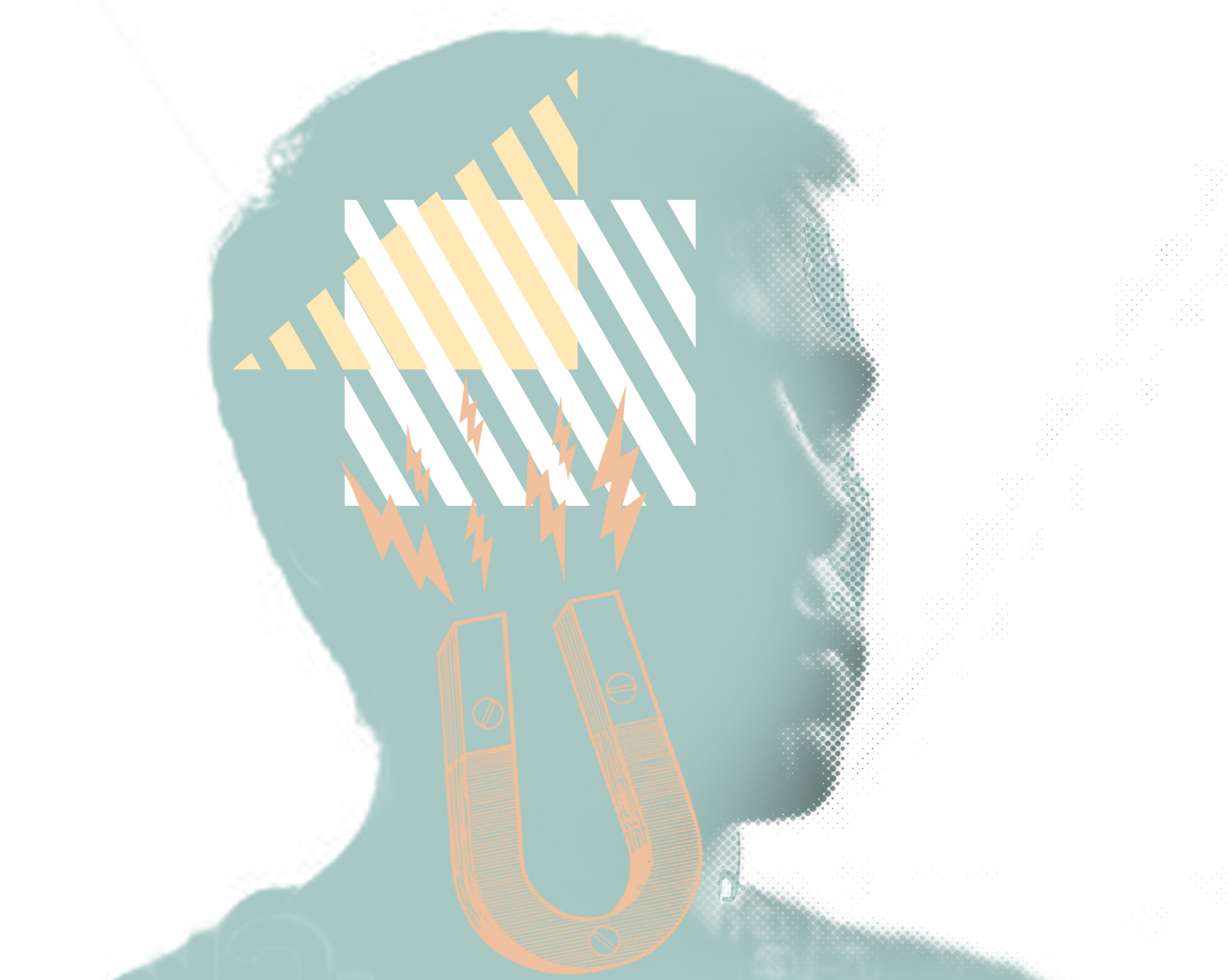
ICAEW THOUGHT LEADERSHIP
FINANCE DIRECTION

Finance business partnering: a guide



ICAEW Finance direction initiative

Finance business partnering: a guide forms part of the Business and Management Faculty's *Finance Direction* thought leadership programme. It builds on three previous Finance Direction reports – *Finance's role in the organisation* (2009); *The finance function: a framework for analysis* (2011) and *Finance in the broadest sense* (2013). While finance business partnering is not new, it remains a topic of great interest to those involved in building effective finance functions.

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Executive summary

Effective finance business partners have been around for over 50 years.[1] The involvement of finance professionals in business decision making, strategy development and driving performance is nothing new. However, there are significant variations in the role of finance departments due to the unique circumstances of different organisations.[2] In particular business partnering may or may not be a priority, and finance departments may or may not have the ability to deliver.

This report provides practical advice for those considering business partnering initiatives and those looking to improve their approach.

Understanding the business is fundamental

If there is one piece of advice consistently given by CFOs to prospective business partners, it is that 'you need to understand the business'. Through this understanding, finance can both determine business needs and help to meet them. The problem is that business understanding is not easy to achieve: it takes time, businesses can be understood in many ways, and businesses change.

Business understanding is gained through ongoing conversation, observation, research and action

Business understanding is built by talking with stakeholders and observing the business in action wherever possible. Such conversations and observations can be supplemented with reading, training, attending relevant events etc. Further learning though requires action to gain experience and garner feedback. For example, managers may discuss needing help with investment decisions, but it is only when advice is provided and its impact assessed that finance's understanding is fully tested.

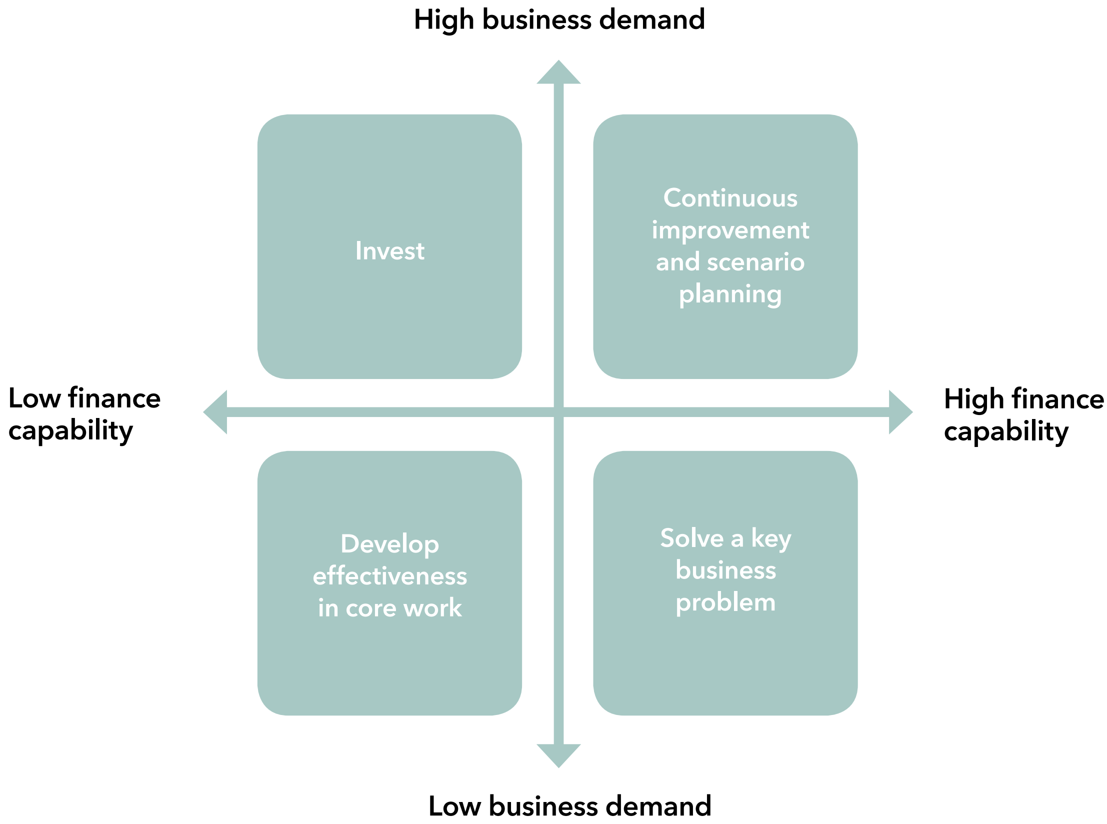
The strategy for finance will depend on demand for business partnering as well as finance's capabilities

Finance's understanding of the business will indicate whether there is organisational demand for business partnering – this is by no means a given. Whether demand can be met depends on an objective assessment of capability, with the finance department not always in the best place to assess itself. Figure 1 shows how finance's position, in terms of its capabilities and demand for business partnering, suggests the appropriate development strategy.

There is no one right way to position the finance department but it can often do more to support businesses

Where a business is performing well without finance acting as business partners there may be no need to pursue such a role. Indeed some organisations prefer a situation of creative tension with entrepreneurial, risk-taking managers sparring with more conservative, control-oriented finance staff. However, in many cases finance can do more to support businesses. This may require developing capabilities and/or generating demand for additional finance department services.

FIGURE 1: FINANCE BUSINESS PARTNERING CAPABILITY AND BUSINESS DEMAND



While it may be obvious, it needs to be emphasised that capability depends on people, organisational structures, systems and processes

Clearly, finance capability depends on developing appropriate people, organisational structures, systems and processes. The challenge is to match these with organisational needs and to work within resource constraints.

Long lists of knowledge, skills and attitudes, said to be required of business partners, suggests 'superhumans' are needed

Many skills, such as leadership and management skills, are required for success in any senior role. Such skills are essential for business partners; however, this report provides advice in a number of more specific areas, including business understanding, commerciality, ethics, communication skills, analytical skills and professional judgement. Taken together these attributes should help finance business partners make the most of their expertise and deal with the inevitable tensions arising from the different interests of organisational stakeholders.

Small finance teams will need to prioritise the capabilities they require carefully, while larger organisations can build diverse teams. All finance departments will benefit from using rigorous staff selection processes.

Decentralised finance departments are better placed to deliver business partnering but there are associated risks

Business partners are better positioned to support businesses when they report to local managers and are located alongside them. However, this creates a greater risk that business partners will place parochial interests above those of the organisation as a whole. Joint reporting lines to the business and finance, with collaboration on objective setting and incentive decisions, reduces such risks.

Finance should engage with system and process developments

Finance's ability to deliver business partnering services can be severely hampered through poor systems and processes, even though many problems can be overcome through hard work and manual workarounds. Indeed, these will often be necessary where quickly responding to competitive demands inevitably leaves back-end processes behind. Having said that, active finance department involvement in system and process developments across the organisation can help ensure information is more accurate, timely and accessible, while reducing time spent on routine processing. Developing and maintaining systems and processes which achieve these objectives requires perseverance and attention to detail.

Solving a key business problem is the best way to generate demand for business partnering

Even with highly developed capabilities, demand for finance business partnering is not guaranteed. This may result from a lack of awareness of what finance can contribute, concerns that finance involvement will stifle innovation, the defensiveness of line managers and/or organisational politics. The best way to overcome these issues is by solving an important business issue. Other initiatives will also help, including introducing more business-oriented finance tools, marketing, networking and running finance training for non-finance staff. If such efforts do not work, capable finance professionals may need to move to an organisation where their abilities can be put to better use.

The possibility that business partners may get too close to the business and act unethically needs to be guarded against

Finance is in a powerful position to subvert governance processes and the pressures on business partners to act unethically can be pronounced. Personal integrity is important but business partners will also need support. Such support will include senior management leading by example, the promotion of an ethical culture, enforced value statements, whistleblowing processes and effective controls.

As advocates of evidence-based management, finance needs to assess its own contribution to organisational performance

Finance departments sometimes base their claims for greater business input on their ability to provide better evidence to inform decisions. Yet rigorous assessments of finance's impact on organisational performance are rare. Showing a causal relationship is difficult because numerous variables are at play. Moreover, it is not easy to conduct comparisons of business partnering to alternative finance department models.

However, much can be learnt by attempting to isolate the impact of finance on organisational performance, the speed and quality of decision making, the robustness of organisational strategy and the ability of the organisation to innovate and adapt to change.

The future of business partnering – adaptability, perseverance, sustainability, departmental competition, IT developments and outsourcing

Achieving success in finance business partnering requires adaptation to change and perseverance in order to overcome inevitable setbacks. In particular, mistakes made by finance departments can quickly undermine trust built up over many years.

Finance's influence is based on the organisational importance of financial measurement, financial constraints and financial performance. These will be ever present, but increasing societal pressures for social and environmental performance to be given more weight may challenge finance's position.

In addition, functional departments such as marketing, IT and HR all aspire to greater strategic and decision-making influence. Some degree of internal competition can be beneficial in provoking continuous improvement and innovation. Finance needs to bear in mind this departmental jockeying for position even while it promotes the benefits of collaboration. In particular, business partners need to take advantage of developments in IT, big data and analytics – if other departments take the lead, finance's relative advantage in information management and analysis may be eroded.

Outsource providers continue to widen the services they provide. The potential for them to further support, and indeed take on, business partnering roles may provide additional options for structuring the finance department.

Despite the challenges we have highlighted, the potential for finance to contribute to organisational performance as business partners is a prize worth pursuing.

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1. Effective business partnering: the right questions

1.1 WHY AND HOW?

Finance staff have been working as business partners for over 50 years

Effective finance business partners have been around for at least 50 years.[3] The suggestion that business partnering is a new role for accountants is misleading and tempts us to seek answers to the wrong questions. We should not be asking accountants to rise to some new challenge. Instead we should be examining whether business partnering is an effective approach and, if so, how to go about it.

Business partnering is about contributing to organisational performance

The 'why' of business partnering is about whether finance professionals can successfully contribute to organisational performance outside of core work such as financial reporting, compliance and controls – none of which should be considered as unimportant. Finance departments may destroy more value by getting these wrong than they add through an insightful piece of analysis. Nonetheless, accountants and finance departments can often make a valuable contribution to decision making, commercial negotiations and strategy.

Contributing depends on skills, structures, systems, processes and business demand

The 'how' of business partnering means thinking about a wide range of factors that need to be managed and developed in order to be effective. These factors include skills, structures, systems, processes and business demand. We focus on these factors in this report. In particular we aim to go beyond platitudes, such as pleas for 'good communication skills' or 'insightful analyses'.

1.2 WHAT DOES THE ORGANISATION NEED?

Organisational needs vary and business partnering may or may not be the best approach

No two organisations are the same and what is required from finance will vary. In smaller organisations it is almost impossible for the most senior finance professional not to be a business partner. However, we should not assume that business partnering is essential for all organisations. If other departments are successfully developing a strategy and carrying out suitable analysis with good financial discipline embedded throughout the organisation, there may be no need for finance business partners. Often this is not the case. Finance departments will be successful by using their distinctive position to look across the organisation, establish what is needed and look to fill relevant gaps in organisational capability.

1.3 REPORT STRUCTURE

This report covers: definitions, understanding the business, finance positioning, finance capability, business demand, the dilemmas and the future of business partnering

After considering what finance business partnering is and how finance professionals can go about 'understanding the business', we go on to discuss how to assess a finance department's current position within the organisation. We then characterise this position and high-level way forward based on current capabilities and the level of demand for business partnering services. Developing finance capability and building business demand are considered in **6 Building finance capabilities** and **7 Building business demand for business partnering**, followed by a discussion of the dilemmas for business partners. We conclude with a discussion of the future of business partnering.

Case studies are highlighted at the end of each chapter.

2. *What is finance business partnering?*

Business partnering can be seen as a rhetorical device to change perceptions

In part, the use of the label 'business partnering' is a rhetorical device designed to change the internal and external perceptions of finance departments. Within finance departments, the label can be used to emphasise that finance's role is about contributing to the business rather than pursuing a narrow departmental agenda. Elsewhere in the organisation, labelling finance as a business partner can help to break down stereotypes of what accountants and the finance department do. Simply changing people's job titles is not enough. Without changing the substance of what people do, and providing the support for them to do it, organisations can do more harm than good by generating unfulfilled expectations.

