



Fact or fiction?

The independent business partner

Transformation within the finance function is leading to more partnering and collaboration. Globally this is at different stages, but the value of integration is increasingly recognised. The independence and objectivity of the finance professional can bring value and credibility to projects, business cases and decision making, as well as safeguarding the wider interests of the business. With appropriate corporate structures and culture, finance business partnering models can contribute to long-term business success.

Discussion paper - October 2012

Conclusions

- 1. Transformation of the finance function is leading to more partnering and collaboration.** Finance needs to look at further integration and collaboration with the rest of the organisation – if it is to support and drive better decision making and value creation.

- 2. Professional integrity should be valued.** Independence and objectivity of finance professionals bring value and credibility to projects, business cases and decision making, as well as safeguarding the wider interests of the business.

- 3. Individuals working as business partners need to be independent and ethical in their approach.** It is not just about having the right skills; it is also having the right personality and aptitude. Effective business partners need high emotional intelligence to manage conflicts and to give them the confidence to speak out. As well as sound technical competence and high business acumen, they need to demonstrate ability in essential soft skills such as interpersonal communication, negotiation, conflict management and presentation skills, to guarantee credibility.

- 4. There is a risk in becoming less impartial over time.** Business partnering has a key role to play in providing consistent objectivity, asking the difficult questions and challenging propositions. The business environment needs to encourage this, with the CFO at the interface providing leadership and influence. Successful business partners need to create a balance of discipline and discretion; reporting lines make a difference to objectivity and independence.

- 5. Planning and support for finance business partnering safeguards against risk.** Organisations and senior management should consider conflicts of interest and talent management and development when planning transformation programmes, to ensure structure, reporting, support and training are at their heart. Appropriate systems of reward have a role to play in encouraging objectivity and integrity, not only in the finance team but more widely across the business.

- 6. Appropriately skilled professionals are in demand.** The skills base of a high-performing business partner embraces both the technical and the wider communication, strategic and influencing competencies. With a talent shortage, and premiums to be paid for the requisite talent, companies are looking to develop these skills in-house, and hire on aptitude. Not all finance professionals are motivated or have the personal attributes to perform partnering roles.

- 7. Training and resources, therefore, need to be well assigned.**

- 8. An ethical business culture is necessary.** Without a wider ethical business culture and leadership, there could be threats to independence, and therefore threats to the sustainability and standing of the business.

Recommendations

- 1. Set the tone, create the culture.** The role of senior management, from the chief executive and chief financial officer down, is pivotal in setting the tone in establishing and communicating the importance of independence and objectivity when implementing business partnering programmes. They can help embed and reinforce the importance of objectivity in both the support and service roles that finance plays. Such messaging provides the finance business partners with credibility within the organisation, and reinforces confidence in the professionals involved.
- 2. Develop relevant skills and competencies and keep on doing it.** Both individuals and organisations should identify the competencies that are particularly important to drive their business and which provide the optimum fit with their corporate culture. Technical finance skills are paramount – a given. However, communication, influencing, negotiation and leadership are a few of the new skill sets that are needed for successful partnering. Organisations should build up partnering pipelines, taking account of age profiles and cultural dynamics, to provide pathways to facilitate partnering and to acknowledge and recognise the value of cross-functional working. These should be identified at the recruitment stage and incorporated into career development planning to maximise benefit to the organisation.
- 3. Ensure optimum organisational design and support mechanisms.** As finance business partners need to bring challenge and objectivity to the management teams they support, they in turn need to be supported by the leadership. Organisations must ensure that suitable structures, mechanisms and tools are available for the finance professionals and are integrated into the business, including:
 - **Reporting lines** – keeping a reporting line to finance, while working within a business unit, enabling being both part of the wider team and the opportunity to escalate up the finance line when there is a need. It provides a mechanism to support the decentralised finance person.
 - **Reward and assessment** – to be assessed and rewarded on key objectives related to governance and control, people management, and success for the business as a whole, and not solely on the short-term financial results of a particular unit.
 - **Rotation and secondment** – being rotated around the organisation can enable partners to gain a wide experience and understanding of the organisation and different functions, while also being open to different management and cultural business styles.
 - **Training and development** – the learning and development strategies of the organisation must ensure that there is sufficient focus on the core skills and competencies of the business partner by developing leadership capability, along with the confidence and the authority to speak out. There is also a need to recognise that not all finance professionals have the motivation or attributes to move into such roles. Therefore development needs to be targeted accordingly.
 - **Coaching and mentoring** – it is also considered good practice to facilitate finance mentors or coaching for business partners working in the business units, particularly for those who are less experienced.

About CIMA

CIMA, the Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body of management accountants, with 195,000 members and students operating in 176 countries, working at the heart of business. CIMA members and students work in industry, commerce and not-for-profit organisations. CIMA works closely with employers, and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially-trained business leaders.

CIMA is committed to upholding the highest ethical and professional standards of members and students, and to maintaining public confidence in management accountancy. CIMA believes that sustainability is a key issue for all organisations across the world and is committed to supporting its members and students in addressing this challenge.

For more information, please see www.cimaglobal.com

This summary report is primarily based on roundtable discussions that took place during 2011 and 2012 in London, Singapore, Poland and South Africa.

CIMA would like to thank all of those who participated in the roundtables. They represented the following sectors:

consumer goods, engineering, entertainment, extractive, financial services, government, manufacturing, pharmaceutical, professional services, recruitment, retail, risk consultancy, technology, transport, and utilities.

Neither the organisations involved nor the individuals representing them are responsible for the contents of this paper.

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The independent business partner: fact or fiction?

Introduction and key themes

This paper is based on discussions between finance professionals from leading companies and consultants based in London, Singapore, Warsaw and Johannesburg, between January 2011 and April 2012. The aim was to provide a picture of the opportunities and challenges that finance transformation is creating, with particular regard to the independence and objectivity of the finance function and its professionals.

The global discussions sought to build on some of the trends and findings established by the CIMA Centre of Excellence at the University of Bath School of Management¹, which was established to research the state of, and changes to, the finance function and determine best practice in the development of finance professionals. The first phase of this identified issues that concern both the challenges and the opportunities with regard to the independence of finance professionals as they take on closer business partnering roles.

With CIMA's Code of Ethics sitting at the heart of professional practice, CIMA hoped to gain a better understanding of some of the tensions, as well as the strategies employed, to ensure effective business partnering without any dilution of integrity. With a global membership, and members often practising across borders, CIMA sought to identify what the nuances were of operating in different markets – with variable management culture, talent pools and overall regulations.

