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Management Accountants


# Fact or fiction?

## The independent business partner: Asia

*'Business partnering is a natural shift for the finance function since we are operating now in a very volatile as well as very fast changing environment. However, there is also a clear challenge for the finance function, as it has to switch the mindset from the 'co-pilot' to the 'driver seat', which requires different skills as well as a different set of tools... but objectivity is critical and thus to ensure it is maintained organisations need to look at forming strong internal control with a direct or indirect reporting to the CFO.'*
**Julian Heang**, Finance Director, Danone Dairy China, finance transformation insight

ASIA

# Conclusions

1. **Across Asia, finance business partnering is at different stages of maturity but it is present and utilised.** There is a recognition of the need to balance the goals of the business with operational practicalities in order to maximize profitability. Organisations could consider systematising transaction processing to heighten efficiency – possibly outsourcing to lower cost locations. In the business the CFO needs strength in a business partner, with a mindset which focuses on the key objectives of profitability, appropriate growth and both the ethical attributes and technical ability to impose the necessary checks and balances.

2. **Individuals working as business partners need to be independent and ethical in their approach.** It is not just about having the right skills but also having the right personality and aptitude. Effective business partners need high emotional intelligence to manage conflicts and to give them the confidence to speak out. As well as sound technical competence and high business acumen, they need to demonstrate ability in essential soft skills such as interpersonal communication, negotiation, conflict management and presentation skills to guarantee credibility.

3. **There is a risk in becoming less impartial over time.** Business partnering has a key role to play in providing consistent objectivity, asking the difficult questions and challenging propositions. The environment needs to encourage this, with the CFO at the interface providing leadership and influence. Successful business partners need to create a balance of discipline and discretion – reporting lines make a difference to objectivity and independence.

4. **Sourcing, identifying and managing talent is a key challenge.** Developing key skills can be aided by the creation of secondment opportunities and by encouraging job mobility. However, employees will need to be of the appropriate mindset and willing to move to different locations. Steward, operator, catalyst, strategist – each are identified as pivotal roles in the development of a business partner and reflecting the wider transformation of the finance function. The move from 'bean counter to boardroom' embraces all these dynamics. In practical terms this represents a move from a more narrowly defined transactional function towards trusted advisor role with a significantly heightened business acumen.

5. **Building individual and organisation capacity for partnering.** Companies need to develop in-house professional development and career paths, building on what educators and professional bodies can provide, as well drawing on what government agencies can do to support.

6. **Appropriate systems of reward have a role to play in encouraging objectivity and integrity.** Not only in the finance team, but more widely in the business.

7. **An ethical business culture is necessary.** Without a wider ethical business culture and appropriate leadership there could be threats to independence and therefore, threats to the sustainability and standing of the business.

# Recommendations

1. **Set the tone, create the culture.** The role of senior management, from the chief executive and chief financial officer down, is pivotal in setting the tone for establishing and communicating the importance of independence and objectivity when implementing business partnering programmes. They can help embed and reinforce the importance of objectivity in both the support and service roles that finance plays. Such messaging provides the finance business partners with credibility within the organisation and reinforces confidence in the professionals involved. For the CFO, creating and leading the team can make the difference.

2. **Business partnering is about challenging the stereotypical views of accountants within the organisation and the wider business community, as well as views of accountancy.** Partnering helps business look ahead as effectively as looking back and facilitates strategic decision making. However, there will always be a need for the traditional accounting and finance function. To ensure balance, organisations need to recognise when business partners stop adding value and start adding cost.

3. **Develop relevant skills and competencies and keep on doing it.** Both individuals and organisations should identify the competencies that are particularly important to drive their business and which provide the optimum fit with their corporate culture. Organisations should build up partnering pipelines, taking account of age profiles and cultural dynamics, to provide pathways to facilitate partnering and to acknowledge and recognise the value of cross-functional working. These should be identified at the recruitment stage and incorporated into career development planning to maximise benefit to the organisation.

