Strategic Business Partnering
Finance at the Top of Its Game
How transforming finance can add value to the energy business
Can transforming the finance function really add value to an energy enterprise? Is the potential improvement significant enough to make it a top finance function and C-suite priority?

Many companies are finding that the answer is a resounding yes—especially when finance transformation is taken to its highest level: strategic business partnering. Transformation at any level can achieve meaningful results, including cost savings and process efficiencies. But when the transformation program targets the ultimate level of finance maturity—strategic business partnering—it reaps the greatest gains. At this level, finance uses its deep understanding of the company’s processes, commercial relationships, stakeholders, competitive challenges, opportunities and strategic plans—to help energy executives make fully informed business decisions. As a strategic business partner, finance provides important support for the company’s customers, both internal and external, and delivers the highest value to shareholders.

In a volatile, unforgiving business environment, energy companies realize they need to pursue every possible opportunity for competitive advantage—and transforming finance to the level of strategic business partnering clearly offers an opportunity for that.

The scale of results depends on how aggressively a finance organization pursues the transformation possibilities. Certainly any approach to transforming finance will need to include mastery of the basics: transactional processing, reporting, controls and cost management. Important as these are, Accenture research finds that mastering the basics alone does not lead to competitive advantage for the enterprise. The cutting edge of difference comes when finance excels at activities that contribute the most value to the energy company: supporting business growth; managing data as an asset; providing superior analytics; acting as a change agent; and taking a leading role in risk management, trading and capital projects. At this step, finance becomes a trusted strategic partner in the company’s drive for high performance.

Our research also indicates that the best results are achieved by companies that define and manage their transformation program as an integrated set of people, process, data and systems changes staged over time, rather than as a collection of one-off initiatives.


Moving up the curve

As finance organizations progress from mastering the basics toward strategic business partnering, they move up a maturity curve of increasing efficiency and value. Accenture has defined four stages, or ‘horizons,’ of this finance transformation journey: basic, emerging, competitive and leading. This journey is illustrated in Figure 1.
At Horizon 1, the basic level of maturity, finance organizations focus primarily on improving their transactional operations. Their capability and capacity for higher-value activities is limited. At Horizon 4, the upper end of the maturity curve, finance organizations already have achieved efficient and reliable back-office operations. They have addressed data quality issues and closed gaps in their reporting and analytical tools and capabilities. And they have upgraded their talent management to ensure that the right people with the right skills are in place. In other words, they have mastered the fundamentals of transactional work and can shift the focus to strategic work. At this point in transformation, finance organizations are focusing a significant portion of their resources on activities that can maximize the value of the business. They have become finance leaders and are strategic partners to the enterprise.

For those companies that reach this ultimate level, the gains can be dramatic. Strategic business partnering enables finance to drive performance improvement across multiple dimensions of the business, including strategy execution, competitive positioning, risk management, and mergers and acquisitions. Combined with management’s experience, the finance organization at this level of maturity helps the company to leverage the information available to them and capture its distinctive advantage. The enterprise is now able to make the most informed and intelligent decisions—both in terms of short-term operational improvements and long-term strategic decisions.

Even though its projects are often large scale, the energy industry resides in a business environment that rewards enterprises that can act with agility. This need for agility will continue as industry trends evolve, including natural gas, renewables and shale exploration. Accounting for business complexity will also continue to grow more challenging, given factors such as royalties tied to complicated joint ventures and tight regulations that affect interactions with governmental employees. The evolution of the industry, along with increasing geopolitical pressures, gives finance a unique opportunity to drive enterprise-wide high performance.

Simply put, through strategic business partnering, finance can change the way a company does business.

Figure 1. The four stages of the finance transformation journey.

Our experience has identified seven levers that offer an integrated, complete and balanced approach to creating value through:

1. Organization Structure
2. Delivery Model
3. Talent Management
4. Technology
5. Process Model
6. Data Analytics
7. Role of Finance
Horizon 4: Strategic business partnering

Accenture finds that leading finance organizations demonstrate superior capabilities and performance across most dimensions of finance management and operation. But there is one significant distinguishing characteristic of leaders versus those who remain in earlier stages of transformation.
Leaders engage in a collection of activities and capabilities that make them full strategic partners in the business. These include seven elements: business advisory capability; talent management; investment appraisal; decision support for investment in operational improvement; enhanced system and process capability through continuous improvement; using analytics as a competitive advantage; and infusing the enterprise with a value-creation mindset.

Here we look in detail at the seven important elements of strategic business partnering.

1. Business advisory capability

Perhaps the element of strategic business partnering with the greatest impact on the enterprise is finance's business advisory capability.