The idea of business partnering is not without its problems. Some argue that partnering suggests that finance is outside of the business proper rather than an integral part of it. In non-commercial organisations 'business' can have unwanted connotations. The finance director of a university told us he is looking for a different label because the idea of **business** partnering is an anathema to the academics that the finance staff need to support.

Definitions usually refer to involvement in strategy, decision making, analysis and being a trusted adviser

Definitions of business partnering vary. Indeed Scheuerman (2003) states, 'most CFOs interviewed for this book said they wanted the role of the finance function to be that of business partner. However, when asked what this really meant in practice, many CFOs found this new role difficult to describe' (p.16).[4]

In our view, organisations need to define the finance department's role and responsibilities in a way that best suits their circumstances. This role then needs to be communicated to both the wider organisation and finance staff. Clarity on how finance is going to support the organisation reduces the risks of work being duplicated or not being carried out at all.

We do not think being prescriptive is helpful, but definitions of business partnering usually include one or more of the following:

- involvement in strategy formulation, implementation and communication;
- involvement in commercial decision making and negotiations;
- leading on business analysis; and
- being a sounding board, trusted adviser, critical friend and facilitator of productive business discussions.

Interestingly investor relations, the implementation of effective capital structures and tax planning are rarely mentioned, possibly because finance departments are expected to take a lead in these matters in any case. Even so, they contribute to organisational success and need to be carried out in partnership with the business to be effective. Indeed some specialists in finance are referred to as business partners, for example, regulatory specialists can be essential commercial advisers in banking and insurance. In part, finance business partners may act as account managers, providing the link between line managers and specialist finance department services.

Note in this report we sometimes use 'finance' as shorthand for finance departments.

Business partnering as an attitude of mind – business oriented and commercial

Business partnering is also about an attitude of mind. Some argue that finance business partners should be business people first and finance experts second. Similarly it can be helpful for business partners to think as if they are business owners and in terms of 'we' as a business rather than 'us and them'. The attitudes we see mentioned most relate to having a genuine interest in the business and being commercial – which we discuss further in **6.1 Business partnering attitudes**.

There are no established job titles

It is worth noting that, in many organisations, finance professionals can be heavily involved in the activities identified above without the term 'business partnering' being mentioned or featuring in job titles. Roles such as CFO, FD, financial controller, controller, financial planning and analysis, decision support, management accountant can all be business partnering roles.

Finance's role varies across cultures

There are important differences across national cultures in the perception, organisation, staffing and operation of finance departments. These differences need to be taken into account when considering how to position finance and whether it is appropriate or realistic to pursue business partnering roles. The guidance in this report should help in making an informed decision, but it is up to the reader to see how applicable our advice is to local circumstances.

Should business partners be detached providers of analysis?

A fundamental question is whether business partners are aiming to be dispassionate, detached providers of analysis or 'players' who have a view on the best course of action – a view they are willing to push in the face of opposing views. If the latter, it is important to note that with greater power comes greater risk. Business partners will enjoy the rewards that go with organisational successes and will be held more accountable for organisational failures.

We do not have the evidence to know which of the above approaches is most likely to lead to improved organisational performance. It probably varies from organisation to organisation. There is some evidence to suggest that controller involvement in decision making is more likely in organisations that are capital intensive, emphasise planning and budgeting and have complex interdependencies between operating units.[5] The divide is also not a simple either/or – business partners may decide to weigh in on some decisions and be more detached from others.

Decisions about the best approach to take will depend in large part on understanding the business, which we now discuss.

IS BUSINESS PARTNERING NOW A TRADITIONAL ROLE?

Finance business partners are often contrasted to 'traditional accountants', 'bean counters' and 'scorekeepers.' We don't find these contrasts particularly helpful. As we have argued, business partnering roles have been around for at least 50 years so this role could be seen as traditional. In addition, the practices associated with so called scorekeeping, bean counting and number crunching can often lead to significant business insights. Keeping score can also be a significant source of power for accountants. And where separate business partnering roles or teams are established, those not involved can be made to feel like second-class citizens if characterised as bean counters.

Even by mentioning labels such as bean counter, this report has helped reinforce the stereotype. Maybe the profession should stop using such labels altogether.

3. Understanding the business – the foundation of business partnering

Understanding the business includes understanding strategy, the competitive environment, commercial drivers, processes, systems, culture, who has influence and how to get things done

If there is one thing that CFOs consistently state, it is that finance business partners need to understand business and understand **the** business. However, it is easy to say 'you need to understand the business', but not so easy to actually understand it. What constitutes understanding can be interpreted in many ways and there is also a lot to understand. We need to consider the organisation's strategy, competitive environment, commercial drivers, processes, systems, culture, who has influence, how to get things done etc.

As well as understanding one's own organisation there is also a need to understand business more generally. Not some idealised version of how business works but the political, economic, legal and social realities, which will vary from country to country.

Deciding on the depth and breadth of inquiry required to understand the business needs careful thought

So how do you go about understanding the business? Deciding on the necessary depth and breadth of inquiry requires careful consideration and the notes below may seem somewhat idealistic given the amount of work involved and the inevitable constraints on time. The ideas are couched in terms of a one-off exercise but clearly understanding the business is an ongoing challenge.

3.1 TALKING WITH INTERNAL AND EXTERNAL STAKEHOLDERS

Use formal and informal opportunities to talk with stakeholders

There is no substitute for getting out and talking to executives, managers and staff in other parts of the organisation and indeed external stakeholders if possible. Finance professionals can approach this both formally through meetings and visits and informally in the lift/elevator, by the coffee machine etc. In informal situations, making a point of asking questions along the lines of 'What's keeping you busy at the moment?', seems to work well.

Prepare for discussions – gather background knowledge and formulate good questions

Where someone is new to the business he or she may be able to get away with being relatively naïve and initially asking very broad questions. However, it is always worthwhile having some good questions prepared. For example, 'How do you see the organisation's strategy?', 'What are your most important objectives?', 'What are our main challenges?', 'What are the main revenue and cost drivers?', 'Who are our main competitors and what are they up to?', 'What do you need from finance?'

However, those who have worked in the organisation for a while will be expected to have a good knowledge of the business already. Therefore, preparation may be required to fill potentially embarrassing knowledge gaps. We accept there is an element of personal preference when it comes to preparation – some prefer to think things through before talking to others, while some prefer to talk first and reflect later; some need preparatory work to confidently interact with others, while some can 'wing it'.

Set out to listen well

How often have we heard someone say 'I am just here to listen' who then goes on to totally dominate the meeting? Listening is a skill that can be improved (see **Communication skills**, p. 24) but for now we simply emphasise doing everything possible to be a good listener.

Meet at your colleague's place of work to learn by observing the business in action

Meetings are best held at a colleague's place of work, be it their office, the factory, the call centre, a store etc. A lot can be learned from observing the business in action. We have spoken to CFOs of leading retailers who spend at least a day every week in stores. Joining customer and supplier visits is also invaluable but may not be acceptable to other managers until a trusting relationship has been developed. Clearly all of this is easier in some businesses than others, but the effort will be worthwhile.

Cover a broad range of stakeholders

Ideally all important stakeholders (internal and external) should be included with different locations and a variety of levels of staff also covered. Inevitably though, some prioritisation will be required. In large, complex organisations mapping out stakeholders on a matrix of influence and relevance to finance's role will be helpful.

Inevitable contradictions mean we need additional information

The range of opinions gathered through these meetings will inevitably contain some contradictions. These may be caused by incomplete knowledge, biases and dishonesty. In particular, there is a well-documented psychological tendency to blame other people, departments and circumstances for problems while taking too much personal credit for successes.[6] So the information gathered needs to be complemented with other sources discussed below.

Discussions may raise expectations and will lead to stakeholders forming opinions of finance's competence

Note that by initiating these discussions, finance will start to raise expectations about what they can deliver. Indeed pent-up demand for additional services might become apparent. Moreover, stakeholders will begin to form an opinion on the finance department's competence, trustworthiness and whether there is value in collaborating. First impressions are difficult to change so performance at initial meetings is important.[7]

3.2 USING OTHER SOURCES OF INFORMATION

Use internal documentation including vision, mission and strategy documents

Where available, review internal documentation, particularly that covering vision, mission, strategy, departmental objectives and organisational structures.

Do not underestimate the importance of looking at the organisation's history as this helps in understanding organisational culture. History can also explain what appear to be irrational responses to well thought through initiatives. For example, an organisation that suffered reputational damage through a financial reporting misstatement could be very resistant to relaxing what seem to be overly tight and bureaucratic controls.

Information and reports produced by other departments, internal audit and consultants will also be useful. However, there may be some defensiveness about providing such information if it is seen to be critical of performance. If one is under the impression that pushing immediately for such information will damage relationships, it is advisable to wait until greater trust has been earned.

Reading potentially voluminous internal documentation can be time consuming and the quality and usefulness of such documentation will vary. However, the quality and comprehensiveness of the documentation can in itself provide useful insights about the nature of the organisation eg, whether internal communication is valued and the level of attention to detail.

Use existing financial information and analysis

Even if current financial information and analyses are not up to desired standards, there are inevitably some useful insights to be gained through a thorough analysis of existing financial information. Reviewing material revenue, cost and balance sheet accounts and employing standard ratio, variance and cash flow analyses will help identify strengths, weaknesses and potential priorities for the business.

Financial analysis produced outside of the finance department should not be ignored. This is useful in itself and also flags up potential weak spots in what finance is able to deliver. Similarly, gaps in the analysis available should be noted as a useful start point for developing future services.

Review external sources, including sector research and trade press

The availability of external information will vary by industry and the nature of the organisation. Start by asking other managers what sources they use to keep up to date with the sector. Their answers may include:

- equity analyst reports on the organisation and competitors;
- market research reports;
- sector-related consultancy reports and trade press;
- quality business press – domestic and international;
- social media such as LinkedIn groups, Twitter and industry feedback sites such as TripAdvisor;
- industry conferences and events;
- business books and biographies; and
- academic studies.

Some organisations subscribe to press clipping services that pull out extracts from newspapers and the internet where the organisation and its competitors are mentioned. Make sure you get on the distribution list. Where such services are not available the major search engines enable you to set up customised email alerts.

Listed companies will also benefit from organising annual team briefings from the firm's broker.

Finance team members will pick up industry knowledge from a range of sources and they should be encouraged to share the insights they gain.

3.3 USING MANAGEMENT TOOLS TO MAKE SENSE OF THE INFORMATION GATHERED

Management tools can help with information overload

Having talked to stakeholders and read a wide range of documentation, there is a risk of being swamped with information. It can be difficult to make sense of what is going on and what is important. However, frustration and confusion are often encountered on the route to enlightenment.

Some of the tools that can be used to check the comprehensiveness of understanding and structure thinking are outlined below. Finding out what is not known is as important as identifying what is.

Business modelling of cause and effect relationships in the business

Business modelling involves mapping out the cause and effect relationships in the business. Trying to draw a diagram of the relationships between operational activities, cost drivers, revenues, cash flow, balance sheet ratios etc, can be helpful. What drives volumes and margins? How important is marketing, pricing, research and development, information technology, customer satisfaction and training? What drives success in these areas? What is the pace, rhythm and operational cycle of the business?

Porter's Five Forces – competitive positioning

Porters Five Forces[8] is used to analyse an organisation's competitive positioning by looking at the:

- threat of new entrants;
- threat of substitute products or services;
- bargaining power of customers;
- bargaining power of suppliers; and
- intensity of competitive rivalry.

Strategy Diamond – the necessary components of a strategy

The Strategy Diamond[9] approach argues that a comprehensive strategy needs to cover:

- arenas – markets, locations and stages of the value chain the organisation plans to operate in and not operate in;
- vehicles for growth eg, organic, joint ventures and/or acquisitions;
- differentiators eg, competing on quality, service, design, accessibility and/or price;
- economic logic eg, generating shareholder value through economies of scale and/or premium pricing; and
- staging – an outline of priorities and target dates for strategic milestones.

Assessing organisational circumstances through PESTLE and SWOT analysis

PESTLE[10] is used to assess organisational circumstances by examining political, economic, social, technological, legal and environmental circumstances.

SWOT[11] is used to assess the internal strengths and weaknesses and external opportunities and threats to the organisation.

Perspective taking can be used to get a rounded view

Perspective taking involves looking at the organisation through different lenses eg, those of a customer, owner, shareholder, supplier, regulator etc.

Gareth Morgan, in *Images of Organization* (2007)[12], suggests choosing two or three metaphors to examine an organisation, selecting from viewing organisations as:

- machines – where there are controllable processes which are little impacted by the environment and have predictable outcomes, often manifested in bureaucratic approaches;
- organisms – where the focus is on organisations adapting to their environment and the survival of the fittest;
- brains – which brings learning and knowledge management to the fore;
- cultures – where the importance of values, beliefs and rituals are considered;
- political arenas – concentrating on the competing interests inside and outside the organisation, who has power, as well as the coalitions necessary to get things done;
- change, chaos, complexity and flux – which emphasise uncertainty and non-linear cause and effect relationships (these can result in potentially large impacts from small changes due to multiplier effects, or conversely minimal impacts from large initiatives as things tend back to the existing equilibrium); and
- psychic prisons – where organisations are seen as exploitative, instruments of domination.

Undertake high-level process mapping

High-level process mapping involves sketching out the most important end-to-end workflows, such as order to pay, and who is responsible for what.

3.4 UNDERSTANDING THE BUSINESS IS AN ONGOING CHALLENGE

Continuously update business understanding and review periodically

Clearly understanding the business is an ongoing challenge. Initial views need to be tested and there is always more to learn. Moreover, circumstances change, meaning business partners constantly need to update their thinking. Having carried out an initial analysis, a lot can be achieved by spending as much time as possible out in the business, paying attention and reflecting on what has been learnt. More formal, periodic knowledge reviews will also be helpful.

3.5 THE DOWNSIDE OF UNDERSTANDING THE BUSINESS

'If you know so much, you tell us how to reach the target.'

There are few downsides to understanding the business but some finance professionals have seen a thorough understanding being thrown back at them. For example, when it is necessary to push businesses hard to reach forecast numbers, line managers can argue that business partners know the forecasts are unobtainable or should be able to provide their own plan for how targets can be reached.

3.6 MULTIPLE UNDERSTANDINGS OF THE BUSINESS

Finance's understanding of the business may be different, but that does not make it wrong

As we have seen, businesses can be understood in many ways and understanding the business should not be interpreted as agreeing with the understanding of others. Business partners bring an expert financial perspective, which may challenge other perspectives. Responses to managers who accuse finance of 'not understanding the business' need to be balanced – has finance missed something or is their alternative understanding more valid?

4. Assessing the finance department to develop an action plan

The assessment of finance departments needs to be tailored

The process of understanding the business will give some idea of the current capability of the finance department and to what degree it is positioned as a business partner. However, to develop a plan of action a more detailed assessment will probably be required.

Such an assessment needs to take account of business needs and the size and complexity of the organisation. Is a comprehensive, formal approach necessary or will a few meetings and some desktop research suffice? Whatever approach is taken, finance departments need to be confident they have established:

- the priorities of the business;
- where they can help most; and
- gaps in their ability to deliver such help.

Obtaining a balanced view of finance's performance requires more than introspection

Research shows that finance staff are not always best placed to assess the quality of their services or to understand what the business actually wants. They tend to overestimate the value of their analyses, believe that information is more accurate than it is and perceive information to be timely when it is not.[13] So introspection is not enough, feedback needs to be gathered from customers and stakeholders.

However, customer feedback should be treated with caution. Managers can be defensive and criticise information because it does not show what is in their best interests or they are unaware of what they actually need. One organisation we are aware of sent out its management accounts pack with a highlighter pen asking managers to highlight what they actually looked at. Frighteningly little came back highlighted. On further investigation it was not that all non-highlighted information was useless – some of it was, but some was only used when issues needed to be explored, some was badly presented and some was useful once its meaning had been explained.

