cutting through complexity

Turning outwards:

Customer Centricity and the Evolving Role of the CFO

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The Finance function continues to evolve.

Strategic Chief Financial Officers (CFOs) are now focusing on improving their business partnering models and adopting a customer-centric approach to internal customers – to bring real value to their business and boost the bottom line.

We all know that the days of the CFO being the faceless suit with calculator in one hand and spread sheet in the other are well and truly in the past. It has long been recognised that CFOs need to become business partners with their feet firmly under the table during strategic planning, providing essential input on funding, managing growth plans and maximising shareholder returns. But there's a growing chorus calling for a significant shift in the Finance function towards truly customer centric activity and engagement.

Comments Mark Tucker, Finance Transformation Partner at KPMG Australia: "CFOs of some of the world's largest and most successful corporates understand that the traditional role of the CFO can only be of limited value and that the success of business partnering efforts has been patchy. They are now wrestling with what needs to change in terms of service delivery and, importantly, mindset to become more focused on their internal customers – and to adopt customer centricity as a key principle underpinning the way in which they do business."

Understanding the intangible

The first challenge is to understand exactly what customer centricity means for your finance team. This can be difficult, given there's no common definition either within the CFO community or across the business community more broadly. Common themes that emerge for CFOs considering customer centricity tend to be centred on business relationships and processes and metrics related to business performance.

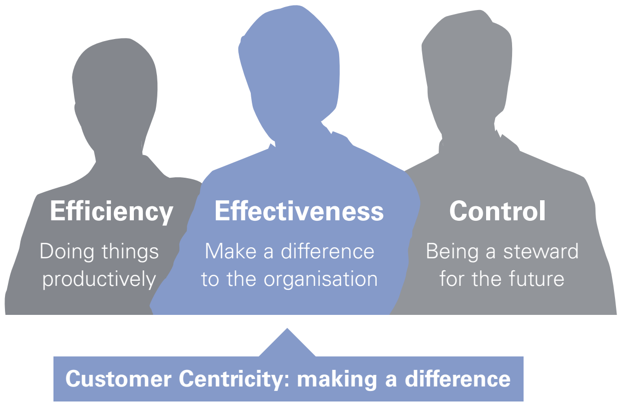
Broader definitions typically focus on relational ideas and concepts, such as 'understanding your customers', 'providing value to customers' and 'building the right team to deliver value'. While these ideas are becoming more deeply entrenched in business functions, there's real scope for CFOs to think about how they can be applied to internal relationships to generate more value across the business.

"CFOs all define customer centricity differently – there's no consistent answer," notes Tucker. "But the general idea of engaging more directly across the business and building a more 'two-way' relationship could have a revolutionary effect." Ultimately the key is working directly with the business to create consensus on what effective Finance customer centricity is and how it can be delivered.

What does customer centricity look like?

Finance has three key priorities – efficiency, effectiveness and control – that all need to be balanced appropriately. Another way of looking at this is that CFOs must deliver on their obligations to the business by making sure Finance maintains the right balance between managing cost, value and risk. For example, a Finance function could potentially do a lot more for the business (i.e. provide additional support) but not at the expense of a ballooning cost base. Similarly, Finance could become more cost effective – but not at the expense of introducing excessive levels of risk into its processes.

- Understand the business
- Provide relevant and trusted analysis and insights
- Support strategic decisions
- Challenge the business
- Be seen as a **valued partner**



We believe a customer centric approach is key to increasing the effectiveness of Finance. As a starting point, an effective Finance function is one that:

- understands the business
- provides relevant and trusted analysis and insights
- supports strategic decisions.

However, these capabilities are becoming 'table stakes' and a basic expectation of finance – so, on their own, these capabilities do not create a customer centric culture. "Customer centricity requires the ability to provide this analysis and insight – but also the ability to challenge the business, be credible and be recognised as a valued partner," emphasises Tucker.

How to position finance as customer centric

Understanding what customer centricity means is only the first step in the journey. Delivery is where it can become complex. Consequently, starting out with a clear plan of what you need to do is crucial. "In the first instance, building a customer centric framework is about a change in mindset and approach – a new way of thinking and a new way of doing," says Tucker.

A customer-centric mindset is characterised by:

- a focus on the customer
- building the required capacity, capability and credibility
- redefining information delivery to focus on business need.

"No amount of business savvy and street credentials will make up for a lack of good information."

– Birol Akdogan, VP Finance, Ansell.

Focusing on the customer

A focus on the customer means working with the business to identify what a successful customer centric model looks like. "This is something that is likely to change and evolve over time," says Tucker.

Here's what the process involves:

1 Understanding what business customers want
What do Finance's business customers need in order to deliver their own responsibilities effectively? What information and insight do they require? When and to what level of detail? And here's the stretch – getting this right requires Finance to have an understanding of what the customers of its own customers value – the beginning of developing both a true understanding of the broader business and also more valuable conversations with their customers.

2 Jointly agreeing key relationships and roles
This includes working with the business to determine the 'what' and the 'how' of customer centricity. This is not just about what Finance thinks is good for the business – it's about working with its business customers to understand what the business values.

3 Establishing customer relationship managers
Consider providing a single point of contact between Finance and other business units or functions to oversee the relationship, resolve issues and continually improve the quality of interactions.

