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# Mastering Finance Business Partnering

The missing pillar in building Finance leadership

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# Foreword from CIMA

Even for finance functions that have already transformed their efficiency and the quality of management information they provide, delivering business partnering effectively can be a challenge. Senior business partnering roles - as described in this report - are hard to fill. As a result, there is a real demand for management accountants who, in addition to the core finance and accounting skills, can offer commercial insight and strategic thinking combined with influencing and, ideally, leadership skills.

At CIMA, we like to describe a management accountant in a business partnering role as the navigator at the side of the CEO, the captain of the enterprise. These navigators support business leaders with information and analysis about the organisation's position and course. They contribute to strategic decision making and risk/performance management. They have professional objectivity and are prepared to challenge constructively when necessary to ensure the business is managed in the long term interests of all stakeholders.

In this report, KPMG has provided clear views on the nature of the business partner's role and how business partnering can be delivered. This clarity is helpful as accountants with the ambition to take on these challenges will want to identify any gaps in their personal skill set to address through their individual Continuing Professional Development (CPD) programme. CIMA's research suggests that 'learning through doing' is the best way of developing the broad range of skills necessary. Understanding clearly what is required to be effective in the role is a good starting point for achieving this.





## Introduction

The recent economic turmoil left most companies exposed to heightened commercial and financial risks. This 'wrong-footed' many finance teams, leading them to re-evaluate their role. At the same time, tough economic conditions, volatile markets and intense competitive pressures provide a real opportunity for finance teams to step up their influence, bringing benefits to the whole business. Our 2009 'Thriving Not Just Surviving'<sup>1</sup> survey found 82% of CFOs were working to improve how their team challenges and supports the business – twice the number who gave this response in 2006.<sup>2</sup>

There is a link between strong company performance and the way Finance works with the rest of the organisation. In 'Thriving Not Just Surviving', when we asked CFOs about their team's influence, a greater proportion of high-performing than lower-performing organisations reported high levels of influence in all functional areas of the business.

'Finance Business Partnering' is increasingly viewed as the most effective way for finance teams to add value. Some high performing firms already fully embrace business partnering - in finance, HR and other functional areas - and some elements of partnering are seen in many companies. Examples of a 'pure' Finance Business Partnering model are rare, reflecting the complexity and scale needed for a specialist approach, although hybrid and evolving models are more common with a drive towards greater purity. Yet organisations can still find partnering difficult to incorporate into their business model in a comprehensive or sustainable way. This paper draws on our experience of working with organisations that have mastered Finance Business Partnering and outlines some practical steps to implementing it.

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<sup>1</sup> Thriving Not Just Surviving, KPMG International, 2009

<sup>2</sup> Being the Best, KPMG International 2006

# 1. The Role of Finance Business Partners

A Finance Business Partner (FBP) is a finance function professional who works alongside other business areas, supporting and advising their strategic and operational decision making through insights that drive better business performance. The work FBPs carry out includes:

- Interpreting, explaining and driving performance within the business
- Presenting a dynamic industry, competitor and economic context
- Supporting and influencing key operational and strategic decisions
- Advising on key business planning assumptions, trade-offs and opportunities
- Providing ad-hoc analysis and insights on specific issues

FBPs take a different approach from the conventional finance team's focus on historical numbers. While the core finance function continues to handle reporting and management activities, the FBPs look forward, providing strategic insights based on industry and macro-economic trends and competitor dynamics. They examine operational performance through different lenses to bring new perspectives, using tools such as shareholder value analysis, return on capital, customer profitability, channel profitability and zero or activity based costing.

They introduce benchmarks, consulting techniques, and frame discussions using structured methodologies to ensure rigour in evaluating options. They use examples from other organisations and sectors to inform the debate. With good soft skills, they provide rounded opinions and clear recommendations.

## KPMG Point of View

Finance Business Partnering is about supporting the whole business to raise standards in key decision areas, taking a forward-looking and commercial view supported by a rich consulting toolkit and high emotional intelligence to help articulate different options and influence decisions. We believe that the FBP needs to be free from the distraction of core finance work to offer this level of support to their internal customers. Our experience shows that the larger the organisation, the greater the opportunity to scale the Finance Business Partnering solution towards a purer model with specialist provision.

