The Future of Business Partnering

Global Survey 2019

Insights from the FSN
Modern Finance Forum
on LinkedIn

FSN®
The Modern Finance Forum

Sponsored By

board
Sparking your business imagination

BLACKLINE

rootstock®
CLOUD ERP

Wolters Kluwer | CCH® Tagetik

workday.
Built for the future.®

Workiva

Gary Simon
CEO FSN & Leader of the
Modern Finance Forum
LinkedIn

Dear Colleagues,

FSN's "Future of Business Partnering" Survey 2019 is one of the largest surveys of its kind covering responses from than 660 senior finance professionals worldwide. It is the first time that there has been an in-depth study of finance business partnering and it reveals startling insights about the scope of business partnering, different styles of delivery and the impact of data preparedness and organizational size on the success of the role.

Whilst 88% of senior finance professionals consider themselves to be business partners, there are profoundly different views of what business partnering entails, ranging from the traditional financial management tasks all the way through to prompting change and innovation in core financial processes. Although the vast majority of finance professionals remain mired in their traditional roles, around a quarter point the way forward to a new era of business partnering centered on top line growth, strategic alignment and encouraging process change and innovation. We call this new generation of business partner BP^2 (BP Squared) to illustrate the step-change that is involved in migrating from current thinking to the leading edge of business partner delivery.

"Data mastery" is revealed as crucial to effective business partnering. Finance organizations that have mastered their data have the time and space to devote to innovation and change, whereas those whose data is not comprehensive and well managed find themselves bogged down in traditional finance activities.

The quality and effectiveness of business partnering varies with the size of organization. The survey finds that business partners from small organizations (with less than 500 employees) are the most appreciated. The smaller scale of the organization and lower levels of transactions help finance professionals keep their finger on the pulse more easily and promote collaboration and knowledge-sharing. At the other extreme, large organizations, (more than 3,500 employees) tend to have a more formal and mature business partnering model yet they tend to be hampered by lack of process standardization and automation that holds them back from delivering business partner excellence.

Mid-sized organizations are literally caught in the middle. They do not have the advantages of operating on a small scale and neither do they have the well-defined and resourced organizational structures of larger competitors. Business partners in the middle of the size spectrum are, by their own assessment, least well regarded and make the smallest contribution to profitability compared to their peers.

The area where the most developmental work is required is around the measurement of business partnering success. While more than 90% of business partners assert that their activities contribute to profitability, 57% of organizations say that have no agreed way of measuring the success of their endeavors. Despite these challenges our research has been able to identify three models of assessment that go some way to measuring the success of business partnering activity. Nevertheless, the difficulty in quantifying the contribution of business partnering should not be underestimated.

We hope that you find the survey's findings set out in this document thought-provoking and interesting. But above all we hope that the contents of this report together with FSN's "Innovation Showcase" to be released later this year which describes the latest innovations in the vendor community, will inspire you to explore and discuss business partnering and innovation in your own organization with your colleagues.

Gary Simon

Gary Simon
CEO FSN & Leader of the Modern Finance Forum

Executive Summary

Business Partnering

The concept of finance providing business support to operational divisions is not new. For some time, progressive companies have encouraged the finance function to exert its influence and spread its insight beyond the four accounting walls. But it is only recently that business partnering has really gone mainstream. In the technologically supercharged business environment, business partnering is essential to staying competitive.

But the pervasiveness of business partnering doesn't translate into universal effectiveness. There are widely different definitions of the process, various levels of engagement, contrasting approaches to partnerships and an as yet undecided view on measuring its success.

Field of vision

Business partnering is the process of collaboration between finance executives and operational management that widens the reach of financial insight and benefits the whole company. How wide this influence goes and what it includes is a matter of some debate though.

This survey found that most CFOs see the scope of business partnerships as a mix of financial knowledge and commercial support, challenging budgets and providing some strategic advice on commercial decision-making. This is the traditional way of viewing the relationship and is certainly a useful starting point for companies at the beginning of their journey.

But it isn't necessarily enough anymore. Business partnering has been around for long enough that your competitors may already have moved on to the next iteration of the process. These are business partners that are also agents of change, actively exploring new business models, seeking out innovation across the organization, and pushing for process change.

Then again maybe not. Only 19% of respondents said their business partnering style was to act as change agents. Meanwhile 35% hardly scratched the surface of the relationship because they limited themselves to a highly finance-centric approach, or applied such a light touch to their partnerships that finance was only occasionally approached for operational decision-making. The remaining 46% of finance business partners are seen as trusted advisors who are sought out for operational decisions, which is effective but not necessarily proactive.

Data mantra

The data revolution is in many ways responsible for the rise in finance business partnering, as well as its enabler. Technology has brought so much more information to the fore, and companies are using it to steal a march on their competitors. This is forcing organizations to fight back by using business partnerships to expand the financial insight brought about by the data revolution into other areas of the business. But the survey shows that they are only as strong as the data that underpins it.

78% of respondents were either overwhelmed by too much poorly managed data, constrained by the access to the right data, or hamstrung by a lack of technology to use to generate insight. Only 22% had achieved data mastery where they actively manage their data as a corporate asset and have the tools to manage and analyze it to deliver competitive advantage.

Those data masters generate the most effective business partnerships, delivering change and enjoying the high regard of the operational functions which they support. Meanwhile the laggards have to contend with under-developed processes that exhibit a lack of standardization and automation.

Best measurements

How do you know if you're getting it right, or pouring time and effort into an ineffective endeavor? Not only is business partnering difficult to define and subjective in approach, it is also notoriously hard to measure. Many of the outcomes of the partnership are intangible, like the collaborative relationships that build up over time, the nuanced understanding of the financial impacts of operational decisions, and the cultural improvements that occur when different departments work together.

Many survey respondents said they have inadequate or non-existent measuring capabilities, and those that do offered up an array of solutions. The most common was the survey or appraisal method, which while subjective, does allow partners to 'rate' their partnership and provide feedback on their contribution. Other finance executives choose to measure business partnerships in the same way they measure financial business goals, using metrics like revenue, profit and cash generation. The issue with this is establishing a causal link between the business partnership and the financial outcome.

Still others choose to hold all parties accountable from the beginning, collaboratively establishing specific targets for the business partnership to ensure there are very tangible outcomes linked to the process.