Finance function transformation and the related shift towards more partnering within the organisation using business-facing roles raises the question of how best to reaffirm the independence and objectivity of the finance professional. Working directly in the organisation, outside a formal finance department or function structure, supporting and partnering with the business units is seen as adding value. But the challenge is how can independence, the cornerstone of finance, be maintained when professionals are exposed to both more, and different, pressures from the business? There is some trend in this direction, but with a recognition that finance needs to devote much more resource to supporting the business.

The CIMA research on transformation shows that change is more evolutionary than revolutionary. Much of what has been traditionally carried out within the finance function still needs to be done. However, now there is a drive to do more so as to support the business better in achieving its overall objectives. Organisations are seeking accountants to act in advisory roles or as internal consultants, but how far are they jointly involved in decision making, taking responsibility and being held accountable? For those finance professionals very closely involved across the business there are potential risks to their independence – through familiarity, conflict of interest, or in some cases even intimidation. There is potential to be influenced by business managers to adopt a certain view or position to support a business case or activity, which may undermine professionalism and compromise independence and integrity.

Finance professionals from a range of industries with both experience and insight into business partnering were brought together in four regional markets to discuss these issues. Key themes included: challenges in partnering and pressures from the business; skills and competencies for business partnering; and structure and reporting lines. Although across all markets there were similar themes², in each there were also particular challenges related to the level of maturity of finance business partnering in organisations, the skill base available as well as specific geographic situations. Overall, though, it was clear that the role of the finance professional is changing globally.

The shift from cost efficiencies to value creation does demand a broadening of skills for finance people... Integrity, independence and objectivity are not negotiable for the finance professional, and are the cornerstone of all finance roles. However, business partnering roles put these values under stress, which is why these roles require maturity, strength of character and skill in dealing with business partners.

Dominic P Moorhead, President European Operations, Caris Life Sciences – CIMA's 'From ledgers to leadership' report

The industrialists, including Lord Leverhulme, the founder of Unilever, who with others brought CIMA into being more than 90 years ago, sought to equip an accountant with the ability to do more than just looking at the numbers, looking retrospectively moreover, but instead wanted the accountant to walk the factory floor, for finance to be embedded in the business.

1 See www.cimaglobal.com/transformation

2 See key findings and recommendations

There is nothing more important than to maintain the objectivity of finance. Time and time again you see companies fail when finance fails to stand up to management, or even abet management in creating frauds.

Colin Robertson, Group CFO, CLSA from CIMA's Talking Heads on finance transformation

The added value is colossal: everything from making sure you shape contracts properly to understanding the drivers of value.

Roy Waight, FCMA, Executive Vice President of Finance, Shell UK, CIMA Insight Magazine, June 2010

The breadth of the role has widened, and the need to be both highly informed as well as an influence in relation to decision making and stewardship is a driving force. Independence is fundamental to this.

Recent CGMA research – The fast track to leadership – highlights the importance of changing requirements in skills, experience and behaviours needed by finance partners in order to make real impact.

The ethical dimension

The CIMA Code of Ethics, based on the code of the International Federation of Accountants (IFAC), comprises five principles, one being:

Objectivity: not allowing bias, conflict of interest or the influence of other people to override your professional judgement.

The other four principles also underpin a finance professional's commitment to independence:

- integrity
- professional competence and due care
- confidentiality
- professional behaviour.

A distinguishing hallmark of the accountancy profession is the acceptance of its responsibility to take account of the public interest – and therefore overall integrity – and, as part of that, acting as an objective and independent business adviser is critical. Beyond compliance and regulation, the profession should always be seen to 'do the right thing'. Without retaining a reputation for honesty, straightforwardness, fair dealing and truthfulness, the profession will lose credibility, public confidence and trust. It is critical for finance to remain objective and independent if it is to add to value creation – ensuring that governance and statutory compliance are not compromised for operational or strategic gains.

United Kingdom

Context

Many of the organisations represented in London have centralised much of their accounting function, and often the key finance roles are located within the business, for example a financial analyst in a specific business unit, customer team or brand department. Those that have a maturity in relation to finance business partnering have paid close attention to areas of skills and competencies as well as the structures and reporting lines on which their models of business partnering are based, ensuring that the independence and integrity of the individuals involved are supported, encouraged and utilised to maximise benefit to the business. However, it was recognised that this was more usual within larger, more complex organisations that have adopted newer systems of matrix management.

To provide sound advice and analysis, technical skills are required, but whatever the background, finance roles now need a mix of both technical and softer business skills to function effectively and maximise their value. Some accountants do not wish to make the move into more collaborative and true business partnering roles, yet highly skilled finance professionals are increasingly needed where they can add more value. Optimally, their ability to provide objective analysis is now also geared towards decision making and defining and implementing strategy. One of the key roles of partnering business units is helping those teams to formulate and implement effective business plans and to manage risk, so as to underpin effective decision making.

A great business partner who comes from the accounting profession can articulate in words what is happening to the numbers, and this should be recognised and valued. Ideally, the finance professional brings expertise and a wider business viewpoint in so far as they can wear the 'shareholder' or 'stakeholder' hat, and this should inform their questioning and challenging. Their role is to carry with them expert authority – an authority attained through their training, through the work they do, and through their accreditation. This should enable them to speak out, irrespective of hierarchy and reporting line, giving them integrity in what they report or advise by virtue of demonstrating leadership.

There was understanding that full models of business partnering were more prevalent in larger organisations, where related structure, training and development and corporate culture lent itself to the model. Within smaller firms it was presumed such models would be less robust. While finance professionals, with often very broad responsibilities, should be taking the role of independent adviser, there may be a number of internal barriers.

Challenges in partnering and pressures from the business

Threats to the independence and objectivity of the finance function and finance professional could be seen by some as a barrier to full business partnering.

Such conflicts can arise when trying to help the business make the right decision, which might go against short-term profitability or targets. The finance business partner's role is also to inform the decision-making process. When there is a perceived misalignment between the business unit's objective and the overall business interest, there can be a need to guide the non-finance executive to help them understand why certain governance structures may be relevant, why a particular commercial decision could undermine another division, and ultimately to help them make the right decision for the business as a whole.

We create the linkages, so we can steer the business unit to present the information better, but more importantly, I guess we create the joins sometimes of cause and effect.

Roundtable participant

A finance business partner should be empowered to lead commercial decisions that are made in their accounts, in their customer situations, sometimes in conversations where there might be people much more senior than they.

Roundtable participant

... I need to come back to the CFO for example and say I'm concerned about this issue, I am feeling compromised.

Roundtable participant

If CFOs become too 'commercial' we all know what could happen, as we have seen in the case of Enron and others. Independence and integrity are concerns, if the finance function becomes too preoccupied with 'business partnering', that this could come at the expense of keeping an eye on the ball.