To earn this advisory seat at the management table, finance must do more than assess and critique performance. It must perform more sophisticated analyses, and translate the results into insightful and actionable recommendations. For this, finance must develop a different set of capabilities than that needed for transaction processing, control assurance and routine reporting. Underlying it all, finance must be able to communicate effectively and persuasively with senior business leaders.

As a business advisor, finance will look at the following.

Alignment of organizational strategy with stakeholder interest

Stakeholders include shareholders, employees, customers, suppliers, governments and non-governmental organizations (NGOs). These stakeholders have diverse expectations that often are not aligned. Each should be reflected in the organization’s strategy and tactics, and clear metrics applied to gauge how well the organization is meeting those interests. Direct financial measures can be used to evaluate performance against some stakeholder priorities. Non-financial metrics are also used to gain a more comprehensive understanding of performance.

External changes

Finance must also track developments outside the business—such as changes in tax law, fluctuations in the geopolitical landscape, regulations and tariffs—and assess how they might impact the company. Various macroeconomic scenarios should consider the effects on financial performance and competitive position. Detailed scenario planning for all potential eventualities is used and revisited periodically so that it remains relevant. While risk management is responsible for assessing the impact of changes to the organization, finance plays a significant role.

In its role as business advisor, finance must collaborate effectively across organizational boundaries. Staff responsible for transactional operations and data integrity must not only support a high degree of reliability, they must also communicate with finance professionals who perform the strategic advisor role on process and data issues. Business advisory staff also will work with colleagues outside finance, as much of the key business performance data is non-financial. Experts from other functions can provide invaluable insights and challenges.

Operational efficiency

The focus of less mature finance organizations is typically on efficiency, using traditional cost analysis. More mature finance organizations will look at a broader set of end-to-end performance indicators, such as order-to-cash cycle time and employee satisfaction as a predictor of employee turnover cost. In assessing operational efficiency, leading finance organizations periodically reassess whether the enterprise has the right business model, operating model and asset footprint. Most important, as an advisor, finance will recommend actions in response to the issues that surface in the analyses.

Execution excellence

Execution excellence is assumed at this level. Now attention focuses on articulating how higher levels of performance will be carried out in strategy-critical operations. How will people, processes, technologies and organizational structures be deployed to put strategy into action—every day? Mature finance organizations use business advisory analytical tools that slice and dice data, producing intelligent information and reports for tracking key performance indicators and driving overall execution excellence.
2. Talent management

As a strategic business partner, finance helps the organization manage all company resources at the optimal level—including the talent pool. To be effective in this role, and to best fill its own internal needs, finance will look to a structured competency model such as the one shown in Figure 2.

This competency model, often created in conjunction with HR, describes all the critical competencies and skills needed by each role in the finance organization. It becomes the underlying support for creating a deeply skilled and focused workforce. Leading strategic business partners use this competency model to integrate the recruiting process, performance management process and career options, and to diagnose and close skill gaps. It allows the company to re-assess skills, competencies and roles against the strategic needs of the enterprise, as well as promising technology trends.

General financial and accounting understanding should be ingrained in the finance workforce and very strong business acumen purposefully cultivated. Advanced financial knowledge still will need to be developed because the finance and accounting (F&A) organization depends on it, but achieving a balanced skillset for business-facing roles is also important. Using a competency management model focuses the F&A organization on the need for those additional skillsets.

In Horizon 4, finance also supports the enterprise by communicating and collaborating with the business at large. To carry out this role, leading finance organizations designate business liaisons. People in this role provide a structured avenue of communication with the business. Liaisons facilitate a two-way exchange of knowledge in the company, offering the perspective of finance while also bringing messaging back to finance from the organization. To be an effective voice of the centralized finance group, the liaison should be at the senior level, with influence in finance and the broader organization.

The liaison role demands a different set of competencies and skillsets beyond the traditional finance career structure. Strong communications abilities are required, as well as collaboration and partnering skills. After all, the liaison must effectively navigate conversations and influence the broader business. Typically in the energy sector this role would be filled by strong financial talent that can provide top-down leadership while also being conversant with operations. Careful consideration should go into identifying leaders who can serve as liaisons, since much of the success of strategic business partnering depends on their effectiveness.

Importantly, business liaisons need to be supported by rigorous communication mechanisms to monitor and track what has surfaced in dialogue with functions external to finance. These mechanisms might be highly technical log-in systems. Or, just as effectively, the communication mechanisms can be post-meeting follow-up action lists routed to the appropriate people on the ground. The point is to use the information gained to drive action from the talk. The flow of communication should be captured across all aspects of the energy business, whether upstream, downstream, trading or capital projects.

