The Role of Finance in Value Creation

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Content

Introduction

There is little doubt that the world is in a constant state of flux. Over the past five years, businesses and consumers have experienced increased volatility and rapid change that disrupted the world as we knew it. Events such as the pandemic and global conflict have changed our perceptions of what is important or valuable, and reminded us of how quickly the world around us can change.

As consumer perceptions of value continue to evolve, businesses are forced to redefine their value proposition in the market. Amidst these shifting dynamics, Finance as a function must expand its traditional role and embrace new responsibilities to safeguard and increase its relevance to the business.

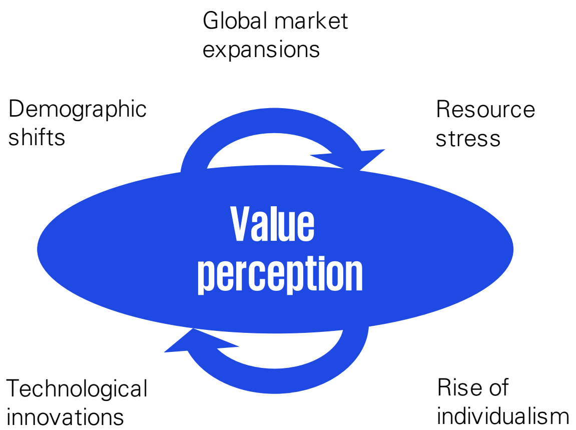
KPMG reached out to CFOs from leading Swiss organizations to explore their perspectives on Finance's role in value creation. Through in-depth interviews, we gathered insights on the key value drivers as well as the current and future role of Finance in driving value creation. These real-life experiences and perspectives from Finance leaders provide a valuable view on how the Finance function plays a critical role in driving and sustaining value creation in today's dynamic business landscape.

Navigating through the shift in value perception

In the whirlwind of today's macroeconomic changes, value has taken on new dimensions. Demographic shifts, global market expansion, technological innovation, resource scarcity and the rise of individualism have redefined how consumers perceive value. These new trends call for a closer look at how we understand value creation and the role Finance plays in it.

In general, value can be described as the perceived worth or utility that consumers derive from a product or service. Value creation is therefore the process by which businesses increase the worth or utility of their products or services, ultimately benefiting consumers, stakeholders and society.

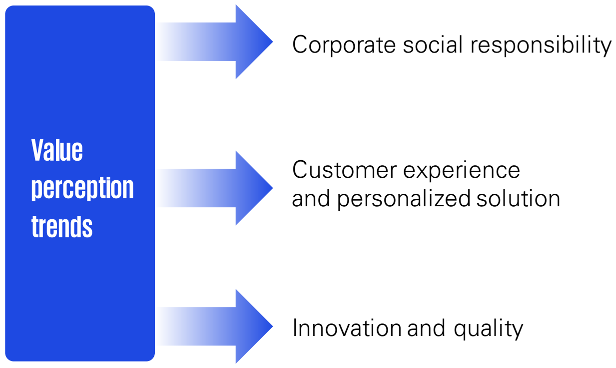
Figure 1:
External factors shaping the value perception



To better understand how the perception of value is changing and what customers are truly prioritizing, it's worth taking a glance at a few key trends in value perception:

- **Corporate Social Responsibility:** as social and ethical awareness grows, consumers are turning to brands that prioritize sustainable practices, diversity and inclusivity, promote health benefits, and demonstrate social responsibility as countermeasures to pressing global issues such as climate change, human wellbeing and resource scarcity.

Figure 2:
Key changes in value perception



- **Customer experience and personalized solutions:** in today's complex and fast-paced world, consumers value the convenience of products and services that save them time and effort, while catering to their specific personal needs through customized experiences.

- **Innovation and quality:** globalized markets combined with rapidly advancing innovation have exposed consumers to a wider range of products and services. Together with rising disposable incomes, this has raised consumers' expectations about the quality of products and services, creating new demands for more innovative solutions and unique, customized benefits.

With these value trends in mind, CFOs are required to shape their teams and operations into an organizational structure that supports business stakeholders in optimally dealing with these evolving expectations. How to best allocate financial and non-financial resources to create long-lasting value for the customers and as such maximize business performance? This is one of the key questions Finance leaders are expected to answer. In the following chapters, we explore how Finance contributes to value creation.

