



The big shift

Value through partnering

Setting sights on value

In recent years the finance function has moved away from its traditional focus on reducing costs and improving efficiency, increasingly looking towards value creation as its prime goal. This trend has brought new skills to the fore and changed the requirement from and the role of finance in many organisations, but where will it take the finance function in the years ahead?

If we were to bring a group of CFOs from 20 years ago into today's business world many of them would not recognise the way the finance function operates in many large companies. To them, the increasingly familiar image of the finance team as a business partner that works closely with other parts of the business, exerting greater influence on strategic and operational decisions, might seem unfamiliar and, perhaps, uncomfortable.

Today, the demands on finance professionals have evolved a long way from their traditional focus on cost reduction and efficiency gains, and their target is now to also create value for their business by bringing finance, strategy and operations closer together and providing a common language in which to frame a company's goals. This shift inevitably requires that finance professionals acquire new skills, and that organisations adapt to ensure finance can become a true and effective partner for the rest of the business.

Insight from Dominik de Daniel, CFO, Adecco Group



'The move towards value creation is not new. It started five or even ten years ago and now the trend is accelerating. The big question for any organisation is whether its strategy will allow business partnering. The organisation must be set up in a way that allows it. There must be a focus on value creation and the manager in each country must have the right attitude towards partnering with finance,' says Dominik de Daniel, CFO of market-leading recruitment agency Adecco.

'The organisation must accept finance as a business partner, so in each country where it operates the CFO must have the authority to make decisions with the CEO. In our organisation all of the regional financial people report to me as the group CFO and all regional heads report to our CEO. The information streams come together through us and we are in discussion about the strategy in each country along with any other function that we need to invite. That is business partnering.'

The organisational structure at Adecco that de Daniel describes is also a result of the company's move in 2006 to make Economic Value Added (EVA) the dominant force in driving the business forward. Over the last four years, the organisation has achieved a good balance between finance, strategy and operational decision making by becoming a truly value orientated business.

'Whether you are making decisions about invested capital, payment terms, reducing invoice collection times, financial systems or delivery models, finance has a big influence in creating sustainable value for the company. It also has input into the pricing of our services. So, business sees finance as a very important partner,' he remarks.

'Adopting the Adecco EVA principle was a big change and a challenge. It changed the way we balanced invested capital, market share, growth and profitability. But the people in the business were open to it. They saw the advantage that would come from having a value-orientated culture, rather than focusing on market share, so they were very supportive. Today it's a competitive advantage'.

New skills frontier

To fulfil their new responsibilities, finance professionals require a very different blend of skills to work effectively with operational areas of an organisation and to exert a greater influence on a company's strategic thinking. Research undertaken by CIMA in the October 2009 report *Finance transformation: the evolution to value creation* highlighted that the new mix of skills and competencies required in finance puts greater emphasis on an awareness of business and commercial issues in all roles (see figure 1).

Figure 1 – Business partnering characteristics in finance functions

Business partnering characteristics The finance function...	
1	Advises on and supports decision making throughout the organisation.
2	Supports the management of risk and complexity.
3	Is valued by other parts of the organisation for the support it gives to their activities.
4	Is usually involved in the development and implementation of strategy.
5	Always advises managers on the business implications of data it produces.
6	Plays an active role in decisions on the business portfolio.
7	Originates cost reduction strategies for the whole organisation.
8	Is proactive in generating forward-looking information to influence business strategy.
9	Directly communicates with external stakeholders concerning business performance.
10	Is involved in reporting on the organisation's environmental, social and governance performance.
11	Initiates and leads change.
12	Leads in the identification and assessment of new business opportunities.
13	Doesn't focus mainly on financial information.
14	Doesn't undertake the transactional accounting work.

Source: *Finance transformation: the evolution to value creation*, CIMA, 2009

CIMA's research also found that, whilst finance functions are shifting towards a value creation focus they are still retaining a portfolio of roles. Critically, with all roles requiring a strong technical foundation but also an increase in business acumen. Finance and senior management very clearly state their preference for professional qualifications, however, they also cite the lack of talent available that bring commercial and communication skills. Today, finance is not only about tracking the numbers, but also about a deep understanding of the implications the numbers have for the future of an organisation.