Smaller is nimble

The size of organization also has some bearing on whether business partnering will be effective or not. Smaller companies tend to produce more satisfactory outcomes and are held in higher regard than their larger counterparts. This is at least in part because everyone is expected to muck in, they're usually physically located closer to one another, and there may be less financial data to manage or share.

Large corporates meanwhile are more organized in their approach and are more likely to have a business partnering title to go with the job. But despite regulated channels to go through, they are not as well regarded as partners in smaller organizations and come up against substantial hindrances like a lack of automation and standardization.

But at least they are more effective than mid-size companies which fall into the cracks between 'small and nurturing', and 'big and resourceful'. Mid-sized companies scored poorly on several metrics of business partnering efficacy. It's not a fait accompli though. Mid-sized companies looking to spark change through business partnering must manage their relationships with a small-sized collaborative mentality using their mid-sized resources.

When companies are up against nimble start-ups and business model disruptors, they need to build strong and collaborative relationships at the epicenter of the finance function. Wherever business partners are on their journey, business partnering is viewed as an important tool in the corporate arsenal.

Chapter 1

BP^2 – The Next Generation of Business Partner

BP² – the next generation of Business Partner

The role of business partner has become almost ubiquitous in organizations today. According to respondents of this survey, 88% of senior finance professionals already consider themselves to be business partners. This key finding suggests that the silo mentality is breaking down and, at last, departments and functions are joining forces to teach and learn from each other to deliver better performance.

88% of CFOs consider themselves to be a business partner.

But the scope of the role, how it is defined, and how senior finance executives characterize their own business partnering are all open to interpretation. And many of the ideas are still hamstrung by traditional finance behaviors and aspirations, so that the next generation of business partners as agents of change and innovation languish at the bottom of the priority list.

The scope of business partnering

According to the survey, most CFOs see business partnering as a blend of traditional finance and commercial support, while innovation and change are more likely to be seen as outside the scope of business partnering.

45% of CFOs struggle to make time for business partnering

57% of senior finance executives strongly agree that a business partner should challenge budgets, plans and forecasts. Being involved in strategy and development followed closely behind with 56% strongly agreeing that it forms part of the scope of business partnering, while influencing commercial decisions was a close third.

The pattern that emerges from the survey is that traditional and commercial elements are given more weight within the scope of business partnering than being a catalyst for change and innovation. This more radical change agenda is only shared by around 36% of respondents, indicating that finance professionals still largely see their role in traditional or commercial terms. They have yet to recognize the finance function's role in the next generation of business partnering, which can be the catalyst for innovation in business models, for process improvements and for organizational change.

Traditional and commercial business partners aren't necessarily less important than change agents, but the latter has the potential to add the most value in the longer term, and should at least be in the purview of progressive CFOs who want to drive change and encourage growth.

Unfortunately, this is not an easy thing to change. Finding time for any business partnering can be a struggle, but CFOs spend disproportionately less time on activities that bring about change than on traditional business partnering roles. Without investing time and effort into it, CFOs will struggle to fulfill their role as the next generation of business partner.

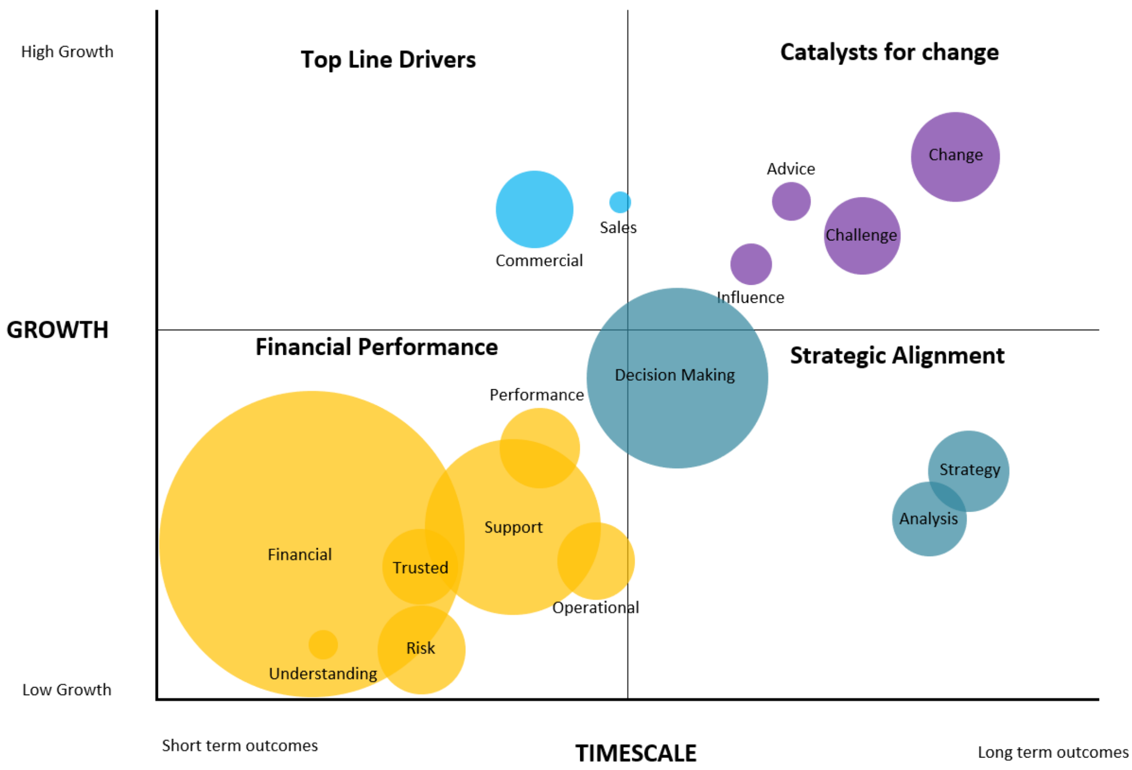
Overall 45% of CFOs struggle to make time for any business partnering, so it won't come as a surprise that, ultimately, only 57% of CFOs believe their finance team efforts as business partners are well regarded by the operational functions.