The evolution of Finance in delivering enterprise value

The change in value perception has led organizations to rethink their key value drivers. Based on prevailing consumer value trends, companies need to focus on a diverse set of value drivers such as product innovation, sustainability, flexibility, operating cost optimization and customer experience. To fully comprehend how Finance can drive this value creation, it‘s important to understand how the role of Finance has evolved and what new responsibilities it faces. Starting with a look at the traditional role of Finance, we discuss how it has changed in terms of value creation.

The growing role of Finance in creating value

Traditionally, the role of Finance was primarily focused on transactional processing and risk management. Reporting activities were limited to preparation and presentation of financial results. financial planning and budgeting relied heavily on analyzing historical data and considered a limited number of standard performance drivers.

In today's fast-paced business landscape, the role of Finance has evolved far beyond its traditional confines. The Finance function is becoming increasingly integrated into overall business operations, strategic planning and decision-making processes. The redefined role requires Finance professionals to not only understand financial modelling, but also to contribute to business performance. They are expected to provide real-time, data-driven insights that can help the organization make informed decisions to better navigate complex and ever-evolving market landscapes. Through this integration, Finance becomes a pivotal player in steering business strategy, enhancing resource allocation and offering insights into opportunities for revenue optimization. The Finance function is transforming itself from a behind-the-scenes controller to a forward-looking strategist, helping to shape the future of the organization.

Anette Weber, CFO of Bucherer, a leading watch and jewelry retailer, pointed out that the purpose of Bucherer is to “redefine the luxury shopping experience and turn it into a journey of discovery”. Bucherer generates value by “creating unique moments across their customer’s lifetime” and by instilling positive emotions through products sold by Bucherer in their stores worldwide. Creating these meaningful moments for their customers requires a clear understanding of the customer value drivers and the emotions they experience at different stages of their lives. In-depth understanding of customer needs and behaviors allows Bucherer to optimize their product portfolio and to manage inventory according to customer demands. Finance is well positioned to support the sales process, by providing insights required to optimize product offering and to steer stock levels. Bucherer’s Finance team provides results to the business in an understandable, relatable and usable way to enable strategic decision-making centrally and within the stores. Acting as a partner to the business, Finance translates results and data into fulfilling unique needs of Bucherer customers. While partnering with the business, Anette’s team starts to leverage software-embedded artificial intelligence to eliminate inefficiencies and to maximize accuracy of predictions, which are used for business decisions.

The transition from a traditional Finance operator towards a strategic Business Partner requires a shift in several dimensions.

Today’s Finance function goes beyond financial planning to a more holistic approach of operational planning and delivering results to the business that they truly understand and can use for strategic decision making.

Anette Weber
CFO, Bucherer

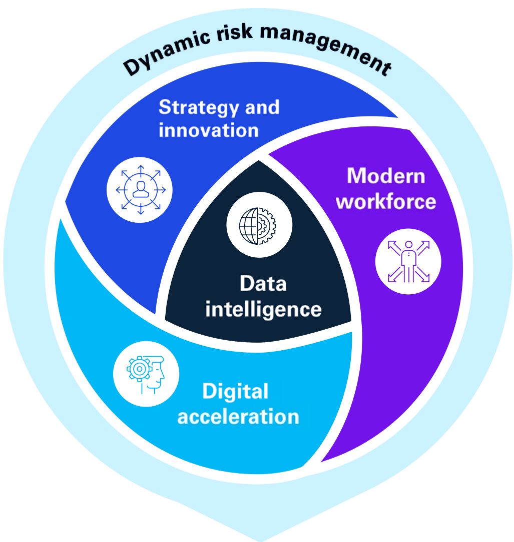
Key areas of change shaping the future of Finance

Based on the current macroeconomic shifts and changes impacting customer behavior, the Finance function, as a strategic partner to the business, needs to further embed innovation into its practices to address incremental needs of internal and external stakeholders, including customers and investors. ATS (Attention-To-Sustainability) is one of the key emerging customer value trends and a good example of the new ‘fields of play’ for Finance, which need to be addressed by establishing new ways of working. There are five key areas on which CFOs should place focus, to respond to the current and future business and market needs, to deliver long-term, sustainable value.