## 2. Preparing Finance for Business Partnering

### How do you know if the Finance function is ready?

Before embarking on business partnering, the finance function must be mature with supportive, trusting internal customers and able to accommodate a bigger role - the business should already be looking to Finance for additional support. Efficient and accurate transaction processing, financial controls, and management information based on robust underlying assumptions are a pre-requisite to this.

FBP teams are more likely to be successful if they are free from the demands of day-to-day core finance activity, but business partnering is likely to fail if a 'two-tier' system evolves within Finance, with the FBP role perceived as more highly valued. Good internal communication about the structure and value of different roles is vital to strong working relationships between the core finance team and the FBPs.

### Should the Finance Business Partners report to Finance?

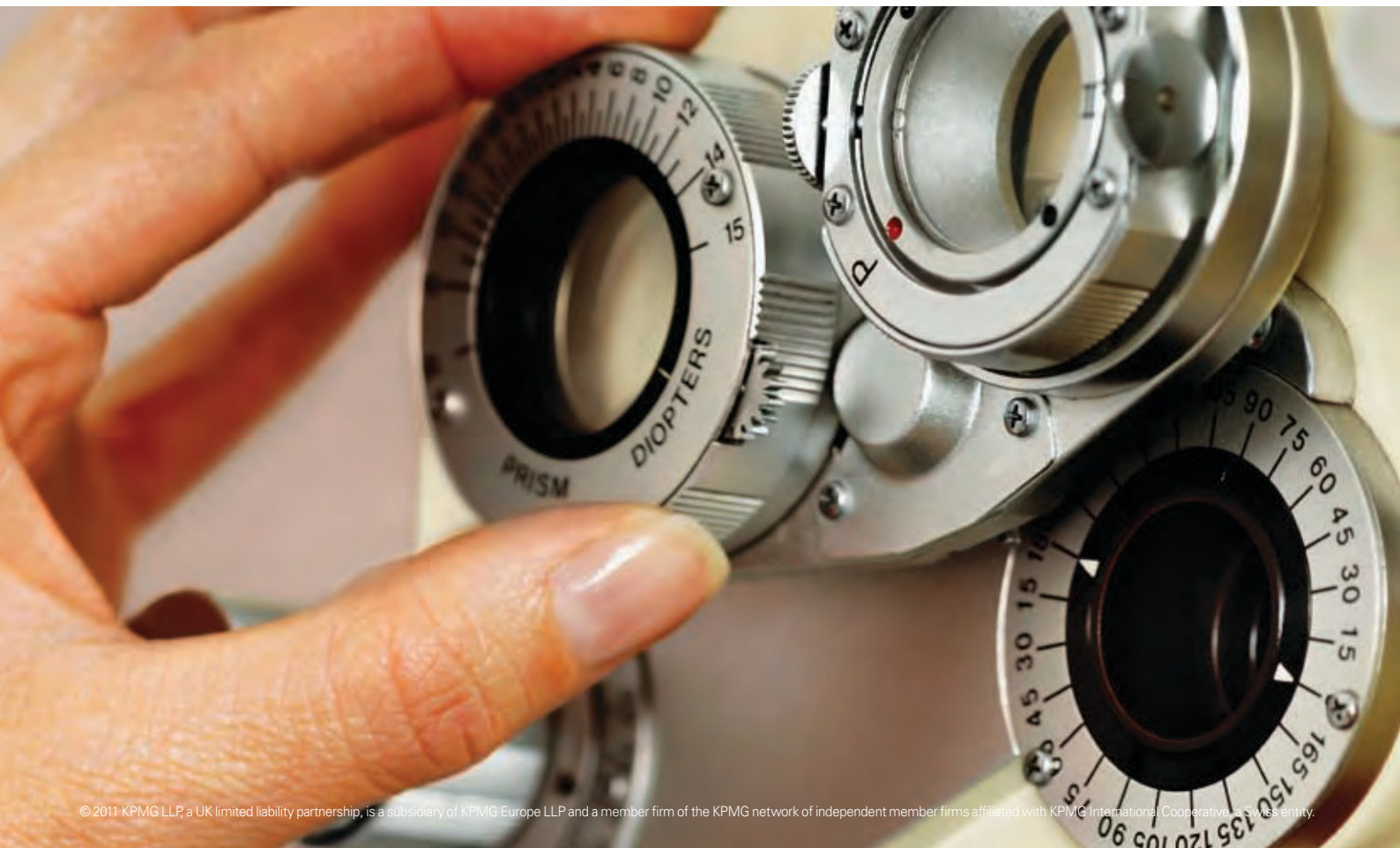
Wider organisational reporting patterns generally determine where the FBP reports. If different options exist within an organisation, and if the FBP role is also still developing, we would recommend that FBPs report directly to Finance to allow the team to establish itself. In situations where business partnering is widely accepted and solidly established, the reporting line becomes less important, as all stakeholders are more comfortable with the role of the FBP and therefore more flexible in their view of alternative organisational models.