The four personas of business partnering

Ask a room full of CFOs what business partnering means and you'll get a room full of answers, each one influenced by their personal journey through the changing business landscape. By its very variability, this important business process is being enacted in many ways. FSN, the survey authors, did not seek to define business partnering. Instead, the survey asked respondents to define business partnering in their own words, and the 383 detailed answers were all different. But underlying the diversity were patterns of emphasis that defined four 'personas' or styles of business partnering, each exerting its own influence on the growth of the business over time.

A detailed analysis of the definitions and the frequency of occurrence of key phrases and expressions allowed us to plot these personas, their relative weight, together with their likely impact on growth over time.

The Four Personas or Business Partnering:



The size of the bubbles denotes the frequency (number) of times an attribute of business partnering was referenced in the definitions and these were plotted in terms of their likely contribution to growth in the short to long term.

Of the 383 business partnering definitions received a clear majority focused on financial performance as opposed to BP^2 activities.

The greatest number of comments by far coalesced around the bottom left-hand quadrant denoting a finance-centric focus on short to medium term outcomes, i.e. the traditional finance business partner.

But there was an encouraging drift upwards and rightwards towards the quadrant denoting what we call the next generation of business partner, “BP^2” (BP Squared). This is a super-charged business partner using his or her wide experience, purview and remit to help bring about change in the organization, for example, new business models, new processes and innovative methods of organizational deployment.

Relatively few of the 383 respondents offering definitions of a business partner, concerned themselves with top line growth i.e. with involvement in commercial sales negotiations or the sales pipeline – a critical part of influencing growth.

Finally, surprisingly few finance business partners immersed themselves in strategy development or saw their role as helping to ensure strategic alignment. It suggests that the ongoing transition of the CFO’s role from financial steward to strategic advisor is not as advanced as some would suggest.

Financial Performance drivers

Most CFOs and senior finance executives define the role of the business partner in traditional financial terms. They are there to explain and illuminate the financial operations, be a trusted, safe pair of hands that manages business risk, and provide some operational support. The focus for these CFOs is on communicating a clear understanding of the financial imperative in order to steer the performance of the business prudently.

This ideal reflects the status quo and perpetuates the traditional view of finance, and the role of the CFO. It’s one where the finance function remains a static force, opening up only so far as to allow the rest of the business to see how it functions and make them more accountable to it. While it is obviously necessary for other functions to understand and support a financial strategy, the drawback of this approach is the shortcomings for the business as a whole. Finance-centric business partnering provides some short-term outcomes but does little to promote more than pedestrian growth. It’s better than nothing, but it’s far from the best.

The four personas are not mutually exclusive. Some CFOs view business partnering as a combination of some or all of these attributes.

Top-Line Drivers

In the upper quadrant, top line drivers focus on driving growth and sales with a collaborative approach to commercial decision-making. This style of business partnering can have a positive effect on earnings, as improvements in commercial operations and the management of the sales pipeline are translated into revenue. But while top line drivers are linked to higher growth than financial-focused business partners, the outcome tends to be only short term.

The key issue for CFOs is that very few of them even allude to commercial partnerships when defining the scope of business partnering. They ignore the potential for the finance function to help improve the commercial outcomes, like sales or the collection of debt or even a change in business models.

Strategic Aligners

Those CFOs who focus on strategic alignment in their business partnering approach tend to see longer term results. They use analysis and strategy to drive decision-making, bringing business goals into focus through partnerships and collaborative working. This business benefit helps to strengthen the foundation of the business in the long term, but it isn't the most effective in driving substantial growth. And again, there is a paucity of CFOs and senior finance executives who cited strategy development and analysis in their definition of business partnering.

Catalysts for change

The CFOs who were the most progressive and visionary in their definition of business partnering use the role as a catalyst for change. They challenge their colleagues, influence the strategic direction of the business, and generate momentum through change and innovation from the very heart of the finance function. These finance executives get involved in decision-making, and understand the need to influence, advise and challenge in order to promote change. This definition is the one that translates into sustained high growth.

The four personas are not mutually exclusive. Some CFOs view business partnering as a combination of some or all of these attributes. But the preponderance of opinion is clustered around the traditional view of finance, while very little is to do with being a catalyst for change.

How do CFOs characterize their finance function?

However CFOs choose to define the role of business partnering, each function has its own character and style. According to the survey, 17% have a finance-centric approach to business partnering, limiting the relationship to financial stewardship and performance. A further 18% have to settle for a light-touch approach where they are occasionally invited to become involved in commercial decision-making. This means 35% of senior finance executives are barely involved in any commercial decision-making at all.

35% *of CFOs are barely involved in commercial decision-making.*

More positively, the survey showed that 46% are considered to be trusted advisors, and are sought out by operational business teams for opinions before they make big commercial or financial decisions.

But at the apex of the business partnering journey are the change agents, who make up a paltry 19% of the senior finance executives surveyed. These forward thinkers are frequently catalysts for change, suggesting new business processes and areas where the company can benefit from innovation. This is the next stage in the evolution of both the role of the modern CFO and the role of the finance function at the heart of business innovation. We call CFOs in this category BP² (BP Squared) to denote the huge distance between these forward-thinking individuals and the rest of the pack.

Measuring up

Business partnering can be a subtle yet effective process, but it's not easy to measure. 57% of organizations have no agreed way of measuring the success of business partnering, and 34% don't think it's possible to separate and quantify the value added through this collaboration.

Yet CFOs believe there is a strong correlation between business partnering and profitability- with 91% of respondents saying their business partnering efforts significantly add to profitability. While it's true that some of the outcomes of business partnering are intangible, it is still important to be able to make a direct connection between it and improved performance, otherwise those efforts may be ineffective but are allowed to continue.

One solution is to use 360 degree appraisals, drawing in a wider gamut of feedback including business partners and internal customers to ascertain the effectiveness of the process. Finance business partnering can also be quantified if there are business model changes, like the move from product sales to services, which require a generous underpinning of financial input to be carried out effectively.

Business partnering offers companies a way to inexpensively pool all their best resources to generate ideas, spark innovation and positively add value to the business. First CFOs need to recognize the importance of business partnering, widen their idea of how it can add value, and then actually set aside the enough time to become agents of change and growth.

Chapter 2

Data to Support Business Partnering

Data unlocks business partnering

Data is the most valuable organizational currency in today's competitive business environment. Most companies are still in the process of working out the best method to collect, collate and use the tsunami of data available to them in order to generate insight. Some organizations are just at the start of their data journey, others are more advanced, and our research confirms that their data profile will make a significant difference to how well their business partnering works.