Assess the full range of finance activities – accounting, compliance, management and control, funding, strategy and risk

ICAEW's report, *The finance function: a framework for analysis* (2011) sets out a comprehensive analysis of the finance activities that need to be assessed. At the top level these are:

- accounting
- compliance
- management and control
- funding
- strategy and risk.

While certain tasks are not directly related to business partnering, it is difficult to provide an effective service if the fundamentals are not in place. Accurate accounting information is the foundation for further analyses; effective financial controls are necessary before other parts of the organisation will trust finance; and problems with statutory and regulatory reporting will undermine credibility and inevitably pull resources away from business partnering. Moreover, a finance department's ability to wield wider organisational influence is rooted in its accounting responsibilities.

Think about influence as well as effectiveness and efficiency

A comprehensive review of capabilities will need to consider a range of factors, both concrete and qualitative. These include:

- depth of business understanding;
- alignment with organisational strategy and priorities;
- influence and involvement in strategy, business decisions and commercial negotiations;
- degree of executive and line management trust and the use of finance staff as a sounding board;
- the stage at which finance is consulted on new initiatives;
- ability to quickly adapt to new circumstances;
- effectiveness of capital and funding structures;
- successes and failures in providing solutions to organisational problems;
- level of integration of performance management systems;
- accuracy and timeliness of information;
- costs of transaction processing and information provision;
- efficiency and effectiveness of financial controls;
- relevance and usefulness of information and analysis; and
- effectiveness of information presentation.

Some of the more qualitative criteria above can be assessed by considering questions such as: 'Is finance represented on important committees and working groups?'; 'What discretionary spending powers and investment budget does finance have?'; 'Do 'shadow' finance teams exist in other parts of the organisation?' and 'What decisions does finance need to sign off?'

Gather evidence – informally or formally depending on circumstances

As already mentioned, an informal approach to evidence gathering may be appropriate; however, if a more in-depth piece of work is required, consider the following:

- a structured programme of meetings with important stakeholders;
- questionnaires, anonymised if there are concerns about the willingness of participants to provide honest opinions;
- process analysis, possibly using lean principles as applied to service sectors;
- internal and/or external benchmarking (see table 1 on external benchmarking); and
- employing independent advisers to conduct the analysis if there are concerns about resourcing and the organisation's capability to judge what good looks like.

Cover finance activities conducted outside of the finance department

Ideally an assessment should include the effectiveness of finance activities conducted outside of the finance department. Examples include line managers creating or reworking financial information to get the analyses they need and time spent on processing transactions or generating budgets.

Table 1: The pros and cons of external benchmarking

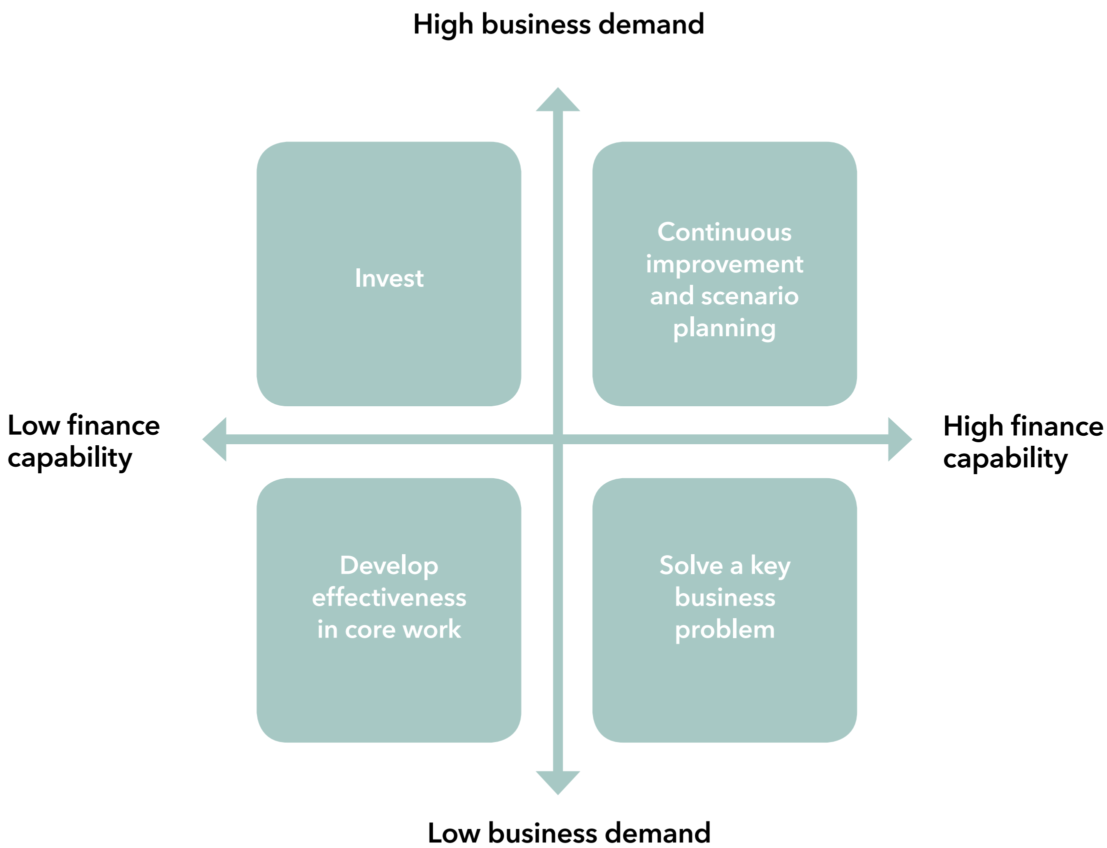
PROS	CONS
Enables quantifiable comparison to other finance functions, which in turn helps identify strengths and weaknesses.	External costs paid to the benchmarking provider.
Provides a verifiable target to aim for eg, being in the top quartile of the benchmark group. This can be motivational for staff.	Internal costs of gathering and categorising information in a way that is consistent with the benchmarking group. This often needs to be very detailed and sometimes cover work carried out in other departments in order to avoid comparability issues.
Improvements can be objectively demonstrated to stakeholders.	Although benchmarking highlights issues, in itself it does not provide guidance on how to address these issues.
	Benchmarking may only provide information that is easily measurable, for example the cost to provide a particular service, but not more qualitative insights, such as the level of finance department's influence on decisions.

5. Understanding the implications of finance's current position

Consider the interaction of the organisation's demand for business partnering and finance capability

Having assessed where the finance department is now, we believe there are likely to be two broad areas where action may be required – finance capability and the demand for finance business partnering services. The best way to proceed will depend on finance's position on these continuums as represented in Figure 1.

FIGURE 1 (REPEATED): FINANCE BUSINESS PARTNERING CAPABILITY AND BUSINESS DEMAND



Low finance capability and low business demand for business partnering – develop effectiveness in core work

It is important to emphasise that low finance capability to deliver business partnering and low demand for business partnering could be appropriate for an organisation. This may be the case if the business is successful and if finance is carrying out its core work effectively. There is little rigorous evidence that shows a causal link between finance business partnering and organisational success. However, Zoni and Merchant (2007) did find a significant positive correlation between controller involvement and financial performance in 22 large Italian companies.[14]

We are also aware of organisations that prefer a position of creative tension where entrepreneurial, risk-taking managers are challenged by finance teams that remain focused on accurate reporting, controls and being the voice of caution and conservatism. This approach can lead to a suitable level of risk taking and help prevent groupthink.

However, if the business is not performing well or it is believed that business partnering can help an organisation perform better, then there is a need to both build capability and generate demand. We discuss how to do so in **6 Building finance capability** and **7 Building business demand for business partnering**. The overall implication is that an incremental approach to developing business partnering is likely to be most successful. Foundations will need to be laid by ensuring accounting, reporting, transaction processing etc, are being carried out effectively. Generating unrealistic expectations at best creates pressure for change but at worst damages finance's existing credibility. The exception to this advice is where there is a shock to the organisation creating a need for more urgent change. Even then there is a significant risk that the introduction of business partnering will be rushed and poorly implemented.

High capability and high business demand – do not get complacent

For many, high finance capability and high business demand is the position aspired to. Once this position has been obtained then the focus will be on continuous improvement and driving/responding to change. Scenario planning will be useful, for example, looking at how finance might respond to a business down-turn or changes to executive management. Although ideas in **6 Building finance capability** and **7 Building business demand for business partnering** will still be useful, perhaps the main thing is not to get complacent.

Low capability and high business demand – invest in finance capability

On the face of it, low finance capability and high business demand is an opportunity for finance to invest and develop its capabilities quickly. However, demand does not necessarily translate into a budget for increased resources. A well-constructed business case and plan for developing business partnering will help. A careful look at priorities, from a business and a finance perspective, to see how resources can be redeployed will also be helpful. We explore detailed ideas on building capability in **6 Building finance capability**.

High capability and low business demand – solve a key business problem

In some ways a position of high capability and low demand is the most difficult position to be in – it is easier to control capability development than to influence a resistant business. Looking for ways to contribute to key organisational issues, demonstrating the value of finance input and developing relationships with line managers are just some of the ideas developed in **7 Building business demand for business partnering**.

However, when capable finance staff have tried a number of approaches without success then maybe it is time to take those capabilities to an organisation where they can be put to better use. The organisation should also consider whether costs are being wasted on maintaining a highly capable finance department which is not being used.

6. Building finance capability

Building finance capability requires attention to individual capabilities, organisational structures, systems and processes

There is no shortage of advice on the capabilities that finance departments need to develop to be effective business partners. However, much of it is very high level, idealistic and ignores the realities of organisational politics. At the individual level lists of the knowledge, skills and attitudes required of business partners suggest the need for 'superhumans' to fulfil the role. In this section we aim to describe individual capabilities in more detail, with a particular emphasis on skills, and then provide a number of practical suggestions on developing these capabilities. We also explore organisational structures, systems and processes.

6.1 BUSINESS PARTNERING ATTITUDES

Attitudes of effective business partners will vary but some tend to be emphasised

We are wary of being too prescriptive when it comes to the attitudes of effective business partners. Much will depend on specific organisational circumstances, culture and the finance team as a whole. Also a number of attitudes such as being proactive, customer focused, highly motivated, adaptable and resilient will apply to effectiveness in many roles. So below we focus on attitudes that seem to be particularly emphasised in business partnering roles. The first three probably apply to anyone involved in business partnering, the others may not be required by all team members.

Interested in the business with an owner's perspective

Business partners tend to have a genuine interest in what makes the organisation tick. They want to understand how money is made, why initiatives succeed and fail and what the competition is doing. Business partners see involvement with business initiatives, networking with stakeholders, reading the trade press and so on as core to the job. Coupled with this interest, successful business partners take personal pride in their work and treat organisational resources with the same care and attention as they would their own. It is difficult to engender such an attitude from scratch but providing opportunities to observe the positive customer impact of the organisation's products and services will help.

The courage to stand up for ethical principles

Business partnering often requires treading a fine line, for example between supporting a specific division versus the organisation as a whole or between supporting organisational management versus external stakeholders. When does presenting a proposed investment initiative favourably cross the line and become deliberately misleading? A well-developed sense of ethics and the courage to stand up for ethical principles is required to strike the right balance. Integrity can be promoted through visible role models, value statements that are publicised and enforced, and cultural interventions such as training. Further analysis can be found in **8 Dilemmas for finance business partners** and ICAEW's reports *Reporting with integrity (2007)* and *Instilling integrity in organisations* (2011).

Give priority to business partnering work

Where business partners also carry out tasks such as statutory and regulatory reporting, core work often crowds out tasks such as analysis and decision support. It can require significant self-discipline to give priority to business partnering work in the face of other pressures. Structuring roles appropriately and good time management skills can help (see **6.8 Structuring finance for effective business partnering** and **6.3 Business partnering skills** respectively). Also, finance leaders and operational managers have a role to play in setting high expectations for the delivery of business partnering. Even then some prefer to put more time and effort into other work. This tendency might stem from a preference to work on areas that finance professionals feel comfortable with and their attitudes to ambiguity and risk, which we cover next.

Don't be thrown by ambiguity, uncertainty and risk

Involvement in decision making and strategy development inevitably involves ambiguity, uncertainty and risk. Aspiring business partners who need accurate, comprehensive information with predictable outcomes before committing to action will struggle to match the pace of many other decision makers. Openly discussing the nature of decision making and avoiding a blame culture can help business partners deal with ambiguity more constructively.

Commercial – having profit as a primary aim

'Commercial' is interpreted in many ways but the dictionary definition of 'having profit … as a primary aim'[15] is a good place to start. Clearly profitability, shareholder value, residual income measures or other financial performance measures may be substituted for profit in the definition. The implication for finance business partners is that they will not unthinkingly apply policies, rules and regulations or remain on the sidelines while the organisation grapples with how to generate improved financial performance. For example, rather than simply pointing out that an investment proposal does not reach the required hurdle rate, finance business partners will work with the business to find ways of increasing the return. Being commercial is also associated with identifying and suggesting profit generating initiatives, a willingness to take risks, well-developed negotiating skills and keeping an organisation focused on its strategy.

It should be emphasised that objecting to proposed initiatives can be highly commercial input, even though it is not perceived as such by those making the proposal. Opposing poor initiatives is as important as supporting good ones. The problem is that the outcomes of initiatives that are turned down are not usually made visible in order to assess whether saying 'no' was the right option. There is an art to saying 'no' in the right way, including trying to suggest alternatives and backing up arguments with commercial reasons rather than accounting policies. It is also less likely that saying 'no' to an initiative will be perceived as non-commercial when a trusting relationship is already in place.

Be self confident and assertive in order to deal with inevitable conflict

Conflicting interests and views are inevitable in organisations and business partners need to be willing to stand their ground when appropriate. This involves knowing which battles to fight, speaking truth to power and holding honest and open conversations. The risks involved mean that business partners need to know that they will be supported by finance's leadership when they do take a position based on sound reasoning.

6.2 BUSINESS PARTNERING KNOWLEDGE

Detailed knowledge requirements will vary between organisations

We have already discussed the importance of understanding the business in **3 Understanding the business – the foundation of business partnering**. Here we discuss other important areas of knowledge for business partners, although again detailed knowledge requirements will vary from organisation to organisation.

Financial, accounting and regulatory knowledge relevant to the business

The usual start point for discussing the knowledge required by business partners is to say that financial and accounting knowledge is a given and leave it at that. But that's a very broad assumption covering a huge field. Professional accountants may have forgotten unused knowledge from their studies and what is remembered could be outdated. On the positive side, new knowledge is gained through day-to-day work and continuing professional development. We think it is a worthwhile exercise to think through the financial, accounting and regulatory knowledge needed for effective business partnering, given an underlying understanding of the business. The following questions will help determine knowledge gaps that need to be filled.

- What are the key problems facing the organisation, and does finance have sufficient knowledge of the financial techniques that will help? For example, activity-based costing to look for cost efficiencies, target costing to make products more competitive, or Monte Carlo analysis for dealing with risk.
- Does knowledge of performance management and measurement processes need revisiting? Approaches to budgeting, strategy maps, balanced scorecards, KPIs etc, continue to develop and the introduction of new ideas may help business performance. (For further information see ICAEW's Business Performance Management Community at icaew.com/bpm)
- What financial reporting and regulatory changes are in the pipeline and what business impact will they have? Being ahead of the game enables organisations to influence such changes before they are enacted and adapt early. For example, ongoing changes to rules on hedge accounting have altered hedging behaviours and those who have anticipated the changes have been able to manage stakeholder expectations more effectively through early communication.
- What are the key financial constraints on the organisation and is finance aware of new sources of funding? For example government funding schemes, grants and subsidies change frequently and crowd funding approaches are becoming increasingly popular.
- Is there sufficient knowledge of corporate and personal tax changes and their likely business impact? Given the detailed nature of some tax changes it is a tough ask to expect business partners to stay fully up to date. However, they do need to have sufficient knowledge to make the connection between business changes and tax changes and know when to seek tax advice.