Figure 3:

Strategy and innovation
Drive sustainable growth and value creation through finance insights and predictive modelling

Data intelligence
Harness the power of technology and data, to optimize resource allocation and identify new growth opportunities



Digital acceleration
Pivot from process tasks to business partnering and strategic analysis through standardization and automation

Modern workforce
Continuously evolve ways of working, develop talent and build new skillsets

Dynamic risk management
Build a balanced risk function that protects value and turns risks into opportunities

Source: CFO Agenda for Elevating Finance, KPMG International, 2023

Driving sustainable growth as strategic advisors: Moving away from the purely administrative role and embarking on the journey towards strategic advisors, Finance professionals must become co-pilots, driving sustainable growth through the use of financial insight and predictive modelling. By aligning performance management to the overall business and sustainability objectives, Finance will serve as a key integrator of value into the organization. By influencing business decisions, Finance leaders can help steer companies towards more sustainable operations and promote corporate social responsibility. To do this, the Finance function must develop the skills to not only provide the right information, but also to communicate it in an effective and comprehensive way to non-Finance professionals. They must become masters at translating complex financial data into actionable, easy-to-understand insights that can be applied throughout the organization. This co-piloting role, built on a foundation of financial acumen and strong communication skills, positions Finance as an indispensable partner for guiding the organization’s strategic direction.

We see Finance as a Co-Pilot for improved strategic decision making. It's the same as in racing. The Co-Pilot navigates and the pilot drives. But, the Co-Pilot (Finance) relies on financial performance tracking to use these relevant insights and address them for improved decision making.

Lars Kaestle
CFO, Breitling

Lars Kaestle, the CFO of luxury watch manufacturer Breitling, spoke of his view on Finance as the co-pilot and how his team has supported Breitling in their strategic brand transformation to promote an inclusive, sustainable and casual interpretation of luxury. The revised strategy has been executed through three new initiatives: modern-retro design style; sustainability and digitalization, where Finance plays a critical role by providing relevant insights and steering.

Lars compared the co-pilot role of Finance in supporting strategic decision-making to that of a racing car driver – the co-pilot navigates by giving left or right turn commands and the pilot follows the direction, maneuvering the car on the ideal route the two of them have determined before. To play the role of co-pilot Lars expanded on key areas: first, Finance needs to truly understand the business, looking at the entire organization and not just Finance-specific topics. Second, Finance needs to look beyond what the numbers are telling and seek to understand the business drivers behind the numbers. Third, investigate carefully if the numbers point to a problem and if confirmed, what the solution to this problem could be. What resolution options are available and what is the recommended route for the business to take, in other words to steer the organization successfully based on an insightful review of financial data against business drivers.

Harnessing data intelligence and managing digital disruptors:
As companies become increasingly digital, the use of advanced analytics and artificial intelligence enables Finance teams to optimize resource allocation and identify new growth opportunities in these areas of the market where customers will become most active. Technology and data are key enablers for Finance to shift focus from transactional processing towards the delivery of high-quality performance insights, which is critical to support decision-making at speed. In todays' environment, companies must act fast to deliver personalized solutions and superior customer experience. While the transition that organizations need to go through to prepare themselves for the new reality is not always easy, CFOs are confirming that the effort does pay off. Taking advantage of real-time data and forward-looking insights, they are better able to steer performance and drive value creation.

Adrian Ineichen, CFO of V-ZUG, a manufacturer of state-of-the-art home appliances, highlighted the crucial role of digitalization and data analytics in creating high-quality, design-oriented products. Recognizing the shift in value perception, he emphasized the importance of delivering a superior customer experience and personalized solutions. The result is a simple and convenient way for users to emulate professional cooks without sacrificing the feel of home. Meeting and exceeding the dynamic needs of customers can be challenging, which is why the Finance team's role in collaborating closely with business units and leveraging data analytics is critical. The detailed analyses

We invest in providing actionable insights for decision-making through Business Controlling. The focus on data-driven insights and financial management is crucial for the company's value creation.

Adrian Ineichen
CFO, V-ZUG Holding AG

conducted by business controllers influence product design, features, and pricing strategies. By integrating these data-driven recommendations, the organization is better equipped to innovate, ensuring that every product shows the commitment to quality and customer satisfaction. As such, the Finance team and business controllers remain integral to maintaining the organization's competitive edge.