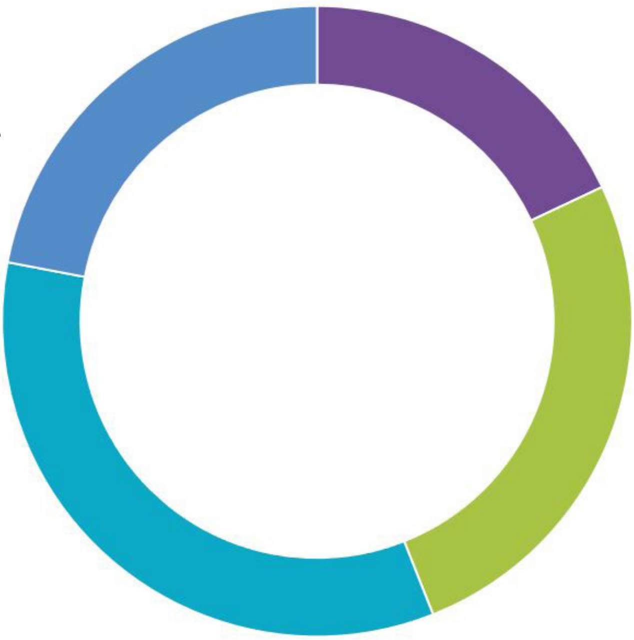
The survey asked how well respondent's data supported the role of business partnering, and the responses showed that 18% were data overloaded. This meant business partners have too many conflicting data sources and poor data governance, leaving them with little actual usable data to support the partnering process.

26% were data constrained, meaning they cannot get hold of the data they need to drive insight and decision-making. And a further 34% were technology constrained, muddling through without the tech savvy resources or tools to fully exploit the data they already have. These senior finance executives may know the data is there, sitting in an ERP or CRM system, but can't exploit it because they lack the right technology tools.

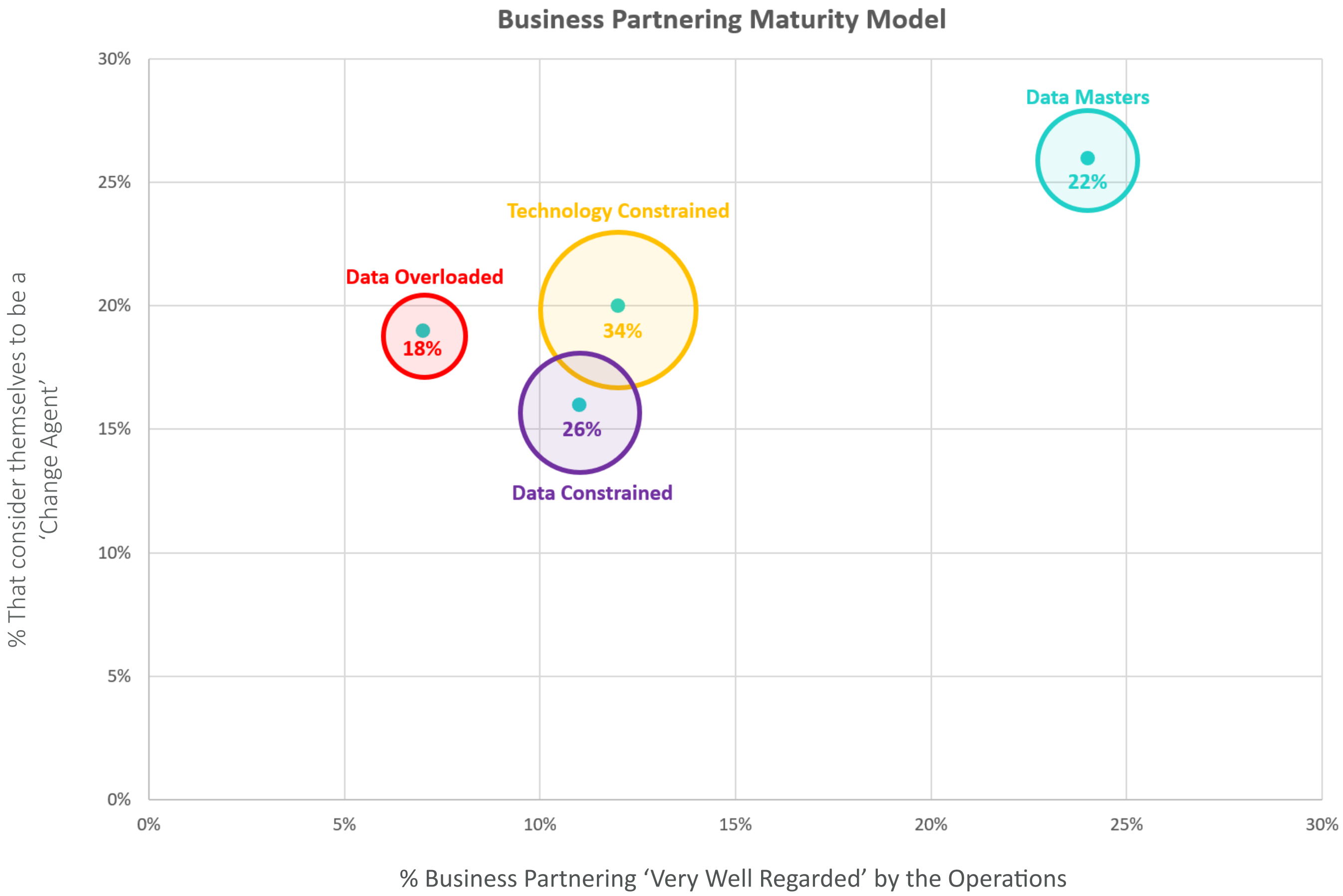
The final 22% have achieved data mastery, where they actively manage their data as a corporate asset, and have the tools and resources to exploit it in order to give their company a competitive edge.

This means 78% overall are hampered by data constraints and are failing to use data effectively to get the best out of their business partnering. While the good intentions are there, it is a weak partnership because there is little of substance to work with.

78% of organizations are hampered by data constraints.



The Big Divide:



The diagram above is the Business Partnering Maturity Model as it relates to data. It illustrates that there is a huge gap between how effective data masters and data laggards are at business partnering. The percentage of business partners falling into each category of data management ('data overloaded', 'data constrained' etc) has been plotted together with how well these finance functions feel that business partnering is regarded by the operational units as well as their perceived influence on change.

