

How Finance Can Add Value to Other Areas of the Business ?

Presented to:
SFHA Finance Conference

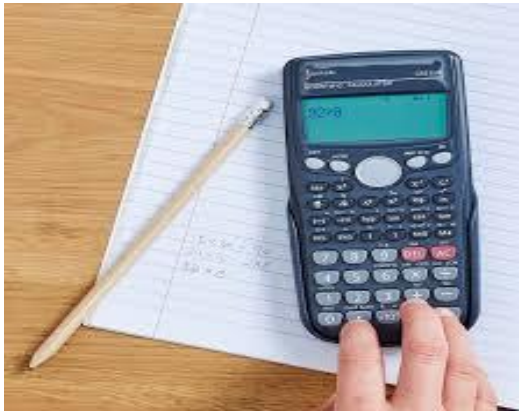
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Adding up or Adding Value ?



Finance Function : Key criticisms



"Impose policies and processes that are waste time"

"Finance make endless information requests but never give anything back"

"No one outside finance understand how numbers can make a difference"

"Too busy – its year end !!"

"Central function – source of extra work rather than help"

"Number Crunchers"

Finance Function Key Criticisms



Lack of knowledge of business & operating environment

- Lack of engagement & training in understanding Housing business
- Lack of understanding of the importance of delivering affordability & VFM
- Lack of knowledge of the Asset Base



Disabler not Enabler

- Key barrier to getting things done and making things happen ?
- Inflexible
- Lack of collaboration and dialogue



Complex reporting

- Only finance understand the figures
- The business plan is a financial document
- Inadequate information provision
- Provide reactive analytical support
- Confused governing body



Isolated Function

- Not part of the organisation DNA
- Finance is restricted to something done by "Finance People"





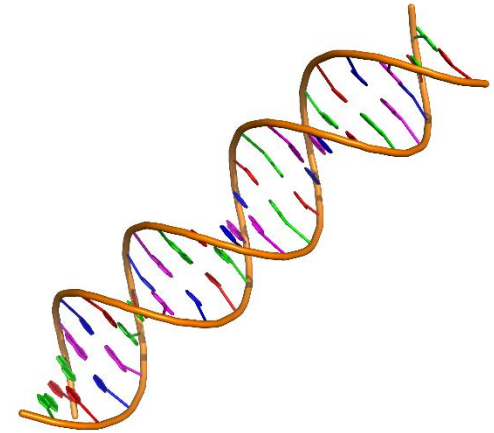
“ Can we not just automate it? Do we even need finance anymore ?

- The finance function is needed by the business now more than ever - the current economic climate is putting ever more pressure on housing associations to deliver results
- Its not just about helping the business to understand financial implications of decisions ITS ALSO about making the decisions to improve its financial position
- More pressure to bring quicker, better quality management information, improved forecasting accuracy & proactivity to help the business optimise its cash and its working capital

Why transforming Finance Matters – how do we justify our existence?

Adding Value.....

- ✓ Finance staff need to be at the **heart of business decisions** – they should be working in close **partnership** with operational managers & SMT to help make informed decisions
- ✓ Need to bring **credible challenge** to the business about what they do and don't know to bring insight to operational and strategic plans
- ✓ The finance leader needs to go beyond the accounting and the finance function a good CFO will truly **understand the operations of the business**
- ✓ Having the right people with the **right skills:**
 - Strong relationship skills
 - Robust team working and collaboration skills
 - Not just technical abilities BUT excellent relationship skills and experience of managing change



"Finance should be part of the DNA of the business – It needs to become more disciplined across the entire association rather than being restricted to something done by people in the FINANCE FUNCTION itself"

Knowledge & Focus

- Do managers have a detailed understanding of their cost base (fixed/variable & key cost drivers (assets/activities)?
- Do managers know what activities employees spend on their time and how much it costs?
- Does your finance team contain the skills and experience to drive growth and create competitive advantage ?

Performance Management

- To what extent are operational management involved in setting budgets?
- Is there regular and open dialogue ?
- How robust is cashflow forecasting ?
- How good are your organisations scenario planning capabilities ?
- Is there adequate coordination and provision of information to enable effective decision making and performance management?