Feike Brouwers, CFO,
ING Direct UK from
CIMA's 'The evolution
to value creation' report

You still have to be the independent person to check and challenge, but you also have to be able to put a hat on to help shape, influence and structure where it is going.

Roundtable participant

How do you say 'no' the right way?

Roundtable participant

There is a point where the partner can escalate up the reporting line to the finance function. In the UK there are many instances where the business finance partner is more junior than the business staff they are supporting and they may feel able to challenge up to a point, but it can then become personally difficult to go beyond that. That is where the conflict of interest can arise. It is at this point when escalation up the finance reporting line could be a consideration, recognising that these situations can create personal and professional tension between the finance partner's interest – as steward – and the business unit's immediate goals.

The professional standards that accountants have to adhere to are essential and form a key area that the organisation expects finance to manage. The professional integrity that needs to be drawn from such structures is essential, so having a code of ethics, for example, is important and the culture it enables should pervade the organisation, according to the CIMA debaters.

To avoid being perceived as blockers, a key tactic for business partners is to explain the business implications or the financial implications at an early stage. The roundtable participants agreed that pursuing agreed outcomes, being able to accommodate different views and creating new options become the critical skill. By using open questioning, integrity need not be compromised, and such behaviour goes some way to demonstrate leadership and empathy, which should result in better shared decisions. Often people around the table may not want the 'difficult' question to be asked. However, it is the finance person who is expected to do the asking. With many businesses pursuing weekly, monthly and quarterly targets, the role of the finance professional is to present the rationale for a decision and to manage people's emotions, which need to be taken out of the equation. Attitude is all-important here, to help the team look at the sustainability of the business as a whole – ensuring the business can survive and be successful over the long term.

Skills and competencies for business partnering

Compared with more traditional accounting roles, finance business partnering demands broader skills and experience.

Across Europe the need to be finance 'leaders' is growing, as is the demand for such skills, at every stage of a professional's career. Company strategies for developing finance staff need focus, and managers must recognise that different opportunities and career paths will have to be made to create a pipeline for the future. There is a need to gain experience in a range of operations to achieve a better understanding of broader business issues, drivers and opportunities. At the same time, such understanding and related drivers for the bottom line and targets should not compromise objectivity and the 'professional' nature of the accountant, with their obligation to behave ethically.

An applicant's technical finance skills are a given (those with the appropriate respected professional qualification are expected to excel at finance), so in recruitment and promotion terms, the add-ons are key. Personal aptitude, attributes and mindset become important in facilitating partnering. From recruitment onwards, having the right fit within the team is core to how a business operates successfully. In some larger organisations in the UK, finance roles are also becoming important people-management roles. So the skills of influence, communication and motivation are needed, and the ideal business partner needs to be able to influence both the general management and the niche technical experts, speaking their language. Developing intuition, interpretation and evaluation skills and conquering the 'outside the comfort zone' attitude mark out the true partner.

The London group felt that not all can cross the divide, and there is a clear gap in the market as well as a shortage of talented people who have this ready interplay of commercial and technical skills. The leading organisations can select 'the best' to a

certain extent, but then those who have talent also need to make an effort to remain fit for purpose. Education and training providers, supported by government policies, need to address this.

CIMA's debate illustrated that recruitment is being increasingly influenced by these attributes, rather than solely the technical accounting ones. Rotation of finance professionals through secondments, virtual collaboration in projects, and so on, enables finance professionals to obtain experience of different parts of the business.

Technical skills are still paramount and at the heart of these changing roles. While business partnering and collaborative roles are increasing within the finance function, technical accountants and specialist roles still have a place. Finance still provides a full service mix, and demand for technical roles and skills remain. However, CIMA research has shown that broader business skills are critical for all finance professionals. This suggests the need for finance professionals and their employers to complement technical development with these skills.

Structure and reporting lines

The roundtable debate found that, overall, corporate culture, organisational structure, reporting lines, and issues such as reward had a direct impact on the effectiveness and quality of partnering. Getting the right people in at the start – making sure there is the right fit for the right business, and ensuring the team is compatible, makes the difference. Then the support and professional development of the individual needs to be put in place. But wider organisational design needs to be addressed to sustain this. The way a function is structured, and in particular the manner in which reporting lines are designed, are serious considerations.

The participants highlighted that, often, finance business partners in the business report through the finance line back up to the CFO. As the finance people need to bring challenge and objectivity to the management teams they support, to do so effectively they in turn benefit from support by the leadership. Reporting into the finance line is also valued as it provides the backstop needed to maintain professional integrity. Ideally they should be viewed as a separate specialist function sitting as a trusted and valued adviser, but they, and the team, should know there is the outlet to escalate up the line if necessary. This is seen as useful in asserting that independence, while keeping a dotted reporting line to the business head or general manager. However, this should not detract from building a close relationship and being recognised as a trusted part of the team. Having this anchor back into finance can give 'permission' to challenge. Such dual reporting lines can also be seen as help to someone who is in a situation where there is conflict.

Another strategy that is commonly used by participants was through appraisal and reward. For example, in one firm, a finance professional's overall performance is assessed by their finance colleagues who, together with management, also determine any bonuses. The process is guided by a management control framework with rigorous assurance practices. Helping people to understand how controls have a positive impact on the business has great benefits. Being rewarded on business growth of course is there, for all, but finance staff are additionally rewarded on stewardship.

Core financial skills are almost like a hygiene factor now. It's a given, you have to be able to collaborate, you have to be able to influence.

Roundtable participant

As a recruiter for 25 years in finance, I've seen an awful lot of people come out into the market who are put into the wrong role, who have been promoted into the wrong role, who want to go in a certain direction but clearly have not got the skill set and are not fit for purpose to go in that direction.

Nigel Lynn, Managing Director,
Barclay Meade

The professional integrity that they need to draw on – the structure is very important; so having a code of ethics is very important as part of your profession. But these have to pervade the organisation.

Roundtable participant

Singapore – April 2011

Context

Post financial crisis, I'm not sure if people, even the younger generation, are deeply excited to go to the US... Everyone kind of very strongly believes that Asia is the happening place.

Roundtable participant

Within the broader Asian context there are predominantly state owned or controlled companies as well as family owned firms, some of substantial size. Such firms often have different dynamics, governance and management structures to those of global firms with a presence in multiple markets. The CIMA roundtable drew, conversely, mainly on the experiences of Western-influenced MNCs operating in the region, many of whom had years of experience of finance partnering with the business across their groups. For those with oversight in the region, it was recognised that there was a general move towards wider business partnering in a range of businesses.

Recent research by CIMA³ assessed the latest trends facing the profession, comparing East and West. Initial findings seem to show that there is an overall movement towards finance roles that add value beyond the traditional financial recording and reporting, albeit there still remains a gap in the extent of movement between East and West.