The analysis reveals that "Data masters" are in a league of their own. They are significantly more likely to be well regarded by the operations and are more likely to act as change agents in their business partnering role.

We know from FSN's 2018 Innovation in Financial Reporting survey that data masters, who similarly made up around one fifth of senior finance executives surveyed, are also more innovative. That research showed they were more likely to have worked on innovative projects in the last three years, and were less likely to be troubled by obstacles to reporting and innovation.

Data masters also have a more sophisticated approach to business partnering. They're more likely to be change agents, are more often seen as a trusted advisor and they're more involved in decision-making.

Interestingly, two-thirds of data masters have a formal or agreed way to measure the success of business partnering, compared to less than 41% of data constrained CFOs, and 36% of technology constrained and data overloaded finance executives. They're also more inclined to perform 360 degree appraisals with their internal customers to assess the success of their business partnering. This means they can monitor and measure their success, which allows them to adapt and improve their processes.

The remainder, i.e. those that have not mastered their data, are clustered around a similar position on the Business Partnering Maturity Model, i.e. there is little to separate them around how well they are regarded by operational business units or whether they are in a position to influence change.

The key message from this survey is that data masters are the stars of the modern finance function, and it is a sentiment echoed through many of FSN's surveys over the last few years.

The Innovation in Financial Reporting survey also found that data masters outperformed their less able competitors in three key performance measures that are indicative of financial health and efficiency. They close their books faster, reforecast quicker and generate more accurate forecasts, and crucially they have the time to add value to the organization.

People, processes and technology

81% *of CFOs are looking to future technology to assist in data visualization to make improvements to their business partnering.*

So, if data is the key to driving business partnerships, where do the people, processes and technology come in? Business partnering doesn't necessarily come naturally to everyone. Where there is no experience of it in previous positions, or if the culture is normally quite insular, sometimes CFOs and senior finance executives need focused guidance. But according to the survey, 77% of organizations expect employees to pick up business partnering on the job. And only just over half offer specialized training courses to support them.

Each company and department or function will be different, but businesses need to support their partnerships, either with formal structures or at the very least with guidance from experienced executives to maximize the outcome.

Meanwhile processes can be a hindrance to business partnering in organizations where there is a lack of standardization and automation. The survey found that 71% of respondents agreed or strongly agreed that a lack of automation hinders the process of business partnering. This was followed closely by a lack of standardization, and a lack of unification, or integration in corporate systems. Surprisingly the constraints of too many or too complex spreadsheets only hindered 61% of CFOs, the lowest of all obstacles but still a substantial stumbling block to effective partnerships.

The hindrances reflect the need for better technology to manage the data that will unlock real inter-departmental insight, and 83% of CFOs said that better software to support data analytics is their most pressing need when supporting effective business partnerships.

Meanwhile 81% are looking to future technology to assist in data visualization to make improvements to their business partnering.

This echoes the findings of FSN's The Future of Planning, Budgeting and Forecasting survey which identified users of cutting edge visualization tools as the most effective forecasters. Being able to visually demonstrate financial data and ideas in an engaging and accessible way is particularly important in business partnering, when the counterparty doesn't work in finance and may have only rudimentary knowledge of complex financial concepts.

81% *of CFOs are looking to future technology to assist in data visualization to make improvements to their business partnering.*

Data is a clear differentiator. Business partners who can access, analyze and explain organizational data are more likely to generate real insight, engage their business partners, and become a positive agent of change and growth.