Figure 2. A robust competency management model brings additional value to the business.
3. Investment appraisal

As a business partner, finance should have a ‘seat at the table’ through the full project life cycle. Finance can then play a pivotal role at several stages in evaluating individual investment options, portfolio effects, deal economics, risks and capital sourcing. The focus is on ensuring that these activities are conducted in a rigorous manner and validating recommendations at appropriate points during the investment decision-making process. This level of involvement begins with initial strategic planning and continues through each stage. At this point, finance’s partnership with the business should be included in the overall governance process with the appropriate level of influence to ensure projects are aligned with corporate investment priorities.

Finance should validate key assumptions built into the economics of a project and test various scenarios around the assumptions that have the greatest impact on profitability. There is an inherent challenge for finance in balancing the optimum amount of scenario planning with timely advice. An underlying robust enterprise resource planning (ERP) solution with advanced analytic capabilities assists with this. Technology is used to present project performance data and project performance key performance indicators (KPI). This data in turn enables efficient and timely decision making to support leading delivery performance.

Throughout every stage of investment, finance as a strategic business partner spends a significant amount of time on the future—on the financial, operational and structural changes needed to achieve shareholder value objectives. A formal enterprise value model to create a strong linkage between the corporation’s growth (operational) strategies and financial planning is maintained with a focus on current and future value. This plan is reviewed on a periodic basis and is recalibrated based on changing market conditions. Finance becomes a catalyst in achieving the corporation’s investment objectives.

4. Decision support for investment in operational improvement

As a true strategic business partner, finance evaluates the company’s options for operational improvement. Though not typically thought of as a finance responsibility, optimizing the processes and technology surrounding operations (e.g., manufacturing, procurement) can provide a vital edge to help the company stay competitive in the energy industry. In this role, finance offers insight beyond cost cutting and concentrates on choices that can enable revenue growth while maintaining and increasing profitability. This support markedly can improve the success of the company’s efficiency and demand-side management programs.

Two areas that energy companies focus on for operational improvement are commercial optimization and plant optimization. Commercial optimization enables an organization to manage complex and interrelated decisions spanning the entire hydrocarbon value chain. It covers integrated value chain optimization; manufacturing supply chain planning, scheduling and execution; and commodity trading and risk management. Plant optimization addresses the management of large, complex projects with solutions that help build and operate plants and assets in a reliable, safe and cost-effective manner. Manufacturing execution and automation issues are included, as well as environmental, health and safety issues.

But revising these processes is no easy feat. Often there is significant organizational resistance to changing revenue-impacting processes. Success in these optimization efforts requires funding and support from corporate leadership. This means engaging appropriate expertise to refine and design new processes. Managing organizational conflict and monitoring relevant regulatory requirements are vitally important to achieving optimal results. But once successfully accomplished, the result is a higher level of operational excellence across the enterprise.

5. Enhanced system and process capability through continuous improvement

Continuous improvement activities, when structured holistically within an F&A organization, can deliver a constant stream of incremental benefits to the broader organization. A formal approach to identifying and addressing opportunities for improving efficiency or effectiveness through continuous improvement often takes the form of Lean Six Sigma or Total Quality Management, but there are several approaches that can be successful with the right management support.

Continuous improvement initiatives may be perceived as the management practice ‘du jour’ or a passing fad, particularly if earlier efforts have failed. However, the advantages can be important. For example, continuous improvement offers the potential to get the finance organization personally engaged in improving performance, either as idea generators or through working on improvement teams. This involvement can result in a higher level of engagement and ownership. Continuous improvement can also bring about lower-cost delivery approaches by filling the gaps between large change programs that do not require full project management.

A continuous improvement mentality tends to keep an F&A organization sharp and prevent complacency while providing incremental benefits. One method of embedding continuous improvement into the F&A organization is to include these type of activities as a management objective so as to force adoption. A culture that embraces continuous improvement is essential to achieving the success of individual continuous improvement initiatives.
What is the role of traditional business intelligence, including metrics versus analytics?

Metrics underpin many areas of partnering with a business, such as identifying where performance lags compared with industry leaders and spotlighting where change is needed in the delivery of services. But metrics look at what already has occurred in the organization and do not capture where the organization is going. Analytics provide the next level of competitive advantage by displaying where the business might be headed.

Figure 3. Potential gains analytics can support.

...competing on analytics

- Use of statistical methods to generate value from insights buried in data.
- Enhanced decision making with focus on the future through analytics.
- Faster access to insights, quicker response to market shifts, and more innovation.

