Setting up and improving on existing strategic finance function.

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THE role of accountants is shifting from traditional bean counters to more of strategy custodians and technical business advisors. As such accountants must be actively involved in any organisational strategy formulation and imple mentation. For an organization to succeed in the global and competitive world, it needs to have a robust strategic plan in place. The strategic plan is made of several definite targets it aspires to achieve. Some of the targets are internal as well as external.

The role of strategic finance manager includes but not limited to:

- Financial planning and forecasting
- Strategic finance and planning
- Business intelligence
- Finance modelling
- Strategic finance and capital management

Let's take a closer look at each and every aspects as highlighted above.

Financial planning & forecasting

Financial planning and forecasting are integral part of strategic finance. Organization needs to develop strategic finance tools and systems, which can take into account scenario analysis as well as modelling capabilities. Such tools and systems should be connected to enterprise performance management tools as well as other databases. A strategic finance tools and systems should provide a convincing finance solution which further can be used to set internal targets, perform financial analysis and provide data to perform informed decision making.

Strategic Finance & Strategic Planning

Organisation requires a robust and flexible finance tool to analyse ever evolving financial and business market. The finance tool should be capable of doing what-if scenario modelling. It should also allow development of finance models, which can be used to carry our impact analysis based on dynamic variables and reach targets, which can be assigned to other departments.
At present, most of the finance modelling is done through spreadsheets. However, these spreadsheets are somewhat difficult to manage, lack data integrity and do not integrate with other aspects of finance modelling like strategic planning and treasury.

Strategic Finance and Capital Management

Any strategic finance decision has a direct impact on cash flow of the company. In turn cash flow impacts the balance sheet, hence financial performance within the company. The strategic finance tool connects finance decision-making process to working capital management to capital structure to taxation. This connection adds value to organization and reduces overall cost of capital. A strategic finance tool and system should have a consolidation module which provides the total view to decision makers.

Business Intelligence

Strategic finance module helps the organization in the sensitivity analysis as well as what if analysis allowing to gain deeper understanding of various strategic scenarios and develop business intelligence. Since the strategic finance tool is integrated with other business modules all possible disconnect between strategic targets, and operational plans are analysed.

Complete Finance Modelling

Finance modelling provides insight into impact of strategic decisions on company's bottom line, cash flow, balance sheet and shareholder value. Strategic finance module provides the bridge between finance modelling and financial analysis. Its gives flexibility in developing finance models and measure impact on financial statements. Strategic finance modules have an in-built finance model which saves time from designing and developing spreadsheet based models. Finance modelling tools' users need not be trained in writing complex logic statements. The finance tool provides users flexibility of adding as many complexities as required. The finance tool provides users to invest more time in doing analysis and developing alternate strategies rather spending time in validating data.

KEY PIONTS

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Traditional Accounting Vs Strategic Finance

There must be a distinct between traditional accounting and strategic finance professional. The traditional accounting professional are tasked with maintaining the general ledger accounts in line with the International Financial Reporting Standards (IFRS), while strategic finance professionals are more into partnering with business and operations manager in unlocking values for the shareholders.

This article focused on how to set up and improve on existing strategic finance function. Organisation should consider the following questionnaires in setting up or improving on an existing strategic finance function:

- Do we have necessary strategic finance capabilities
- Do we have right tools, processes and systems to support our strategic finance capabilities
- If we do not have the capabilities, do we consider outsourcing our strategic finance or can we get this capabilities elsewhere
- How much will it costs us to get this capabilities or outsource them
- Do our business or operations managers understand the responsibilities of our strategic finance

Because strategic finance has become an integral part of every organisation, companies need to perform sound internal analysis in order to address the above mentioned key questions. It is the responsibilities of the executive management to identify what capabilities are missing from their organisation and how to locate such.