Chapter 3

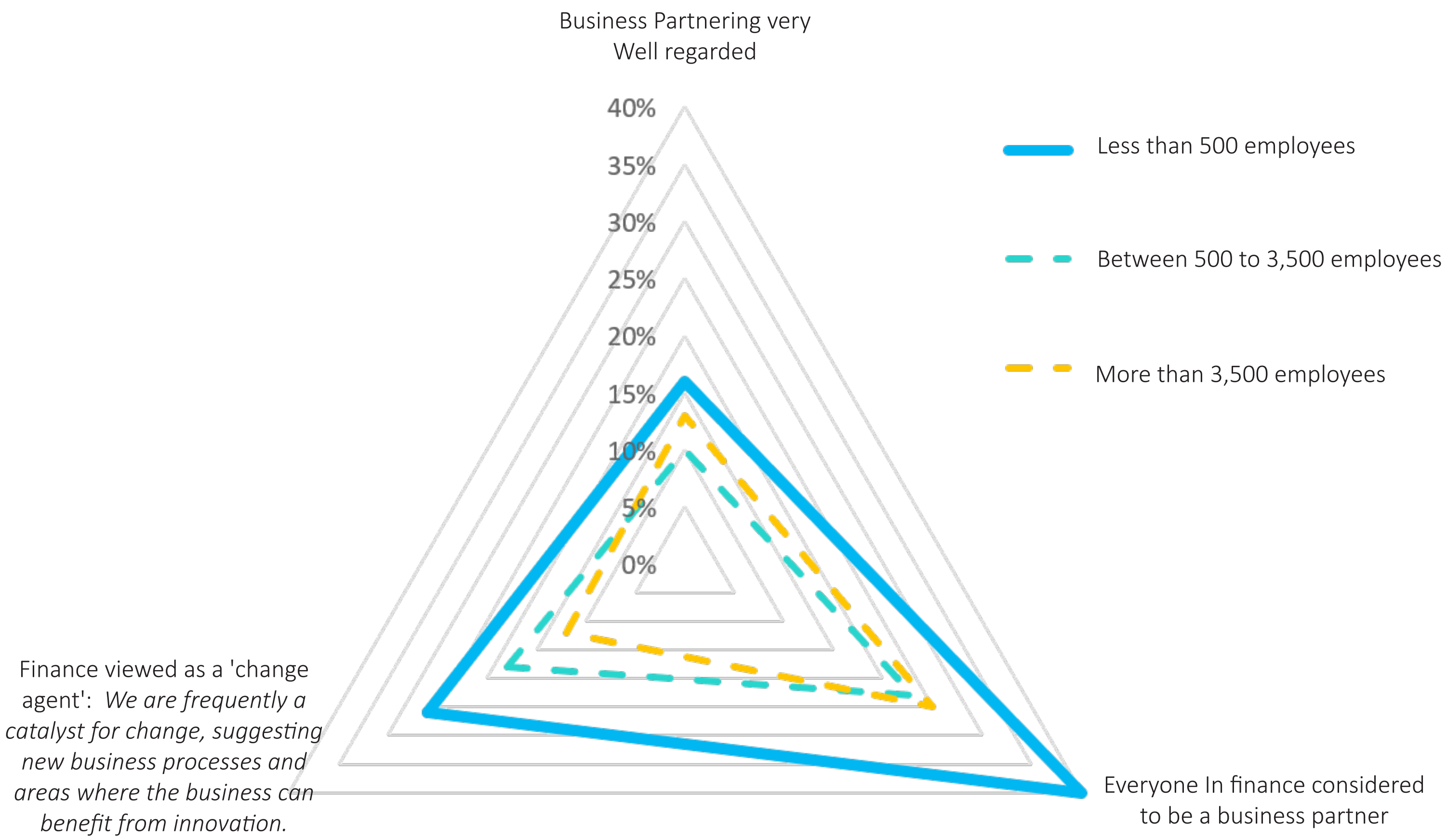
Size Does Matter

Size does matter

Businesses go through various stages of growth, from start-up venture, to mid-sized success and finally large corporations with seemingly infinite moving parts. As the company grows it takes on new challenges, and how it responds to those challenges will dictate whether or how quickly it reaches the next level. As business partnering becomes the norm, companies of all sizes are using it to try to build relationships, encourage cohesion, and use the combined knowledge and experience of different functions to generate insight and improve growth – with varying degrees of success.

Analysis of the survey results reveals that small businesses are best at business partnering. They are very well-regarded, viewed as change agents, and have an inclusive approach which means everyone in finance is considered a business partner. This reflects the collaborative mentality of a smaller organization where everyone has to roll up their sleeves and get involved. Because small companies are less spread out physically, people naturally gravitate towards collaboration, and there may still be an element of the original proprietors or founders who draw the business together. On a practical level, there will be fewer transactions so it will also be easier to understand what is going on at a granular level.

The finance teams in smaller organizations make better business partners.



Mid-range outcomes

Mid-size companies fared worst at business partnering. They were most likely to operate on a light touch basis, which means business partners were less likely to be involved in decision-making. And those business partners were not as well regarded by operations, had little time to spend on being catalysts of change, and were less likely to say their business partnering significantly added to profitability.

Despite their moniker as a mid-size business, these were still quite large enterprises with between 500 and 3,500 employees. The poor business partnering results reflect the journey of development for these companies who have left behind the highly engaged, proprietor-run collaborative office and find themselves in something of a no-man's land.

These companies may be growing but haven't yet got the resources to employ a lot of professional managers and directors that would come with experience of, and enthusiasm for, business partnering. While it is being carried out, the focus of business partnering is very much on current performance and with keeping the company afloat, rather than growth activities and initiatives that would enable it to flourish.

Larger organizations are more inclined to look to technology solutions such as robotic automation to free up time to spend on business partnering.

Big, not better

Once a company is large enough to employ professional managers across its departments and functions, their business partnering processes improve. They are well organized, have established business partnering teams, and importantly they have agreed measures of success. Large organizations talk to internal customers, engage in 360 appraisals and often have employees with specific business partnering titles.

But does this actually make them more successful as business partners? The survey suggests that despite all this formality, they face the most obstacles along the way. Large businesses are more likely to complain there are too many spreadsheet-bound processes so they fail to provide timely support to operational business units. They also are more likely to complain that a lack of process standardization and automation is hindering their business partnering endeavors.

So instead, because they are large and have more resources than smaller companies, they are more likely to look for solutions in technology. 76% of large businesses think robotic process automation will enable them to spend more time on business partnering and analysis, which is 25% more than small businesses.

They're also one fifth more likely to agree and strongly agree that machine learning will generate performance narratives more quickly than they can be produced now, thereby aiding the understanding of non-financial managers and accelerating their business partnering efforts.

The advantages of effective business partnering are a stronger, more cohesive business with a clear growth trajectory. Wherever companies are on their journey, they need to tailor their business partnering to suit the needs of the business at the time. So, a small company should be encouraging change in order to grow into a mid-sized company successfully, and a mid-sized company should ensure that everyone has the time and resources to make business partnering successful as the organization changes. Meanwhile large companies can't just pay lip service to a business partnering name tag while failing to share and innovate together because of failings within their business processes.

Which business processes most hinder business partnering?

Business Process:	Less than 500 employees	500 to 3,500 employees	3,500 + employees
Spreadsheet Bound: There are too many spreadsheet bound processes so that we cannot provide timely support to operational business units.	58%	60%	**66%**
Lack of Standardization: Lack of standardized processes makes it difficult to provide a consistent approach to business partnering.	65%	67%	**73%**
Lack of Automation: It takes too long to provide results and KPIs needed to provide timely support for business partners.	68%	70%	**77%**
Lack of Unification: Lack of unified transaction and reporting environment makes it difficult to assemble a complete picture of performance.	62%	65%	65%

Chapter 4

Measuring Business Partnering

Measuring Business Partnering

The nuanced and often intangible benefits of business partnering make measuring the process very difficult. Often described as a mixture of art and science, the problem is clearly a common one as the survey responses attest. When asked to describe their own methods of measurement, many senior finance executives admitted theirs were inadequate or non-existent.

But it is important to have some way of gauging the efficacy of a business partnership, otherwise effort may be being wasted on ineffective and time-consuming procedures. Those respondents who did have a way to measure the success of their business partnerships fell into three main categories, namely; (i) appraisal or survey-led, (ii) finance focused and (ii) target-based accountability.

Appraisal or survey-led

Some finance executives use the 360 degree appraisal method with internal 'customers' to gauge the success of a business partnership. This method is becoming increasingly popular for all appraisal processes, because it includes feedback from many internal stakeholders rather than just a single direct manger. In looking to measure the effectiveness of business partnering, 360 degree manager appraisals will include feedback from the partners themselves, surrounding colleagues and even external stakeholders who are expected to benefit from the partnership.

__34%__ of CFOs do not believe it is possible to quantify the contribution attributable to their business partnering efforts.