4. **Ensure optimum organisational design and support mechanisms.** Organisations must ensure that suitable structures, mechanisms and tools are available for the finance professionals and are integrated into the business, including:

   - **Reporting lines** – keeping a reporting line to finance, to allow advice and escalation.
   - **Reward and assessment** – to be assessed and rewarded on key objectives related to governance and control, people management and success for the business as a whole and not solely on the short-term financial results of a particular unit.
   - **Rotation and secondment** – being rotated around the organisation and across markets can enable partners to gain a wide experience and understanding of the organisation and different functions, while also being open to different management and cultural business styles.
   - **Training and development** – as well as developing the right talent, there is also a need to recognise that not all finance professionals have the motivation or attributes to move into such roles, therefore development needs to be targeted accordingly.
   - **Coaching and mentoring** – it is also considered good practice to facilitate finance mentors or coaching for business partners working in the business units, particularly for those who are less experienced.

# About CIMA

CIMA, the Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body for management accountants, with 183,000 members and students operating in168 countries, working at the heart of business. CIMA members and students work in industry, commerce and not-for-profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders.

CIMA is committed to upholding the highest ethical and professional standards of members and students, and to maintaining public confidence in management accountancy. CIMA believes that sustainability is a key issue for all organisations across the world and is committed to supporting its members and students in addressing this challenge. Our policies, publications, helplines and guidance on ethical and professional standards provide support and advice throughout our members' careers.

We constantly consult front-line managers and company directors on the skills they require. A CIMA qualification produces versatile professionals who have been assessed in a practical business setting and can apply their business skills in many different areas and roles. CIMA people go way beyond accountancy – they use finance skills to provide meaningful analysis, decision support and risk management.

For more information, please visit **www.cimaglobal.com**

This discussion paper is primarily based on the discussion from CIMA's senior roundtable 'Fact or fiction? The independent business partner.' The roundtable took place in Singapore in April 2011 and was facilitated by **CFO Innovation Asia** with input from Aubrey Joachim FCMA. CIMA would like to thank the organisations represented in the roundtable which informed the report: **Bank of America Merrill Lynch, Adecco, Robert Half Singapore and Japan, NUS Business School, Hewlett Packard, GE Global Services Asia, Unilever Asia, DHL Supply Chain Asia, Deloitte Consulting Pte Ltd, Ernst & Young Advisory, Singapore Ministry of Manpower.** None of the organisations or the individuals representing them are responsible for the contents of this paper.

Additional input is drawn from insight from finance management experts engaged in CIMA's finance transformation agenda and from global research undertaken by the CIMA Centre of Excellence at the University of Bath School of Management.

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# Fact or fiction? The independent business partner: Asia

## Context and key themes

Based on a roundtable held in Singapore in April 2011, this paper outlines discussions between finance professionals from leading companies and specialists from government, academia and finance recruitment. The aim was to explore the context of finance function change in facilitating and driving management support in the Asia region with a particular regard to independence and objectivity.

This discussion was built on a roundtable held in London in January 2011 and the subsequent report, 'Fact or fiction? The independent business partner' as well as the research findings of the CIMA Centre of Excellence at the University of Bath School of Management. The centre was established to research the state of and changes to, the finance function and determine best practice in the development of finance professionals. It also conducts global research. For more information, visit **www.cimaglobal.com/transformation** or **www.cimaglobal.com/accountingtrends**

The first phase of research from the centre had identified potential issues regarding the independence of finance professionals as they take on closer business partnering roles. With CIMA's Code of Ethics sitting at the heart of professional practice, CIMA hoped to gain a better understanding of some of the tensions, as well as the strategies employed to ensure effective business partnering without any dilution of integrity. With a global membership – and members often practicing across borders – CIMA sought to identify what the nuances were of operating in different markets, with variable management culture, talent pools and overall regulations.

Within the broader Asian context there are predominantly state owned or controlled companies as well as family owned firms, some of substantial size. Such firms often have different dynamics, governance and management structures to those of global firms with presence in multiple markets. The CIMA roundtable drew, conversely, mainly on the experiences of western influenced multinational corporations (MNCs) operating in the region, many of whom had years of experience of finance partnering with the business across their groups. For those with oversight in the region, it was recognised there was a general move towards wider business partnering in a range of businesses.

Recent research by CIMA 'Accounting in a borderless world (CIMA, 2010)' assessed the latest trends facing the profession, comparing east and west and highlighted challenges faced the world over. It recognised in particular, Chinese and Indian companies have gained global prominence while often following their own rules and customs, governance and relationships. However, the initial findings also seem to show there is an overall movement towards finance roles that add value beyond the traditional financial recording and reporting. However, there still remains a gap in the extent of movement between east and west.

