

Get up to speed  
Building Better Finance Functions

# Adding up or adding value?

Making business partnering work



PRICEWATERHOUSECOOPERS 

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# Adding up or adding value?

To what extent are your business partners helping the organisation fully realise its strategy?

Are your finance team enhancing business insight to the full through robust information and trusted advisor relationships?

## Highlights

1. **The state of play.** Business partnering offers strategic benefit – but most companies have had trouble implementing it.
2. **Laying the foundations.** Finance business partners should work with the business to build a recipe for effective business partnering and to agree who provides which ingredient.
3. **Building the partnership.** Build flexibility into your model as the recipe can change by business unit and by individual General Manager (GM). Be clear about how success is measured and rewarded. To succeed, there needs to be a genuine desire to make the individual relationship between the GM and business partner work.
4. **Driving a partnership culture.** Maximum effectiveness requires a culture of business partnering for all people in the finance function. The ultimate goal is building a culture of business partnering across the whole organisation, where all of the group service functions and business units work effectively together.

# The strategic value of business partnering

## The finance function is needed by the business now more than ever

The current global economic crisis is putting increasing pressure on organisations to deliver results. Many have described the role of finance in the past as helping the business to understand the financial implications of operational decisions. This remains true, but there are additionally new perspectives: helping the business to understand the operational decisions required to improve its financial position.

In today's tough economic climate this is bringing pressure for CFOs and their teams to provide quicker and better quality management information, improved forecasting accuracy and proactivity to help the business optimise cash and working capital.

To provide these critical insights, finance staff need to be at the heart of business decisions and they should be working in close partnership with the General Managers (GMs) and other senior decision makers, to help make informed decisions. Finance should be able to bring credible challenge to the business about what they do and don't know, and to model the impact of various scenarios to bring insight to operational and strategic plans.

However, only in a few companies is finance achieving its full potential in strategic planning support, as shown in the data from PricewaterhouseCoopers' benchmarking results in figure 1<sup>1</sup>, and there are a number of potential reasons for this that are explored further in this paper.

For finance to become part of the DNA of the organisation it needs to become more of a discipline across the entire business rather than being restricted to something done by people in the finance function itself. This not only requires the CFO to identify the right people, skills and roles to drive the change but also for there to be a genuine effort for ongoing honest and regular co-operation and dialogue across the business.

### Benefits of a strong business partnering culture

#### For the business:

- Widespread ownership of decisions across the organisation leads to a higher probability of meeting or exceeding targets and creating a competitive edge
- Generating synergies between business partner roles across several functions will help bring clarity over responsibilities and avoid duplication of time and effort
- Decision making is improved through better information and coordination.

#### For Finance:

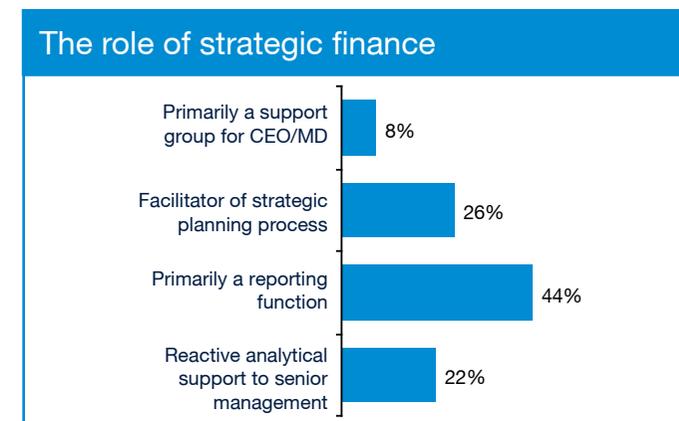
- Finance staff become an integral part of the business
- The function is increasingly valued by the business which increases personal motivation and job satisfaction
- Career opportunities open up to move into commercial roles (e.g. from CFO to CEO).

## Examples of good business partnering

We see the following activities as examples of good finance business partnering:

- Being a sounding board for the CEO/MD
- Informing strategy development and execution
- Accessing accurate and relevant information quickly to help management address commercial issues and opportunities
- Active in finding synergies with business partnering support provided by other functions.