It can be difficult to predict what financial knowledge may need to be brought to bear and where to focus limited time for pre-emptive, continuing professional development. One approach is to subscribe to some trusted sources for an overview of the latest ideas and know where to quickly access more detailed information and expert advice when necessary.

Strategic knowledge – be clear on what strategy is

Strategic knowledge goes hand in hand with understanding the business and we have already mentioned some tools that a strategist would be expected to know about in **3.3 Using management tools to make sense of the information gathered**. Part of the problem is that people disagree on what constitutes a strategy and whether strategy is really being discussed. For example, some will see high-level objectives, vision and mission statements as a strategy. In our view, strategy is about how these are achieved. Finance business partners will find it helpful to read around the subject of strategy, reflect on their understanding of strategy and discuss their understanding with others.

It is vital to have knowledge of other disciplines eg, marketing, risk and IT

Finance business partners need to be able to hold meaningful conversations with experts in other disciplines. They need to be able to judge whether expert advice is in the best interests of the organisation and connect such advice with its financial implications. For example, business partners may need to work with marketing experts to arrive at credible cost-benefit forecasts for new marketing initiatives – striking a delicate balance between questioning, challenging, supporting and encouraging. This is not to say that business partners should become marketing experts as organisations are premised on the benefits of specialisation. However, there are particular areas where business partners do get asked to combine finance expertise with expertise in other disciplines, including risk management and IT systems.

Analytical and statistical knowledge – a growing need

We discuss analytical knowledge together with analytical skills in **Analytical skills** (p. 27) because it is difficult to isolate one from the other. Here though it is worth considering whether big data, analytics and data visualisation will have a significant impact on the knowledge requirements of business partners. Some dismiss the field as hype, others see far-reaching change. We believe there are significant opportunities for those who take a keen interest. Finance professionals should already possess some of the knowledge and skills necessary to take advantage of big data eg, using information to solve business issues, assessing the quality of data and designing information systems. However, there may also be a need to develop additional knowledge such as a deeper understanding of statistics, ways of working with unstructured data and the implications of sophisticated algorithms and machine learning. These are topics we will discuss in reports planned for later this year.

Sustainability knowledge is of strategic importance

The level of involvement of finance professionals in sustainability initiatives is very mixed. Yet surveys often flag up sustainability as a key strategic issue. For example, 93% of CEOs viewed sustainability as important to their company's future success.[16] The impact of organisations on the natural environment and people, coupled with changes in societal expectations, have wide-ranging implications for organisations. These include their licence to operate, customer behaviours, costs, employee engagement, regulation, taxes and subsidies. Therefore, it is difficult to see how business partners will attain strategic influence without a sound knowledge of sustainability. Further information on sustainability is available at **icaew.com/sustainability**

6.3 BUSINESS PARTNERING SKILLS

Many business partnering skills are equally important in other roles

As with attitudes and knowledge, many of the skills identified as important for successful business partnering are also important for success in other roles. Leadership, management and teamworking skills are prime examples and there is a huge range of resources to help define and develop such skills. Therefore, what we do below is pick out some skills which we think warrant further discussion based on our review of surveys of the skills required by finance professionals.

Communication skills

Communication and influencing skills – finance professionals have to overcome stereotypes

Clearly, good communication and influencing skills apply to success in most roles; however, calls for finance professionals to improve such skills seem to be particularly loud. This probably stems from stereotypical views of accountants rather than evidence that accountants are worse communicators than others. As a result, accountants have to work harder at these skills to overcome entrenched prejudices. Putting in the work will pay dividends – no matter how good a business partner's knowledge and analytical abilities, they count for little without effective communication skills.

Communication competence is in the eye of the beholder

Once a basic level of communication competence is achieved, good communication is often in the eye of the beholder. Anyone who has spoken at an event and received feedback forms will know that it is almost impossible to please all people all the time. Audiences have different needs, come from different backgrounds and attach different weights to the way in which a message is delivered as well as the message itself. Tailoring communication style and delivery is important, as discussed below; however, it is not always possible to tailor communication individual by individual.

Make things as simple as possible but not simpler

A particular challenge for business partners is the level of detail that should be used in explaining the assumptions and logic of a piece of analysis and the resulting recommendations. Calls to keep things simple, manifested in phrases such as 'you should be able to explain the business model in under a minute' or 'set out your analysis and recommendations on one page', have many proponents. Others argue they need more detail to make decisions – 'the devil is in the detail'. As ever, it is a balancing act requiring careful judgement. In assessing the level of detail to provide, consideration needs to be given to the importance of the decision, the information that is decision relevant, the certainty of assumptions made, the uncertainty around outcomes and the knowledge of the audience. It is important to ask whether more detail will help or hinder the audience's ability to add insight to the decision-making process.

Financial jargon, often a useful and precise shortcut, should only be used where it is clear that the audience will understand it.

Overall the quote attributed to Einstein that everything 'should be made as simple as possible, but not simpler' is an ideal worth aspiring to.

Influencing skills can be improved but people's minds cannot always be changed

Good influencing skills go hand in hand with good communication skills. Influencing skills can definitely be developed, and one's impact improved with hard work and perseverance. Successful influence will, though, depend on how open an audience is to being influenced. Some opinions and beliefs cannot be changed despite the flawless logic of an argument and powerful rhetoric.

Empathy helps in tailoring communication and gaining additional perspectives

Empathy relates to the ability to 'perceive the internal frame of reference of another with accuracy and with the emotional components and meanings as if one were that person, but without losing the 'as if' condition'.[17] Informally we refer to it as putting ourselves in someone else's shoes. It can be difficult to put aside beliefs and perceptions and sense how others experience and understand what is going on. However, the ability to do so will help with tailoring communication, building relationships and providing additional perspectives and learning.

Some progress can be made by consciously attempting to be empathetic. Maybe by taking some time out and just trying to work out why others are taking a particular view and are reacting in a particular way. Some argue that it can help to physically take on a similar posture to others and speak aloud the sort of words that they speak and in the same manner. This definitely requires a private space! Listening, which we discuss next, is also important in developing empathy.

Listening is the foundation of influence and listening skills can be improved

It is through listening that an understanding of where others are coming from is gained, empathy is developed and trust is built – the foundations for effective influence. It is very difficult to trust anyone who is perceived not to listen. Listening also helps to tailor communication to achieve maximum impact.

Improvements in listening can be achieved through conscious effort, not least by setting the intention to pay attention and aiming to be the best listener possible. Part of this effort is in resisting the temptation to rush to judgement on what is being said and jumping in too early – often before necessary information has been spoken and the real issues expressed. In difficult situations people need to ease their way in to sensitive territory and only mention surface issues at the outset.

Other tips for effective listening include:

- using 'minimal encouragers' such as 'tell me more' or 'go on' which give people permission to explore a topic further;
- summarising and paraphrasing to check for understanding, which has the added benefit of proving that we have listened;
- asking non-leading questions;
- clearing our mind of distractions;
- adopting an attentive posture (and not constantly checking mobile phones);
- setting aside the time appropriate to the complexity and importance of the discussion; and
- finding a space free of distractions.

Spend time preparing how to communicate your analysis as well as doing the analysis itself

It is easy to fall into the trap of spending too much time on getting a piece of analysis right to the last penny and not enough time on considering how to communicate the meaning and implications of the work. Considering the following questions is useful preparation.

- What are the key messages from the analysis?
- What actions does the analysis suggest?
- Who is the audience and what are their communication preferences?
- What do others need to know before they can make an informed decision?
- What interests are at stake in connection with this decision?
- Who is likely to resist the recommendations and what will convince them?
- How do we want the audience to feel after a presentation or meeting or after reading a report?
- What is the best structure and logical flow to use?
- What approaches are best for getting the message across – written reports, presentations, meetings (formal and informal), one-to-one meetings?

It is important to note that much of the work involved in getting proposals agreed happens behind the scenes rather than in formal meetings.

Use an influencing style that matches the circumstances – logical persuasion, consensus building, visioning and using power

Many like to believe that decisions are largely made on the basis of evidence and rational argument but this is often not the case. Emotions, deep-rooted beliefs and vested interests play an important part in how people make decisions. Therefore, the chances of influencing others are increased through having access to a range of influencing styles and knowing when to use them. A range of approaches are summarised below.

Where people are not attached to a particular outcome and arguments can be weighed against one another, then persuading others through facts, figures and logic can be very effective. Using this style there are benefits in sticking to the three strongest arguments and dealing with potential objections before they are raised by others.

However, when dealing with issues where there is significant resistance, emotions are running high and commitment from others is required, then time needs to be taken to build a consensus. This will involve listening carefully and accepting that there will need to be some give and take. Paying careful attention to and drawing out what is really needed, rather than accepting surface demands at face value, can lead to innovative, win-win solutions. If this is not possible, compromise is still an option.

Sometimes the aim is not to get people to carry out specific actions, rather the aim is to lead people's energies in the direction of a high-level vision and allow them to make their own detailed decisions. The key to this approach is looking for shared values, such as a commitment to quality outputs, and painting a meaningful picture of a future that people will want to move towards. Slogans occasionally provide inspiration but abstract, empty management speak is unlikely to be effective.

When urgent action is required, or the need is for compliance rather than commitment, the overt use of power, and setting out the way things are going to be, may be necessary. Power derives from a number of sources including legitimate power that goes with the job, such as the power to veto an investment, expert power, such as financial knowledge, and coercive power, where we have control over rewards and sanctions.

When finance business partners are involved in formal negotiations with suppliers and banks, more specialist skills will be required. Negotiating skills are beyond the scope of this report but *Getting to Yes* (2011) by Fisher and Ury provides a good introduction.

Communicating in writing, numbers, graphs and images – structure becomes even more important

It is worth noting some particular points on communicating in writing and using numbers, graphs and images.

- Structure, logical flow and cutting out jargon become more important if we are not present to answer questions.
- Re-read written materials before sending and, for important or controversial messages, get feedback from a colleague.
- Cut out unnecessary words.
- Use a meaningful, logical order for tables of numbers eg, highest to lowest for area sales figures rather than alphabetical.
- Colour, graphics and animations can help highlight important messages and 'advertise' mundane messages but they can also be a distraction. Less is usually more.
- Graphs are useful to show comparisons, trends, anomalies and patterns. However, be careful not to use them in ways that can mislead, waste space (as pie charts often do) or try to do too much by including too many variables.

For further information see Moon, J., *How to Make an Impact*, Harlow: Prentice Hall, 2008.

Be sensitive to cultural differences

Communication norms vary from culture to culture in numerous ways and can lead to misunderstandings. It is impossible to master all the subtle differences concerned. However, key differences to be aware of include eye contact norms, the willingness to question, the degree of directness and the interpretation of words that we take for granted (see **case study 1**, p. 39). Overall, being sensitive to cultural differences and considering whether problems in communication have a cultural cause takes us a long way. Also, do not forget that adapting to different cultural norms should be a two-way process.

For further information see Trompenaars, A., and Hampden-Turner, C., *Riding the waves of culture: Understanding diversity in global business*. London: Nicholas Brealey, 2012.

Analytical skills

Effective analytical skills are based on a range of underlying knowledge and abilities

Analysis is defined as the 'detailed examination of the elements or structure of something'.[18] Analytical skills are perhaps perceived more broadly to include looking at a problem from different perspectives, producing structured and useful information and making recommendations. Such skills are at the core of effective business partnering but are often claimed to be in short supply, even among qualified accountants. Why is this the case? There are many reasons, including the subjectivity involved in deciding what constitutes good analysis, the range of knowledge and abilities underlying analytical skills, and the time and effort needed to develop analytical expertise. In this section we first discuss the issue of subjectivity and then look at how understanding the nature of analytical skills can help us improve them. We discuss skill development more generally in **6.7 Personal development of business partners**.

Assessing analytical skills is largely subjective

Whether someone is perceived to have good analytical skills will depend on the current analytical sophistication of the organisation. If cash flow forecasts are not currently produced, implementing them will be a major step forward. Where the basics are in place, organisations will be looking for more innovative analyses that promote better understanding of the business, prompt better questions, drive appropriate behaviours and, perhaps most importantly, lead to better decisions.

However, the quality of analysis, and by association the analyst, is often judged not on accuracy and insight but also on whether an audience's beliefs are supported or contradicted and whether its interests are promoted or challenged. This issue is exacerbated by the fact that it is often easier to undermine a piece of analysis than it is to produce a better one. Even actual performance information can be brought into question by producing alternative figures using different assumptions or data sources. Forward-looking information, required for most decisions, is an even easier target.

The power of analysis is often overestimated

There is a tendency to overestimate what can be achieved through analysis. 'It is an easy and fatal step to think that the accuracy of our arithmetic is equivalent to the accuracy of our knowledge about the problem in hand.'[19] (p. 3)

Even the best analysis cannot guarantee a successful outcome given uncertainty, changing circumstances and the complexity of the business world. For example, Tesco spent three years analysing the US grocery market before opening its first Fresh & Easy store in 2007. Even after the financial crisis they continued to believe that they would be able to achieve profitability. Tesco sold the stores in 2013 at a reported cost of nearly £2bn (*Guardian* 1 October 2013).

Analysis is not always regarded as a good thing – phrases such as 'paralysis by analysis' spring to mind. It is an important judgement call to know when to undertake further analysis and when to act.

Business partners need to consider that while detailed analysis and breaking a problem down is important, so too is returning to the overall objective and looking at how individual pieces of analysis fit together. For example, as well as conducting cost benefit analysis on individual projects, organisations will also look at the project portfolio as a whole in terms of strategic fit, risk profile, interdependencies etc.

Business partners should also remember that numbers used in analysis are only a partial representation of reality and heavily dependent on assumptions, estimates and conventions. A piece of analysis is perhaps better conceived of as a conversation starter than a definitive answer.

Step-by-step approaches to analysis are simplistic but a useful place to start

Step-by-step approaches to analysis and problem solving are simplistic, but they provide a useful start point for thinking about analytical skills. In table 2 we explore the knowledge and skills with the greatest prominence at each stage. Understanding the business and cognitive ability apply across all stages.

Table 2: A step-by-step approach to analysis and the associated skills

STAGE OF ANALYSIS	PROMINENT SKILLS/KNOWLEDGE	COMMENTS
Opportunity/problem identification	• Curiosity • Listening and observation • Prioritisation	Curiosity, listening and observation will highlight numerous business opportunities and problems. Established business partners are also likely to receive frequent requests for analysis from line managers. Given the risk of becoming swamped by the possibilities, prioritisation is essential. Prioritisation should be based on an issue's significance and its susceptibility to being solved through analysis.
Opportunity/problem specification	• Keeping an open mind • Perspective taking • Critical thinking • Understanding root causes	When considering a business problem, it is tempting to jump to conclusions on the way forward. This is not always wrong – it makes for rapid decision making or speeds up analysis by limiting it to the testing of an initial view. However, conducting an objective analysis requires a more open mind. Perspective taking, such as viewing the opportunity/problem through the eyes of key stakeholders, can help achieve this. It also helps in defining a problem more holistically. Similarly, critical thinking helps in carefully defining the problem – looking at the deeper structure of an issue rather than its surface. In particular, business partners need to try to understand the root causes of a problem.
Plan the analysis	• Creativity • Knowledge of tools and techniques • Research methods • Project management	The level of creativity required in deciding on an analytical approach will depend on the novelty and intractability of the problem specified. If organisations already have in place good analytical processes but are looking for new sources of competitive advantage, tried and tested techniques may not be enough. Adapting techniques from one context to another is one possibility for coming up with new approaches eg, Monte Carlo analysis was developed by physicists. The opportunity/problem specification should determine the research method and the analytical tools and techniques to be used. A wide knowledge of possible approaches avoids the issue of defining problems in ways that suit the techniques we feel comfortable with – 'if you only have a hammer every problem looks like a nail'. Where dealing with complex, large-scale analytical exercises, project management skills will be needed. Timeliness is clearly important as analysis can quickly become dated and less useful for decisions.
Data gathering	• Knowledge of data sources and systems • Creativity • Communication and influencing skills • Evidence assessment	Gathering appropriate data is often challenging, particularly for novel problems and where systems are fragmented. So a good knowledge of data sources and how to extract data from those sources is required. These sources may be internal or external. Where an ideal source does not exist or is too expensive, creativity may be required to come up with proxies. The treatment of incomplete data also needs consideration. The advent of big data and analytics means business partners are no longer restricted to internal transaction systems and structured data. Analysis can now be carried out on text, sound, images and video from sensors, social media, CCTV etc. It should also be noted that data gathering can involve influencing others to provide data eg, through completing surveys. The evidence collected needs to be assessed for its completeness, reliability, validity and significance. This will require varying levels of statistical knowledge depending on the nature of the analysis – for example understanding the impact of sample bias and the sample sizes required to draw conclusions.