Further complexity arises, particularly in Asia, because of the geography. When implementing new service delivery models, which may include offshore and outsourcing providers, roles may be dislocated. Across a region there are different skill sets in different markets. Our participants believed that this change of role for finance can take place effectively only if the culture and corporate environment are prepared and open to it.

Challenges in partnering and pressures from the business

...does a partner remain silent when your organisation is going down the tubes? Or when someone is doing the wrong thing? Therefore while you have the opportunity of adding value, you also have the opportunity to pull the brakes when things are going wrong.

Roundtable participant

For some firms recently adopting business partnering models there may be resistance. In one case, an international professional services business, it was found that the finance team themselves were open to engaging but 'the business may see finance as a threat and interfering'. Conflicts can arise when trying to help the business make the right decision, which, for the business team, might go against short-term profitability or targets. Therefore, finance business partners need both the experience and the authority not only to state the case, but also to influence the team they are working with to consider all variables.

Companies we spoke to did acknowledge that in some Asian cultures and markets, challenging superiors is harder for staff to manage well. This can be further compounded by the fact that they believed that in some markets the finance function traditionally attracts staff with potentially weaker communication skills, entering roles which are traditionally regarded as back office ones.

Ultimately, a strong ethical culture needs to be in place at both organisation and individual level. For one global manufacturing firm the 'finance controller' side of the organisation is very strong, and as a function is empowered to raise issues and even to stop an action if it needs to. This is enabled by a culture of open reporting and a willingness of people, across the business, to speak up.

Recent research by the CIPD into human resource transformation in the region⁴ also cites the challenges in employees speaking out, which could undermine independence. As an Asia-Pacific HR director is quoted: 'Culturally it is a tell culture.... people are used to being told what to do and doing it and not necessarily challenging.' With global operations there are always cultural sensitivities to be attuned to, but as one participant commented: 'I have had to let go managers who could not make the transition to 'speak up in front of their boss' and hire replacements who could do it.'

³ Accounting in a borderless world, CIMA 2010

⁴ Next Generation HR Asia, Connor & McCartney, CIPD 2010

However, the CIPD report also showed that there is a shift with a younger generation. Generation Y are progressing through businesses with different expectations: 'In particular they want to be trusted and to make decisions and are more open and willing to challenge. They want a culture of honesty and openness.' In many ways it is a 'culture' change not too different from both management practices and behaviours in the West, which intensified from the 1980s onwards, that emphasises both flatter management and more open and consultative structures.

The idea of 'fairness' reflects a deeply held Asian cultural trait of community: the collective good. This is an important aspect to bear in mind when developing and growing teams, and designing their alignment and reporting lines. Asserting the importance of community for the good of the company as a whole, and emphasising this above the good of individuals you work with, or for, day to day, can also help to reinforce the importance of objectivity and integrity.

Experience of work outside Asia, or in a number of different global firms and functions, can help to hone these skills and behaviours. As one participant told us: 'I worked in product, I worked in sales, I worked in business strategy and I understood what is the pain value, when, as a finance person, we just come back and say, you can do this and cannot do that, without understanding their perspective, without trying to find a mid-way.' Finding a mid-way cannot be by compromising on ethics or responsibilities. It is by trying to find a mutual solution.

According to a leading headhunter, current high-level recruitment in the region calls for CFOs to be 'Stewards, operators, catalysts, strategists'. What the recruitment market is seeing is a concept of independent partnership, where the CFO needs to work hand in hand with the CEO, while maintaining his or her position of integrity and independence. For business partnering to embed and be valued – the wider corporate culture has to value it, and that comes from leadership. Having open reporting, people speaking up, talking to others – understanding what is going on across the business – is what adds long-term value.

Skills and competencies for business partnering

While both commercial and interpersonal skills and competencies are becoming more crucial across all finance roles, they are critical in the business-facing ones. During our debate it became clear that in Asia they can be in short supply, and scarcity of talent is an issue. This is not least because of the explosive market expansion in the past 20 years, which deepens the need for finance professionals who not only have the technical skills but can provide interpretation, analysis and support. It is also a reflection of age profiles and different cultural dynamics.

'There is a short-term issue, however, as naturally this younger finance generation lack experience to hold senior positions, but with time I believe we will be able to find technical finance staff with both strong business acumen and personal skills.' Julien Heang, Finance Director, Danone Dairy China, Finance transformation – Insight

Across the region it has been seen as a challenge moving traditional accountants into more business partnering roles. For certain participants there was success in developing executives who come from the planning and strategy side, who have the detailed understanding of finance, either learned on the job or through top up training. The dilemma, though, is getting the skills mix against the background of a high demand for talent and a recognised limited supply from traditional finance personnel. To address these issues there is a need to combine what educators and the professional bodies can provide, what government agencies (such as Singapore's Ministry of Manpower) can do to support, as well as what companies can contribute in-house to professional development and creation of career paths.

...it is being a brake, but being the brake that in the long run allows them to go further, run faster. The right business partner helps navigate and guide the business on the right path.

Roundtable participant

What I hear from CEOs is – I want my CFO to be a sounding board, the one with the thought leadership as well as the professional courage to challenge me and speak up.

Roundtable participant

The biggest challenge everyone has is: how do I find these people and how can I make sure they've got all the right skills?

Roundtable participant

By reporting to the global CFO I can speak my mind without being beholden to the business. If there's an issue, in-country finance can speak to a level up in that country and work it through, come up with a solution for the business.

Roundtable participant

The business guy that becomes unethical will go home with a big bonus and eventually will get fired. The finance guy doesn't have a big bonus upside, so the appetite to become compromised is less.

Roundtable participant

Expectations are high, but it is an exciting time to be entering accountancy. The demands are across the region and the reward both professionally and financially can be high.

Roundtable participant

Another particular challenge in the Asia region is recruiting and retaining talent across markets, particularly with issues in relation to mobility. Certain markets hold appeal, while others neither have appropriate local talent nor are attractive to good candidates. It was further noted that a percentage of talent leave certain countries to work in higher-paid markets with better career prospects.

Structure and reporting lines

The roundtable found that reporting lines for the major multinationals had similarities worldwide. Although sitting in the business, and encouraged to be a trusted member of the team, finance business partners also report through the finance line back up to the CFO. This ultimately gives the backstop add to maintain professional integrity. Having this anchor back into finance can give 'permission' to challenge. Such dual reporting lines can also be seen as a help to someone who is in a situation where there is conflict. These reporting lines make a difference in relation to objectivity and independence. An in-country issue can be discussed at global level independently to determine a way forward for the business generally rather than just at country level.