4 Developing an appropriate degree of formalisation into the relationship
This can happen over time, but it's important to develop a form of structure and discipline across the relationship. It is likely to require the use of Service Statements to define services, roles, timeframes and, importantly, the customer responsibilities. Typically this works best with an agreement reflecting the goals and direction of the relationship, rather than a formal Service Level Agreement.

> "When we talk about performance at SABMiller we focus on the 'what' and the 'how', and the mantra internally is that if you get the 'how' right the 'what' will take care of itself."
>
> **– Stephen Anders, Acting CFO, SABMiller.**

Building capacity

Building capacity involves a change to Finance's operating model to free up time to focus on business partnering activities. "This requires business partners to be freed up from core Finance work in order to make business partnering happen," notes Tucker. But how much time is enough? Our conversations with CFOs indicate that a minimum of 15 percent of the Finance team needs to be dedicated to business partnering to make this work. "Some organisations set a target of 30 percent – but recognise that 15 percent is the minimum. Less time than this, and it is not enough to make a difference," argues Tucker.

There is also recognition that business partners need to be dedicated to their roles and co-located with their business customers. "It's not a part time role, or a role for part of the month – to be successful these people must be full time and dedicated to their customers," explains Tucker.

Building capability

Finance, and business partners in particular, need to have the right capability to succeed in their roles. The business will assume that their business partners have the necessary technical Finance skills – this is a given – and, clearly, you wouldn't put someone into this role without the necessary finance skills. But what is required to make the role successful are the 'softer skills' – such as influencing, negotiating and listening skills. "The ability to challenge the business, in a firm and constructive manner, is really important in terms of moving organisations forward," says Tucker.

These are critical attributes for the Finance team in order for them to develop effective working relationships with the business and to become part of the business team. "A team that operates this way can be fully involved in decision making – rather than as an afterthought - and not just be providers of information," notes Tucker. "This is where the training and development of the business partners should be focused."

Good business partners also need strong commercial and business skills and organisations could consider looking to MBA-qualified people to supplement their more traditional CPA-qualified team members.

"Personal development of business partners is also critical," says Tucker. "One of the ways to build breadth of experience and a broader understanding of the business is to rotate business partners through a range of roles so they work in different aspects of the business and are given the opportunity to develop their management skills and business understanding," he comments. A 2- or 3-year rotation schedule is seen as being good practice, and provides enough time to really get to grips with the business, without getting stale.

Building credibility

Finance needs credibility and trust within the business to build an effective customer centric relationship. Finance can claim to be credible when the business 'invites' the team to play a broader role in decision making and providing advice – being involved in the lifecycle of decision making rather simply approving (or not approving) an outcome.

"It's impossible to build a successful customer centric finance function without the foundations being in place," says Tucker. "This means robust finance processes, timely, accurate and good quality MI provision, controlled data etc." We believe that Finance needs to have its 'day job' under control before it can become customer centric, and many such efforts have been de-railed by errors in management reports or control issues in Finance. But with credibility comes permission from the business.

"Your core business functions need to operate seamlessly and not be a source of drama – the last thing you need is completing payroll and paying invoices to be an adventure."

– Neil Beaumont, Head of Group Reporting, BHP Billiton.

"Finance needs to be seen by the business as 'adding value' – it is the business's view of this value that is important, rather than Finance's. This means providing new perspectives on finance performance and effective analysis," says Tucker. "It may mean taking on roles that the business is currently performing and doing them better. It may mean providing new insights. But Finance must help the business – must add value, and the business must see this value – or Finance will be marginalised and 'rogue finance functions' will develop."

"We expect our finance partners to be tough with the business and sometimes go toe-to-toe with the business on hard decisions – really good business finance partners realise it's not personal, it's business, and the business respects that."

– Ken Christie, CFO Nab Wealth, MLC.

Key principles of developing customer-centric Finance Functions

Growing the relationship

It takes time to build an effective customer centric relationship underpinned by strong business partnering. There is typically a lot of 'framework' type activity to get right – but that doesn't provide an excuse to do nothing until the processes, technology and data issues have been addressed. Finance can still work with the business, provide value through improving the quality of commentary, support with analysis of business performance and build the necessary relationships with the business. It may be sensible to start small, be successful – to build credibility – and then grow the relationship.

Co-location

It is critical that the business feels that the business partners 'belong' to them and are part of their team. What does this mean? Normally that the business partners are co-located with the business and that there is continuity of service delivery. Finance should celebrate when members of their team are headhunted by the business!

Objectives and performance assessment

The business should be involved in defining the role of the business partners, their objectives and responsibilities, what they focus on and how they engage with the business. The business must also be involved in assessing the performance, in conjunction with Finance, of their business partners.

The role of Finance is then to set the overall strategy for business partnering, determine the areas of focus, and to manage the recruitment, development, training of the business partners – and their overall success. Finance is ultimately responsible for the success of the model.

Finance needs to be 'easy to do business with'

This means having effective processes and relationship managers with empathy and good customer skills. But it also means Finance being clear on what it will do and when it will do it – and also what it WILL NOT be doing.

Consistency of service and delivery standards is critical. Finance needs to be able to say 'No' – in a way that the business respects – and to agree with the business how best to handle ad-hoc requests.

> "If you establish that trusted business partner position and have real credibility you can say 'no' and justify why the focus needs to be in other areas."

– Stephen Anders, Acting CFO, SABMiller.

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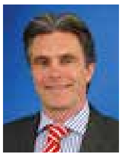

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