Table 2: A step-by-step approach to analysis and the associated skills (continued)

STAGE OF ANALYSIS	PROMINENT SKILLS/KNOWLEDGE	COMMENTS
Undertaking the analysis	• Assumption creation and assessment • Memory • Conceptual thinking • Perspective taking • Spreadsheet and systems skills • Stepping back • Idea generation	The assumptions used in developing analysis can be critical and it is important to think about them carefully and document them. Expert analysts use conceptual thinking, by which we mean the ability to see patterns and anomalies in the data and to use frameworks, models and categorisation to make sense of it. They are also adept at spotting relationships between variables, in particular causal relationships. These causal relationships are often non-linear and complex. Statistical knowledge will again be relevant, for example, in determining the significance of the results, not mistaking correlation for causation, assessing probabilities and understanding the risks of type one and type two errors: the incorrect rejection of a true hypothesis and the failure to reject a false hypothesis respectively. Perspective taking is again helpful at this stage. Spreadsheet and system skills are invaluable in enabling business partners to quickly 'play' with the data, update the analysis for new data and assumptions, document different scenarios and gain new insights from visualising the data. Having undertaken a detailed analysis it is easy to lose sight of the bigger picture, so consciously stepping back and considering what the analysis contributes to the original problem is helpful. Business partners also need to generate ideas about the implications of the analysis, how it is to be used and the potential actions arising.
Testing the analysis	• Self-monitoring • Critical thinking • Bias awareness	Reviewing a piece of analysis is an important step. Expert analysts take time to consider the limitations of their data, re-check their assumptions and the credibility of their outputs. They also consider cognitive biases, such as confirmation bias where information is interpreted in a way that confirms preconceptions. Self-critiquing analytical outputs is also helpful in preparing responses to potential user questions. However, self-monitoring can only achieve so much and getting others to review a piece of analysis will often be necessary.
Considering the impact	• Stakeholder analysis • Systems thinking	The conclusions of an analysis will have implications for organisational stakeholders and business partners need to be prepared for their likely reactions. Working out how to deal with the resistance from those who will lose out or those whose beliefs will be challenged is particularly important. The business issue being addressed will inevitably place some boundaries on the analysis carried out. However, most important business issues are interconnected and so business partners should think about the wider implications of a piece of analysis and possible unintended consequences. In addition, the business environment will not remain static, for example competitor reaction to a price change will need to be fed back into financial models.
Presenting and using the findings	• Communication and influencing skills	Communication and influencing skills are discussed in the section **Communication skills** (p. 24).
Post-analysis review	• Self-discipline • Objectivity	The quality of analytical work often only becomes apparent some way into the future. Reviewing analytical processes, assumptions and outcomes when greater certainty is apparent is an important means of improving analytical skills.

Analytical approaches need to be adapted to circumstances

The reality of analysis is usually messier than step-by-step approaches suggest. Processes are often iterative with new ideas arising as things are worked through. Sometimes analysts can shortcut a number of steps based on existing knowledge and experience. Clearly the business environment may change, making an approach redundant or deadlines may move, meaning plans have to be altered. Effective business partners are able to adapt their analytical approach to changing circumstances.

Time management skills

Tips can help but effective time management may require deeper behavioural change

A major constraint on effective business partnering is time. Effective time management skills can help, although they will not fully overcome problems in staffing levels, job structures, systems and processes.

There is much advice on effective time management but some can be idealistic and require changing deep-rooted behaviours. Such advice usually includes:

- using a diagnostic to monitor existing use of time;
- being clear on objectives;
- classifying and listing tasks according to importance and urgency in order to prioritise;
- delegating more effectively;
- maintaining efficient information storage and retrieval systems;
- using time management software;
- setting up periods for focused work; and
- reducing/batching interruptions.

The advice can be useful and is worth exploring further.[20]

Tips which fit with our existing preferences can be a revelation and easy to implement. The principal author of this report has found the advice on making a start on something, even when we do not feel like it, particularly helpful: just open the file. Moreover, who says we need to feel like doing something in order to do it?

Advice that requires deeper change will need to be seen to provide a significant payback in order to generate the necessary motivation to change. In addition, organisational culture and office lay-outs can make some advice difficult to implement eg, reducing interruptions. It is also worth noting that hard earned time management skills can be abandoned when people feel overwhelmed and most need them.

Particular barriers to effective time management are often strengths that at the extreme prove dysfunctional. For example, perfectionism helps with the production of high-quality work but can also lead to delays and procrastination; being able to work well under pressure when crises loom may mean time is not spent on preparation that would prevent the crises arising in the first place. Addressing such behaviours, which will have been developed over a long period, requires perseverance and possibly the use of a coach (see **6.7 Personal development of business partners**).

6.4 PROFESSIONAL JUDGEMENT

Professional judgement – an ambiguous but useful concept

Achieving highly developed professional judgement is perhaps the ultimate personal development goal for business partners. However, professional judgement is a nebulous idea. Perhaps we know it when we see it, but it is difficult to pin down. It is something to do with combining the knowledge, skills and attitudes discussed above into something that means someone generally makes 'good calls' when confronted with problems and decisions. Such calls would be both ethical and improve business performance. Professional judgement is often regarded as intuitive in nature and descriptions such as 'nous', 'nose for a problem', 'sixth sense' are often used.

Assessing whether someone has good professional judgement will largely be based on his or her decision-making track record. However, care is needed in making an assessment. Inevitably there is an element of luck involved, there can be long time lags between decisions and outcomes, and failures can be made to appear as successes. These considerations make it extremely difficult to isolate the factors that genuinely differentiate those with sound professional judgement and those without.

Although caution is required when working with ambiguous concepts there are advantages in aiming to develop professional judgement. It may facilitate deeper thought about personal development and emphasise the need to combine a range of knowledge, skills and attitudes to achieve success as business partners. Precise definitions are not always helpful when the reality of what business partners are trying to achieve is complex.

6.5 BUSINESS PARTNERING TEAMS

Diverse teams widen the range of problems that can be solved

It is unlikely that the long list of attributes discussed above will be found in any one individual. In small organisations, where business partnering is a part-time job for one individual, the organisation will need to decide on the fundamental attributes required by the business. Larger organisations will have the opportunity to develop a diverse team with a wider range of knowledge, skills and attitudes.

Team diversity has a number of advantages. A mix of skills, experience and backgrounds fosters creativity, widens the range of problems that can be solved and improves the quality of solutions. There is a downside – diverse teams can take longer to reach decisions because it takes time to work through differences in opinions and values.[21]

In order to achieve team diversity, care is required to manage biases which lead to recruiting in our own image. And it is by no means a given that business partnering teams have to be entirely staffed by professional accountants.

There are a number of ways responsibilities can be allocated in business partnering teams. However, it may be that some are better suited to being the 'public' face of the team, spending a large proportion of their time working directly with line managers, while others are more suited to working behind the scenes and coming up with new insights through analytical work. With such split responsibilities though, it is essential that those working closely with the business feed back what they have learnt to those developing the analysis.

For further information on effective teams see ICAEW's Finance and Management Faculty special report, *Managing teams* (2007).

6.6 SELECTING BUSINESS PARTNERS

Staff selection mistakes are costly, so rigorous selection processes are advisable

The quality of the people employed in business partnering teams is clearly a major determinant of success. However, we see significant variations in the rigour applied to staff selection. The costs of getting selection wrong are very high,[22] therefore we believe that developing an effective selection process is important.

There is a lot of good evidence on what selection processes have the best chance of success. The top five approaches are summarised in Table 3 based on Schmidt and Hunter (1998).[23] Although for many organisations using a sophisticated combination of these methods will be impractical, the evidence does help in deciding the best approach to take.

The first thing to note is that the most effective selection methods are much better at predicting subsequent performance than some commonly used methods. In particular, structured interviews are much more effective than unstructured interviews. Cognitive ability or intelligence is a key factor in business partnering performance and can be tested. However, accounting and other qualifications can give significant comfort regarding cognitive ability without additional testing. Some form of work sample test is likely to add significant value to the selection process. For example, using a case study which asks candidates to analyse a relevant business issue, produce a report and/or make a presentation based on the analysis.

Advice and support from a human resources professional with genuine expertise in selection is invaluable in developing a rigorous recruitment process. If this is not available, investing time in something more than a couple of informal interviews will be worthwhile. Involving someone with a good track of hiring successful staff in the interview process can be helpful. For most finance professionals, selection interviewing is an infrequent task making it difficult to develop the necessary judgement to select the best candidate for a job. In our view, completion of a high-quality training course on selection interviewing should be a prerequisite for those conducting them.

Table 3: Five most effective selection methods

METHOD	COMMENT	PERCENTAGE OF JOB PERFORMANCE VARIATION EXPLAINED (R^2)
Work sample tests	Assessed exercises that closely resemble the job itself eg, analytical case study, presentation, meeting simulation.	29%
Cognitive ability tests	Many tests are available, aimed at different levels of seniority. Choose tests with high validity and reliability.[24]	26%
Structured interviews	Interviews are based on clear job requirements and competences. The same questions are asked of all candidates with clear criteria for assessing answers set out in advance.	26%
Job knowledge tests	Tests to assess knowledge prerequisites where acquiring such knowledge on the job would be too time consuming/ expensive.	23%
Training and experience evaluation (behavioural consistency) method	Structured assessment of application forms which detail achievement behaviours including details of objectives, actions taken and the outcome, together with details of someone who can verify the achievement.	20%

6.7 PERSONAL DEVELOPMENT OF BUSINESS PARTNERS

Personal development can contribute to business partnering effectiveness but it takes time

Often finance does not have the option to build a business partnering team from scratch and has to develop the capabilities of existing resources. Debates continue on the degree to which successful managers are born or made.[25] It is probably a combination of the two. This means that individual development can go a long way in producing effective business partners provided there is some underlying potential. However, it is clear that changing deep-rooted attitudes and behaviours and developing complex new skills requires significant motivation, time and effort. Therefore we need to be realistic about the speed with which individuals can develop business partnering capabilities.

The good news is that there are numerous ways in which staff develop new knowledge, skills and attitudes. These are highlighted next, together with some practical advice on making them most effective.

On-the-job learning is enhanced through feedback, reflection and exploration

On-the-job learning is by far the most important means of acquiring new skills. However, we can learn both good and bad habits. Better results are achieved when on-the-job learning is accompanied by effective managerial feedback, reflecting on what has been learnt and exploring different approaches. Team performance reviews can be effective provided there is a supportive culture.

A balance needs to be struck between developing a depth of expertise through focussing on specific tasks and developing a broader skill set through taking on new projects. Projects provide excellent opportunities to develop new skills. Mumford et al argue that new 'skill development requires a willingness to enter situations where these skills can be exercised'.[26]

Use external roles to broaden experience

Roles outside of the organisation, ranging from voluntary work through to external directorships, can be of great help in developing new skills and gaining different perspectives on organisations. Ensuring that such roles complement rather than duplicate roles within the organisation is likely to produce the best results.

Deliberate practice – 10,000 hours to become an expert?

Leading musicians and sports professionals achieve and maintain their leading positions through deliberate practice. This is the rationale behind working through accounting problems in professional exams and the case study approach to learning pioneered by the Harvard Business School. Malcolm Gladwell in his book *Outliers* (2008) has popularised the idea that 10,000 hours of practice is required to become an expert in any field. On the other hand Josh Kaufman in *The First 20 Hours* (2013) believes that 20 hours of deliberate, structured practice is enough to become proficient in a tightly defined skill area, such as touch typing. Given the diverse skills required for effective business partnering, an appropriate balance of depth and breadth has to be worked out.

Training and education needs to be carefully matched to learning objectives

Training and education covers a broad range of possibilities – from the one-hour workshop through to multi-year development programmes. Care is needed to match learning objectives with the right type of programme. The biggest question is to what degree training can change behaviours and attitudes. It is clear that one-off, generic training days on skills such as influencing others will only have a marginal effect. Longer programmes spread out over time, with managerial support, action learning opportunities and an organisation primed to accept the targeted new behaviours stand a greater chance of success.

Networking opportunities arising from training programmes are an important benefit to be taken into account.

ICAEW has developed a targeted development programme, 'Business partnering for change'. Further details are available at icaew.com/leadership

Coaching and mentoring provide tailored support

Definitions vary, but one-to-one supportive relationships can be invaluable to personal development and also a source of support in difficult circumstances. A major advantage is that the objectives and approach can be tailored to individual needs. Great care is required in selecting a coach or mentor with the right skills and experience and ensuring that the chemistry of the relationship works.

Reading for rapid information assimilation

Reading should not be underestimated as a means of rapidly assimilating information.

Use ongoing feedback selectively

Business partners are subject to feedback on an ongoing basis, often not knowingly. Formal feedback is often a once-a-year event as part of an annual appraisal process, but asking for feedback when needed can be a useful means of development. Feedback is also received through the positive and negative responses to our output. A lot can be learned even from a non-response eg, an unanswered email may indicate a poorly formulated request. The key to using feedback is to act on what seems to be accurate and useful and ignore that which is unfairly critical and undermines confidence.

6.8 STRUCTURING FINANCE FOR EFFECTIVE BUSINESS PARTNERING

Choices of organisational structure for business partnering hinge on the degree of decentralisation

There are a number of choices when it comes to the best organisational structure for business partnering. These choices centre on what is decentralised and the degree of decentralisation. From this follow decisions on reporting lines, supervisory responsibilities, job design, physical location and outsourcing. Key considerations in making such choices are discussed below.

Business partnering success is often associated with greater decentralisation but there are risks

The development of business partnering roles is often associated with greater decentralisation and positioning finance professionals as part of individual businesses and functions.[27] This overall philosophy supports the idea of working closely with operational managers. However, concerns include a more fragmented approach to finance systems and processes, increased costs and risks to finance independence. The impact of these issues can be reduced by ensuring that processes are put in place to facilitate communication and collaboration across different finance teams.

Business partner reporting lines into the business – solid or dotted?

Anecdotally, the trend at the moment seems to be for business partners and divisional CFOs to have a solid reporting line into finance with a dotted line to the business. This is intended to ensure that business partners continue to act in the best interests of the company as a whole and do not ignore their stewardship responsibilities. Being part of finance also improves the chances that the various parts of finance will operate in a coordinated manner.

There is the risk that a strong finance reporting line makes it more difficult for business partners to operate as part of the business they are working with. For example, it makes it more likely that they will be viewed as 'head office spies'.

It is perhaps how the practices associated with reporting lines are implemented, rather than the reporting lines themselves, which are more important. A collaborative approach where finance's leadership and other executives jointly select business partners, set objectives and determine reward is to be preferred, assuming a reasonable consensus can be reached. Unresolved issues will make it difficult for business partners to succeed and lead to stressful role conflicts. If, for example, finance and the business prefer different candidates for a business partnering role, it is unlikely the finance candidate will succeed no matter how skilled they are.

Incentivise business support, independence and challenge

Incentives play an important role in driving behaviours – for good or ill. The dilemma in incentivising business partners is how to balance the encouragement of behaviours that support individual business units while also rewarding independence and the support of organisation-wide initiatives. For example, if incentives are solely linked to a division's financial performance, business partners may be more willing to give in to pressures to misreport and ignore wrongdoing. On the other hand, where reward is determined by the group CFO, with no input from the business, support activities may be given insufficient priority. Again, a balance achieved through collaboration focused on aligning with organisational priorities is the ideal to be strived for.