Our participants recognised that by being more involved and having more impact on business decisions, finance professionals are under more pressure. In addition to reporting lines back up through finance, the overall culture of the organisation and how ethics in general is understood across the business are critical. Issues raised by finance business partners will resonate more easily within the business, and solutions more effectively sought.

Although training in ethics, to emphasise the importance of integrity and independence, is important, it's not enough. Individuals have to have the right perspective, and the organisation needs to encourage this by appropriate reward and promotion incentives, together with appropriate management structure and support. It is common for firms to differentiate between how a business executive is rewarded versus the finance executive. Participants recognised that for the business executive, the size of bonus will be closely linked to the results of their business unit, thus putting pressure on their performance and the potential risks of 'what lengths they may go to', and may be very driven by the short-term numbers. The finance executive, on the other hand, is more likely to be rewarded on the basis of overall company-wide results, lessening incentives to act in self-interest.

Financial business partnering, and the value placed on independence in guiding the organisation in the right direction, can be seen to be growing across the Asia region. With rapid change to organisational structures and systems as a result of business process improvements, M&A activity and new market development, the need for the business partner role is ever critical. The organisational culture and the related operating environment have to be structured appropriately in order to support partnering models. Not only does this mean having a well understood commitment to business integrity, and recognition of the corporate benefits of independence and objectivity, but also includes the commitment to developing and coaching finance professionals into new roles.

Poland & Central Europe – September 2011

Context

For the finance professionals represented, it was recognised that the management accounting profession and finance's role in business decisions are very new in the region. The role and value that a professional can add are still being understood. A strong partner can be the watchdog, the adviser, as well as a key contributor to business decisions being made. Management accountants, with both their technical skills and business knowledge are also bound to uphold a code of ethics. These facets, together with the independence and integrity that a code supports, have the potential for meaningful impact. Being able to sense where the organisation is in relation to 'accepting' business partnering is also key, particularly in the Central European region where the function may be moving quickly, but the local organisation may not be ready for partnering and the right skills base is not at hand.

As seen in the other markets, the skill set to enact this is an issue. The participants argued that true business partnering should not be about what a business wants, but what a business needs. It was understood that across the region the success of business partnering roles depends on the stage of the development of the company, its operating culture and, depending on the country, maybe even the wider environment. This could include a country's particular history as well as current legislation. As the role has developed, and the business has new needs, a strong finance business partner can lend themselves to strategy, wider decisions and turnaround, and increasing the value. But this entails building relationships and trust across the firm, together with senior management support to understand the benefits the finance partner can bring beyond 'the counting'.

Even in the larger MNCs operating in the region this is a relatively new framework, evident only in the past five years. On the plus side, this provides opportunities to create and define the profession and articulate its value. But it is in its early stages.

Challenges in partnering and pressures from the business

With the changing role of finance, building trust with colleagues across the business was seen as a priority by all participants. Getting engagement and understanding from those you are working with as to the value you can bring, and the benefits the team can gain, is the best way to introduce business partnering models into the business. This can take time and requires patience, but most of all it will take an openness within the business to adapt. It requires understanding of how much the team are willing for finance to be an adviser, to make a strategic decision and to implement together with them. The main challenge is a lack of understanding as to what the finance partner can bring to the business and a recognition of what is missing. There may also be a fear that finance are coming to limit success by implementing rules. To prove the value-add, coaching business colleagues through understanding how metrics and financial analysis can help to take their function forward is the answer. Otherwise, finance will be kept in the back office and business operations may be less transparent.

As one participant recalled from his first conversation with his manager in the business, the response to the question 'what do you need from me?' was 'nothing'. Yet three years on there are regular management information meetings, with full information packs, that are used to make decisions. He is now viewed as part of the wider team. The learning is that it takes time and insight to change a way of operating from silos to working together.

Finance transformation plays a role as well because I think that the role of FD today is completely different than 20 years ago.

Roundtable participant

One of the competencies you need as a business partner is actually sensing how much the organisation is ready for our support, where the barriers are.

Roundtable participant

... it's actually sensing with whom I am working, what is the stage of development of the organisation? Is this team ready for me to join them?

Roundtable participant

I think if there is trust, then there is a full transparency, and that's what I experienced.

Roundtable participant

I'm in the end of my corporate career – I feel it's easy to be courageous.

Roundtable participant

If we are talking about true business partnering, is not about what business wants but what business needs. With the transformation in the finance function – finance is in the driving seat right now, so that is why it's even more important.

Roundtable participant

The concept of the 'testing' period was recognised by the Warsaw panel. Building a relationship with the wider team, and showing you can work with them and not against them, is critical. Once trust and understanding are gained, based on an organisation's appetite for partnering and a culture of principles, it becomes a lot easier. Soft skills, communication, and even humility, were key tools to building relationships in order to build authority slowly.

For another multinational, that culture is strong within the business. In this global firm there is a climate of acceptance of rules and a general code of ethics in the company.

It makes it much easier to work as partner to the business by having similar aims. This culture may not be as advanced in other firms.

A particular challenge in the region is financial pressure from the downturn. For over a decade there had been growth year on year. So for many it was the first time in their careers that they experienced business not going well. There may be resistance to the finance intervention, to compliance obligations, with a perception it will slow things down. Retaining objectivity and relying on facts can assist them in discussions with colleagues and helps to engender understanding about 'what's good, what's not so good and what other approaches could be used'. This can be challenging if the wider operating culture is closed and hierarchical. As a generalisation, people may be unlikely to challenge and be open, reflecting issues in some Asian markets.

This can be viewed as a result of the region's history where people would never be asked what they thought, given the chance to take their own risks, and make their own decisions. Typically, a senior manager could feel very threatened or personally challenged by such behaviour, unless the broader culture accepts and nurtures it. Change is possible over time. To be able to stand up to authority and question can be quite challenging for those without the level of experience, strength of character and often maturity which may be needed to manage such situations.

Skills and competencies for business partnering

Besides education and technical training, it was argued that finance partners should have a passion for business. This would allow them to influence their business unit. Participants spoke about the strengths in their teams in relation to finance skills and a clear understanding of compliance requirements. The gap is in terms of both broader business understanding as well as the critical soft skills. This could undermine both effectiveness and independent partnering. Within one of the multinationals there was a recognition of very talented technical people across the finance function. Yet for these individuals their lack of soft skills could hold them back in furthering their career and adding value to the wider organisation.

Financial leadership is what is needed. While there may be technically adept individuals within the finance team, there may be a question about putting them forward to work directly within the business or to have them report back in person to the headquarters. They may not have the personal confidence to take on the role adequately, have the influence needed nor the ability to challenge and remain independent. These skills – influencing, communicating, listening and engendering trust from the wider team – are critical. If you are not building trust, you are not a credible partner.