In some of the mature western markets, the finance function often has a higher focus on the value-add of the business partner or collaborative finance professional. Management support, management accounting and management information are important as a way of focusing finance to create value within the organisation. This trend and focus can be less visible in the east. However, of those surveyed in the east, more than half the respondents expected an increase in these functions in the next decade. This anticipated change could be seen as an acceleration of transformation in these rapidly growing markets. This alludes to the growth of the collaborative function supporting the business and in turn the need for deployment of a wider skill set requirement by finance professionals.

*75.4% of respondents agree that when finance works in management support it is more effective in helping the organisation achieve its goals.*

CIMA Centre of Excellence at the University of Bath School of Management, global research 2010-11. Sample: 3,048 finance and senior management staff

*The industrialists, including Lord Leverhulme the founder of Unilever, who with others brought CIMA into being more than 90 years ago, sought to equip an accountant with the ability to do more than just looking at the numbers retrospectively, but instead wanted the accountant to walk the factory floor, for finance to be embedded in the business.*

**Aubrey Joachim**
Past president CIMA

Increasingly as roles are integrated into the business we see some concerns being reported around finance losing a degree of objectivity. While this puts pressure on the independence of the finance business partner it can also bring opportunities, 'Those who embrace their expanding roles and responsibilities with competence and integrity will be in demand.' (Accounting trends in a borderless world, p11.)

Across Asia, as the markets continue to grow apace, talented staff are in scarce supply. Attrition rates can be high and there is great diversity of talent pools, creating resourcing issues. It is no surprise that for many firms getting appropriately qualified and skilled finance staff is a challenge as demand outstrips supply.

*While cost reduction and efficiencies are still very important in the KPI for the finance function, in my experiences companies in the Asia Pacific region are now putting a greater emphasis and focus on the partnering part.*

**Julian Heang**
Finance Director, Danone Dairy China, finance transformation insight

Input from business to CIMA's work in this area suggests that within Asia the focus on the regulatory and cost-reduction areas is prominent but changing. There is also an important focus on investing in effectiveness, sustainability and efficiency of delivery. In this context, finance business partnering can be an important model to facilitate this shift. For some firms, such as Unilever, the model has been in place for decades. For others, it is a more recent introduction. Overall, the companies represented shared similar trends and certainly concluded that finance professionals in the east will be investing in roles and focusing on activities to support the business and add greater value. The skill set needed is in ever more demand and acting ethically with independence is an essential prerequisite.

## The ethical dimension

The CIMA Code of Ethics, based on the International Federation of Accountants' code, comprises five principles. One of these principles is:

**Objectivity:** not allowing bias, conflict of interest or the influence of other people to override your professional judgement.

The other four principles – integrity, professional competence and due care; confidentiality; and professional behaviour – also underpin a finance professional's commitment to independence. A distinguishing hallmark of the accountancy profession is its acceptance of its responsibility to take account of the public interest. Therefore, overall integrity and acting as an objective and independent business adviser is critical. Beyond compliance and regulation, the profession should always be seen to do the right thing. Without retaining a reputation for honesty, straightforwardness, fair dealing and truthfulness, the profession will lose credibility, public confidence and trust. It is critical for finance to remain objective and independent if it is to add to value creation – ensuring that governance and statutory compliance are not compromised for operational or strategic gains.

## 1. Finance transformation

### Transformation – the move towards value creation in Asia

From CIMA's research it appears the role of finance as a collaborative function is visibly expanding and embedding globally, albeit at an evolutionary rate. In order to provide sound advice and analysis, technical skills are required but whatever the background, finance roles now need a mix of technical, business and commercial skills. To add value to the team the partner should be helping to facilitate execution, balancing goals of the business with operational practicalities, which is where their independent view point comes into play.

Our participants believed this change of role for finance can only take place effectively if the culture and corporate environment is prepared and open to it. Finance transformation really starts with the business' transformation and central to it is answering the question, why do you want finance to transform? If the business is not interested, or not structured to accommodate finance acting in a management support role there is little incentive to change, or for that change to be successful.

For some firms recently adopting business partnering models there may be resistance. In one case of an international professional services business, it was found the finance team themselves were open to engaging but, 'the business may be seeing finance as a threat and interfering.' For this firm, working across many countries and markets in the Asian region, there were individual blockers just as there were enablers. For the finance controller, having wider support from regional and global heads in day to day relations is important, but having support for the wider education and upskilling of the team is also key.

