From Scorekeepers to Business Partners—the Evolving Role of Finance

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This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.

"Controllers and Finance Directors should spend significant time face-to-face with their business counterparts and actively participate in major decisions."

Leading finance organizations have been expanding from traditional historical reporting and "scorekeeping" functions to a broader role that supports the enterprise with valuable business insights.

Q **What are some of the important factors that Controllers and Finance Directors should consider in order to be successful as they expand beyond their traditional roles?**

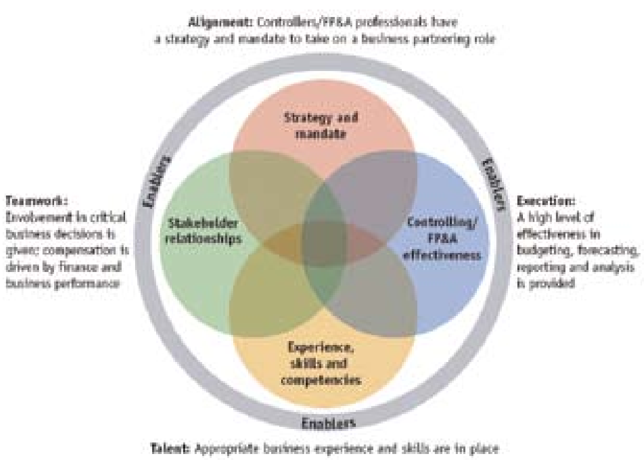
For many years, CEOs have called upon their finance organizations to be more effective "business partners." This includes a shift away from transactional and historically focused activities that are aligned with a basic "scorekeeper" type role and towards more analytical and forward looking activities that help drive better business outcomes. The challenge of making that shift lies in understanding exactly what the term "business partner" means. Research by the Hackett Group has identified four key elements that distinguish those finance organizations that have successfully evolved into true business partners. These elements involve 1) the definition and communication of a business partnering strategy and mandate, 2) the ways in which finance engages and collaborates with stakeholders, 3) the development and management of a pipeline of finance talent and 4) the effective execution of core finance processes.

In most companies today, there is a gap between the role that Finance perceives that it plays in the organization and how the business views finance's role. And both groups have different views and definitions of what "business partnering" means. The Hackett Group has developed a Business Partnering Model to provide a framework for defining an effective business partner and enabling an organization to assess its effectiveness in the role.

Defining and Communicating the Business Partnering Strategy and Mandate

Central to finance's success in evolving into the business partner role is having a well-defined, widely communicated strategy and mandate that articulates the responsibilities and expectations for the role. This includes the traditional duties that finance is responsible for, but also addresses how finance can help drive better performance through their involvement, influence and intervention in key business decisions.

Effective definition, communication and internalization of the business partnering strategy and mandate begins with breaking it down into three parts: the mission, the objectives and the measurable outcomes that finance (e.g., Controllers, Finance Directors) will pursue as business partners. Finance executives should have open dialogue with the business early and often as they are defining the strategy and mandate, to ensure that the mission, objectives and measurable outcomes are aligned with the most critical issues facing the business and will best meet their needs.



The Hackett Group Business Partnering Model

Engaging with Stakeholders

Another important component of business partnering involves Controllers and Finance Directors establishing a close level of engagement with the business stakeholders they are supporting. This entails:

- A high degree of involvement in key decisions – Controllers and Finance Directors should spend significant time face-to-face with their business counterparts and actively participate in major decisions. The challenge here is to break the common mindset that finance should only be brought in on an as-needed basis. This can only be done when finance brings more to the table than just historical reporting. Finance needs to provide forward-looking, predictive information, interpretation of implications for the business and recommendations for action.
- Linked objectives – Finance objectives should be directly linked to the performance targets the business has committed to achieve. This ensures that finance's success is based on the success of the business it supports and that finance has an incentive to focus on business outcomes, not just on the internal objectives against which finance organizations are traditionally measured.

Operating in any lesser capacity means that Controllers and Finance Directors will be performing the role of "finance experts" or "scorekeepers" and will not be perceived as business partners by their stakeholders.

Cultivating the Right Skills and Competencies

Many finance organizations have highlighted the acquisition and development of the right skills and competencies as the biggest challenge they face in evolving into effective business partners. Effective business partners need a blend of traditional finance skills and domain expertise, a deep understanding of business operations and challenges and, finally, interpersonal skills such as communication, negotiation and conflict resolution. It is this unique blend of skills that will elevate finance from being limited domain experts to true business partners.

Achieving the right blend of skills and competencies to enable finance to function as business partners will not be achieved overnight, nor will all Controllers and Finance Directors make the transition successfully. In addition to understanding skill and competency requirements and gaps, finance leaders should develop long-term career paths and job rotation programs to establish a robust pipeline of talent to support the ongoing needs of the business.

Effective Execution of Core Finance Processes

A final but equally important component of business partnering is executing core finance processes, including the close, consolidate and report process, as well as planning, budgeting, forecasting and business analysis. It's difficult to contribute meaningfully to key business decisions if the underlying processes are not timely, accurate and well grounded in the key drivers of business performance. Controllers and Finance Directors should take a leadership role in evaluating and implementing key best practices to ensure that core finance processes are as efficient and effective as possible.

Summary

The evolution of Finance into a true business partner role cannot be achieved by adopting any single best practice, nor can it be accomplished overnight. It is not likely to develop without a focused plan and an effort to address the four elements outlined in this article.

To summarize, what helps elevate the role of finance is, first and foremost, a clear strategy and mandate to operate as a business partner followed closely by a much tighter linkage and joint accountability for business performance. Finance leaders must develop a well-qualified team of professionals with the appropriate blend of finance, business and interpersonal skills and competencies while creating a pipeline of future talent to fill business partner roles. Lastly, finance must have efficient and effective core financial processes to support decision making. This is by no means an easy task. But by executing the four elements of this model, finance organizations can develop a clear business partnering roadmap and be well on their way to meeting the expectations and needs of the CEO and the businesses they support in today's competitive and volatile environment.

About Tom Willman

Tom Willman is the Global Practice Leader of the Enterprise Performance Management Executive Advisory Program for The Hackett Group. With more than 15 years of experience in finance, accounting and consulting in a wide range of industries, Mr. Willman focuses on helping CFOs and other finance executives transform their organizations by deploying more efficient and effective processes, service delivery models and enabling technologies. Mr. Willman may be contacted at twillman@thehackettgroup.com.

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