HOWEVER

__91%__ of respondents say their business partnering efforts significantly add to profitability.

Some CFOs are turning to surveys to make their assessments. For example, some respondents said they use satisfaction surveys that include a scoring system based on the projected outcomes, others track the time spent on low-level vs value-added tasks, and still others query the service, relevance and support levels of the partnership.

The appraisal or survey method is a good way of measuring sentiment, reflecting how the finance business partner is viewed by their operational counterpart. An effective partnership is built on trust and communication, which encourages engagement and builds collaborative relationships. Engagement emerged strongly as a key outcome for business partnerships, bringing different teams together, and driving energy and proactive behavior to better tackle business obstacles.

Finance focused

A finance focused approach to measuring the efficacy of business partnerships uses standard financial metrics like revenue growth, profitability, cashflow and capex. This finance focus mirrors the metrics used to calculate the efficacy of other business strategies, which is why it is very difficult to 'prove' that business partnering is the reason for the outcomes.

Still, there is a strong argument for including finance focused measures in finance-led business partnerships, because ultimately the finance partner is supposed to propel a project or relationship forward to impact on the business bottom-line.

The alternative to generic financial metrics as a measure are more specific targets that relate to the operation or the project under the auspices of the business partner. So, if the partnership involved supply chain relationships, financial outcomes like favorable customer agreements and cost control could be selected as the assessment criteria for a successful business partnership. Marketing relationships could be measured on sales and returns, and human resource partnerships could be measured by pay rates and productivity.

One survey respondent said they break down their measurements into timeliness when meeting deadlines, the quality of output, for example the number of errors or revisions in budgets or forecasts, and the effectiveness in realizing savings from proposals put forward by the finance partner.

Where a project is budget and planning focused, monitoring the variance between forecasts is a good proxy for how well the finance business partner is steering the operational unit towards achievable targets.

Finance functions have a natural inclination to focus on finance metrics, but the closer these metrics are related to the business partnership, the easier they are to link to the success or failure of that process.

Target-based accountability

It's important that all partners are accountable to the process, and setting targets together, at the start, provides a solid foundation on which to build the partnership and assess its effectiveness.

Some survey respondents tackled the issue of how to assess a business partnership by ensuring the measurement process was included from the beginning. This means that both business partners and operational business partners were involved in the setting of outcome targets from the very start of the process. These targets were different for each CFO or senior finance executive depending on the specific project or relationship being measured, but included a combination of financial (budget or revenue/profit related) metrics and non-financial outcomes (engagement, accuracy etc).

At the end of the project, the outcomes are measured to see whether the targets have been met, and in addition the operational unit will report back on how much the contribution of their finance business partner was responsible for achieving those targets.

The advantages of a target-based approach is the clear goals that both partners are working towards, which solidifies the expectations and improves the outcomes. This can be measured from both sides. Just as the operational partner will appraise their finance counterpart on their contribution, the finance partner can also be measured at their end. For example, asking the finance business partner to present the state of the business without notice, to see whether they were fully engaged in the process, and questioning them about their understanding of the business drivers behind the financial performance.

It's important that all partners are accountable to the process, and setting targets together, at the start, provides a solid foundation on which to build the partnership and assess its effectiveness.

However you choose to measure the success of a business partnership, assessment is necessary to understand whether the process is working and if the targets or outcomes are met. That said, the lasting relationships built through business partnering can continue to provide positive momentum long after a project is complete. From finance being included in discussions before decisions are made, to collaboration across the operations and finance divide, the rewards of business partnering should be ongoing.

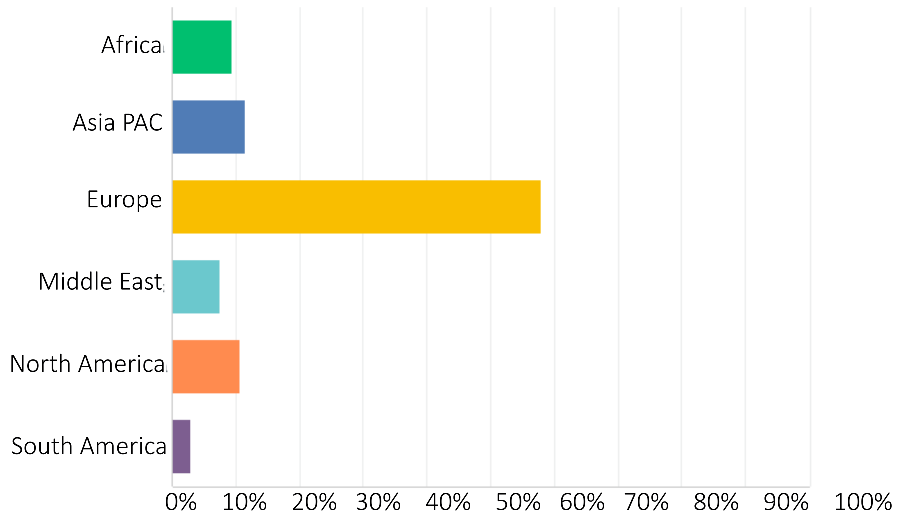
Methodology

METHODOLOGY

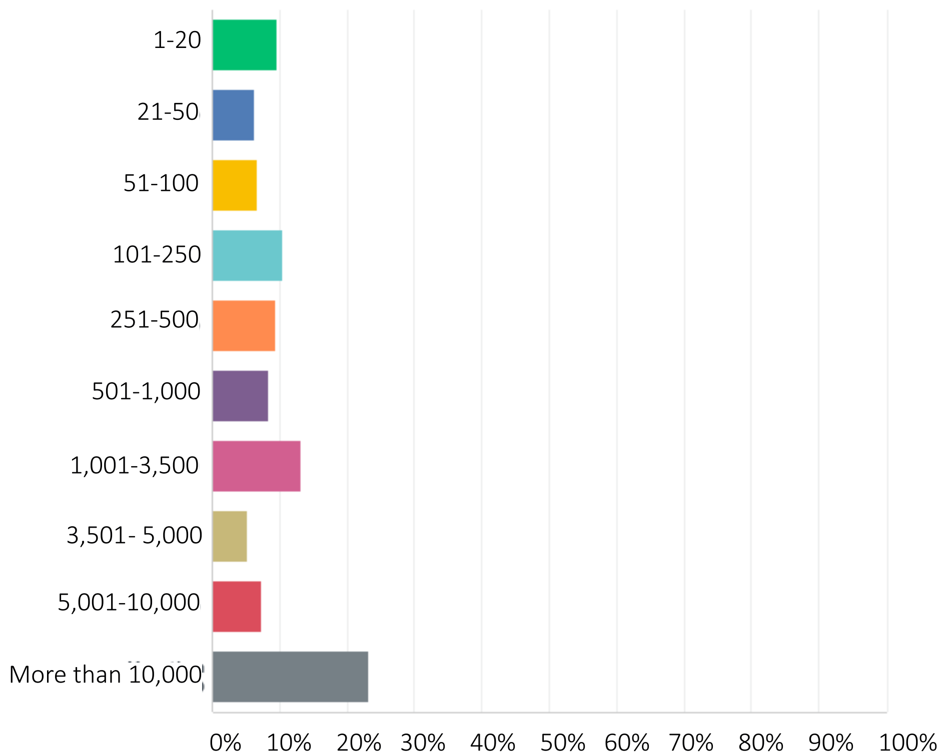
The survey drew responses from 662 international senior finance professionals from our 55,000 strong FSN Modern Finance Forum on LinkedIn.