> *... the business really wants the business partner. Even too much. Sometimes I'm called to meetings and we don't need to be there, they just want someone from finance in the room.*
>
> Roundtable participant

For other firms it is the success of business partnering that creates problem. This was particularly noted in firms where finance business partnering was more mature. A participant at the roundtable noted, 'Our customers who are functional leaders, whether they are in marketing, or supply chain, or even IT or HR, they love this. They love the service.'

Identifying the right balance of adding value rather than adding cost becomes critical. For another firm the balance of workload can become an issue. While working on providing management support and advice is necessary, so too is closing the books. With limited budgets and resources this inevitably stretches individuals. For other firms the value and return in partnering is recognised and in recent years there is more resourcing and recognition of an increased focus on these collaborative roles in Asia. The recent financial crisis has made firms more aware of the repercussions of weak planning and financial decision-making. As a result, in the financial services sector for example, participants claim there is more infrastructure to support business partnering to counter this.

> *Technical skills, ethics and integrity go with the job, they are the base, the have to haves – but it's the ability to interface and influence that is the value-add.*
>
> Roundtable participant

Finding and retaining talent within the region is recognised as a pressure. There is a lot of ambition in finance functions in the region to change and to create and grow direct management support. This will entail the business responding by building capacity, increasing resource and may also entail changing service delivery.

Further complexity arises, particularly in Asia because of the geography. When implementing new service delivery models – which may include offshore and outsourcing providers – roles may be dislocated. Across a region there are different skill sets in different markets. Upskilling, retraining, hiring in or transferring staff takes both time and careful planning and this can become a key obstacle in successful transformation. The business needs to account for this in both timing and resourcing for effective partnering.

> *I want someone that's brave enough to speak to me.*
>
> Quoted CEO on hiring a CFO

Across the region there is also a noted change in the profile of CFOs. CIMA's research has found that professionally qualified finance people are the preferred option at recruitment time. Although strong financial and accounting skills remain essential, so too are other cross functional commercial and soft skill sets. For some of the firms represented at the debate, there are now businesses with finance leaders at business unit level who have strong financial literacy but not the finance qualification. The need for independence and challenge remains. When hiring for CFOs it was noted the need for being ethical and independent was increasingly called for across Asian markets. In turn the need for independence at business partner level is highly valued.

## 2. The conflict of business partnering and pressures from the business

As in our Europe debate, it was recognised that conflicts can arise when trying to help the business make the right decision which for the business team, might go against short-term profitability or targets. Therefore finance business partners need both the experience and the authority not only to state the case, but also to influence the team they are working with to consider all variables.

*… does a partner remain silent when your organisation is going down the tubes? Or when someone is doing the wrong thing? Therefore while you have the opportunity of adding value right – the value-add – you also have the opportunity to pull the brakes when things are going wrong.*

Roundtable participant

Companies we spoke to did acknowledge that in some Asian cultures and markets challenging superiors is harder for staff to manage well. This can be further compounded by the fact that they believed in some markets, the finance function traditionally attracts staff with potentially weaker communication skills, entering roles which they see as back office ones.

The ethical foundation built into the training of professionally qualified accountants can be seen as a strong point. Although many non-finance qualified staff have a strong moral compass, there is a certain advantage provided via professional finance training which explores the challenging ethical situations a finance professional frequently encounters.

Ultimately a strong ethical culture needs to be in place at both organisation and individual level. For one global manufacturing firm the finance controller side of the organisation is very strong and as a function is empowered to raise issues and even to stop an action if it needs to. This is enabled by a culture of open reporting and a willingness of people, across the business to speak up. In their finance teams they rely on the quality and strength of their reconnaissance and information systems. If there are gaps, this is often when surprises occur. A collaborative function adds to this. Working closely with the business, both meeting and understanding colleagues roles, identifying opportunities and pressures should mean there are fewer surprises. Developing a deeper understanding also provides an alert to issues in systems, processes and so on.