Figure 1



<sup>1</sup>Source: PwC benchmark data, March 2009

# 1. The state of play

Companies strive to make the best commercial decisions to maximise shareholder value: by implementing strategy, looking for opportunities to grow revenue and manage costs while running the business efficiently, and optimising cash and working capital. This should be the culture and mindset throughout the organisation, whichever role or function people sit in.

So what does the company require of finance to achieve this? Many organisations see the importance of finance partnering with other functions, but many have found it hard to operate this idea in practice.

Our benchmarking results show that only 10% of finance functions see themselves as true business partners. Top quartile organisations have 17% of finance full time equivalents (FTEs) in business partnering roles: 70% more than the median. And, only in top quartile organisations does analysis activity get equal time as data gathering.

The quantity of 'business partners' will of course not necessarily bring quality, as simply re-labelling people as business partners may be counter-productive. Each organisation should determine the optimum structure and number of people performing these activities depending on their short and longer term business needs. The evidence does however, point to higher performing organisations investing more in business partnering roles and capabilities.

With business partnering having been in vogue for several years, this begs the question: Why do so many companies find partnering so difficult and what do they need to do to make it work?

## Why companies have not cracked business partnering

Factors contributing to companies not succeeding with business partnering include:

- Roles are created by re-labelling traditional 'scorekeeper' accountants with minimal investment in training
- Lack of engagement and understanding by the business on the roles of the finance business partner

- Lack of commitment from the top to sponsor business partnering and invest in personal relationships to make it happen
- The data used is not relevant or is not trusted
- Lack of clarity on key handover points between the business, business partners, centres of excellence and shared services.

The path to a great partnership is a lengthy one. The challenge is focus, sustainability, investment in capability and an ability to identify and prioritise the business areas where the finance partners can bring the greatest value.

Figure 2

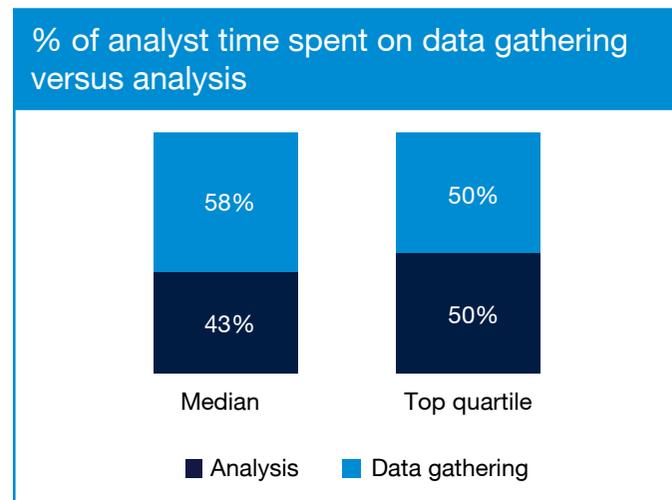
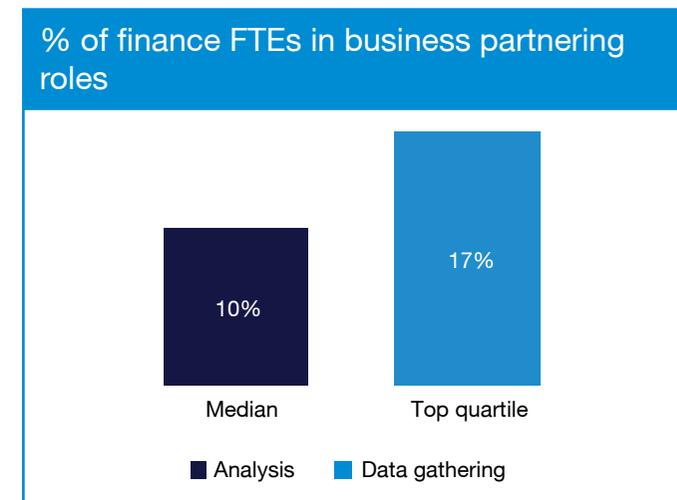