Technical skills are the base of finance, and every finance professional needs them. But on top there is a need for management skills and an in depth commercial understanding, which are not always easy to find. That means it may take longer to find the right people, or take a concerted and planned effort to develop those skills within the organisation.

Of course, those new skills are critically important at the higher levels within a finance team, while elsewhere the emphasis will require a different mix and may be on technical finance competencies. The key is to match the skills of an individual to their role and level of seniority.

'At the country level you need to be more business minded than at group headquarters, where technical skills are more important. In country teams you certainly need business acumen at management level, but there must be a balance between the commercial skills of the country CFO, and the technical skills that are needed for processes like accounting,' de Daniel remarks.

'As finance evolves, so must the rest of the organisation, which must adapt to accommodate business partnering with the finance team. Operational people don't have to become finance people, but they need to understand the long-term value a finance function delivers,' believes de Daniel.

Finance is still about understanding the numbers, but it is also about leadership, communication and the ability to effectively present financial data and the decisions it supports to non-finance people. The analysis is quantitative, but the decision making it supports is qualitative, so it is important to ensure that people outside the finance team understand its goals. That is the key to business partnering.

It is certain that some people in the finance team may feel they are stepping outside their comfort zone as leadership, interpersonal and communication skills increase in importance. These people should not fear for their ability to work effectively in finance, as the function will continue to have a portfolio of different roles and there is great value in their skills in specific analytical or process-orientated tasks. However, all finance professionals will require an increasing level of interpersonal and business skills, those that resist developing in these areas have to accept that their capacity for promotion in the finance function may be more limited.

'Those people will develop further within their specific function. They may not want or need the new skills sets, but they will still be very important in traditional areas of finance, or in shared service centres. Technical skills are, after all, the foundation of the finance team, but to evolve further people will need to acquire new skills,' de Daniel explains.

An objective view of the future

One of the fears our hypothetical group of CFOs from the past may have about the current incarnation of the finance function is that its objectivity, which for many is its prize asset, may be compromised as it becomes more closely entwined with operations. The ability to stand outside operational and strategic issues and provide objective and independent analysis of how a business is performing or what decisions it should take is vital to the decision making process in any large organisation, but does business partnering really put this ability in jeopardy?

For de Daniel, the ability to provide objective analysis is precisely what gives the finance function its strength as a support to the strategists and operational managers in an organisation.

'Finance is a good business partner because it can be objective. Perhaps there is a risk of it becoming less objective in some businesses and that depends on how you organise the finance function in relation to the rest of the organisation. In our company, there is strong co-operation between the CFO and the CEO and the reporting lines lead to them at group level, which allows us to maintain our objectivity,' he states.

'You need to remain objective for internal audits, and to perform the tasks of the CFO that relate to implementing controls and business policies. You can't forget those responsibilities. An organisation must be set up so that the finance function can remain objective because that is what enables it to be a good business partner, who drives value for the company.'

In building a mutual understanding, operations and finance can help each other. Finance must be able to communicate the meaning of its analysis to decision makers within the business, and those operational managers can help the finance team as it incorporates a more analytical and decision based approach to complement its traditional quantitative analysis. The CIMA research indicates that, on the whole, regardless of where they operate, finance staff retain a link or reporting line to a finance function or finance head and this may be critical in ensuring that objectivity and independence is retained.

Figure 2 – Finance professional duties and organisational location

Orientation	Categories of finance professional duties	Organisational location		
		Member of finance function %	Finance professional outside the finance function %	Total %
Back office	General finance/accounting	32.1	3.0	35.1
	Specialist finance/accounting (internal audit, tax, or treasury/risk management)	4.1	2.1	6.2
Front office	Finance/accounting support of operating units	23.8	1.5	25.3
	Other functions/units (including line or general management and non-financial support activities)	24.6	8.8	33.4
Total		84.6	15.4	100.0

Source: *Finance transformation: the evolution to value creation*, CIMA, 2009

CIMA's research found that a large majority of finance professionals who participated in the CIMA research programme see themselves as operating as part of the finance function. At the same time, nearly half of all finance function professionals see themselves not as general or specialist accountants (back office) but as business-facing (front office). But where front office finance professionals consider their duties primarily to be with other functions/units, a substantial majority of them still remain as part of the finance function.