*There is nothing more important than to maintain the objectivity of finance. Time and time again you see companies fail when finance fail to stand up to management or even abet management in creating frauds. The business partner role is finely balanced between helping management and challenging/controlling the business.*

**Colin Robertson**
Group CFO, CLSA from CIMA's talking heads on finance transformation

Recent research into human resource transformation, Next Generation HR Asia, (Connor & McCartney, CIPD 2010) in the region also cites the challenges in employees speaking out, which could undermine independence. As an Asia Pacific HR director is quoted, 'Culturally it is a tell culture… people are used to being told what to do and doing it and not necessarily challenging.' The study also showed there is a shift with a younger generation. Generation Y are progressing through businesses with different expectations 'In particular they want to be trusted and to make decisions and are more open and willing to challenge. They want a culture of honesty and openness.' A HR director in China is referenced as stating, '… they are very open. They do come up, they do challenge the authority where they see things which they feel are not fair. They come up to you or write a lot of anonymous letters.' (Ibid.)

CIMA's wider research reflects that the trait of not having the confidence or ability to challenge and influence from a position of independence can be a concern for MNCs. For one US multinational, adopting these attributes are key to financial performance and it is common for the corporate culture to be designed to promote objectivity and transparency. With global operations there are always cultural sensitivities to be attuned to but as one finance director states, 'I have had to let go managers who could not make the transition to speak up in front of their boss and hire replacements who could do it.'

A CFO from a food-product multinational spoke about the challenges of finding senior finance staff with business acumen in China. As in many Asian markets formal education has a strong academic focus, with less emphasis for professional development that enables independence and develops the confidence needed to challenge. But he also recognised the trend is changing and the younger generation are more willing and eager to challenge and question. With more emphasis on analytic attributes and given the time to build up experience, judgment and expertise, it is hoped by those who participated in the roundtable that this gap can be a short-term issue. In many ways it is a culture change not too different from both management practices and behaviours in the west, which intensified from the 1980s onwards.

The idea of fairness reflects a deeply held Asian cultural trait of community: the collective good. This is an important aspect to bear in mind when developing and growing teams and designing their alignment and reporting lines. Asserting the importance of broader relationships and duties – for the good of the company as a whole – and emphasising this above the good of individuals you closely work with or for day to day, can also help reinforce the importance of objectivity and integrity.

Management needs to understand the time it takes to change behavioural culture and attitudes. One global technical firm advises team members to 'leave their national culture at the door' and encourages the adoption of the business culture in the office. This includes challenging, questioning, suggesting a different course of action and working as peers. One on one coaching and having strong role models can help enable new behaviours. Again it was seen as important to set this in the context of the team. Being authentic to the culture and creating a commitment to the overall organisation, not to individual aims, and balancing loyalty to the business team as well as to the finance line, helps raise confidence in questioning a business manager while also strengthening the trust and relationship.

Experience of work outside Asia, or in a number of different global firms and functions can help hone these skills and behaviours (see page six.) This was commonly seen as an important component of career progression and skill development by many of the companies in the roundtable and key to their own personal and professional growth.

As one participant told us, 'I worked in product, I worked in sales, I worked in business strategy and I understood what is the pain value, when as a finance person we just come back and say, you can do this and cannot do that, without understanding their perspective, without trying to find a mid-way.'

But for him, finding a mid-way cannot be by compromising on ethics or responsibilities. It is trying to find a mutual solution. It is taking that wider view, being a strategic advisor, being accepted by the business that enables the business partner to add true value while being robust against pressures in the business.

According to a leading headhunter, current high level recruitment in the region calls for CFOs to be, 'stewards, operators, catalysts, strategists.' These are the same attributes that are understood as necessary for successful business partnering. With recent events and the related financial crisis, it was noted there is a re-emphasis, not seen since the Enron collapse, on exhibiting independence and ethics. Although the Asian markets were not hit as hard by the financial crisis, many organisations are aware of the price paid elsewhere. What the recruitment market is seeing is a concept of independent partnership, where the CFO needs to work hand in hand with the CEO, while maintaining his or her position of integrity and independence. For business partnering to embed and be valued, the wider corporate culture has to value it and that comes from leadership. Having open reporting, people speaking up, talking to others and understanding what is going on across the business, is what adds long-term value.

## 3. Skills and competencies for business partnering

What is clearly a global challenge is the scarcity of talent. As the CIMA research and the UK roundtable showed, compared with the more traditional accounting roles, finance business partnering demands broader skills. While both commercial and interpersonal skills and competencies are becoming more crucial across all finance roles, they are critical in the business-facing ones. During our debate it became clear that in Asia they are in even shorter supply. This is not least because of the explosive market expansion in the past 20 years, which deepens the need for finance professionals who not only have the technical skills but can provide interpretation, analysis and support. It is also a reflection of age profiles and different cultural dynamics.

