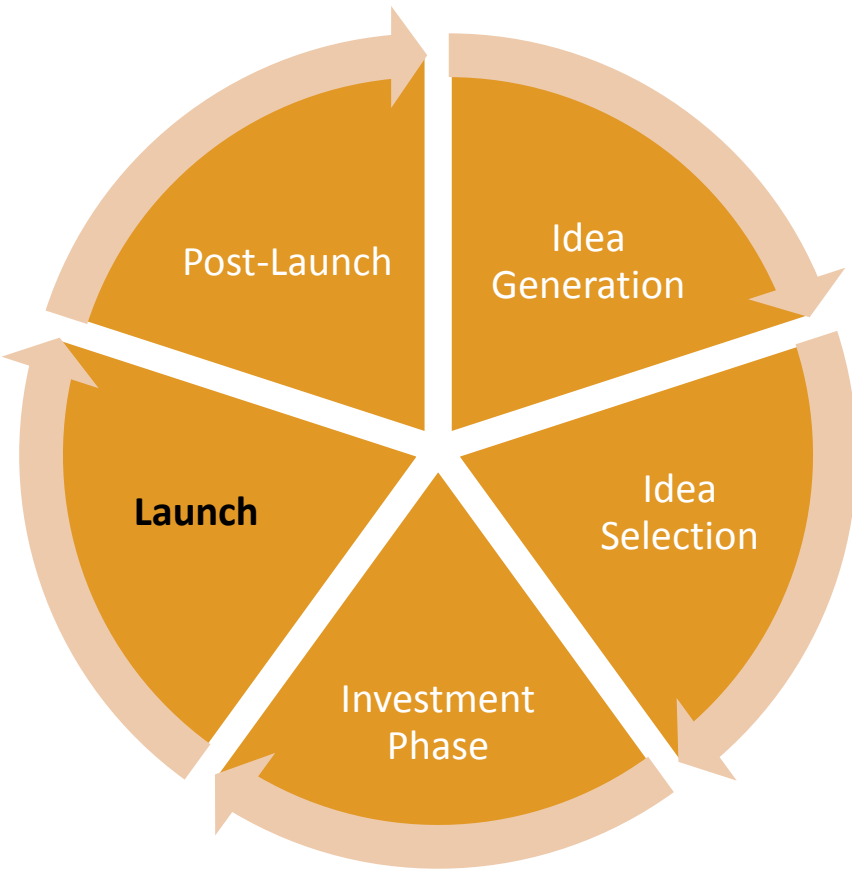
Business Partner in the Innovation Cycle



Investment phase:

- Advise on finance options
- Optimize business plans
- Set and monitor financial and other targets

Business Partner in the Innovation Cycle



Launch:

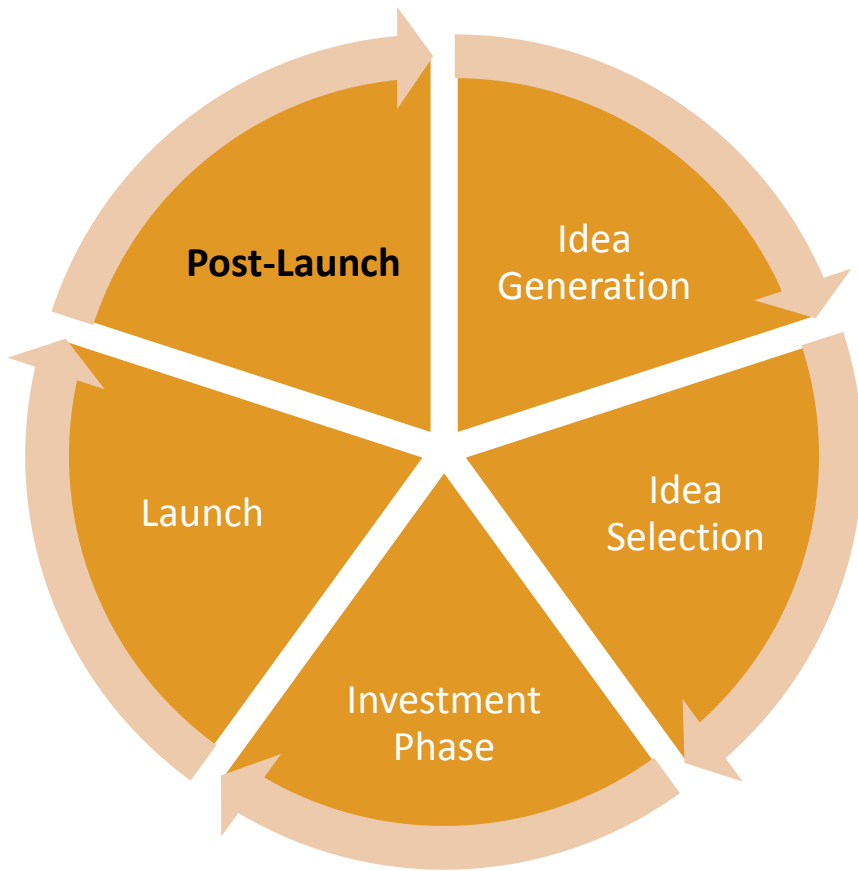
- ❑ Ensure rigorous project management discipline
- ❑ Work closely with product and marketing teams to finance the right launch activities

Business Partner in the Innovation Cycle



Post-launch:

- ❑ Evaluate, measure and monitor performance against financial and other targets



The Finance Function of the Future



How we see
the future
of Finance



Contacts

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Appendix: Sources



- ❑ <https://home.kpmg.com/content/dam/kpmg/pdf/2016/07/finance-of-the-future.pdf>
- ❑ <https://assets.cdn.sap.com/sapcom/docs/2015/11/50209790-4a7c-0010-82c7-eda71af511fa.pdf>
- ❑ <http://www.thestar.com.my/business/business-news/2017/01/31/the-finance-function-of-the-future/>
- ❑ <http://www.cgma.org/magazine/2013/may/20138024.html>