Today, that objectivity must be coupled with flexibility. The pressures and challenges a business faces are constantly changing and the finance function, along with the organisation as a whole, must be ready to adapt. Shifting economic circumstances, business models and legislative developments, for instance, will bring different concerns to the fore and demand different skills within the finance function.

'We have seen a lot of movement towards shared services, in part to benefit from labour cost arbitrage, but the last downturn has shown that risk management and treasury functions are becoming much more important for many companies – not least the banks. Also, tax laws are developing, so tax issues will be an important area of focus in the years ahead,' notes de Daniel.

To maintain its flexibility and respond to such challenges, the finance function needs to ensure that there is sufficient investment in training and education for its personnel. Research by CIMA in the 2010 study *Ledgers to leadership: a journey through the finance function* has revealed a clear negative disparity between what senior management perceives as the level of time and support available to support staff in terms of education, training and CPD, and the uptake of this training (see figure 3). Clear processes and structures are obviously required to redress the balance, but de Daniel is clear about how investment in training and education should be targeted.

Figure 3 – Percentage of organisations providing support in policy and practice (as reported by senior finance management)

Training objective	Nature of support	Organisations providing support in policy (%)	Organisations providing support in practice (%)
Professional qualifications	Paying for exam and course fees	76	29
	Allowing time off for study leave	76	
Post-qualification CPD	Paying fees for activities	58	32
	Allowing time off for activities	60	
Other training courses	Paying fees	78	40
	Allowing time off for attendance	78	
Other support		29	

Source: *Ledgers to leadership: a journey through the finance function*, CIMA, 2010

'It is a very important priority to train the finance team, but there needs to be a return. We can't just do it for the interests of the staff – there must be a return for the business. You need the right blend of skills for the organisation and for the individual. It is easy just to put people in external courses to sit exams, but I focus a lot on internal training, for on-boarding people and for developing people already in the team,' he comments.

CIMA's research has demonstrated that finance personnel who maintain and cultivate a technical skill set (especially with a professional finance qualification), but who can exhibit business and management capacities in addition will more often succeed in the fight for top positions (see figure 4).

Figure 4 – Importance of recruitment criteria

Rank	Criterion	Rating
1	Personal characteristics	Critical
2	Relevant professional qualification	Critical
3	Relevant work experience gained externally	Critical
4	Relevant work experience gained internally	Critical
5	Graduate with business relevant degree	Important
6	Graduate (any degree)	Important
7	Post-graduate with business relevant degree e.g. MBA	Important

Source: *Ledgers to leadership: a journey through the finance function*, CIMA, 2010

Training and development in these skills throughout a professional's career, as well as exposure to business experience, are critical to gaining this mix of competencies. We see that finance professionals in strategic and advisory roles, alongside management accounting ones, demonstrate the mix of competencies associated with those for leadership development. It is therefore likely that these individuals will be engaged in organisations' leadership programmes and who will, on the whole, be the finance leaders of tomorrow.

'For all functions, including finance, we have a talent pool. In my area, the finance managers recommend people to be part of that. We look at the skills they already have, and at what skills we need to build the business in the future. We build those skills through training, but also through stretch projects, which helps to show them that they have a career in finance in this organisation. We also put a lot of emphasis on mentoring,' says de Daniel.

A focus on value clearly means many changes for the finance team in a company like Adecco, but with the right organisational structure, a focus on building new skills and the right means of communication between finance and operations, tangible benefits can quickly be realised.

Opportunities for outsiders

The changing blend of technical, interpersonal and commercial skills needed to operate effectively as a finance professional, partnering with other business functions, raises an interesting question for the future: could members of the finance team come over from other disciplines, such as IT or marketing, with finance skills bolted on?