Insightful companies are investing in building up the capability of finance operations and using tools such as management coaching. As with experiences cited in the Singapore roundtable, great value was seen in working elsewhere. Participants in the panel included those whose careers had taken them to different geographies, and the value was emphasised by 'seeing things from different perspectives' through both on-the-job training and mentoring from peers. It was noted that younger workers, with limited experience, often lack the broader qualities required to be an effective partner.

So there is attention placed on building these skills, through management coaching and through professional development programmes. Participants reiterated that to be successful, trust is extremely important.

The talent pool for such individuals is highly competitive. The participants commented that within the region, and in some markets it is more severe than in others, there were more finance administrators than finance professionals. It is this that will hold transformation back and make true partnering a real challenge for many firms. Even among senior management in some firms there is still a lack of understanding of the needs of the right skill sets across the business and the related value that would accrue.

Yet, there are young professionals who definitely want more than a back office finance job and whose financial qualifications, such as CIMA, lend themselves to strategic work. It is identifying this talent and growing it. It takes time to build that, and across the region there is a strong need for these competencies.

Structure and reporting lines

Among the firms represented, much of the finance function, including management reporting, sits under the finance controller and director. It was recognised that these positions are now highly complex – with tax, treasury, financial accounting and management accounting feeding up to them. One global company had two senior directors within the finance function – one looking purely at the finance side, the other at the business and financial strategy. It was to the latter that the finance business partners reported up to. Although business partnering positions are still relatively new and numbers not high, it is acknowledged that the jobs are separate from the day-to-day accounting and traditional finance jobs. The importance of communication between the two lines was recognised.

More typically, the finance director (FD) would take oversight for all activities, the accounting, planning, reporting, finance, treasury, audit, and even in some cases key business functions, such as marketing. This is now a wide and highly responsible role: overseeing not only day-to-day operations, but understanding the value of the brand, as well as strategic planning. It therefore becomes apparent that you need strong business partners embedded in the business who also report up to the FD. It becomes a real value-add in both ways – to the finance function and its fiduciary requirements, but also to strategic business development. Ultimately for these FDs their main focus has to be on managing risk. A strong partner within the business is part of this structure, guiding the organisation in the right way and averting, and when need be, alerting to, issues of risk.

The wider finance team needs to be a mix, a good combination of traditional finance, as well as specialists – in tax, treasury, law and audit. Experts you can call on for advice. For the finance business partners they are the ones with the high potential, who can understand the business and move around it. The skill mix they require is strong technical basics and then the added strategic and business know-how.

Meanwhile, the finance partners still need to be part of the business unit team and be in that position to influence and work with the functionary director at that level. That is why the trust issue is so important. If you don't have the basics, you can't spot the issue, the potential problems, the priorities for action; you may miss the risk. Reporting back up the finance line is the key to ensuring the support for independent guidance and integrity.

They don't want to crunch the numbers. They want to do strategic jobs. They want to become finance directors after three years.

Roundtable participant

For the FD, building the right team is more important than ever.

Roundtable participant

South Africa – April 2012

Context

For many finance professionals, their training has been on understanding the bottom line as it was yesterday and not how it will be in the future.

Roundtable participant

I don't think that there is an awareness out there that if I break the law, there could be recourse from CIMA on my professional qualification. Unless the company I'm dealing with would like to push the issue to a greater extent, it stops at internal processes and hearings and never gets to be exposed. The public should also be made aware.

Roundtable participant

Like Poland, South Africa has been through huge political as well as economic change in the past two decades. The corporate sector has flourished, and as one of the continent's most advanced economies it is no surprise that finance transformation is accelerating. But, also like many of the emerging economies, it is still relatively new.

There is a need for professionals who both understand the historical numbers, but can add value for the future to make decisions for the longer term based on analysis of a range of information. The leading firms are making partnering work, and are integrating models into their operations from the shop floor upwards. Those individuals who are able to interpret and act upon information will start coming through the ranks as finance managers, directors and future corporate leaders. Companies that do not make the adjustment may be left behind.

The leadership and the board cannot access information on a day-to-day basis, but rely on expert teams to provide the data that is needed. It was recognised that to have true long-term value, as part of finance transformation, organisations are advised to improve the objectivity and integrity of the function and to put in place a proper structure to support these objectives. With rapid external change come challenges that can affect the operating culture of organisations. As well as resistance to change, from adapting current skills and knowledge to new ways of doing things, conflict of interest was a contentious issue in the South African discussions. It is worth assessing the risks in personal interest of finance executives with reward closely tied to short-term performance. For others, with less influence in the organisation, conflict may arise from issues of job security and wide social responsibility outside of work, in common with many emerging markets. These issues can pose risks for longer-term success of companies, and emphasise the importance of both independence and objectivity for those with oversight of the numbers, together with appropriate structures and governance to encourage it.

The revised Code of and Report on Governance Principles for South Africa (King III)⁵ has broadened the scope of corporate governance in South Africa with its core philosophy revolving around leadership, sustainability and corporate citizenship. The principles of integrity and independence clearly underpin this and, as such, finance professionals have a critical role in embedding King III.

'Leaders need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviour with regard to sustainability performance': key principle of King III.

Challenges in partnering and pressures from the business

There should be a clear culture that keeping the integrity of the numbers uppermost for the long term is important, whatever the circumstances. Together with personal reward for short-term results, close relationships between those on the board and those on the leadership team can also undermine objectivity. Therefore, the tone from the top, in championing integrity, needs to be both clear and strongly understood across the business. This not only encourages a more level playing field and healthier business environment, but helps to address risk in relation to longer-term losses and, increasingly, reputational damage.

5 The King Report on Corporate Governance is a ground-breaking code of corporate governance in South Africa. Compliance is a requirement for companies listed on the Johannesburg Stock Exchange. It has been cited as the most effective summary of the best international practices in corporate governance.

Companies that dress the numbers for the short term and pressure finance professionals, may do so at a cost. Reporting big variances against budget is not ideal for an organisation, but by not reporting accurately, the knock-on effect of having lower sales, generating less revenue and increasing inefficiencies may have longer-term costs. One example given was in holding back a negative forecast in relation to labour issues at a key plant by a general manager. By the potential costs not being recognised by the board, the issue was not addressed adequately. Ultimately, the fallout resulted in much higher longer-term costs than mitigating in the first place. Had the finance advisers had a stronger role and support structure, with a route to senior management, this might have been averted. These fundamentals, and the 'bad news' reporting with integrity may sometimes bring, also serve to highlight strengths and weaknesses within the business model. Risk assessment and due diligence are key roles of effective finance business partners. Once understood and recognised by the business, these attributes should be highly valued.