Design jobs to prevent other responsibilities crowding out business partnering activities

Business partnering work can often be crowded out by other responsibilities. Therefore, job design is extremely important. We are increasingly of the opinion that, where possible, business partners should be freed up from financial reporting and control work, which understandably tend to get priority. However, there are significant disadvantages. Important insights can be gained from producing the financial accounts, such as knowing how the business is being represented to shareholders. In addition, control problems can be pre-empted by someone close to the business and control problems often point to deeper business issues. It is also worth noting that so called 'number crunching' helps with understanding the limitations of data, recognising unstated assumptions in reports, spotting patterns and developing new analyses.

If business partnering is set up with separate roles, care needs to be exercised to ensure other finance roles are not regarded as second best. The worst-case scenario is that other parts of finance set out to sabotage business partnering initiatives.

Locate business partners close to their internal customers

It is difficult to see how finance can be successful business partners without ongoing face-to-face communication with line managers. Ideally, therefore, business partners will be physically located alongside key decision makers. Trust, understanding and collaboration are much more likely to be developed if this is the case. The value of informal communication, seeing and hearing what is going on should not be underestimated. Clearly space constraints, the geographic spread of operations and so on often make this impossible. As a result regular visits and video conferencing may be the best that can be achieved. It is an interesting paradox that physical proximity increases finance's ability to influence, but influence is required to gain working space in ideal locations.

Outsource providers are looking to provide additional services

Outsourcing of business partnering is rare, but outsource providers are increasingly looking to provide additional services. In particular, through economies of scale, outsource providers can sometimes provide specialist expertise in areas such as analytics where an individual organisation could not justify full-time resources. However, where analytics are outsourced it is more difficult to protect any associated intellectual property and resulting competitive advantage.

6.9 SYSTEMS AND PROCESSES

Developing effective systems and processes is an ongoing challenge

Developing systems and processes to support business partnering is an ongoing challenge. They have to cope with changes in the business and meet new external requirements. It is not just finance systems and processes that need to be considered, because business partners need to draw on operational and external information if they are to provide effective analytical and decision support. Moreover, working practices elsewhere in the organisation will have a significant impact on the nature, timeliness and quality of information captured in finance systems. Major improvements, particularly in large, complex organisations, can be high risk, time consuming and expensive. Perhaps, then, it is not surprising that we rarely speak to anyone who is entirely happy with their systems and processes.

A full discussion of process design is beyond the scope of this report. However, given their importance for business partnering success we provide some high-level ideas that should help.

Participate in system and process design projects

In order to influence the direction of organisation-wide systems and process projects, finance should aim to be involved from the start. It is always easier to build in requirements from the outset than reverse engineer them later. If there are weaknesses in systems and processes that are not being addressed, finance departments will need to initiate improvement projects if their business partnering aspirations are to be met.

Look at the whole and start with the end in mind

Developing a holistic view of an organisation's working practices is an important part of understanding the business; an understanding we have already deemed to be crucial. Having this understanding should enable interdependencies to be examined and an assessment of where the most beneficial process improvements can be made. In particular, the aim should be to avoid changing finance systems and processes in order to fix problems which should be addressed at source, for example, processes to capture customer reference data.

Starting with the end in mind helps combat the tendency to constrain thinking too soon. Considering the ideal state for systems and processes might seem impractical but helps in developing a high-level systems implementation plan. What is practical will come to dominate soon enough. In particular, when people see the potential scale of a project, with the need to coordinate across multiple departments and work through their conflicting demands, there is a natural tendency to reduce project scope. Often, systems implementations are about striking the right balance between comprehensiveness and achievability to maximise benefits with an acceptable level of risk.

Build a realistic picture of where the organisation is now

Mapping inputs, systems, processes and outputs is often an important early stage of change projects. The exercise helps ensure a comprehensive understanding of what needs to be addressed and provides evidence for subsequent cost benefit analysis of proposed developments. It is important to ensure that any mapping reflects the reality of how processes actually work, not an idealised view of how they should work. For example, how do mistakes in data capture occur and how are they fixed, how many exceptions are there from standard processes? The only way to do this is to walk through the processes, follow the actual paper/electronic trails and talk to those doing the day-to-day work.

Where processes and systems are known to be very poor, some argue that documenting them is a waste of time. We believe that this is unlikely to be the case and that it would require an exceptional team to design new processes and systems from scratch. Such an approach may also lead to a lack of buy-in from those impacted if they feel they have not been consulted.

Is the organisation making the most of existing systems?

What sometimes becomes apparent during a mapping exercise is that existing systems and processes are not operating as envisaged. If this is the case, fixes can be put in place quickly and cheaply through re-emphasising existing policies and procedures. People may also be unaware of useful functionality in existing systems, including the powerful automation and analytical tools in spreadsheet software. On-the-job training from those with greater knowledge of system functionality can produce significant efficiencies.

Systems are often unfairly blamed for problems when in fact the issues relate to dysfunctional behaviours, human error or lack of understanding. New software implemented on the basis of such unthinking criticism often results in little improvement because the underlying issues have not been addressed.

Lean/Six Sigma approaches are worth considering

We have noted a number of finance teams exploring Lean/Six Sigma approaches to improving systems and processes. Pioneered by Toyota, such approaches have had a significant impact on the efficiency and effectiveness of manufacturing processes. However, their impact on service and knowledge processes is less clear-cut. The overall philosophy may be sound but Lean/Six Sigma needs significant adaptation to work for finance departments. In addition, as with any management system, it is important to consider how the lean philosophy works as a whole – half-hearted use of only some individual elements of a system is a common cause of failed initiatives. ICAEW's special report *Lean thinking* (2012) is a useful start point.

Care is required in selecting advisers and trainers in Lean/Six Sigma. In particular, providers should be able to demonstrate concrete success in delivering benefits for finance departments or comparable functions.

Apply rigorous procedures to software selection

With so many business software products available, selecting the right solutions is not easy. The problem is made worse when providers overstate product functionality and ease of implementation. If there is no in-house expertise, drawing on independent advice rather than relying on vendor sales pitches probably makes sense.

The following actions should prove helpful when selecting software.

- Develop clear business requirements and selection criteria.
- Weigh up the trade-offs between best-of-breed and all-in-one solutions. Best-of-breed software often provides the best functionality but the costs of integrating various products can be high.

- Compare the costs and benefits of idiosyncratic organisational processes with changing processes to fit standard packages.
- Visit customer reference sites and carry out thorough testing, preferably using your own data, before purchasing software.
- Check the financial stability of the provider and implement safeguards against vendor failure.
- Model complex licensing costs carefully.
- Ensure contracts are clear and unambiguous.
- Weigh the costs and benefits of being locked in to a particular provider.
- Build trusting relationship with suppliers.

Cloud computing and software-as-a-service open up new possibilities

Cloud computing and software-as-a-service (SAAS) models mean that access to increased computing power and sophisticated software is now less dependent on internal IT infrastructure. Cost dynamics are also changing, meaning that finance departments may want to revisit IT solutions previously dismissed as too expensive.

There are, of course, risks with cloud solutions, including data security and supplier lock-in. Also, it should not be assumed that cloud computing is currently at a stage of development which provides 'plug-and-play' functionality.

Maintaining the benefits of system and process change requires discipline

The benefits of system and process change projects can dissipate as the vision, knowledge, standards and policies developed during the project become less front of mind. When staff trained in new working practices leave, the risk is that insufficient effort is put into the handover and training of new incumbents. The benefits of standards may be lost if control is delegated to too low a level. For example, junior staff may lack the understanding of the original rationale behind a standard chart of accounts and authorise inappropriate new accounts. Maintaining and improving the benefits of system and process change requires ongoing attention and discipline.

Outsourcing process and system issues is not a quick fix

For those considering outsourcing, there is the question of whether it is best to fix systems and processes first or outsource the problem. The decision probably hinges on whether an organisation has the will, capability and culture to address the issues internally. However, outsourcing a problem should not be regarded as a quick fix. Outsourcing in such circumstances will not solve problems immediately and often makes things worse initially, partly because it is often easier to manage relationships between internal departments than with an external provider. Fixing process and systems issues through outsourcing will still require significant input and the necessary skills to make the outsource relationship work.

CASE STUDY 1

CROSS CULTURAL COMMUNICATION: A MISUNDERSTANDING ABOUT COMMON STANDARDS

A UK financial controller was discussing the need to introduce 'common standards' for management reporting with his Chinese counterparts in Shanghai. He thought he had reached an agreement but as the weeks passed he was getting nowhere. Emails and proposals went unanswered and there was no evidence of action. In order to work out what was going on he organised a conference call to discuss the issue. After a lengthy discussion a Chinese manager stated '… but we are not interested in introducing common standards, we want to achieve excellent standards'. Common standards had been interpreted as the lowest common denominator of standard not as standards which would be shared across the organisation.

Postscript: the author of this report tried to tell this story to a delegation from China as an entertaining example of the difficulties of cross-cultural communication. Despite the use of a translator the author was unable to find the words to explain the implications of the story.

CASE STUDY 2

MAKING BUSINESS PARTNERS: A CASE STUDY ON HOW MANAGEMENT ACCOUNTING CULTURE WAS CHANGED

Through a longitudinal case study, Järvenpää (2007)[28] has identified a range of formal and informal interventions used to achieve a business-focused culture in the finance function. The case study organisation of 20,000 staff was a Finnish-based division of a large global group. The organisation develops and manufactures telecommunication infrastructure equipment and related systems. There were around 400 people in the finance and control department.

Järvenpää notes that organisational culture is difficult to define and 'sometimes seems to include all things' but does state that 'organizational culture is often defined as a net, which is woven around deep basic assumptions, beliefs, understanding, sense making and values shared by the people of an organization' (p. 107). Järvenpää also points out that 'it is perhaps possible to influence the cultural change with intentional action to some extent, but the change processes tend to proceed more or less uncontrollably on their own, while many different impulses, known or unknown, conscious or unconscious, are affecting them' (p. 107).

The case study organisation was undergoing significant change and there was pressure on the finance department to become more involved with decision making and take a more active role in customer and product processes. In some respects changes in the finance culture resulted from company-wide changes. For example, hands-on, visible senior managers modelled the behaviours they wanted to see from others such as customer focus, cross-functional collaboration and respect for individuals. These behaviours were reinforced by issuing formal value statements.

One of the most telling interventions was the decentralisation of the management accounting function so that finance was embedded in all functions. For example, a large number of controllers became part of customer account team meetings based on the preparation of customer financial analysis. This positioned them as the original source of information crucial to the business and the focus of management attention.

Other important formal and informal interventions included the following.

- The introduction of new accounting systems, including a new consolidation package which enabled multidimensional analysis and fast consolidations and later the introduction of an ERP system which simplified, standardised and accelerated reporting, freeing up time for analysis and business support. New logistics and standard costing systems were also introduced, which helped in the production of costing, pricing and profitability analysis.
- Business-oriented accounting innovations were adopted. These included rolling forecasts, which supported greater strategic flexibility; the development of customer profitability analysis and the introduction of activity-based costing. Later on, balanced scorecards were introduced globally with finance getting involved in the production and use of non-financial information. It is important to note these innovations were broad management initiatives and not 'exclusively in the hands of management accountants' (p. 121).
- Company-wide human resource management processes included recruitment policies which supported finance in recruiting communicative, strong controllers instead of specialists. Job rotation initiatives and intensive training regarding business, customer and competitor knowledge were also introduced. Although not mentioned in the case, our experience is that rigorous induction programmes play an important part in instilling a business-focused attitude in new recruits.
- Storytelling around the achievements of successful controllers who understood the business and were seen as the equals of other business managers.

It is clear from the case study that changing the culture of finance takes time, requires multiple interventions and needs to be seen in the context of overall organisational culture and changes thereto.

CASE STUDY 3

AN INSTITUTIONAL PERSPECTIVE ON THE CHANGES IN MANAGEMENT ACCOUNTANTS' PROFESSIONAL ROLE

Goretzki, Strauss and Weber (2013)[29] examined how controllers gained legitimacy as business partners in an international manufacturing firm, headquartered in Germany, with 3,000 staff worldwide.

At the beginning of the 1990s the firm was struggling financially and a new CFO was recruited to secure the organisation's profitability and bring a more commercial focus to its strengths in innovation. The financial issues provided a strong impetus for organisational change. The new CFO, who was used to operating as a business partner, had highly developed social skills and also brought significant industry knowledge. This knowledge extended to being able to make technical recommendations regarding the purchase of machinery.

Before the new CFO arrived, the controllers and management accountants were largely centralised at headquarters and were mainly regarded as collators of reports. The CEO regarded them as killers of innovation. The new CFO was clear that controllers within the firm could and should take on wider responsibilities in supporting business performance. 'Newcomers to a field or an organisation can disturb taken-for-granted structures and bring new ideas and interpretive frameworks' (p. 51). The changes that he initiated did not unfold sequentially, but a number of interrelated factors resulted in finance earning legitimacy as business partners. These factors included the following.

- Aligning finance's culture with the innovation-driven, flexible and non-hierarchical culture present in the rest of the organisation. This included taking on 'side-jobs' such as running the employee suggestion system to open doors.
- The introduction of a new ERP system which entailed finance cooperating with operational managers and developing business knowledge. The new system provided an integrated and consistent database which enabled finance to act as 'gatekeepers' for high-quality information, reduce time on routine work and provide new types of analysis.
- Developing finance's analytical skills to the stage where they were recognised as using state-of-the-art techniques to conduct thorough analyses which, where necessary, could be presented to customers.
- Decentralising the management accounting function and locating management accountants close to operational managers – this dramatically increased the acceptance of finance as business partners.
- CFO endorsement of accountants as business partners at executive management meetings and promoting the idea that business partnering roles were a springboard to senior management.
- Accountants becoming more visible by running presentations and facilitating meetings. This included the CFO encouraging controllers to present at senior meetings rather than doing it himself.
- Using the Controller Akademie (CA), and one of its inspirational teachers, Albrecht Deyhle, not only to develop finance's technical skills, but also to inspire finance staff to take on business partnering activities and develop external networks. Non-finance managers were also sent on courses at CA, which further legitimised finance's new role in the organisation.
- Publicising finance's successes externally through articles and presentations at conferences.

These changes took place over 17 years and the case clearly identifies that, where finance starts from a low base, earning legitimacy as business partners has to be continuously earned and developed using a multi-pronged approach.

7. Building business demand for business partnering

Business demand for business partnering may be absent due to lack of awareness and defensiveness

As highlighted earlier, organisations do not always make the most of finance's business partnering capabilities. There are a number of possible reasons for this:

- lack of awareness of what finance can do to help performance, sometimes stemming from stereotyped views of accountants;
- concerns that finance might highlight poor management practices and financial performance, which in turn challenge the position of the managers themselves;
- concerns that greater finance influence might impose tighter controls, stifle innovation and veto initiatives; and
- as previously mentioned, concerns that finance business partners might act as 'head office spies'.

Overcoming these concerns is a challenge, particularly as there may be some foundation to them. Convincing operating managers of the benefits of business partnering requires skill and ongoing relationship building. Next we discuss some ideas that should be helpful.

Solving a key business problem is the best way to generate demand for business partnering

Actions speak louder than words and solving an important business issue is probably the most effective way to gain recognition as business partners. Approaches to understanding the business discussed in **3 Understanding the business – the foundation to business partnering** should flag a number of challenges which need to be addressed. Selecting the right challenge is important. Ideally the challenge needs to fit with finance's capabilities, be solvable within a reasonable timeframe and not require the very trust and collaboration with other parts of the organisation that are currently lacking (see **case study 4,** p. 45).

With little demand from the business, much of the analysis and development of solutions will need to be carried out in the background. However, any solutions developed should not be presented as a fait accompli. Rather the underlying analysis and a range of solutions should be discussed with managers as tentative ideas that can be developed further with operational managers.

Working on a cross-departmental project can help develop networks and trust

Taking on a high-profile business issue may be too risky for finance at its current stage of development. If so, collaborating on less crucial, cross-departmental projects can help develop networks and trust. Choosing the right initiative is still important, with those having executive-level support, influential participants and a good chance of success being the most attractive. Common projects requiring representatives from across the business include systems development, training and culture change (see **case study 5**, p.45).