'Overall, do I care if people have a finance background? Yes, I care a lot, and they must have it. Some jobs in the finance department are very process-orientated, so it is possible that someone with an IT background could take them on if they had additional financial skills, but even then they would be in the minority, especially in a large, global business,' says de Daniel.

'Coming to finance from marketing or sales is less common, though not impossible. Investor relations needs a very solid understanding of finance but you also need communications skills. Similarly, if someone has an MBA, then I would say that is all very nice on paper, but what is behind it? My focus is to look at the skills that fit the job. I would always look for a background in finance, the experience and achievements. The success though comes always in a great team with complementary skills.'

Competencies, skills, and training



Insight from Alberto Benazzi, Chief Financial Officer, Danone Italy

'I totally subscribe to the view of the finance function shifting to create value with less focus on the traditional cost reduction and efficiencies. Finance has changed in the last decade and there is a real focus on the main activity now. There is now business support versus accounting.

I believe that a good level of partnering has already been achieved. In my own company, before taking any decisions, directors have to ask for my authorisation to present to the CEO. This could include input and authorisation of pricing increases, promo intensity, extra marketing expenses, return on investment advertising and promotions, investments or project savings.

The finance function needs to increase its skill set. It must be an expert in sales, marketing, supply chain and industrial areas. If not, the support is poor and other units will not look to finance for a contribution. All finance roles require more business competencies. It is not an option, it is a must.

I believe that the optimum balance between technical and business competency needs to be roughly 50% finance skills, 50% business skills. Non-finance roles are also becoming more finance savvy though. In our organisation we organise special training for those managers outside finance, in order to have a better comprehension of finance and be able to speak the same language.

That said, I do believe that finance executives need to come from an intensive finance background and not from other business areas. All other competencies they need can then be developed in the field or throughout their career with training.

There is substance in the commentary that says many accountants simply do not want to shift into the advisory space as it is one step too far outside their comfort zone. With increasing business partnering it is always tricky to retain the objectivity and independence but finance must retain this independence to legitimate profit and loss and the balance sheet. I proactively separate business support and advice on one hand, with the right application of IFRS principles, taxes and so on. A strong CFO must be able to separate out partnering activities, ethics and the regulatory requirements.'

Split for purpose



Insight from Duncan Brown, Head of Finance, East Europe and Mark Patrick, Head of Finance, Syngenta Crop Protection

Business partnering is becoming a primary responsibility for the finance function, but the more traditional transactional activities are still as important as ever. Getting both sides of finance to deliver the greatest advantage to a global company could involve splitting the function into two distinct and different entities.

'Business partnering is the future and right through the organisation we are separating the traditional transactional finance role from business partnering. We have been pushing that for over two years. For most roles this is a binary choice, although the biggest challenge is at the CFO level in each country, whose job is split between the two,' says Duncan Brown, CFO at Syngenta Switzerland.

'We wanted to create a function that is comfortable with the separation between business services and the business partners who create value for the organisation,' confirms Mark Patrick, Syngenta's Head of Finance Crop Protection.

An innovator in crop productivity, Syngenta has operations in over 90 countries. It is at an early stage in the reorganisation of its finance teams across these locations, but where the distinction between roles has been made – and the right skills put in place – it is already seeing the benefits of business partnering.

'Finance has a richer knowledge of what the business is trying to achieve, but we still need to create the right framework and learning programmes to let finance people sit side-by-side with business leaders,' notes Patrick.

'Some people can't wait to make the transition, and they have the business acumen that could make them future country heads. Others don't get it and focus on the traditional accounting role. The rest are interested, but they need new skills, especially around value-based management,' remarks Brown.

The split of responsibilities within the team has broadened the scope of Syngenta's search for talent.

'It can be difficult to find the right skills to be an effective business partner, but as well as people with a pure finance background we also look for people with strong MBAs. We can then equip business people with finance skills. That approach is helping us a lot with recruitment in places like Russia,' Brown explains.

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