Delivering value along the entire value chain through digital acceleration:
In today's ever evolving business landscape, many leading organizations deliver value to their customers along the entire value chain rather than merely offering a single service or product. Managing such a comprehensive offering requires robust digital solutions. The digital acceleration achieved by standardizing and automating processes enables Finance professionals to pivot from process tasks to business partnering and strategic analysis. In these increasingly digital times, both internal and external clients have shifted their expectations and there is a growing demand for a seamless integration between humans and technology. This includes an increased focus on user experience and implementing touchless processes. With the right digital toolset, Finance business partners can gain visibility across the entire value chain, analyze and leverage data to its full potential and ultimately provide an exceptional customer experience.

Martin Huber, CFO of ARYZTA, a leading international bakery company, emphasized the role of Finance in supporting value creation. Martin outlined seven key areas which are critical in the value creation process: 1) Sales Growth; 2) Margin Improvement; 3) Working Capital Efficiency, 4) Fixed Assets Intensity; 5) Tax Cost Streamlining; 6) Financing Costs Optimization; 7) Consistency. While Finance is expected to play an active role in each of these areas, it is the Consistency where capabilities of Finance function can be leveraged (and tested) the most. To support value growth, Finance professionals need to clearly understand the customer value chain. In the context of ARYZTA, it means understanding which product categories and sales channels are most effective and efficient for ARYZTA customers. It also requires to be ahead of continuously evolving consumer tastes and food trends. In this process, product innovation, development and testing are key, but not enough. Finance co-piloting with the Business is a must-have growth enabler. Steering performance based on a set of easy-to-understand performance indicators; the ability to influence decisions, to tell the story behind numbers and to build trust; these, according to Martin, are the key characteristics of a Finance Business Partner that is always welcome at the decision-making table. Co-pilots

"Our objective is to continuously deliver value and to create moments of joy for our consumers every day. Finance, as a strategic Business Partner plays a critical role in making this ambition a reality.

Martin Huber
CFO, ARYZTA

need to understand very well the plane they are flying (Business model), the engine (assets, brands, products) and the crew (human resources) they are carrying, and most certainly, the direction they are heading towards (mission and goals). Only then, are they able to provide relevant assistance to the pilot. Finance Business Partners, to become and stay relevant, need to have the right skills, capabilities and attitude to steer, guide and to challenge, so that they can positively influence of the consistency of the Business performance. It is also essential to free up capacity of Finance Business Partners for value driving activities. This is best achieved through centralization of transactional Finance tasks, which do not fall into the core of the Finance Business Partner scope of responsibilities and through digitalization of planning, controlling and reporting processes.

Understanding well the strategic role of the Finance organization, with Finance Business Partnering at its core, Martin and his leadership team initiated a series of strategic initiatives that will bring the role for ARYZTA Finance organization to the next level.

The modern workforce as an enabler of quality and innovation:
In recent years, there has been a seismic shift in customer expectations regarding the quality and innovation of products and services. Finance can contribute by enabling innovation throughout the organization. However, CFOs face the critical challenge of attracting and retaining the right talent. A modern Finance workforce consists of data modelers, solution

architects, innovation and investment strategists, business planning analysts and business partners[1]. Finance professionals should embrace this transformation by upgrading their skill set and utilizing financial insights to become key drivers of strategic decision-making, innovative initiatives and operational excellence. By embracing this broader set of responsibilities, the Finance function will be able to position itself as an enabler of quality and innovation. Therefore, there is an essential need for Finance professionals to expand their capabilities and integrate technological, communicative and strategic planning skills alongside traditional financial expertise. In doing so, they will be better equipped to contribute to the organization's strategic objectives, paving the way for sustained growth and innovation.

Philippe Deecke, CFO of Lonza, a global partner to the pharmaceutical and biotech industries, emphasized that speed, safety, cost and quality are Lonza's four main value drivers: by providing high-end manufacturing capacity more rapidly than companies that build their own facilities, Lonza can expedite the introduction of drugs to the market. Philippe delineated the primary responsibilities of Finance as: 1) driving performance by ensuring efficient resource allocation and value creation; 2) guaranteeing the accuracy and reliability of financial reporting to maintain trust; and 3) protecting the organization's assets. This means that even for a modern Finance workforce, certain skills are non-negotiable, such as strong financial knowledge and understanding balance sheets, cash flow statements, and P&Ls. However, more diverse competencies are required for Finance nowadays, such as big data analytics, business communication, and advanced scenario planning. In this respect, it is important to note that having a well-rounded team with complementary specializations is more important than everyone possessing all these skills.