Choosing the right people to participate in such projects is important. Finance representatives need to be role models for the strengths and capabilities that the finance department can provide. However, volunteering the best staff risks deterioration in core finance department services which will need to be managed.

Introducing more business-oriented finance tools and techniques may enhance finance's position

There is some evidence that the introduction of more business-oriented finance tools and techniques may enhance finance's position as business partners (see **case study 6**, p. 46). Some examples are discussed here.

Activity-based costing (ABC) requires a deeper understanding of cost drivers than absorption costing and necessitates working across the organisation. Clearly the benefits need to be perceived by line managers and outweigh the potentially high costs of introducing ABC. Business partners will need to minimise any associated administrative burdens which risk alienating line managers.

Customer profitability analysis and competitor analysis can both enhance understanding of the business and demonstrate finance's ability to be outward looking. Developing forecasting approaches that are more accurate and look further ahead will have direct benefits for most businesses in terms of capacity planning and working capital management. All of these techniques require significant interaction with the business.

Enterprise resource planning systems have varying impacts on finance departments

Finance may or may not be responsible for driving enterprise resource planning system implementations. The evidence concerning their impact on finance's role as business partners is mixed.[30] On the one hand, successful implementations, which are by no means a given, improve information provision and enhance processes. These in turn improve analytical capabilities and free up resources for business partnering activities. On the other hand, if line managers can access the necessary information and carry out financial analysis themselves, they have less need for finance support.[31] Implementations managed by finance or proactively supported by them, including the allocation of high-quality resources, are more likely to enhance finance's position.[32]

Building legitimacy based on CFO seniority and stewardship responsibilities

Finance's legitimacy, the acceptance of their authority, derives mainly from their capability and visible contributions to organisational success. However, existing seniority and stewardship responsibilities can be used to 'push' into decision-making processes. CFOs who are board members can insist on certain institutional arrangements, such as finance representation on decision-making committees and sign off on investments. This will get business partners 'a seat at the table'. Ongoing influence, though, will depend on the quality of input provided.

It should also be noted that resistance to business partnering is unlikely to apply to all managers. Finance can look for allies, the more senior and influential the better, and draw on their support to build wider support. Bear in mind that such allies are only likely to risk their own credibility if they see a good chance of finance succeeding.

Marketing and public relations make successes more visible

Finance departments tend to resist investing time and money in 'marketing' and 'public relations'. This is not surprising given the need to be seen to lead the way in cost consciousness. However, finance is 'selling' business partnering services and competes for airtime with other functions. Therefore, ways need to be found to make its capabilities visible to others by promoting its successes and demonstrating the value finance adds. There are a range of approaches but what is acceptable will vary from organisation to organisation.

The first thing to consider is the organisation's existing internal communications infrastructure. These include intranets, social media, newsletters, manager briefings and team meetings. In particular, the periodic communication of financial results to the organisation is a high-profile opportunity for finance to take centre stage. Use can also be made of the various communication channels to publicise successes and make it clear who can be contacted to help with business challenges. Opportunities to participate in and speak at cross-organisational events should also be sought.

External recognition can be helpful. There are a number of finance awards across the globe, with various categories, organised by professional accounting bodies and others, for example the FD's Excellence Awards organised by ICAEW and Real Business. In addition, the accounting trade press are always looking for interviews and case studies that can showcase finance's work.

As well as helping to sell finance's capability to the organisation, good marketing will help with staff motivation and attracting high-quality staff.

Run finance training for non-finance staff to reduce business defensiveness

There are a range of benefits in running finance training for non-finance staff:

- reports and analysis can be publicised, made more understandable and more useful;
- financial discipline becomes more embedded in the organisation;
- management defensiveness resulting from lack of financial knowledge is reduced;
- opportunities for mutual learning and networking are created;
- root causes of process difficulties can be addressed; and
- opportunities are provided for finance staff to practise their presentation skills.

To maximise the benefits of providing such training, finance staff should be heavily involved and visible at training sessions, even if a third-party provider is used to help support the programme. It is also preferable that the training is based on the actual processes and reports used in the organisation. Where resources do not allow for the development of formal training programmes, less formal sessions designed to promote financial awareness will also be beneficial.

We find support for running such training in Zoni and Merchant's finding (2007) that controller 'involvement in strategic decision processes was positively associated with line manager financial expertise' (p. 35).[33]

Networking to build relationships and gain trust

Networking is extremely important in understanding the business and essential for relationship building and gaining trust. When there is little demand for finance departments to provide business partnering services, it is not always easy to come up with reasons to talk with line managers. However, few managers will turn down the opportunity of talking about their business over a coffee. Business partners can also make sure they attend organisational social events and enrol for cross-departmental training programmes. Business relationships developed outside of the organisation can also be a useful source of knowledge and support.

Networking comes easier to some than others. This may be personality related – where conscious effort is required to overcome anxiety; values related – where reframing the negative connotations of networking to relationship building may help; or circumstances related – where those with family commitments will need to look for opportunities during the working day rather than after work.

Using consultants to provide an outside perspective

Sometimes, however hard finance tries to build business demand, the message does not get through because of entrenched beliefs that it has nothing to contribute. Using external consultants, preferably appointed by someone outside of finance, to carry out an independent review is worth considering. Experienced consultants will bring examples of how finance departments contribute in other organisations, will be less bound by organisational politics and, as an external voice, sometimes have more credibility.

Other managers are not naïve when it comes to deciding whether consultancy input is being used for purely political ends. Therefore, care needs to be taken with the governance structure and accountabilities of the review project to ensure objectivity. In particular, the steering committee should include representatives from across the organisation.

When business demand cannot be created maybe it is time to find a new job

It is not always possible to generate demand for business partnering. For capable finance professionals seeking a more commercially-oriented role this will be frustrating. Therefore, it may make sense to seek a role in an organisation more favourable to finance providing broader support.

CASE STUDY 4

BUILDING BUSINESS DEMAND: CHOOSING THE RIGHT ISSUE TO SOLVE

Taking a poisoned chalice is clearly not a good idea. One such case involved finance taking on the clean-up of customer standing data in a complex financial services organisation. Success required significant process change across the organisation, re-allocation of job responsibilities and major investments in systems – none of which there was much appetite for. The almost inevitable failure of the project reflected badly on finance and stalled their business partnering aspirations.

A more successful example involved the finance department helping a divisional CEO develop a compelling business plan for a struggling manufacturer. Head office had rejected an initial plan (a plan that finance had merely collated) and the CEO was struggling to come up with an alternative proposal. Finance had a good understanding of what head office required, good contacts in central finance and the ability to pull together new numbers and words quickly. Most importantly, the CFO had some good ideas on where costs could be cut with minimal impact on long-term revenues and where profit centres were being overly conservative on income projections. These ideas were suggested to the CEO and gained some credence. The divisional CFO offered to talk to the CEO's direct reports to put more substance behind the ideas, provided the CEO gave his explicit support for this approach. The CEO was in a difficult spot and agreed. Some difficult conversations with the profit centre managers ensued, not everyone was happy, but there was an acceptance that some difficult decisions were required. Finance worked long hours to produce a plan that gained the divisional CEO's support and submitted it to head office on time. The CFO now understood the plan better than anyone and the CEO invited her to attend the critical planning meeting with the group CEO and CFO. With some minor changes the plan was accepted and finance had now made a major step forward in becoming accepted as business partners.

CASE STUDY 5

BUILDING BUSINESS DEMAND: A SUBTLE APPROACH

The strategy process in a large legal partnership was extremely chaotic and time consuming. The finance department offered to take responsibility for organising the process. They were careful not to suggest that they expected to be heavily involved in strategic decisions at this stage. Finance would take care of setting out a timetable, organising the necessary meetings and collecting the necessary data. They also provided the secretariat and documentation for strategic meetings and away days. As a result, they now had a seat at the table, albeit mainly as observers at this stage. This enabled them to develop a much deeper business understanding and the trust of executive management. After some time opportunities arose to provide insights and suggestions on the firm's strategic direction. Step-by-step finance came to be seen as equal participants in the strategic development process.

CASE STUDY 6

BUILDING BUSINESS DEMAND USING ACTIVITY-BASED COSTING

Case research by Friedman and Lyne (1997)[34] shows that the introduction of activity-based techniques such as ABC has a positive impact on the perception of accounting information, the image of accountants and their relationships with operational managers. Below we highlight some of the insights from this research. All entities were based in the UK or Ireland.

ENGINE MANUFACTURER – 600 STAFF

Operational managers felt that, before the introduction of activity-based techniques 'accountants did not understand operational or business matters, and that they put obstacles in the way of new proposals. Relations between management accountants and operational managers were distant' (p. 25). As a result of introducing activity-based techniques for costing, accountants 'spent much more time working directly with operational managers and their staff, usually outside the accounting department. This led accountants to understand the operating processes far better. They have been able to provide useful data and advice for decision making and improving cost management. Operational managers have recognized this change and are now keen to seek advice and data from management accountants. They no longer see management accountants as remote or obstructive' (p. 25). It is worth noting that in this case it was the accountant who had carried out the detailed work and interviewed the operational staff and so 'earned his wings'. In the words of the maintenance manager, 'He can go and talk to any maintenance man now because he knows what they do whereas I don't think there are a lot of people in finance which our people will view in the same light' (p. 30).

AEROSPACE ENGINEERING – 5,100 STAFF

The initial response to a presentation on the introduction of activity-based budgeting was summed up by one operational manager as: 'stunningly boring, none of us really understood, it was all in finance-speak which is no good to us operating guys. We nodded our heads and walked away and forgot about it.' However, 'after the introduction of semi-autonomous profit centres the manager's attitude radically changed. In this new situation he realized that reliable product costings were needed and that activity-based costing would provide him with useful data. He approached the management accountant for help … Relations between management accountants and operational managers were dramatically improved, but managers still had residual doubts over the loyalty of accountants' (p. 26).

SPECIALIST CREDIT CARD OPERATOR – 535 STAFF

This company 'had a particular need to be able to price variations of its basic product. Activity-based costing offered an answer to this problem. A model was developed by the management accountants in conjunction with operational managers which proved to be highly successful. The product development manager took control of this model and further developed it, calling on management accounting expertise when necessary. He commented that he now considered himself 'something of a management accountant'. He also recognized an interesting partnership with management accountants and the particular strengths they brought. 'They're [the accountants] taking a more independent view – inevitably when you get very close to something you want it to succeed, it's human nature and therefore you're going to try it on. It needs an independent view to say 'do you really believe that is the volume you're going to achieve' or whatever. That process happens a lot. The use of activity-based techniques helped improve relations between management accountants and operational managers, partially as a result of the process that required close collaboration between the two, and partially as a result of better quality accounting data' (p. 27).

8. Dilemmas for finance business partners

8.1 THE INDEPENDENCE VERSUS INVOLVEMENT DILEMMA

Ethics, courage and appropriate organisational structures are required to maintain independence while supporting the business

In **6.1 Business partnering attitudes** and **6.8 Structuring finance for effective business partnering** we discussed the importance of ethics, courage and organisational structures in dealing with the dilemma of finance maintaining its independence while getting heavily involved with decision making and strategy. However, given the importance of this issue further discussion is warranted.

Finance's unique position makes the independence versus involvement dilemma more pronounced

The risk that finance business partners will act inappropriately if they get too close to business managers has been discussed since at least the 1980s.[35] Some regard it as a non-issue, others as fundamental; some believe any dilemmas arising are faced by all staff, others as a particular problem for finance. Ethical behaviour across an organisation should be the goal, but the position of finance is unique. In particular, they are in a powerful position to subvert governance processes through misreporting and to sidestep controls with wide-reaching consequences. Moreover, there are high expectations that they will act as the conscience of the business and provide ethical guidance. Finance professionals also have to adhere to the ethical principles of their professional bodies.

Close involvement with the business helps with stewardship responsibilities

While finance detachment from the business makes it impossible to carry out a business partnering role, detachment also has implications for finance's stewardship role. Control breeches, misleading financial information and unethical behaviours are more likely to be noticed by finance professionals working closely with the business. Problems are also more likely to be anticipated and dealt with before too much damage is done. For example, one of the most likely times for the integrity of business partners to come under pressure is when forecasts and targets are in danger of being missed. Effective business partners will spot the signals early and look for ways of addressing the issues, managing expectations by communicating them to stakeholders appropriately and being clear that misreporting is not a solution.

Individual qualities need to be supported through organisational safeguards

Personal qualities such as integrity and courage are important but need to be supported by top management who lead by example. Well-publicised codes of conduct will help but it needs to be clear that they will be enforced. Helplines, whistleblowing processes, training, performance appraisals, internal audit and reporting mechanisms can all contribute to building an ethical culture.

Despite the above safeguards, telling truth to power and doing the right thing may still have negative personal consequences. Samuel Goldwyn, arguably the world's most successful movie producer, said, 'I don't want any yes-men around me. I want everybody to tell me the truth even if it costs them their jobs.' Partly as a result of these risks it is often possible to rationalise inaction – maybe we are mistaken in our view or maybe we see the ends as justifying the means.

The risk of negative consequences can be reduced through building relationships before crises occur, political savvy, a manner which commands respect and developing an ethical alternative course of action. As Stanley Harding, Controller at Shell, put it in 1963, finance professionals need to be able 'to get along with people without always giving way to them' (p. 42).[36]

A trusted confidant can be a great help in steering an ethical path. Such a confidant could be a peer, a friend, mentor or a coach. Where trusted mentoring or coaching schemes exist within an organisation it makes sense to take advantage of them when facing difficult issues. Where they are not available in-house, ICAEW and other professional bodies will be able to provide external help. As well as mentoring and coaching services, professional bodies also provide ethical helplines.

8.2 FINDING THE TIME FOR BUSINESS PARTNERING

Is lack of time the real issue?

Lack of time is often stated as a major barrier to effective business partnering. We discuss below some potential solutions to this issue. However, it is first worth asking whether lack of time is the real issue. People who have been allocated business partnering roles but lack the necessary knowledge, skills and attitudes, sometimes divert their time to tasks they feel more comfortable with, even where roles are structured to prioritise business partnering work. In addition, resistance by operational managers will make business partnering roles stressful, again making it preferable to spend time elsewhere.

Finance managers may be too wary of asking for additional staff

In our experience finance are sometimes too wary of asking for help and additional resources. This can stem from a lack of confidence in the value they can add and the desire to operate at the lowest possible cost. Finance managers often turn down additional temporary staff to cope with projects or peaks in workload on the basis that it is less time consuming to do the work themselves than train up somebody new – this is often not the case.

Some argue strongly that what the business will remember is the level of service not the cost of delivery, so go ahead and recruit. In practice things are more complex. Business managers directly receiving a service can be supportive at the time of delivery, but when it comes to cross-charging and budget negotiations it can be a different story. Finance managers need to judge how the land lies but not be too quick in dismissing the possibility of asking for more staff.

Investing in systems and processes

Business cases for investment in finance systems and processes will be based on some combination of cost savings, regulatory necessities and improved services. Sometimes the argument is made that a proportion of the cost savings will be reinvested into business partnering. Protecting this reinvestment is not always possible, for example, if cost pressures increase during the project or new regulatory requirements have to be absorbed. Moreover, the staff freed up from routine work such as transaction processing may not have the right skills for business partnering. It is interesting to note that despite claimed improvements in IT, IBM surveys carried out in 2003 and 2010 show hardly any increase in the proportion of time that finance spend on decision support as opposed to transactional and control activities.[37]

When investment is not an option – work longer hours?