Contract & Project Management

- Are key contracts delivering value for cost?
- Should areas be outsourced or conversely has it gone to far ?

Is there a clear understanding of what activities/projects work well and what add value to the business ?

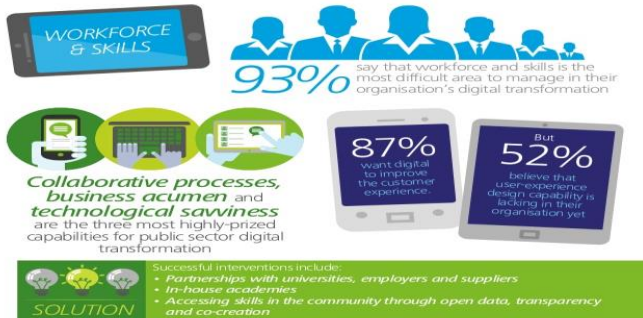
Accountability

- Is the organisational structure fit for purpose ?
- Are operational managers aware of their financial responsibilities (cost ownership)??
- Are adequate levels of information provided to the governing body which enables effective decision making?
- How well connected is finance with the business to support strategic and tactical decisions making?
- Does the organisation take an integrated/joined up approach to AMP & BP ?

Transforming & Improving with Business Intelligence

The Ascent of Digital Understanding and accelerating the public sector's evolution

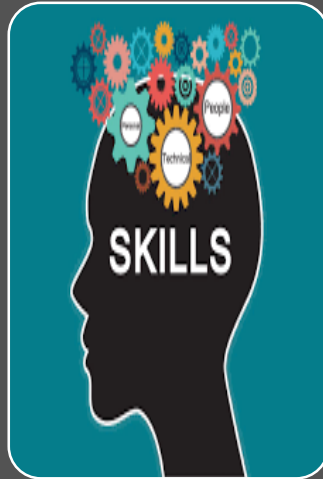
Our research suggests a wide spectrum of digital maturity in the UK public sector, but with a common set of issues and a shared series of barriers that are hampering change: culture, workforce, procurement and leadership.



- Digital is **reshaping the face of today's workplace**, with increased risks and opportunities in the face of digital.
- OUR organisations are going to be pushed to **innovate rapidly, rethink the vision** on refocus on the capabilities core the organisation.
- Increasing pressure to become **more efficient, agile, forward looking** and faster to adapt
- Pace of digital and technology development will mean **operational processes** become increasingly **automated** & Robotic Process Automation "RPA" and "AI" will remove the majority of manual tasks from the finance team.
- As business models inflect to better service customers, finance leaders need **to rethink how and where the business invests (resources)**
- They need to lead the business **driving the transformation** of the end to end business process that create most value for the organisation and its customers
- Finance needs to be more "**customer centric**" and understand what key stakeholders need to enable them in turn to become more focused on the services they provide to customers and to what cost



Finance must capture, measure, report and **predict future performance** in a much more agile manner to support better decision making and growth



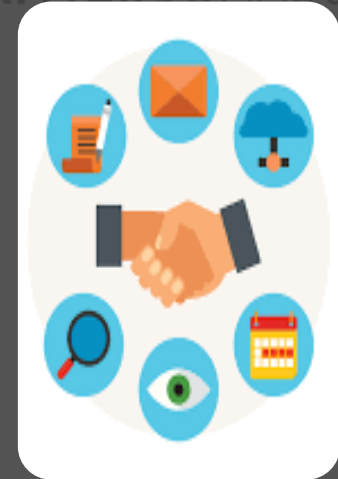
Data quality is critical but so too is ensuring finance teams have the **right skills and business understanding** to challenged the associations direction, analyse decision making and help identify future opportunities



Digital demands entire revolution of Finance Role – a new way of operating that first and **foremost thinks of the customer.**

A key shift from operational processing to insight and analytics

The finance function should be a team of dynamic professionals driven by business strategy



Finance need to learn to use technology as the key to pulling together areas of the business that often work in silos and **enable better operational and strategic decisions**

The finance team need to be at the **forefront of the four emerging connected “pillars” of technology**; the evolution of which will continue to revolutionise the business model and customer service.

Analytics:

The explosion of data inside and outside the organisation to drive decision making and identify key risks and opportunities, as well as rethinking KPIs and core processes.