...using traditional business intelligence

- Resource-intensive reporting efforts that fall shy at delivering the full value potential.
- Insights are more difficult to get to and locked underneath an abundance of data.
- Focus on descriptive analytics using a hindsight lens—always playing catch-up.
Even with a culture embedded in CI, achieving a sustained high level of continuous improvement presents its challenges. It takes time to develop skills and effective support resources. It can be difficult to get proper metrics in place due to systems inadequacies. And though continuous improvement sometimes starts with a leap into action, it requires sustained management attention that can be hard to achieve in a world of constantly changing priorities.

But many companies are making this effort. A few have evolved to a structured, metrics-driven program, while others are stuck in operating an opportunistic program that feeds on staff suggestions rather than performance metrics. Still, leaders are achieving significant, measurable year-on-year improvement. Leaders understand that there needs to be a relentless commitment to sustain an effective continuous improvement program. Their year-end budget reflects this commitment, with line items dedicated to funding the ongoing, incremental continuous improvement initiatives.

6. Using analytics as a competitive advantage

Finance can provide the business with a significant competitive advantage by leveraging analytics—statistical methods to generate value from insights buried in data. The focus in analytics is on the future, replacing resource-intensive reporting with predictive analysis and sophisticated scenario planning techniques. Almost by necessity, energy was at the forefront of scenario-based planning techniques, which evolved out of the industry’s need to look at and plan for what-if scenarios. Given its global and geopolitical risks, and based on its concentration of resources in high-risk areas, the industry needed to be positioned for rapid response.

Because of energy’s exposure to volatile factors, such as weak economic growth causing a drop in demand for resources, a competitive advantage may go to leading finance organizations that have implemented a significantly more effective planning process. A process that differentiates between levels of planning—budgeting, operational planning and strategic planning—allows the company to exploit the differences while ensuring proper linkage among the three. Figure 3 points out some of the gains that analytics can support.

7. Infusing the enterprise with a value-creation mindset

Publicly traded companies within the energy industry must contend with volatile commodity price shifts that can directly affect the stock price from quarter to quarter. Due to this volatility, budgets are constantly under review in search of investment areas that can be reduced. Even at the Horizon 4 level of strategic business partnering, finance will need to justify itself as an expense to the company. This can be true at private or nationally owned companies as well. It is important for the business to understand what is under discussion at those times—value beyond cost. That perspective requires refocusing the discussion to showcase the value that is continuously being created, especially post-transformation. Using this approach, the organization can make an accurate evaluation of what finance provides to the business, beyond such measures as headcount and cost. This approach puts the responsibility on finance to educate the organization and demonstrate the value given for every cost. Leaders use a variety of mechanisms to do this, including the following.

Building financial acumen

Talent, both inside and outside finance, is given access to a comprehensive and accessible finance curriculum: in short, a finance academy. By building financial acumen in the broader organization, the value that finance provides can be recognized and used more effectively.

Demonstrating how finance supports the business strategy

The timing and breadth of internal finance initiatives must fit into the larger business objectives, whether growth or increased targeting of existing markets. Initiatives within finance should not be planned in a silo or ad hoc fashion.

Tracking recommended benefits

Recommending savings to the business is the first step. But for finance to reap the benefits, those recommendations should be tracked so that the overall savings value can be reported back to the business. Tracking the benefits that stem from successful business partnering helps to position finance for future endeavors.

Showcasing the value of finance

Conversations with functions outside of finance are used to showcase the value contributed by finance. For example, finance may have been able to accelerate the return on investment (ROI) on investments for a particular portfolio.
What is gained in the end: a more valuable business

These components of successful strategic business partnering are important focus areas for energy companies aiming to capture the full benefits of this advanced stage of finance transformation. Is it worthwhile?

With so many uncertainties surrounding the energy industry, the potential value to be gained by a company’s own internal actions—such as finance transformation—offers an advantage too promising to ignore.

That is not to say the journey is simple and easily defined. But finance organizations that have taken finance transformation to its highest level have made themselves strategic business partners in precisely those activities that add the most value to the business. At the last horizon, they already have achieved the fundamental gains of earlier levels of finance transformation, which are essential. They have invested in hard and soft-skill training, and they have established a high level of credibility with the business through reliable, efficient finance and accounting operational performance. Now they are helping to shape the success—and future—of the enterprise.

Again, our research indicates that financial organizations that consistently perform at a leading level achieved the status through an integrated, multi-dimensional transformation program. Through transformation, finance can most effectively embrace the strategic partner role—and focus on the activities that produce differentiating value for the business.

For those organizations that take finance transformation all the way to this high level, not only the finance organization but also the enterprise itself will be different—positively different. The company will emerge stronger, more viable and vigorous in a business climate that is relentlessly demanding.

Accenture can help you move forward on your journey to high performance—and pursue the value of financial transformation. If you would like to discuss the possible benefits for your company, please contact us.
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