



# Plugged In

## The future of Finance depends on effective Finance Business Partners



The modern role of the Finance function is more influential and multi-faceted than ever, requiring CFOs and their teams to create value as well as preserve it based on a robust knowledge of the organization's industry and its business.

In this edition of KPMG Global Energy Institute's *Plugged In*, we asked Brad Stansberry and Matt Campbell to discuss how leading-practice organizations are creating new ties between Finance and the business by making full use of a Finance Business Partner, a role designed to help organizations improve their overall performance and drive new value.

### How has the role of the Finance function changed, and why does it need to evolve?

Historically, Finance has been known for its compliance responsibilities – filing financial statements, compiling periodic reports, managing accounts payable and payroll, and maintaining an effective control environment. But apart from its compliance roles, Finance is also a service-based function. It provides finance services and related insights to a variety of business functions.

As the business environment has evolved, so have expectations about Finance's role and the value it can and should bring. A recent KPMG Global survey of 549 top executives indicates that many CFOs are dissatisfied with the service provided by their Finance functions. Specifically, 30 percent of those surveyed believe CFOs don't understand or assist them enough with the challenges they face in running their organizations.

### Why has changed?

In essence, it's no longer enough for Finance to provide the business with historic results. Finance can fulfill its traditional role of *preserving* value, by maintaining **organizational governance** (internal audit; external, regulatory, and board reporting; accounting policy, ERM) and **efficiency and control** (transaction processing, general ledger ownership, tax compliance, control compliance and optimization).

But increasingly, organizations need Finance to play a part in *creating* value, with a focus on the business' **strategic performance** (business/operating model evaluation, capital management, investment activities, customer/market forecasting, etc.) and its **enterprise performance** (long-range planning, budgeting, management report, and providing various levels of analysis).

Indeed, 63 percent of CEOs responding to KPMG's global survey believe that the CFO's role will increase in significance over the next three years, as compared with other C-suite roles. What's more, 85 percent of those CEOs say applying financial data to grow profitably is the greatest strategic value a CFO can add. They want and need new capabilities and contributions.

### What does finance need to start doing, or stop doing, to rise to the challenge of these new expectations?

Finance needs to become the right hand of the business leader – that is, to engage with them and bring them new insights, in real time, rather than explain the next steps in a process focused on reporting on the past. A good place to start is for

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Finance to develop a strong understanding of their company's industry and its business model. Most Finance people do not have that knowledge, and they're going to need it now more than ever.

Remember, not that long ago, organizations were being told that the use of shared services would free up Finance people to do higher value work. The assumption was that if Finance had capacity, they could focus their attention on analysis and non-repetitive or rules-based work. But the nature of that work was never fully articulated—or many organizations did not take steps to consider whether they had employees with the capabilities to contribute beyond reporting data efficiently, improving technology reporting, and making information more available.

Now, Finance needs help in understanding how the CFO can drive improvement in Finance's services and thereby help business leaders run the business. Finance people also need better defined roles along with spelled-out expectations that reflect the changing environment—especially now that routine work is being automated. With the increased use of intelligent automation, companies will need people who can operate on a higher level, and understand what the business needs and how Finance can deliver.

That brings us to the role of the Finance Business Partner. If you've freed up people by automating their routine work, Finance Business Partners can help you figure out what they should do now to add real business value—and whether you've got those capabilities onboard or need to seek them out.

#### **Finance business partners have been around for a while. How can they make a difference now?**

It's true that finance business partnering has been around for a while, but it's also true that most of those filling the role are operating at the level of administrator or cost manager. The role can and should mature as business needs change and intelligent automation is deployed.

The future of Finance actually depends on effective business partnering, with the right person in the role who can help Finance evolve. That means being the kind of leader who can improve the overall Finance Business Partnering function—a leader who can evolve from serving as a strong individual contributor to one who can build and enable a team of high performing business partners to deliver value. CFOs have so many requirements to meet. FBPs can help them understand where they can support the business and add value. And, they can help business leaders to *want* to engage with Finance vs. feeling that they *have* to engage with them.

#### **What does "good" look like in finance business partnering?**

Finance needs to move from focusing on its own processes to better understanding priority business issues. As the emissaries between Finance and the business, Finance Business Partners should help Finance figure out how to contribute to the conversation and reframe new business conversations and decisions.

Effective Finance Business Partnering is delivered through a series of interconnect activities, with the value of the business partnering output limited to the weakest of them. At a structural level, effective partnering requires an understanding of the industry, the organization's strategy, its value drivers and the "fit of finance" in the overall picture. It calls for aligning the technology and tools to

the requirements of the business, enabling an efficient cycle of commitments and accountabilities, and analyzing organizational performance to drive value creation and a more performance-centric organization. The capabilities necessary to execute the Finance Business Partnering role must be understood and communicated and the effectiveness of service delivery is continuously evaluated.

KPMG's global survey reported that 97 percent of CEOs say "attracting and retaining top finance talent is the most important contributing factor to improve the finance function." Effective Finance Business Partnering is a critical component of the talent equation. It starts with understanding and articulating the partnering performance expectations the business has of Finance. It calls for defining, acquiring and/or developing the skills, capabilities and behaviors required to deliver high-value business partnering. It also requires measuring the impact business partners have on the strategic decisions of the business.

#### **What questions should organizations ask themselves now?**

- Are you satisfied with the business analysis/value that your finance business partnering team is providing to the business stakeholders? Are those business stakeholders satisfied with the service they're getting?
- Has the CFO discussed with the CEO and other business leaders how the business model is changing and how Finance can provide information to support new decisions?
- Have you had the internal conversations about how Finance should/can change to support the changing business?
- How are you going to build internal teams and capabilities to meet new needs?
- What's considered high value? Do you have the skills to offer it?

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