Independence and influence are needed in order to reflect the true story behind the numbers. For some it may be recognised as a burden, to move into more formal business partnering from the traditional number crunching, but it does add value, particularly when it is an integrated part of the business.

As well as conflict of interest issues which exist at senior level in relation to short-term performance, for those deeper in the business there is the dilemma of keeping their job for survival. Job security is an issue globally. However, as with many developing economies, the consequences of losing a job in the South African context can have far wider ramifications. It is not uncommon for individuals to have financial responsibility for extended family and others in their community. It becomes a very personal pressure having to please a boss who may be requiring an outcome that compromises integrity and the validity of their function. These are tough realities that require a certain character set: influence, confidence and integrity. The counter-side of this is that you also have to show these behaviours to survive and not jeopardise your overall career. When there may be pressure to breach regulation or the law, finance business partners should seek to articulate clearly what the consequences would be, and make clear they will disassociate. In general this will push the perpetrators back, but to be successful they often will need support up the line. That is why the wider culture of the organisation is so critical, and the consequences for breaching governance and ethical codes need to be apparent.

Skills and competencies for business partnering

As with businesses globally, identifying and securing the right talent for finance business partnering roles is a challenge. Yet, in common with the other markets, it was recognised that those with the right potential can be mentored and trained up to have the right competencies. Fundamental technical knowledge has to be there, but with a blended approach of being forward looking combined with the entrepreneurial skills and commercial acumen to understand the business needs.

For leaders in the finance function, they recognise that they need a broad skill mix to maximise the team: from the accounts clerk, through to those with sound technical knowledge, strong enough to report the losses as much as the profits; and the business partners who can make sense of the numbers for the board, and who can use the numbers to tell the story and influence decisions. None are inferior to each other; all bring a different set of skills and competencies. Integrity is important to all these roles and should be tested at the point of hiring, questioning around scenarios and actions to be taken, as well as at points of promotion and advancement.

Finance does add a value, but by being an integrated part of the business.

Roundtable participant

Accountants face the dilemma of keeping their job for survival, and therefore have pressure to please their bosses and to compromise their integrity and the validity of their function.

Roundtable participant

Without a forward-looking approach, and interpreting information to hand, most finance professionals will find themselves as support finance for the rest of their lives.

Roundtable participant

Some people bring maturity and others have a great potential to be groomed. Interpersonal skills, experience and maturity normally come with being exposed, and not out of college.

Roundtable participant

The reporting line should totally be independent to ensure that nothing is compromising on the objectivity and integrity of the function itself.

Roundtable participant

A specific requirement of a successful business partner is to positively challenge. Ideally working within the business, when the commercial partners state what they want to do, the finance business partner needs to evaluate it, give it financial sense and support if it is viable. If not, they need to challenge, but positively and explore alternatives. Taking an objective stance requires strength and influence. Translating what can become an operational deliverable, taking into account appropriate risk, will add value to the business and should reinforce the importance of integrity.

For the participants, talent is often sourced internally first, on the basis that those who have been with the company for a period have an understanding of the business. Yet the non-negotiable is the need for both business knowledge and technical skills, and how the two are linked. There are times when the pool internally may not be enough. Demand for these skills is high, and for many accountants it is a challenge to step up.

Those that evidence these attributes have a strong career path ahead with the rapid changes in the corporate landscape. As newly trained professionals, backed with recognised qualifications, come into business with new, more commercial, mindsets and more ambition to drive the business, they may have an effect in the coming decade.

Professional qualification providers have a fundamental role in preparing their members to uphold professional objectivity and integrity principles, not only through the qualification, but upholding them throughout a career.

Structure and reporting lines

If the organisation decides to transform to business partnering, they can do so only with structures that actually allow for a true transformation to take place. This would enable the finance function in the business to both support and challenge. In order to do this successfully, the reporting lines need to be as independent as possible. Importantly, as with all the other markets, it was recognised that the finance partner needs to have a direct reporting line into a non-business manager.

For one large multinational, the finance partner is positioned as a co-pilot with the general manager. There is also a distinct separateness in terms of reporting. The leadership has articulated clearly to the business what the role of finance is: to support and, as necessary, challenge the commercial decisions. Through this structure, top management appreciate the function of business partnering. On the one hand, therefore, partners are integrated into the business, but still retain their independence by separate reporting lines. This helps to ensure that nothing is compromised on the objectivity and integrity of the function.

In some situations this can throw up other dilemmas, depending upon the impartiality of senior executives within the finance function or overall management. So, in some firms the partnership function might report to an independent audit committee. This is reflected in the South African company act that determines that all companies that have mandatory audits must consist of at least three independent non-executive directors. King III goes further and proposes that all companies should have an audit committee.⁶

⁶ See Deloitte Briefing: Southern Africa Accounting & Auditing – Audit and Regulatory. Companies Act. To audit or not to audit. June 2010

There is recognised value in the finance partner being independent. This can also be realised if they have the support and backing from independent individuals, or function, up the line. Issues of integrity in relation to overall corporate culture become central again to effective structures.

As is the case globally, for smaller companies this is an even more challenging issue. Should there be push back from management, there is often nowhere for the partner to go to. However, in the multinationals or large, listed companies, there most often is a formal governance need for structures such as an accessible audit committee, in addition to well managed speak-up lines. This helps to reinforce the importance of appropriate organisation design and culture. The influence of King III over time should also reinforce this. The latest code has many recommendations on processes and structures that business needs to have in place to safeguard the objectivity of its people.

However, the focus should be on support and challenge to the business, and to effectively do so there is a certain enabling structure that every organisation needs to put in place.

Roundtable participant

...there is also a clear challenge for the finance function, as it has to switch the mindset from the 'co-pilot' to the 'driver seat', which requires different skills as well as a different set of tools... but objectivity is critical, and thus to ensure it is maintained organisations need to look at forming strong internal control with a direct or indirect reporting to the CFO.

Julien Heang, Finance Director,
Danone Dairy China, Finance
transformation Insight

Conclusion

Ultimately, for finance business partners globally to be able to challenge with confidence, act with independence and contribute to business decisions with integrity, they will depend upon the operating culture at large. The discussions showed that attention to finance businesses partnering in different regions of the world is definitely increasing. This is predominantly among the larger multinational corporations, with true business partnering less likely in SMEs, or even in the larger public sector organisations. Each market brings with it a particular operating environment, coloured by recent history, economic growth, skill scarcity and localised general business practices. These can create barriers in some situations. It was clear in all regions that if the tone from the top – from the executive team and board level – demands independence, the systems, training and culture will be put in place and sustained.

Finance business partners can be very influential in creating this culture. The company structure, together with the right skills and knowledge, becomes the basis of successful partnering, and together with the application of independence and objectivity, partnering lends itself strongly to long-term business success.