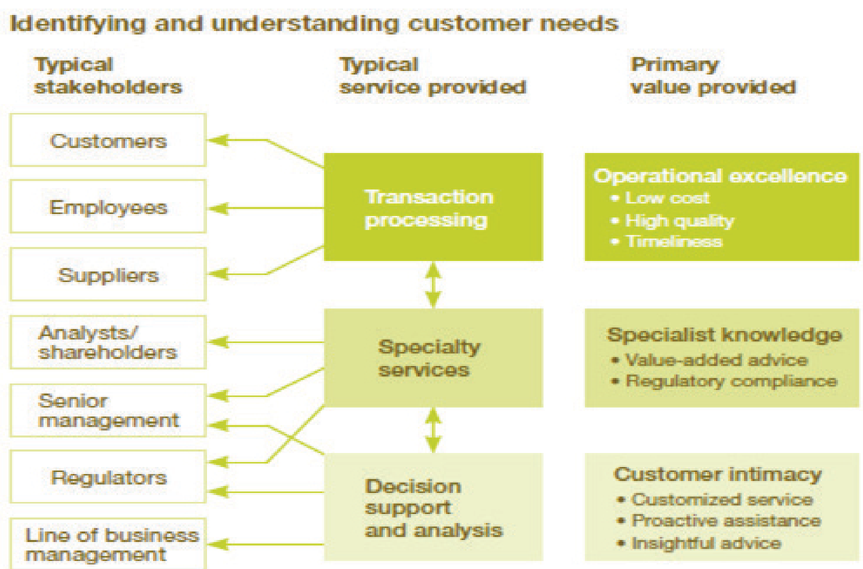
Internal analysis will identify the underlying gaps and management should act upon such gaps by deploying the right expertise and systems. By understanding and aligning with stakeholders' requirements, a service focused finance function can deliver timely, insightful business intelligence that will contribute to an organisation's competitive advantage.

According to Pricewaterhousecoopers (PWC), many companies have made an earnest effort to transform their Finance functions, seeking to move beyond bookkeeping and reporting responsibilities to become a more value-added contributor to the company's overall success. But, because the focus of the transformation was too narrow, past attempts to shift Finance departments from the role of bookkeeper to trusted business advisor have often missed the mark.

This attempt was based on automation initiatives aimed at freeing up resources to focus on value-add analysis. The overall implication being to impress business or operations managers and lead directly from the bottom line improvement. A survey performed by PWC shows that such approach has yielded some level of efficiency but the complete transformation has remained elusive for most of organisation.

In setting up or driving to improve strategic finance function, executive should consider the following:

•Identifying the customer's needs - it is highly crucial to first establish your internal customers 'most important service characteristics. In most enterprises, customers' service requirements fall into three main categories. The three types are transaction processing, speciality services and decision support and analysis.

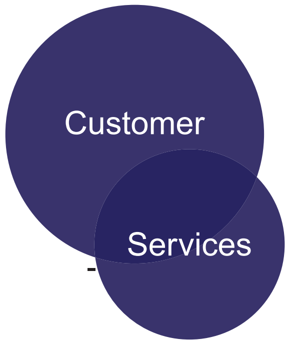


Source: PWC

For any strategic finance team that is able to understand what their target customer need and deliver to their expectations, will have derived so much value in maximising the shareholders' wealth.

- **Building the right service delivery infrastructure-** After the customer needs are established, organisation then need to deploy solid infrastructure that will ultimately enable optimum service delivery. Infrastructure elements include people, process, organisation and technology.

Such implemented infrastructure need to support the three customer needs as highlighted above. It is highly unlikely that a single infrastructure system will be able to support such customer services. Rather it is most likely than not that a single customer needs will require a combination of process, people, organisation and technology.



Finance as a strategic partner

Last but not least in setting up or improving on strategic finance is delivering on partnership with business or operational manager. In order to support growth through innovation, finance need to partner more, to analyse and predict, not only record and report. Business partnering needs people with the right skills. It requires a culture that uses information and spurns workarounds.it demands the ability to think strategically, the ability to work with and sometimes around risk.

For any CFO who is able to integrate their strategic finance team with business or operations manager team, are fully able to continue their migration from providing excellent financial management, reporting and control business partnering. But to do this requires most CFOs to do some reengineering of their own role, freeing up finance to devote more energy to the business and growth agenda.

For most organisation is a matter of costs benefit analysis. Can organisation afford to source out their strategic finance team.

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