

Finance as a True Business Partner

Rear view driving (reporting on what's done) is passé. Strategic (future choices) and Business orientation (beyond numbers) is critical.

Not for nothing are finance people often called bean counters. It may sound a little blunt but many finance managers – especially below the CFO level - end up largely reporting, auditing and accounting for what others have already done.

Finance has twin roles to play: Business Partnering and Stewardship. The latter - the traditional roles of treasury, accounting, management reporting, audit, etc. - is generally done well. There are high legal and regulatory stakes in stewardship and the domain very clearly belongs to finance, hence is rightly put on focus.

Unfortunately, the higher objective of strategy and business partnering often takes a backseat. The CFO may be convinced on the need and personally may also be walking the talk. But how many Level 2 and 3 managers use financial models to influence business decisions? We are not talking of punching given numbers in an excel to make a business case/NPV with cursory analysis. But going in depth on the accuracy of the numbers, pushing back where finance is individually not convinced, modelling the future uncertainty using insights on key value drivers, identifying risks and mitigation plans and then giving a business recommendation as a Venture Capitalist?

But this is such a waste! For four reasons:

- Finance is uniquely positioned to influence some key business decisions. They know the entire P&L from topline to bottomline and generally know the expectations and constraints of the GM well. Theirs is an all encompassing role with knowledge of the interlinkages between departments.
- A good business oriented financial analysis brings objectivity in decision making. Often Marketing, Sales, R&D or Supply Chain tend to be over optimistic, not out of intent but because of their genuine belief in their predictions. The project owner is too involved in their projects to take a distant look.
- Most business partners expect finance to help them make choices by providing clear decision rules and benchmarking. But most complain that often finance sees problems mostly from a cost point of view, has limited business knowledge, is generally risk averse and internal focussed. Therefore their impact on real business decisions is limited, with their analysis often becoming a number crunching paper exercise.
- Junior and middle finance managers tend to – especially the ones with a business orientation/MBA - grow tired of the mainly transactional nature of their role. They long to get involved in mainstay business.

So what specifically can finance managers do better?

- Strategy Formulation: Making the business look outwards through insightful competitive and industry analysis. Analyzing the company's right to win and then putting a trajectory of profitable growth, with clear targets for each function. Recommending which new segments

to get into, which segments to exit, best cost structure benchmarking etc. Providing the business thought leadership on the above, versus being their number cruncher. Strategy, fundamentally, is making a choice, and financial tools and analysis help the business in making that choice.

- Initiative/Investment Analysis: Better modelling of future cash flows with probability based analysis and sensitivity on key input drivers. Kotler said that 60% of all marketing initiatives are generally a failure. Objectively assessing whether volume forecast is too good to be true, is the investment too front loaded, have we adequately built in potential competitive reaction, are we doing post launch monitoring/analysis etc. Developing comfort in the qualitative section of analysis much like an external Venture Capitalist would do.
- Business Oriented Communication: Not harping on numbers but their business implications. Being aware of the forest as well as trees – the larger business context and impact of individual building blocks. Clear analysis of risks and commensurate rewards.
- Influencing: Focussing on data and analysis to bolster their recommendation versus mere opinions. A balance between Advocacy of their point of view and Inquiry of the other person's point of view. Forming strong personal relationships with key management team members based on respect.

So how can we bring this behaviour change? Much like any behaviour is changed:

- Starting with a clear mandate from the CEO that finance will get involved in decision making – questioning and analyzing to influence future, not just to report past or fill in required templates.
- Then a change in paradigm amongst finance people that their role goes beyond transaction. This may need re-skilling on business orientation, strategic/financial analysis tools/models and softer influencing and communication skills.
- Parallely an effort to free up time from transaction processing by adopting technology and standardizing processes. A good 20-30% of time needs to be kept aside for thinking, analyzing and recommending.
- Finally including metrics on superior business partnering in the quarterly/annual assessments of finance team. Not just timely reports but the impact of those reports and recommendations on future business. What would the multi functional team leader not have done but for the analysis by finance?