### KPMG Point of View

Don't embark on Finance Business Partnering unless you have the adequate foundations and finance function maturity. The business will not give you permission to become business partners if transaction processing and management information is lacking.

### KPMG Point of View

Reporting lines depend on both the maturity of the Business Partnering model and the overall design and structure of the organisation. In terms of implementation, we recommend FBPs initially report to Finance, but the reporting line can easily evolve and integrate into the wider business as understanding of the FBP's role matures.



# 3. Aligning Finance Business Partners with the business

## How do Finance Business Partners agree with their internal customers where to focus?

Initially, the challenge is to achieve a balance between where internal customers want to focus and where the FBP team itself believes it can add most value in terms of direct contribution to business performance. As credibility and trust grows, FBPs will increasingly find they are invited and have permission to advise on performance in all areas of the business - with fewer and fewer issues considered 'off'. However, this takes time, and will require extensive dialogue to refine the model. In the most mature situations, we find the FBPs and their customers jointly setting the agenda.

## How do we get the business to take Finance Business Partners on board?

If the wider business is involved in defining the role of FBPs and how they will work, this will promote a good understanding of what the organisation hopes to achieve through business partnering. Further buy-in can be achieved by highlighting examples of success where good business decisions would not have been made without the FBP's influence. Sharing experiences within FBP teams will provide individuals with examples they can use in this way. For its part, the business needs to welcome FBPs, include them in all relevant discussions, and listen to and respect their recommendations.

## How can Finance Business Partner effectiveness be measured and individual Finance Business Partners rewarded?

FBP teams normally measure their effectiveness through:

- An annual customer survey completed by FBPs and their customers, scoring performance against goals in specific decision areas and highlighting perception differences and progress
- Showcasing specific examples - at individual or team level - of FBPs influencing successful strategic and operational decisions.

Performance measures need to reflect the organisation's goals for business partnering. For example, if the key goal of FBPs is to improve shareholder value, a key measure could be 'changes in shareholder value since implementation'. Rewards for individual FBPs should align with those of their business colleagues to ensure consistency, but they should also recognise independence, integrity and professionalism.

### KPMG Point of View

FBPs should be close enough to the business to propose the main areas of focus for discussion with business colleagues. A three-way agreement between the FBP, customer and Finance Director should be set up and then monitored. The work should balance projects or initiatives that drive in year profitability and longer term shareholder growth.

### KPMG Point of View

Embracing an advocate from the business who can articulate the benefits of the FBP model by using a real 'case study' can help promote acceptance of and support for the FBP approach.

### KPMG Point of View

Ideally, FBP incentive packages should be linked to tangible improvements in overall organisation performance and performance in supported business areas. They should also reward individual FBPs' contribution to their specialist areas of expertise, good team working, quality of insight, contribution to the knowledge base, pro-active behaviour and constructively challenging styles of working.



W O R

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# 4. Building an Effective Finance Business Partner Team

## How should the Finance Business Partner team organise itself?

Finance Business Partners should clearly align themselves to senior business leaders, businesses and / or functions. The second aspect of FBP team organisation, which is often overlooked, is the solution dimension where the solution leader and team are responsible for collecting and building global intellectual capital (tools, checklists, case studies, benchmarks) to support decisions within a specific area. The solution collateral is available for all business partners to use in raising the standard of the advice and analysis they provide.