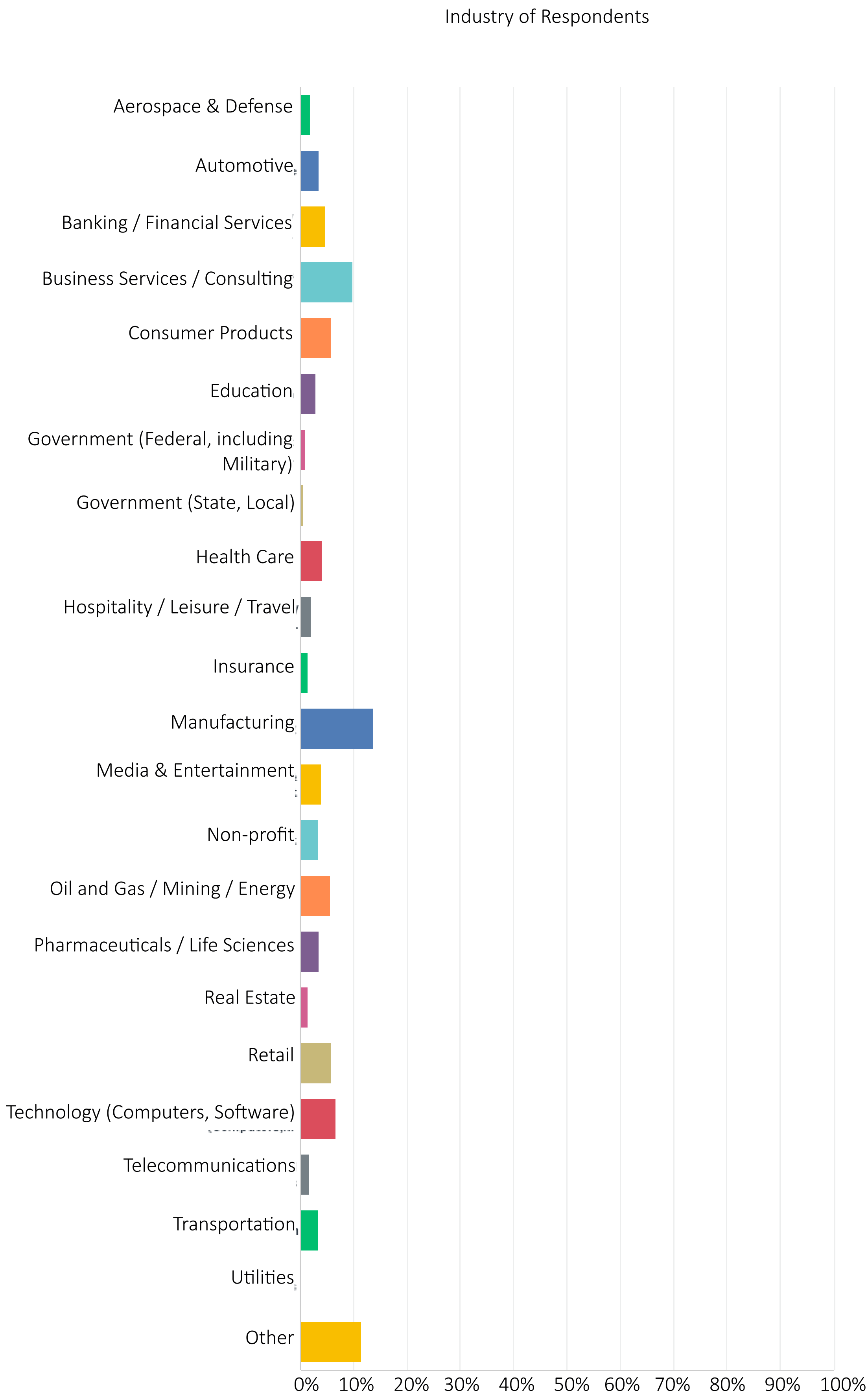
This survey covered finance professionals across 23 different industries. 81% of these professionals were considered to have senior job titles and above.

Geography of Respondents



Organizational Size- Number of employees




Industry of Respondents
Aerospace & Defense
Automotive
Banking / Financial Services
Business Services / Consulting
Consumer Products
Education
Government (Federal, including Military)
Government (State, Local)
Health Care
Hospitality / Leisure / Travel
Insurance
Manufacturing
Media & Entertainment
Non-profit
Oil and Gas / Mining / Energy
Pharmaceuticals / Life Sciences
Real Estate
Retail
Technology (Computers, Software)
Telecommunications
Transportation
Utilities
Other
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

ABOUT FSN

FSN is a global publisher of thought leadership, research and "must-have" content for CFOs and senior finance professionals around the world. FSN's highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 55,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

Contact:

Gary Simon, CEO: gary.simon@fsn.co.uk

Michelle Fabian: michelle.fabian@fsn.co.uk

HQ Office in United Kingdom
FSN Publishing Limited
Devonshire House
Manor Way
Borehamwood
Herts, WD6 1QQ

Switchboard: +44 (0)20 84452688

The Modern Finance Forum LinkedIn

http://www.fsn.co.uk

FSN®
The Modern Finance Forum