Certain skills remain non-negotiable, such as strong financial knowledge and understanding balance sheets, cash flow statements, and P&Ls. However, more diverse competencies are required for finance nowadays, such as big data analytics, business communication, and advanced scenario planning.

Philippe Deecke
CFO, Lonza

Besides modern Finance skills, Philippe expanded on the delivery model of the Finance organization. While there has been a trend over the past decades to centralize operational Finance into shared service centers, there are other activities where the Finance workforce adds significant value, that cannot always be centralized, such as FP&A, business partnering and local controlling. For such roles proximity and business understanding need to be balanced with a drive for efficiency and specialization.

Turning risk into opportunity with dynamic risk management:
Today's volatile business environment requires Finance to adopt a more dynamic approach to risk management. While implementing robust and holistic risk management frameworks serves as a solid foundation for safeguarding trust, Finance teams are well-advised to look for opportunities and not just identify and mitigate risks. This shift in behavior plays a pivotal role in driving value creation, by enhancing transparency in corporate social responsibility, improving the customer experience as well as enabling innovation and quality enhancements. To achieve this, Finance must build a balanced risk function that protects value, but also promotes confidence in innovation and change.

Tania Micki, CFO of Tecan, a leading provider of laboratory automation products and solutions for life science research, diagnostics and the medical market, that make laboratory processes and medical procedures more accurate, repeatable and compliant. In our interview, Tania explained her holistic leadership approach, which allows Tecan to ensure that Finance organization is a driver of internal excellence and enabler of value creation. Tania leads her team across four pillars of excellence, which combined together provide a rounded and balanced approach to value creation support: 1) People – a team of skilled Finance Business Partners with relevant Business and technical finance know-how; 2) Tools - digitalization based on a common IT platform, which allows for quick access to data and additional automation

[1] KPMG LLP. (2019). Evolving Finance. Embracing new talent structures and strategies. Evolving finance (kpmg.com)

solutions for Finance to render efficiencies and to create capacity for value adding activities; 3) Governance - standardized and documented processes and controls; 4) Reporting - implementation of key Business and process performance indicators for regular performance reviews.

As an organization dedicated to improving people's lives and health, speaking to the value trends of corporate social responsibility, quality and innovation, risk management is paramount to Tecan, and Finance plays a pivotal role in supporting this element of value creation through the governance pillar. Whilst previously Finance functions focused heavily on the custodian/protective role, Tania believes there is an opportunity for Finance to look at this from a proactive perspective moving forward. She views risk management as a combination of reactive and proactive – reactive in the sense of planning how to manage risk should it occur and proactive in the sense of understanding the customers and markets to anticipate risk, take preventative measures and respond quickly when they occur. In addition, data quality and accuracy are critical to both managing risk and enabling business decisions to continuously create value through new and innovative products.

Through the holistic approach, Finance supports the organization by using financial data to tell a story – combining data from different sources and intricate business knowledge into a comprehensive overview to identify patterns and detect causes of potential risk and to identify opportunities for growth to ensure the organization is continuously best placed to provide the level of quality and innovation customers expect.

"Equipped with intricate business knowledge and external markets understanding, Finance should take a proactive approach to anticipating and reacting to risk and identifying opportunities to create value and drive internal excellence.

Tania Micki
CFO, Tecan AG

Future-proof Finance: actionable steps to prepare for tomorrow

Figure 4:

Group Finance	Finance Business Partnering	Global Business Services
Financial value drivers	**Operational value drivers**	**Efficiency drivers**
Provide expertise, insights and governance for compliance and control	Provide strategic Business Partnering and drive enterprise decision-making	Ensure a cost-effective finance function while increasing time for value-adding activities

To successfully manage their expanding responsibilities, CFOs need a clear functional strategy and corresponding organizational structure, efficient processes and appropriate technology, talent as well as solid governance.

Group Finance, Finance Business Partnering, and Global Business Services are the three pillars of the Finance function that drive value creation. To build a future-proof Finance organization, we will look at concrete, actionable steps within each pillar with an emphasis on the dimensions of strategy, organization, processes, technology, talent and governance.