Solution areas depend on the nature of the business. We have seen teams that focus on working capital optimisation, pricing, marketing effectiveness, investment appraisal, customer acquisition/ retention, sales force effectiveness and / or activity-based approaches. This is similar to a consulting model where consultants mark specific clients and have responsibility for driving thought leadership, harvesting knowledge and developing tools within a specified solution area. Where a business customer requires a deeper level of expertise, the FBP might ask the solution leader to join discussions with the customer to ensure the best possible advice is provided.

## What is an efficient business partnering model?

The team size should be in proportion to the finance function and the business as a whole. Typically, around 15% of Finance resources are committed to business partnering, but sometimes the marginal benefit of an extra resource can be significant. If an FBP advises on £1bn of outsourcing contracts, could they save more than they cost?

Centralising or outsourcing some supporting activities – for example ad-hoc reporting, decision analytics, research, model building, benchmarking, simulations and activity-based analysis etc – can reduce costs and may improve turnaround times. However, the advantages need to be weighed against the risks associated with this approach, such as fragmented responsibility for particular projects and a loss of proximity to the sources of key data.

FBPs should be allocated where they can have the biggest tangible benefit. Some companies use ratios to decide numbers of FBPs according to market size, levels of revenue or marketing spend. Find the best individual FBP for each job and put your best people on projects where their skills can have a real impact on profitable growth and value creation.

Within the team, giving seniority and grading careful consideration will ensure the right balance of experience and skills. Some organisations give all team members the title of 'Finance Business Partner'; others restrict the title to senior team members and call the supporting team 'Business Partner Analysts'.

## KPMG Point of View

FBPs should operate a matrix where business partners have clearly defined business relationships and also lead or contribute to a defined solution area. A few business partners might lead solutions and have no client focus whereas others will match to business leaders. Each solution area would have a global leader and global virtual solution group. The solution areas should evolve over time as the business's needs develop.

## KPMG Point of View

We advocate reviewing the overall level of FBP investment annually, using sizing rules and allocating your best talent to the activities that drive profitable growth. We only recommend centralisation or 'off-shoring' of supporting activities in businesses that have already successfully managed shared services and also have a mature FBP model.

### How often should you rotate business partners?

It can be difficult for organisations to find the right individuals for the FBP role, so it can be tempting to keep them once they have established themselves and built relationships. But without rotation, the exchange of skills and ideas between FBPs and their core Finance colleagues will suffer, and there is greater risk of the 'two-tier' system developing.

### KPMG Point of View

We believe it is healthy to rotate business partners every two to three years, so that the need for fresh challenge and new perspectives is balanced with continuity and relationship building.



# 5. Developing Effective Finance Business Partners

## What tools do Finance Business Partners need?

Conventional finance teams focus on reporting historic performance, whereas FBPs look at how current choices may affect future performance, and challenge management thinking to drive better decision-making. The toolkit that enables this includes:

### KPMG Point of View

To perform effectively, FBP teams need a rich, comprehensive toolkit of information sources, analytical techniques and interpersonal skills. This is complemented by clear ownership and accountability to ensure up-to-date and relevant support. We recommend that a sponsor/leader from the Finance Business Partnering community 'owns' each element of the toolkit so that it can continuously evolve and improve.

| Toolkit Component             | Examples   | Comment   |
|-------------------------------|--|---|
| Data Resources                | Management information<br>Data mining and extraction tools<br>Financial and non-financial metrics<br>Internal and external benchmarking data<br>External market and sector data  | Excellent information is vital to good business partnering. FBPs need confidence that the information is accurate, and know how to use it |
| Analytical Tools & Techniques | Financial modelling tools for example Excel<br>Statistical tools for decision modelling,<br>Monte Carlo simulation<br>Shareholder value analysis - ROI, ROC<br>Zero- or activity-based costing<br>Customer/channel profitability | A rigorous approach, broad repertoire and strong technical skills underpin the quality of FBPs' work                                      |
| Structured Frameworks         | SWOT, PEST<br>Porter's Five Forces<br>Profit Pools<br>Root Cause Analysis<br>Hypothesis testing  | 'MBA'-type frameworks provide structure to discussions and evaluation of options  |
| Best Practice                 | Case studies<br>Processes<br>Checklists<br>Plans   | The FBP can share learning from within and outside the organisation to improve business decision-making                                   |
| Communication and influence   | Presentation skills<br>Relationship building<br>Negotiation<br>Facilitation<br>Conflict resolution   | Good FBPs have high levels of emotional intelligence and build trust and confidence with colleagues throughout the business               |