*In Asia, and in particular, China, the cultural and communication challenge can make assessing these skill sets even more difficult.*

**Alex Kwok**, Finance Director, Google China, CIMA's talking heads on finance transformation

*... it is being a brake but being the brake that in the long run allows them to go further, run faster. The right business partner helps navigate and guide the business on the right path.*

Roundtable participant

*What I hear from CEO's is – I want my CFO to be a sounding board, the one with the thought leadership as well as the professional courage to challenge me and speak up.*

Roundtable participant

*There is a short term issue however as naturally this younger finance generation lack experience to hold senior positions, but with time I believe we will be able to find both technical finance staff with strong business acumen and personal skills?*

**Julian Heang**
Finance Director, Danone Dairy China, finance transformation insight

CFOs in the region identify the need for partners with essential, yet often elusive qualities, such as to see the abstract, casual relationships, functional dependencies, priorities and the dynamics of different personalities within the business.

For the finance leaders, their best business partners are able to blend knowledge of the business with strong finance background. Ideally they should have perspective from working in different industries, departments and countries.

## Taking the numbers from the sheet to the street

A recent article in McKinsey quarterly (**www.mckinseyquarterly.com**) by Jeffrey A Joerres, CEO of Manpower, outlines how the war for managerial talent is building particularly in emerging economies. The Manpower global talent survey found the most severe talent gap is in China and it occurs among the ranks of senior management. For multinationals who are preparing for emerging markets to be their most important growth engine there is an increase in 'reverse expat' programmes. This involves bringing a local manager and rotating them through some of the company's more mature operations outside of that market. This immerses them in established operations and exposing them to major functional areas. It accelerates the development of local managers and is growing practice. For CIMA, we can see that for potential finance business partners, such deep exposure to the realities of the business could also be very powerful.

Singapore's Ministry of Manpower has recognised the lack of finance talent in Singapore and the wider region and is trying to build up a leadership profile. At a national level they are trying to identify and then fill the skills gap. Their ambition is to position Singapore as a financial hub in light of the number of regional headquarters based there. The lack of the broader skills is also recognised at senior levels, so there is an emphasis also on how to assist the development of CFOs in managing new roles and responsibilities from finance transformation in such dynamic and high growth economies.

*The biggest challenge everyone has is – how do I find these people and how can I make sure they've got all the right skills.*

Roundtable participant

Across the region it has been seen as a challenge moving traditional accountants into more business partnering roles. For certain participants there was success in developing executives who come from the planning and strategy side, who have the detailed understanding of finance, either learned on the job or through top up training. This is despite CIMA research showing a preference by employers to recruit people with the necessary technical skills first and then train and develop the requisite business and management skills. (Ledgers to Leadership, CIMA, 2010). The dilemma though is getting the skills mix, against the background of high demand for talent and a recognised limited supply from traditional finance personnel. To address these issues there is a need to combine what educators and the professional bodies can provide, what government agencies can do to support as well as what companies can contribute in-house to professional development and creation of career paths.

Business partnering is also about personalities. Ultimately amongst the finance community there are those who want to partner and those who don't. National University of Singapore (NUS) business school recognises there is a self-selection of some individuals who may go into accounting. This is a group who can be seen as primarily goal keepers, best suited for back office and pure compliance. So there is also an issue on how the accounting and specifically management accounting professions market themselves. While traditional and specialist roles are necessary, there is a growing demand for generalists combining finance with strong business skills and insight. These are individuals who can be outward facing, strategic and independent with the ability to act on behalf of the business as a whole.

Another particular challenge in the region is recruiting and retaining talent across markets, particularly with issues in relation to mobility. Certain markets hold appeal whilst others don't have appropriate local talent or are not attractive to good candidates. In other markets, such as Malaysia, where there is local talent, there is also a recognised brain-drain. It was noted a percentage of talent leave to work in higher paid markets with better career prospects.

*Goal keepers don't score goals – getting them to partner the business people and to do creative or high value deals becomes very difficult.*

Roundtable participant

At the same time there is a shift in the thinking of those who are looking to Asia as a market to engage with in the future. In recent years, it is not always the case that staff put priority on opportunities in North America or Europe as had often been the case. Amongst the younger generation, there is a growing interest in building a career that includes time in the key cities of the high-growth Asian markets.