Cloud:

Running the entire business from cloud, lowering cost, delivering enriched and more versatile data to serve better decision making.



Collaboration:

Digital tools and apps revolutionising how teams work together, co-creating solutions, sharing information across the organisation to drive innovation and growth.

Robotic process automation (“RPA”):

The adoption of virtual worker software to drive automation, reduce process costs, increase control and standardisation, and the greater opportunity longer term with Artificial Intelligence.



- Organisations who are using flexible, cloud-based data analytics tools, to not only create **an integrated detailed** bottom up planning and forecasting models but also to create a strategic top down view.
- Need to take in a **whole range of financial and non-financial key variables** such as demand, investment, performance and finance and delivers projected outcomes over a period of time
- The use of **automation reduces the time** take to compile these forecasts considerably as RPA cuts down the time to sources, reconcile and validate information used in compiling budgets.
- **Collaboration tools** then improve the finance teams to explore this information with the **business online and real time** rather than through the traditional cycles of issuing versions of the budget, meeting to discuss it or compiling and reflecting the input received from many disparate sources.
- The key benefit felt by the organisation and others who have implemented similar planning processes is that the time saved is **refocused towards better business conversations** rather than **discussions of the accuracy of the data.**

Finance needs not just smart tools but smart people too



Digital technologies alone are not the solutions, they can only be the enabler.
Digital rewrites the talent strategy for finance functions and demands a rethink on how it attracts, develops, engages and retains the brightest & the best staff

Culture

- Digital requires a **shift in culture reflected in different behaviours**; finance must focus on **supporting innovation, a measured approach to risk taking**, collaborating with the business and having a much more entrepreneurial outlook.
- As data quality improves perhaps it is time to recognise that sometimes providing 100% accuracy on a figure versus 80% will not facilitate better decision making, especially if that accuracy comes at the cost of timeliness in reporting which may mean missed business opportunities.

Roles

- With the need to **better serve customers**, ever increasing access to rich data to enable this, and increasing opportunities to apply automation in traditional finance operations, the balance of roles in finance are pivoting **towards insight generation and performance management**.
- New roles in **scenario planning, business model simulation and decision support** are increasingly emerging yet this shift doesn't marginalise the importance of more traditional stewardship and finance operational roles.

Finance needs not just smart tools but smart people too



Skills

- **Commercial insight** and **digital “know-how”** are critical, as well as process reengineering, change management and data governance will be most prized as finance operations become increasingly analytical, judgement demanding and technology led.

Career paths

- As a result of the above traditional career paths in “finance” no longer exist; as enterprise functions transform and collaborate in the face of digital, the range of **career opportunities becomes increasingly diverse**, reflecting the broader skills of those in the organisation, and the needs of the business.

Learning and engagement

- In the face of digital, valued learning interventions in finance are transformed. The pace of change, technology transformation and **virtual working places a new premium on activities** such as reverse mentoring, secondments, inter-generational knowledge share and social media engagement strategies.

Transformation and constant improvement with Business Intelligence

The three key BI features that help enable transformation.....

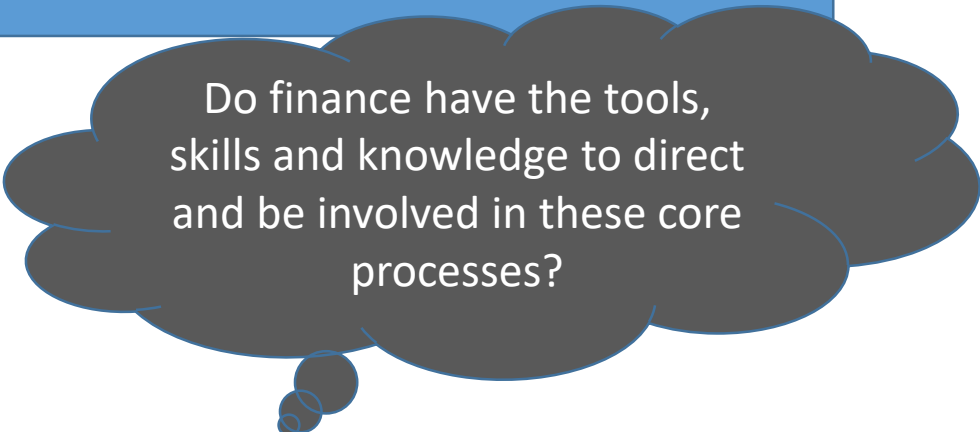
1. **Forecasting**: required to draw up budgets that ensure future resources are allocated to those areas where they will do most good for the association
2. **Analysis**: identifies trends and patterns in the data, enabling conclusions to be drawn on likely future scenarios and customer behaviours
3. **Visualisation**: enables management to see the state of the business at a glance and construct tailored dashboards and reports.