## What qualities distinguish an effective Finance Business Partner?

Over 50% of 'Thriving Not Just Surviving' respondents said that finding good candidates for FBP roles would be a major barrier to implementing business partnering. Building the team's skills and managing talent are critical to the sustainability and evolution of the FBP role. So what should an organisation look for?

A high performing FBP has both technical expertise but also 'softer' influencing and negotiating skills. They are naturally inquisitive with a desire to understand a broad range of commercial issues, bringing these macro factors to life for their customers and explaining the relevant context. The ability to listen, interpret, influence, negotiate, and challenge are all vital to the role.

### KPMG Point of View

High performing FBPs are exceptional people with a rare blend of skills. Technical skills are generally strongly represented in finance teams, but fewer finance professionals have well-developed commercial and softer skills: according to 'Thriving Not Just Surviving', five of the top six skills that CFOs said they were aiming to improve in their team were the so-called 'soft' skills.

### What kind of training do Finance Business Partners need?

Individual organisations need to look for the right balance between recruiting to bring in essential new skills and developing existing finance team members to become effective FBPs, but most respondents to 'Thriving Not Just Surviving' said they planned to use training rather than recruitment to address gaps in all competence areas, including 'softer' skills. Some organisations have created an 'Academy' to achieve this, combining e-learning for technical improvement with bespoke coaching and mentoring for individual FBPs developing their communication and influencing skills.

### How can Finance Business Partners keep their advice relevant to the changing needs of the business?

FBPs need constantly to update their service offering to reflect changes in the external environment and the business' needs. For instance, during the economic downturn, the key areas of emphasis have been cost reduction, customer profitability, working capital, the mix of costs, cash forecasting. As the economy returns to growth, we will see these give way to issues such as organic growth, pricing or marketing effectiveness.

High performing FBP teams consistently monitor macro-economic trends and industry issues, search out new ideas, and develop tools and management information to support new services for their internal customers.

### How can Finance Business Partners use and share knowledge?

High quality performance requires effective sharing of ideas and experience. Accessing knowledge needs to be easy so that FBPs can obtain information quickly, within a familiar structure. An on-line portal rich in external and internal content and that also enables knowledge sharing between business partners is used by many successful teams. Using a common toolkit to shape discussions and arguments will help FBPs to share knowledge effectively in a useful structure. Sharing real life experience of different scenarios assists in embedding best practice.

### KPMG Point of View

Organisations need to invest in training for FBPs to be effective. Creating an 'Academy', augmented by personalised programmes for individuals, is a robust solution, and can accommodate both soft and technical skills development. Others augment training with the recruitment of experienced FBPs from other organisations.

### KPMG Point of View

Effective FBPs are individuals with a natural curiosity to stay abreast of developments in their organisation, industry and the wider economy, allowing the organisation to seize opportunities and mitigate new threats. Strategic horizon planning by the Head/Sponsor of Finance Business Partnering will ensure that the model is continuously refined and investment made into different decision areas as the business evolves and its capabilities improve.

### KPMG Point of View

We advocate creating a 'Business Partnering Community' in which team members communicate online and meet regularly to showcase successes and share knowledge. Responsibility for developing collateral and capturing knowledge is a core FBP management issue and should include competitor analysis, checklists, articles, external research, methodologies, benchmarks, models, tools and case studies.

# Summary

Superior financial performance will be delivered by those organisations that invest in Finance Business Partnering, prove effective in developing skills, target the right level of business partnering resources in the right places, anticipate business demands, develop an organisational understanding of the FBP's role, focus on the right decision areas and develop a rich toolkit. Many organisations have a few excellent individual Finance Business Partners but fail to globally systematise, formalise and embed best practice standards. Wouldn't it be valuable to your business if every business partner worked to the same high standards as the best performer?





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