## 4. Structure and reporting lines

The roundtable in Singapore found that reporting lines for the major multinationals were similar worldwide. Although sitting in the business and encouraged to be a trusted member of the team, finance business partners also report through the finance line back up to the CFO.

This ultimately gives the backstop to maintain professional integrity. Having this anchor back into finance can give permission to challenge. Such dual reporting lines can also be seen as help to someone who is in a situation where there is conflict. These reporting lines make a difference in relation to objectivity and independence. An in-country issue can be discussed at global level independently to determine a way forward for the business generally rather than just at country level.

*Post financial crisis, I'm not sure if people, even the younger generation are deeply excited to go to the US… everyone kind of very strongly believes that Asia is the happening place.*

Roundtable participant

In the region there is a rapid change in service delivery models. The general accounting operation is more likely to be delivered externally in the next few years than other areas. Many believe and follow the strategy that by delivering the transactional services externally and driving process and costs down here, extra focus and resource can be dedicated or shifted to the value adding management support finance roles. The restructuring of teams and positioning of key individuals with the right skills is complicated by the sheer geography of the region. Again creating the right structures is undermined by challenges of mobility of potential finance leaders across the region, with often a dearth of local talent in core manufacturing bases or secondary cities.

Despite this, CFOs still have to depend on their staff and maintain a tough stance with management. Some firms are looking to alleviate pressure by splitting the finance reporting function from the business partner teams. This allows the finance reporting teams to maintain a greater distance from the business and to act as a defence to ensure no malpractice occurs. In one of the firms both the business finance and finance control teams work in the business. For the finance business teams their role is around the targets and the planning and the controllers feed in with the regulations.

*… key part is resourcing… and the checks and balances.*

Roundtable participant

Although training in ethics to emphasise the importance of integrity and independence is important, it's not enough. Individuals have to have the right perspective and the organisation needs to encourage this by appropriate reward and promotion incentives, together with appropriate management structure and support. A leading retailer, for example, uses a matrix organisation for CFOs who report to the relevant business president and the next CFO up, with a solid reporting line up to finance. This is to ensure they have the ear and support of finance, and the CFO who oversees them will be seeking to appraise on the basis of their performance related to safeguarding the business interest as a whole. In common with many firms rewards of business partners – and increasingly management in general – reflect wider contributions to business success beyond hitting the immediate targets and financial return.

*By reporting to the global CFO I can speak my mind without being beholden to the business. If there's an issue in-country finance can speak to a level up in country and work it through, come up with a solution for the business.*

Roundtable participant

However, for the most part, it is common for firms to differentiate between how a business executive is rewarded versus the finance executive. For the business executive the size of bonus will be closely linked to the results of their business unit, thus putting pressure on their performance and the potential risks of what lengths they may go to and may be very driven by the short-term numbers. The finance executive on the other hand is more likely to be rewarded on the basis of overall company – wide results, lessening incentives to act in self-interest. In addition to other areas of reward focused on areas of compliance and objectivity their role becomes critical in influencing the wider unit in taking the organisation-wide and long-term view.

Our participants recognised, by being more involved and having more impact on business decisions, finance professionals are under more pressure. Their objectivity is critical and to ensure it is maintained, organisations need to look to forming strong internal control. In addition to reporting lines back up through finance, the overall culture of the organisation and how ethics in general is understood across the business is critical. One global manufacturer has a very specific and separate programme which runs across the business that focuses on ethics. What keeps this uppermost in mind is a supportive speak out policy, with non-retaliation that is backed by a very strong corporate internal audit team. The messaging in the organisation is that unethical behaviour will not be tolerated. Therefore, issues raised by finance business partners will resonate more easily within the business and solutions more effectively sought.