Figure 3



Source: PwC benchmark data, March 2009

# 2. Laying the foundations

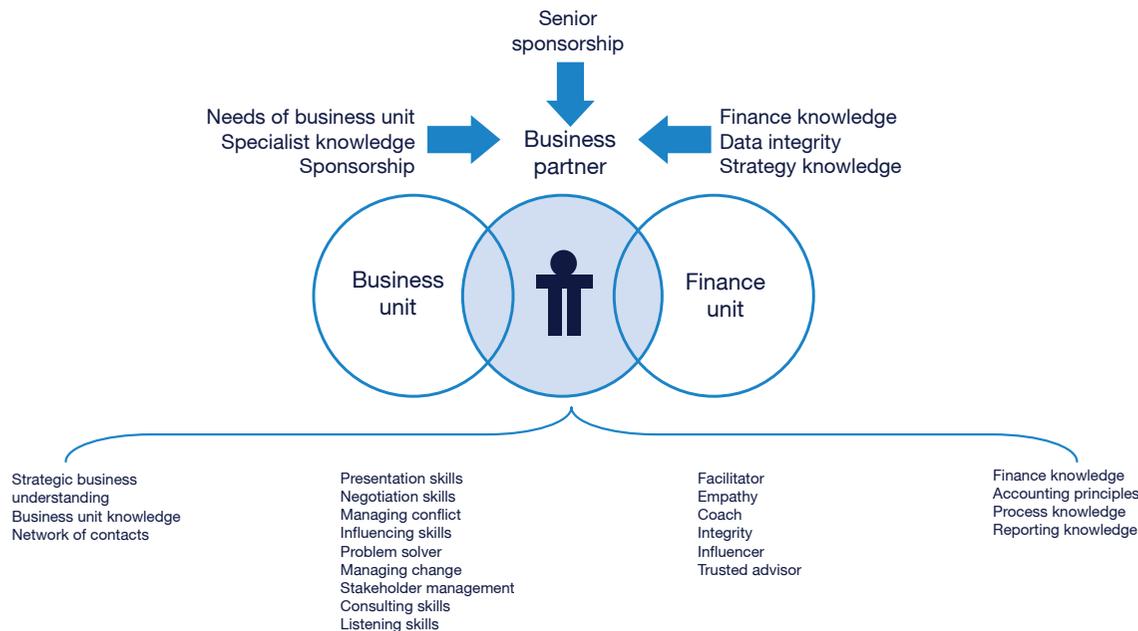
Having the right people with the right skills is an important foundation to provide an environment and culture where business partnering can succeed.

From a finance business partner view, having the financial skills is a fundamental requirement but added to that are the necessary people skills outlined in the diagram below.

Some organisations are defining their own business partnering recipes of success to give clarity to the skills and behaviours that people are expected to develop.

Today's managers are also expecting finance business partners to demonstrate many new disciplines which are not typically found in existing finance functions. These include having the service delivery mindset of a shared service centre, strong relationship skills to manage outsource providers, robust team working and collaboration skills not just technical abilities, excellent relationship skills, and experience of managing change.

Focused recruitment, skills development and senior commitment to build the right culture will be required where there are gaps.



## Learning from Private Equity firms

There are useful parallels with the mindset and approach that people in a private equity firm would take. For example, in the early stages after a transaction, private equity is typically focused on achieving overhead cost reduction. Arguably these areas of focus should be routine questions for finance business partners on a 'business-as-usual' basis.

### Knowledge and focus

- Do your operational management have a detailed understanding of their cost base (what are fixed and semi-fixed costs; what are the cost drivers)?
- Do management know what activities employees spend their time on and how much it costs?

### Performance management

- How robust is your working capital and cash flow forecasting?
- How good are your scenario planning capabilities?

### Contract management

- Are major contracts delivering value for cost?
- Should areas be outsourced ? Alternatively, has outsourcing gone too far?

### Accountability

- Are operational management aware of their financial responsibilities (e.g. cost ownership)?
- Is a robust approach to governance in place?
- Is the organisational structure 'fit for purpose'?
- How well connected is finance with the business to support strategic and tactical decision making?

