

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



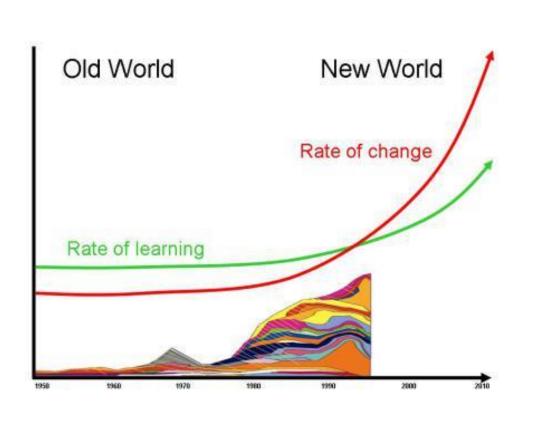
Phenomena...continued

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





Scorekeeper

"Getting the basics right"

- Accurate and timely transaction processing
- Internal control compliance
- Effective working capital management
- Safeguard business assets
- Control of budgets, planning and cost management
- On-time and accurate management reporting
- Statutory reporting

Business Partner

'Understanding the business'

- Relationships formed with key decision makers
- Finance staff deployed within the business
- Detailed information on products and customers
- Insights on revenue drivers
- Finance reports in wide use and valued
- Atrusted 'internal' consultant'

Business Catalyst

'Driving the business'

- Understand customer and product profitability
- Use of insights to develop business strategy
- Active business risk management and mitigation
- Effective challenge to decision making
- Drive business performance, working cross functionally
- Industry trending / competitor / scenario analysis

Controlling

→ Analysis & value Add

Transforming the Finance function



focus on business **Business Partner** Commentator Required competences Required competences customer orientation market orientation empathy entrepreneurship organisational sensitivity joining board conversations problem analysing capability networking re-active pro-active Required competences Required competences organisational control focus on quality judgement anticipating on new translating and explaining developments results persuasiveness discipline / accuracy taking the initiative Score Keeper Diligent Caretaker focus on accounting

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



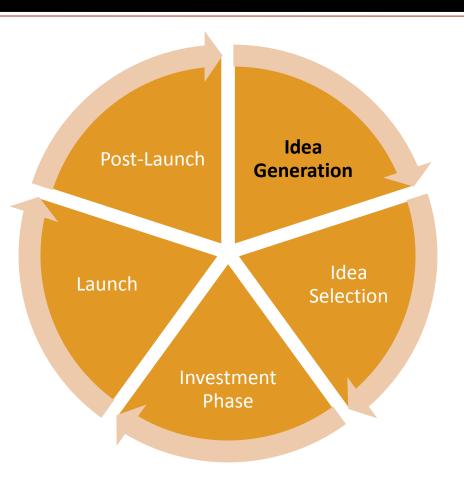
The Finance Function as Business Partner in the Innovation Cycle



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

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

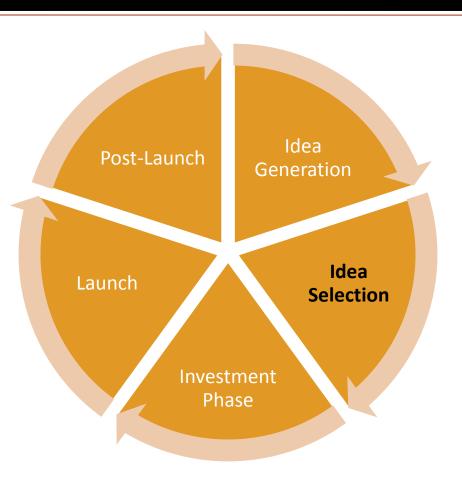




Idea generation:

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

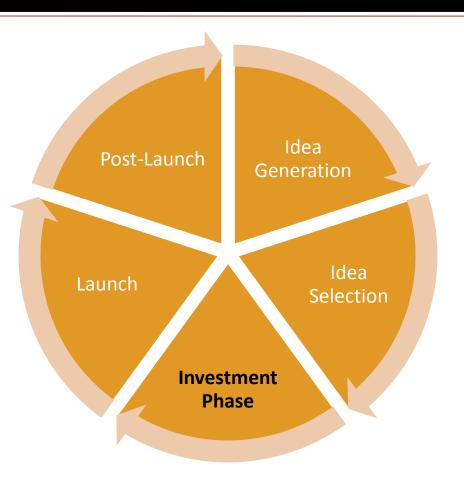




Idea selection:

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

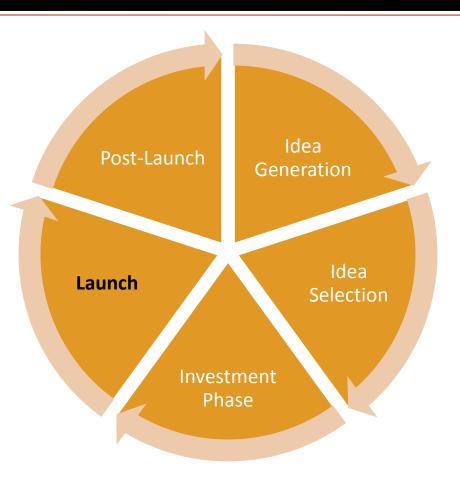




Investment phase:

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

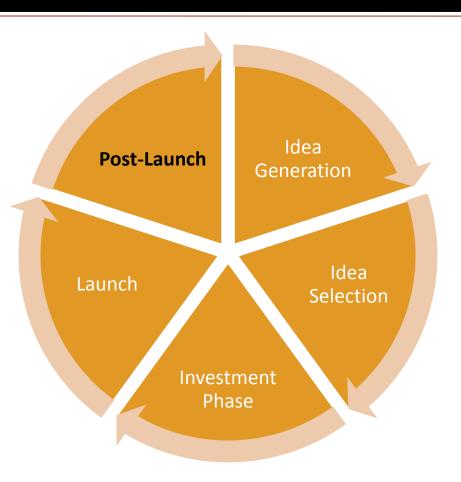




Launch:

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





Post-launch:

■ Evaluate, measure and monitor performance against financial and other targets

The Finance Function of the Future







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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/
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- □ http://www.cgma.org/magazine/2013/may/2013802
 4.html