*There is no personal upside for the accountant to be compromised on ethical behaviour. In regards to compensation, when I am hearing from the business 'great guy' whilst from finance there are some doubts, I listen more to finance.*

Roundtable participant

## Structuring to support business partnering

For one global professional services organisation there is a strong compliance and stewardship culture, which is embedded into reward by effecting the rating of performance and bonus. With the push to embed business partnering roles, there is clear expectation from the CFO for finance staff across the group to challenge, analyse and be accountable. As across a number of emerging markets, resources are lean, finance needs to act as risk manager and gate keeper, as well as advising the business. Annually, at the operation review, it will be the regional finance director that is held responsible, not the business manager. At these meetings at a global level, the group uses peer pressure, between staff in different offices, in order to encourage performance, by sharing transparent rankings. Results, against forecasts, are ranked market by market showing where there is strength in analysis and planning. When a market is ranking low they are first given time to try and figure what the issue is together with their team. If they still struggle then the zone controller will step in and work with them to help identify what will work better or what is the block, so support up the line is always offered.

*Expectations are high, but it is an exciting time to be entering accountancy. The demands are across the region – and the reward both professionally and financially can be high.*

Roundtable participant

Financial business partnering, and the value placed on independence in guiding the organisation in the right direction, can be seen to be growing across the Asia region. With rapid change to organisational structures and systems as a result of business process improvements, mergers and acquisitions activity and new market development, the need for the business partner role is ever critical. The organisational culture and the related operating environment has to be structured appropriately in order to support partnering models. Not only does this mean having a well understood commitment to business integrity and recognition of the corporate benefits of independence and objectivity, but also includes the commitment to developing and coaching finance professionals into new roles.

# Other references

More information on the CIMA outputs on finance transformation, including the reports below, are available from CIMA's website: **www.cimaglobal.com/transformation**

- Finance and organisational performance: shaping the future
- Finance transformation: the evolution to value creation
- From ledgers to leadership: a journey through the finance function
- Improving decision making: the opportunity to reinvent business partners

Accounting trends from a borderless world: **www.cimaglobal.com/accountingtrends**

Next generation HR Asia – CIPD **www.cipd.co.uk/research/_next-gen-hr/**

Beyond expats: Better managers for emerging markets: McKinsey Quarterly May 2011 **www.mckinseyquarterly.com**

CIMA's Code of Ethics is made up of five fundamental principles: integrity, objectivity, professional competence and due care and professional behaviour:

- **Integrity:** being straightforward, honest and truthful in all professional and business relationships. You should not be associated with any information that you believe contains a materially false or misleading statement, or which is misleading by omission.
- **Objectivity:** not allowing bias, conflict of interest or the influence of other people to override your professional judgment.
- **Professional competence and due care:** an ongoing commitment to your level of professional knowledge and skill. Base this on current developments in practice, legislation and techniques. Those working under your authority must also have the appropriate training and supervision.
- **Confidentiality:** You should not disclose professional information unless you have specific permission or a legal or professional duty to do so.
- **Professional behaviour:** comply with relevant laws and regulations. You must also avoid any action that could negatively affect the reputation of the profession.

The code identifies five categories of common threat to the five principles:

- **Self interest threats:** commonly called a 'conflict of interest'.
- **Self review threats:** when you are required to reevaluate your own previous judgement.
- **Familiarity threats:** when you become so sympathetic to the interests of others as a result of a close relationship that your professional judgment becomes compromised.
- **Intimidation threats:** when you are deterred from acting objectively by actual or perceived threats.
- **Advocacy threats:** can be a problem when you are promoting a position or opinion to the point that your subsequent objectivity is compromised.
- **Safeguards:** our Code has a 'threats and safeguards' approach to resolving ethical issues. This means that if you think there is a threat, you should assess whether the threat is significant. Then, take action to remove or mitigate it.

Employing institutions often have safeguards: whistleblowing or grievance procedures. They can be standards or legislation in a profession. To view CIMA's Code of Ethics in full – visit **www.cimaglobal.com/ethics**

More information on CIMA's work on sustainability issues is available online – **www.cimaglobal.com/sustainability**
To participate in CIMA's finance transformation research contact **transformation@cimaglobal.com**

Furthermore, information is also available from **www.cimaglobal.com/transformation**

# Reflection exercise

Ask yourself: What are my key technical skills? How are they recognised?

In undertaking my role, how do I personally uphold my integrity and ethical conduct? How am I viewed?

How have I influenced others to change their position? What was most challenging about that? How could I improve on influencing, and what assistance or development do I need?

Write your **reflection** and **to do list** here:

*Technical skills, ethics and integrity go with the job, they are the base, the have to haves – but it's the ability to interface and influence that is the value-add.'*

Roundtable participant

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