# 3. Building the partnership

## Develop individual relationships

When senior management are genuinely engaged in the strategic benefits of good business partnering and there is clarity over the skills and roles required to be performing these activities, the next important step is to ensure a great individual partnering relationship is developed.

The principles of great partnerships are not new but it is worth reflecting on these periodically in the context of the business-finance relationship to assess where improvements could be made. You should be asking yourself the following questions:

- How clearly are expectations set?
- Have both sides been involved in creating the vision together?
- Is there regular and open dialogue?
- How often is honest and constructive feedback shared?
- Do both parties strive for win-win agreements?
- Is there a healthy balance of personal courage and consideration for others views?
- Do both parties mutually respect each other and recognise the others strengths?

## Demand flexibility and focus on individual relationships – One size does not fit all

Clearly articulating the skills and behaviours expected of a good business partner provides an important foundation, but it is equally true that one size does not fit all.

Some GM's will know precisely what the numbers mean and quickly understand the insight they provide, others won't. This begins to define the type of support they will need from their business partner. The challenge is less about trying to create the perfect theoretical business partner but more about creating the perfect finance / GM team.

Good resource management, assessment centres and interviewing techniques can help identify the right people with the right roles and match to the right individuals.

In addition, it may also help for the finance business partner to have a hard reporting line to the GM and a dotted-line to finance to reinforce the importance of the local relationships.

## 4. Driving a partnership culture

The ultimate goal is building a culture of business partnering across the whole organisation, where all of the group service functions and business units work effectively together. Examples of what companies are doing to build this partnership culture are provided below.

|  |   |   |
|--|---|---|
| Find a strong and well respected General Manager (GM) to act as an advocate for finance business partners across the GM network.   | Use any period of organisation re-design to re-assess the roles performing business partnering activities and ensure these evolve to meet new business requirements.            | Bring in people from outside with the right experience of the commercial environment.   |
| Ensure finance are equipped with the skills to successfully manage change. e.g. develop a structured training programme to continually develop their business partnering skills. | Encourage people to operate outside their comfort zone by clear objective setting and linked reward.  | Actively involve HR in matching finance business partners to commercial teams with a view to getting a good personal chemistry between individuals. |
| Free up business partners from the management of transactional activities e.g. by making greater use of shared services.   | Don't expect to attend every meeting – only where necessary<br><br>Contract who is going to fulfil which role during leadership meetings (facilitator, coach, change agent etc) | Facilitate regular cross-business and cross-functional discussion forums to review what is going well and areas for improvement.                    |

# Turning insight into action – how PricewaterhouseCoopers can help

PricewaterhouseCoopers works to solve complex business issues – locally and globally. Our teams draw upon skills in finance, regulation, risk, tax, people, operations and technology to capture opportunities, navigate risk and deliver lasting change across business networks.

We can help deliver sustainable improvements to your finance function, whether it be for a specific issue you are addressing or for a wider finance transformation programme. Our consultants include executives who have held senior positions as CEO, CFO, Tax Director and Treasurer. They lead the way in current thinking and practices on finance issues, bringing genuine insight on real business issues. We are able to support finance executives to deliver insight, efficiency and control with the business.

We help our clients:

- To establish the direction for finance, assess its role and develop a clear vision and strategy, supported by robust benchmarking. PwC is building one of the most complete and up-to-date comparative benchmarking databases available, some data of which is available in this report
- Work with private and public sector organisations to help them design and implement an appropriate structure for their finance function that is capable of meeting their business and operational objectives
- Identify areas for process improvement, articulating the case for change using a combination of benchmarking, internal performance and finance customer reviews

- With the integration of finance systems to deliver relevant financial and non-financial information
- With establishing an embedded controls and compliance environment, with the right controls at the right cost
- Develop a tried and tested approach to building effective and high performing finance communities and teams
- Successfully achieve consistent application of accounting standards and policies
- Effectively integrate finance function activities post deals.

**For more information please visit  
[www.pwc.co.uk/financefunction](http://www.pwc.co.uk/financefunction)**

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