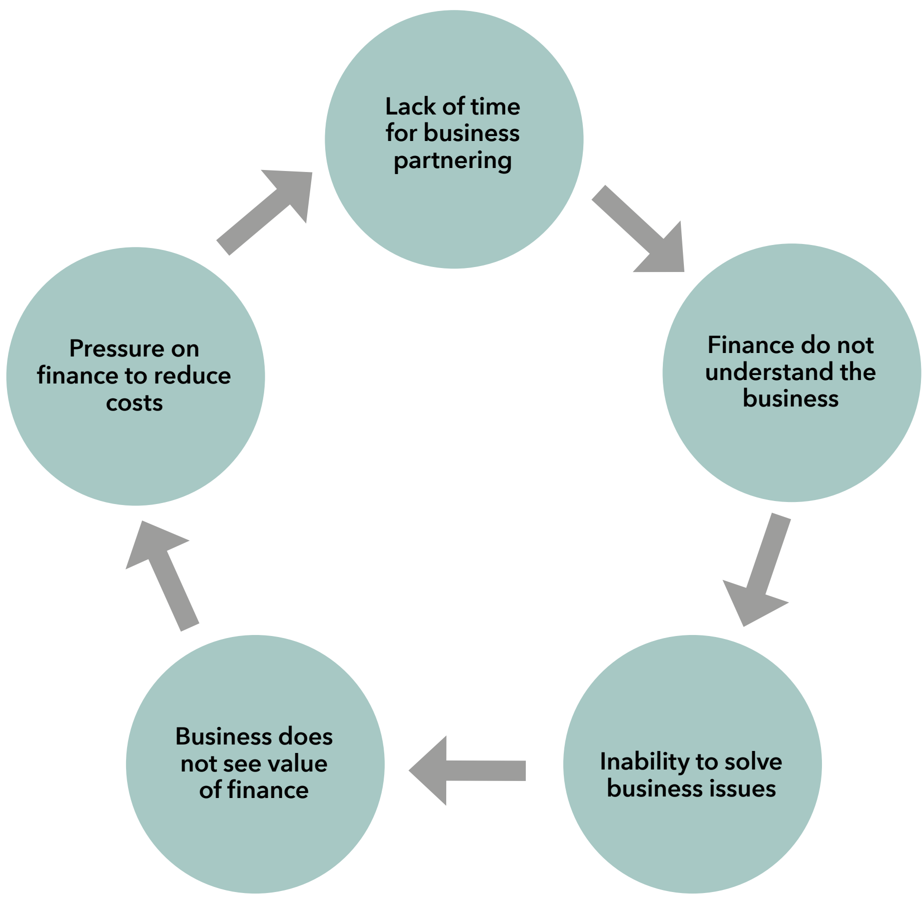
If investment in extra staff and/or systems is unrealistic, what other options are available? Working longer hours is the most common answer. This is only a temporary solution, particularly as finance departments often work long hours in any case. If this option is pursued, the additional time should be used wisely. Priorities will include developing business understanding, delivering visible value which can support the case for investment and improving processes to free up time. The risk is that, if finance's contribution to organisational performance is achieved through increased hours, this gets taken for granted and not seen as a temporary solution.

The alternative to increased hours is to incrementally improve processes. Approaches will range from identifying major bottlenecks and timewasters through to relatively simple automation of spreadsheets. We have already mentioned Lean/Six Sigma approaches as a possibility in **6.9 Systems and processes**. Cutting out unnecessary work is often easier to promote than to implement. There is usually some reason why tasks are being carried out and it can be difficult for finance or the users of its services to admit that something is a waste of time. These arguments should not prevent finance from trying. The usual approach is to review reports and services, speak to the users and try to ascertain whether they need to be continued. More radically, some have simply stopped producing certain reports and waited to see if anyone notices.

From vicious to virtuous circles

Achieving effective business partnering can be problematic for finance when it is in the vicious circle illustrated in Figure 2. If it can temporarily find the time to solve a business issue though, a more virtuous circle may result. As value is seen to be added, further investment is supported which will enable finance to further improve its services.

FIGURE 2: FAILING TO FIND TIME FOR BUSINESS PARTNERING – A VICIOUS CIRCLE



8.3 ASSESSING THE IMPACT OF BUSINESS PARTNERING ON ORGANISATIONAL PERFORMANCE

It is difficult to prove that business partnering works

It is not easy to prove that business partnering has a positive impact on organisational performance. There are numerous variables which impact on performance and many, such as economic circumstances, competitor strategies and product innovation, will be much more significant than whether an organisation has implemented business partnering. In addition, it is difficult to separate the impact of the business partnering model itself from the quality of its implementation. However, as advocates of evidence-based management, finance departments lose credibility if they do not at least try to link their performance to that of the organisation.

Use multiple methods to assess finance department performance

We discussed approaches to assessing the finance department's position in **4 Assessing the finance department to develop an action plan**. Many of the ideas there, such as internal customer feedback, benchmarking and the analysis of finance department costs, will help in the ongoing assessment of whether finance is contributing to organisational performance. There is also much to be learnt by attempting to isolate the impact of finance on organisational performance, the speed and quality of decision making, the robustness of organisational strategy and the ability of the organisation to innovate and adapt to change. Developing finance department key performance indicators, aligned with the organisation's strategic objectives, will make the above ideas more concrete.

Making the case for investment in business partnering requires evidence

As we have seen, achieving effective business partnering may require significant investment in new staff, staff development and systems and processes. The information gathered through the assessment approaches already discussed provides a foundation for developing a business case for such investment.

However, a business case will also need to demonstrate why investing in business partnering will lead to future benefits. Some investment in systems and staff can be justified on the basis of cost savings and compliance requirements with the business partnering benefits more of a spin off. For example, the Sarbanes-Oxley Act 2002 required significant investment in systems and controls but the increased accuracy and detail in financial information could then be used by finance to better support the business. Direct links can sometimes be made between investing in finance and business performance, for example, improved forecasting enables better capacity planning and reduced working capital. Investing in staff so that finance can provide more intangible support, such as improved commercial decision making, usually hinges on identifying successful role models and arguing that this can be replicated.

CASE STUDY 7

THE STRESSES AND DANGERS OF TOO MUCH INFLUENCE

Lambert and Pezet's (2011) case study of management accountants in a large French car parts manufacturer illustrates some of the issues concerning finance independence.[38] It is a very complex, nuanced story but here we draw out some particularly interesting aspects. The management accountants in the organisation have enormous power and are referred to as 'kings' and the 'royal function' – partly as a result of being responsible for setting prices in the reverse auction sales process. They maintain their position of power through rigorous self-assessment of their performance and ensuring that they understand the business at an extremely deep level. This involves investing huge amounts of overtime in preparing and rehearsing for business performance meetings with line managers. The performance meetings are intense cross examinations referred to as 'face slapping sessions' by the accountants – and it is their faces that get slapped, even as so called kings. In addition to these challenges they also struggle with role conflict. They have to both work closely with operational managers and hold them to account. All this has resulted in stress and even suicide. The problem for them is not one of insufficient influence but whether they start to exert too much influence, as one financial controller says: 'since we have the tools, we have a greater capacity for prediction compared to management. And the temptation is very strong, when management is a little light, for us to supplant it, to grab the joystick and fly the plane ourselves. And that is very dangerous' (p. 25). So maybe aspiring business partners need to be careful what they wish for.

CASE STUDY 8

BARRIERS TO BUSINESS PARTNERING – FINANCIAL CONTROLLERS EXPLAIN THE CONSTRAINTS

Survey and interview research by Graham, Davey-Evans and Toon (2012)[39] highlights the constraints that financial controllers have to contend with in achieving business partnering roles.

As discussed in **6.8 Structuring finance for effective business partnering**, where business partners are also responsible for other work this can crowd out business partnering work. In the words of one controller interviewed in the above study, 'When you're working for an SME, your job role expands around you. You tend to pick up HR, Health and Safety, and a few other things as well' (p. 82). Time spent on getting the basics of financial reporting right was also an issue. This caused tensions in the role as interviewees felt frustrated by the lack of time available to stand back, look at the bigger picture and fulfil a more visible role with management. 'I think it's always getting the balance right. I spend too much time maybe on the financial accounting, trying to get the nuts and bolts right. I didn't have enough time to get out there and actually work with the managers who were using the information that we were providing for them', said one respondent. Another stated, 'Mine is very much a fire-fighting role. It's a case of by the time I've done one month end, it seems to be the next. And statutory accounting does take a lot of time.'

Interviewees raised concerns about IT, both the time spent on managing and maintaining IT systems and on the failure of systems to free up time for other activities. On interviewee stated: 'I think the main constraint was you could always have a much better IT type system around you, if you were able to invest more. It would be great if a lot of this information just fell out in the correct format' (p. 84). Another participant in the research said, 'the system we've got has probably got quite a lot of capability that we're not aware of. So we're doing things manually, when there could be a much better way of doing that. So that's an area we need to explore' (p. 84).

In addition, some interviewees 'felt constrained by being under-resourced in their teams with an increase in technical skills needed to enable more work to be delegated'. 'I think time has been a significant issue in a lot of the companies I've worked in, in that they have tended in the past to under resource Finance Departments, then wondered why things had gone wrong and spent far more money putting things right than they would have spent if they had done it right in the first place' (p. 84).

CASE STUDY 9

FINDING THE TIME FOR BUSINESS PARTNERING: A TALE OF TWO FINANCE PRODUCT CONTROL TEAMS

The finance teams looking after debt products and equities products in an investment bank supported similar-sized businesses of similar complexity. However, the debt team was much more successful in supporting the business. Their daily profit and loss statements were accurate and met deadlines 95% of the time compared to 75% in the equities team. The debt team was able to support one-off projects while the equity team was struggling to cope with its day-to-day responsibilities. There were a few reasons for this but a key factor was the skill of the debt team's manager in obtaining and managing resources. When new initiatives were proposed by the business he would be supportive but would also clearly set out the resource implications for finance and work hard to get those resources. On the other hand, the equity manager, thinking that he was doing the right thing from a cost perspective, would try to support new initiatives with existing resources. In the medium term this actually proved more costly due to control breakdowns, audit investigations and the rework involved in correcting errors. In order to address the issues the debt team manager was promoted to look after both teams.

9. The future of finance business partnering

Achieving success in business partnering will not be a linear journey

We hope that this report will help organisations to decide whether finance business partnering is the right approach for them and if so, how to go about it. However, achieving success in business partnering is unlikely to be a linear journey and perseverance will be required to overcome inevitable setbacks. In particular, new leaders in organisations may have different views on the role of finance and mistakes can quickly undermine trust built up over many years.

Moreover, approaches to business partnering will need to change as businesses and their environments change. Many have noted the pendulum-like nature of the positioning of finance's role – emphasising compliance and control in the face of financial scandals and increased financial regulation, and focussing on a more commercially-oriented role when such issues are perceived to have been addressed. It is quite likely that the pendulum will continue to swing in the future, be it within individual organisations or throughout an economy.

Long-standing aspirations to play business-oriented roles are unlikely to change

As previously noted, finance professionals have been striving to play business partnering roles for many decades, with varying degrees of success. This is unlikely to change. If the finance profession continues to attract highly-talented individuals, they will want to make the most of their abilities and business partnering is one way to do so. However, as our analysis shows, success will not come easily as business partnering requires attention to a wide range of challenging areas.

Changes in organisational performance measurement and organisational constraints

Financial performance has been the key measure by which commercial organisations and their management are judged. Financial resources are a key constraint that organisations have to manage. Taken together, these provide a foundation for finance departments to have wide organisational influence. Indeed, some have suggested that the financial crisis saw an increase in the influence of CFOs from 2007 onwards.[40]

However, changes may be underway which challenge the primacy of finance. Recovery from the financial crisis may ease financial constraints. Issues of sustainability and access to energy, water and other commodities may become the more important constraint. There are also heightened pressures to balance financial performance with social and environmental performance. To maintain their influence, finance business partners will need to respond to such changes.

How far can outsourcing go?

We have mentioned that outsource providers continue to look to provide additional services – having already added the provision of basic management information and analysis to transaction processing services. Will they find ways of establishing sufficient business knowledge and trusted relationships to take on business partnering responsibilities? This would seem to be some way off but the potential should not be ignored. It is possible that automation and outsourcing will mean that some organisations will get to a stage where they employ a much smaller number of skilled finance professionals than they do today. How such staff would be able to develop the necessary skills and experiences without the existence of 'apprenticeship' type roles is a moot point. Maybe they could be garnered while working within outsource providers and accounting practices.

IT developments may lead to more quantitative approaches to management and increased internal competition to finance's role

Developments in information and communications technology and the possibilities opened up by big data will have a significant impact on the nature of business partnering. Financial analysis and reporting became more sophisticated in part because managers needed to be able to manage multiple locations from a distance. Finance was well placed to conduct and communicate the necessary financial analysis and combine it with operational data. Working with a financial representation of businesses facilitates consolidation, comparison, analysis and discussion using a common language – this is likely to remain important.

However, the widespread and inexpensive availability of closed circuit television (CCTV), information from sensors and the availability of sophisticated visualisation software may lead to other, more direct monitoring approaches. Additionally, organisations are increasingly taking advantage of the analysis of so called 'big data' to make decisions. Finance business partners may be able to take a leading role in making the most of the opportunities provided. On the other hand, developments in big data are leading other disciplines, such as marketing, to take a more quantitative approach to their work and to develop their quantitative skills. This may result in challenges to the positions of finance business partners predicated on their relative advantage in information management and analysis.

While organisations require internal collaboration and coordination to perform successfully, some competition between different functions is inevitable. To compete successfully, finance business partners will need to constantly adapt to the needs of the organisation and consistently demonstrate a positive impact on organisational performance.

Please give us your feedback

This report reflects many discussions with finance professionals, other managers and academics. However, there is much more we can learn. Therefore, we would value your feedback. If you have any comments on the report or suggestions for advancing our thinking, please email bam@icaew.com

Appendix – the long history of business partnering

YEAR	CONTENT	REFERENCE
1928	‘The idea of controllership, as it is now understood, differs a great deal from that of twenty or twenty-five years ago.’	Kester
1952	‘The average controller would not have reached his present status as part of the management team, if he had not possessed a far greater degree of salesmanship and insight to human reactions, than the average employee in the accounting phase of corporate management.’ (Bradshaw, T.F. Research Director, Controllership Foundation, Foreword to Report.)	Argyris
1954	‘Controllers are generally aware that when top accounting executives begin to assume general management responsibilities, they need a broader point of view than the strictly departmental one provided by the technical accounting function.’	Simon et al
1967	‘The function of the controller in the British context may be considered as: participation in corporate strategic planning; organisation of planning and control systems; reporting and interpretation of information for management and coordination and assessment through managerial controls.’	Tricker
1976	‘The financial staff is beginning to make itself felt not only in the procedural aspects of planning but in shaping the actual substance of strategy.’	Gerstener et al
1980	‘Contrary to expectations neither interpersonal relationships nor excessive power of accountants were problematical, nor did many accountants show bureaucratic orientations. Their inability to meet service expectations were perhaps, related to ambiguity and stress emanating from accounting workflows.’	Hopper
1983	‘... the controller is part of the management team responsible for the relevant organizational unit; he or she typically reports directly to the executive in charge of the unit. The controller's two major responsibilities are: (1) To help the management team in the business decision-making process, commonly referred to as the management-service responsibility, and (2) to ensure that reported financial information pertaining to the relevant organizational unit is accurate and that internal control practices conform to corporate policy …’	Sathe
1993	‘The finance director has a role of central importance in the management of companies, often second only to that of the chief executive, and the weight of the job in company decision making is tending to increase.’	ICAEW
2000	‘In Germany the attraction of objective and distanced analysis was tempered by a growing preoccupation with engaging controlling knowledge with line management’s operational knowledge … In the British interviews management accountants became more cautious about their abilities to shape the priorities of the organization and instigate change unilaterally. They became concerned with the need to demonstrate their relevance to others in order to bring their expertise to bear on organizational problems.’	Ahrens and Chapman
2007	‘There has been a lot of debate on the new business-oriented role of management accountants in recent years.’	Järvenpää
2013	‘Although not every firm seems to yearn for the ‘business partner’ it still appears to be commonsensical to use the term ‘business partner’ to describe the apparently new and more management-oriented role of the management accountant.’	Goretzki, et al

FINANCE BUSINESS PARTNERING

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