Other references

More information on the CIMA outputs on finance transformation, including the reports below, from CIMA's website: www.cimaglobal.com/transformation

- Finance and organisational performance: shaping the future
- Finance transformation: the evolution to value creation
- From ledgers to leadership: a journey through the finance function
- Improving decision making: the opportunity to reinvent business partners

Accounting trends from a borderless world: www.cimaglobal.com/accountingtrends

CIMA's Code of Ethics and ethics resources: www.cimaglobal.com/ethics

Further reports on ethics and sustainability issues are available online:
www.cimaglobal.com/sustainability

See CGMA resources related to business partnering, skills and ethics:
www.cgma.org/resources

- New skills, existing talent
- The fast track to leadership: the challenges, opportunities and action plan
- Managing responsible business – a global survey on business ethics
- The inside track: partnering for value

Next generation HR Asia – CIPD: www.cipd.co.uk/research/_next-gen-hr/

For more information on King III: www.pwc.co.za/en/king3/index.jhtml

Deloitte, Southern Africa Accounting & Auditing – Audit and Regulatory. Companies Act. To audit or not to audit. June 2010: www.deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Classification%20of%20companies%20audit%20and%20audit%20committee%20requirement.pdf

To participate in future CIMA ethics roundtables or research, contact ethics@cimaglobal.com

CIMA's Code of Ethics is made up of five fundamental principles:

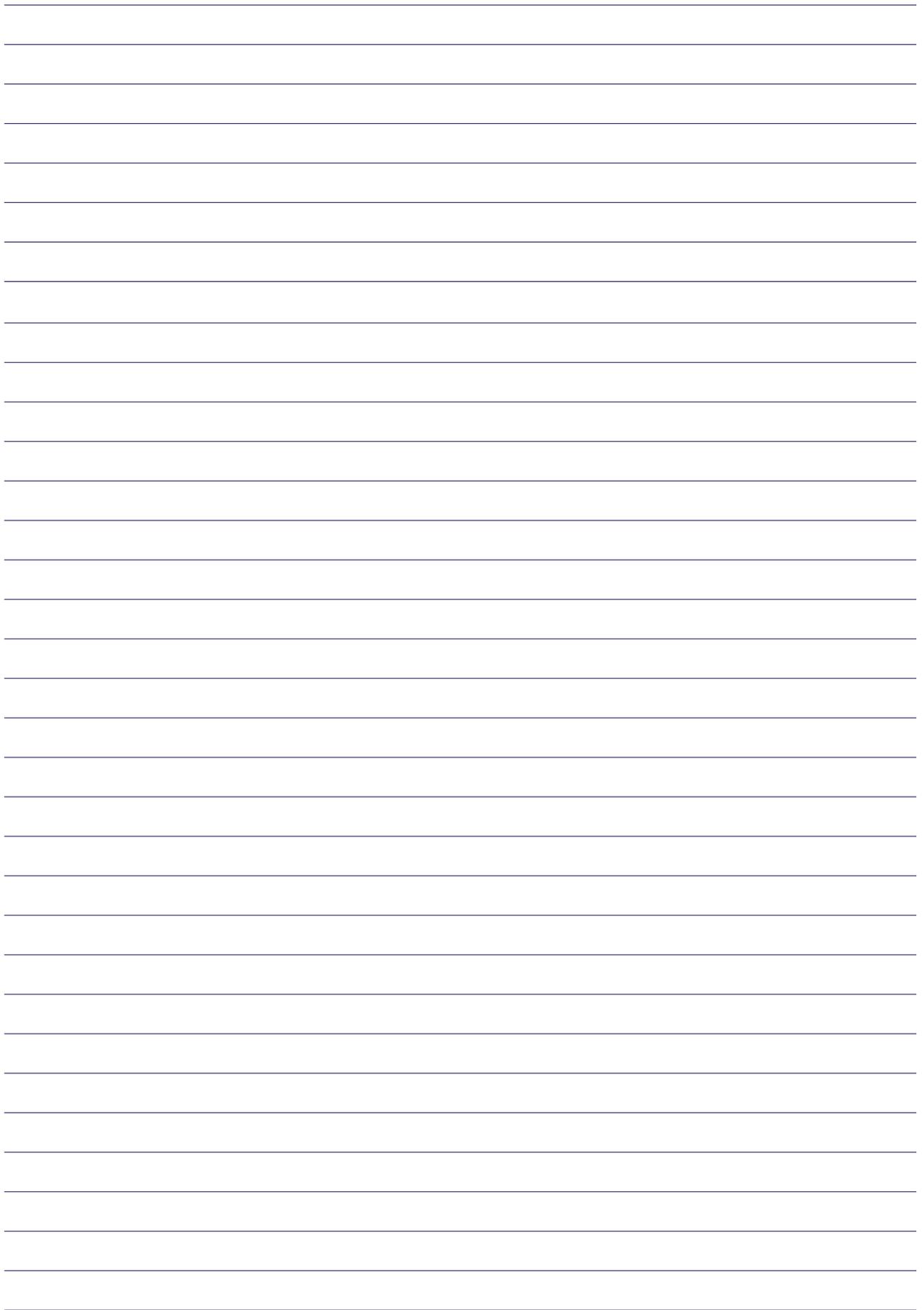
- **Integrity:** being straightforward, honest and truthful in all professional and business relationships. You should not be associated with any information that you believe contains a materially false or misleading statement, or which is misleading by omission.
- **Objectivity:** not allowing bias, conflict of interest or the influence of other people to override your professional judgement.
- **Professional competence and due care:** an ongoing commitment to your level of professional knowledge and skill. Base this on current developments in practice, legislation and techniques. Those working under your authority must also have the appropriate training and supervision.
- **Confidentiality:** You should not disclose professional information unless you have specific permission or a legal or professional duty to do so.
- **Professional behaviour:** comply with relevant laws and regulations. You must also avoid any action that could negatively affect the reputation of the profession.

The Code identifies five categories of common threat to the five principles:

- **Self-interest threats:** commonly called a 'conflict of interest'.
- **Self-review threats:** when you are required to re-evaluate your own previous judgement.
- **Familiarity threats:** when you become so sympathetic to the interests of others as a result of a close relationship that your professional judgement becomes compromised.
- **Intimidation threats:** when you are deterred from acting objectively by actual or perceived threats.
- **Advocacy threats:** can be a problem when you are promoting a position or opinion to the point that your subsequent objectivity is compromised.

Our Code has a 'threats and safeguards' approach to resolving ethical issues. This means that if you think there is a threat, you should assess whether the threat is significant. Then, take action to remove or mitigate it.

Employing institutions often have safeguards: whistleblowing or grievance procedures. They can be standards or legislation in a profession.



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