

## Chapter 4

# Ideas for Improving the Finance Function

### ABSTRACT

*There is no shortage of ideas, especially in the professional literature, for elevating the quality of the finance function. However, it turns out that much of that literature focuses only on improving financial processes or on the question of how to develop financial professionals from scorekeepers into business controllers. There is limited literature that provides a glimpse of what a high-performance finance function looks like and what its place and role are within an organization. In this chapter, interesting studies from the literature from the past decade are discussed to develop an overall picture of the finance function of the future. First a look is taken at the benefits of an excellent finance function and then the most interesting ideas in the literature for creating such a function are discussed.*

It has become clear from the previous chapter that the finance function has not entered calmer waters in recent years; quite to the contrary, the requirements that both the internal organization and external stakeholders place on the finance function have tightened and increased. In the meanwhile, the finance function has developed the lofty ambition to become a valued partner to the business. Unfortunately, it appears, in practice, that these two developments have not been reconciled by many finance functions. For example, in a study that was first conducted in 2003 and repeated in 2010, IBM noticed limited growth in the time spent by the finance function on value-added activities. Only one-third of CFOs who participated in Ernst & Young (2010) and Oracle and Accenture (2013) surveys said their finance function played an important role in the development of organizational strategy. In addition, the majority of respondents in a survey by Accenture (2011) were disappointed to find that the organization does not even use the “products” of their finance function, such as better data, reporting, and analytics; nor is the finance function automatically asked to participate in strategy development or decision-making processes. Studies of a later date (Agrawal et al., 2020; Caswell-LaPierre et al., 2020; Essaides et al., 2020; KPMG, 2019) reflect the same sentiments and indicate that not only does something fundamental has to change within the finance function but also that something must be done about the position and image of the finance function within the organization. To our knowledge, there is no academic research

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into the benefits of creating a high-performance finance function. To obtain information about these potential benefits we turned to studies performed by consultancy firms and benchmark organizations.<sup>1</sup>

#### **4.1 BENEFITS OF AN EXCELLENT FINANCE FUNCTION**

We collected and summarized the benefits as mentioned in the professional studies in Table 1 (the details can be found in Appendix A).

*Table 1. Benefits of being a high-performance finance function vs. being an average-performing finance function*

<b>Criteria</b>	<b>Benefit</b>
<b>For the finance function itself</b>	
Internal client satisfaction	65% more likely to meet stakeholder expectations
Time spent	Up to 50% more on activities that add value
Business partnering	Up to 41% more likely to be seen as valued business partner by the operation
Cost level	Up to 60% lower
Productivity improvement	Up to 34% higher, mainly due to a higher level of automation
Capabilities	Financials seen as more innovative, knowledgeable in terms of operations, agile, proactive and commercial-minded
Talent development	Up to 24% more training hours; 60% more retention of financials
Self-service for managers	Up to 50% higher availability
Projects	Up to 50% more successful, with a higher ROI
<b>For the organization with a high-performance finance function</b>	
Financial	Higher revenue and market share (up to 20% higher), margin (6.7% higher), earnings before interest tax depreciation amortization (EBITDA, 4.0% higher), return on equity (ROE, 5.9% higher), and total shareholder return (TSR, 10.7% higher)

A clear conclusion can be drawn from Table 1: creating a high-performance finance function offers many benefits to the finance function itself as well as to the wider organization. The big question now is: how can such a finance function be created?

#### **4.2 IDEAS FOR THE HIGH-PERFORMANCE FINANCE FUNCTION**

In this section, we discuss the most interesting ideas—identified in the literature from the past decade (2010–2021)—that could serve as ingredients for creating the high-performance finance function. We included only literature sources that were based on actual research in the finance community, either using a survey, interviews with financial professionals, or roundtable sessions. In this way, we could be certain that these ideas originated from practice, i.e., from financial professionals who deal day-to-day with activities in the finance function and who have a view on the developments that are needed and desired

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