Group Finance: A Pioneer of Innovation and Custodian of Financial Stability

The role of Group Finance extends beyond driving financial value and ensuring governance. It has the potential to function as a pioneer of innovation and change the organization's perspective on the risk management framework. Group Finance can elevate its value-creation role through:

- Developing a forward-looking **Finance strategy** that integrates technology-driven insights, with a focus on data intelligence and digital acceleration.
- Creating a **future-proof performance framework** that aligns with the organization's mission, vision and strategy, complete with KPIs and value drivers. This requires standardizing plans, budgets, reports and dashboards to match this performance framework.
- Investing in **advanced analytics and automation** to streamline group controlling, accounting and reporting processes, delivering real-time insights for swift decision-making.
- Assembling cross-functional teams to design and regularly review a robust global governance and control framework enabling them to apply **dynamic approach to risk management** that allows them to see risk as opportunity.
- Developing a **Finance competency model** that favors a diverse range of technical, mathematical, engineering and science skills, moving beyond a purely Finance-oriented focus.

Finance Business Partners: The Co-Pilots of Business Strategy

Finance Business Partners should act as strategic advisors, or co-pilots, supporting decision-making and managing performance at the local business level. Key steps they can take to enhance their role include:

- Develop a comprehensive understanding and **monitor operational business drivers** that can impact performance and provide informed advice on business strategy accordingly.
- Foster **robust relationships between Finance and commercial leaders** to better comprehend key objectives and challenges, and to ensure that financial planning is in line with business objectives.
- Embrace **advanced data and analytics** as well as financial data modelling, to proactively advise commercial leaders on the impacts of different business strategies and scenarios.
- Engage with a broad range of stakeholders, developing communication and empathy skills, and taking ownership of follow-up actions to effectively **drive change and promote innovation**.

Global Business Services (GBS): Center of Operational Excellence and Digital Acceleration

The focus for GBS should shift from cost reduction to value creation, with a focus on process excellence, and risk management through talent acquisition, standardization and digitalization. GBS can reinforce its role in value creation as follows:

- Prioritize governance excellence by aligning the global governance framework involving both GBS and country leadership, promoting **dynamic risk management**.
- Implement a consistent people and **service management framework**, ensuring smooth and efficient operations while continuously improving quality.
- Achieve optimal talent allocation, balancing technical skills and process knowledge to deliver high-quality, speedy information, thereby supporting data-supported decision-making.
- Promote process excellence by **digitalization and automation initiatives**.
- Expand the scope of services to include new domains, such as compliance framework implementation and facilitating ESG reporting, thus aligning with the trend towards increased corporate social responsibility.

Conclusion

In an ever-changing macro environment where the definition of value is constantly changing organizations must swiftly evolve. They need to adapt their strategies to maintain their relevance in the landscape of corporate social responsibility, customer experience and customized solutions along with innovation and quality. This requires a shift to focus more on drivers such as product innovation, sustainability, flexibility, operational cost optimization and customer experience. Finance, in its central role as a strategic business partner, should lead this evolution.

CFOs are tasked with guiding their organizations through these dynamics to implement their organization's strategy effectively. This requires a shift in the role of Finance from traditional transaction processing, financial reporting, budgeting and providing key financial information to support decision-making, to embracing its role as a business co-pilot, driving sustainable growth through financial foresight, and aligning performance management with strategic objectives.

This article outlined the key objectives for Finance in its role as a driver of value creation:

1. In a first step, it should drive sustainable growth and value creation through financial foresight, harnessed by the power of technology. This will enable the business to identify new opportunities and to quickly adapt to deliver superior customer experience and personalized solutions.

2. Secondly, it needs to evolve in its ways of working, develop talent and build new skillsets, through optimizing their service delivery models and developing a modern workforce that is adept at data intelligence, communication and strategic planning enabling innovation from the inside out and paving the way for sustained growth.

3. Thirdly, Finance must build a balanced risk function that protects value and turns risk into opportunity, thereby maintaining and improving the quality the business provides to employees, customers and shareholders alike.

By accomplishing these objectives, Finance will lay the foundation for sustainable profitable growth, while functioning as a catalyst for innovation, thereby maximizing value creation.

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