Key Considerations : So what does this mean for finance within your association ?

1. How will your association create future value and how can finance influence business decision making?
2. What is the role of different technologies across the association and also across the finance function in order to better support the business?
3. Is the quality of your data a good source of Business Intelligence and do you as finance professional understand how best to use it to drive insight?
4. Consider the implications of digital for finance talent - not merely in the area of technology knowledge or know-how but also around analytical thinking, collaboration and commercial skills?

Case studies and examples

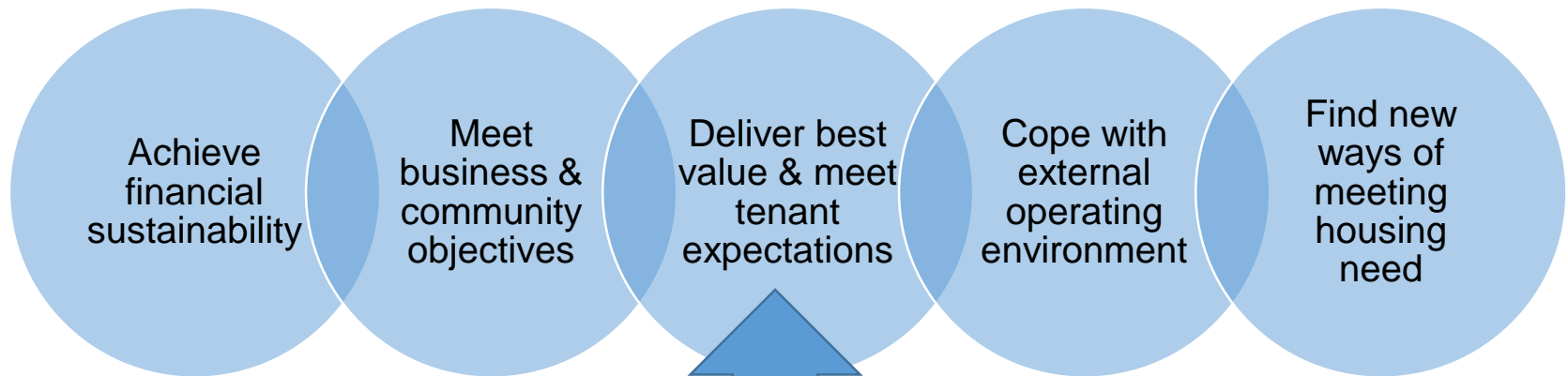
- Approaches to Strategic Business Planning
 - Business Planning Processes
- Integrated Approach and Joined up Internal Business Review
 - Cashflow forecasting



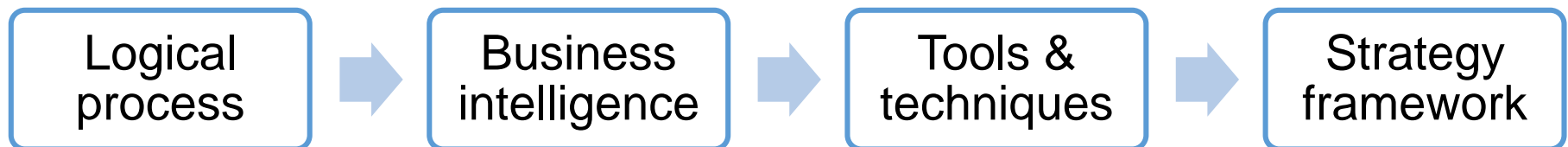
Do finance have the tools, skills and knowledge to direct and be involved in these core processes?

Now, more than ever...

RSLs are recognising the need to review current business & financial strategy to...

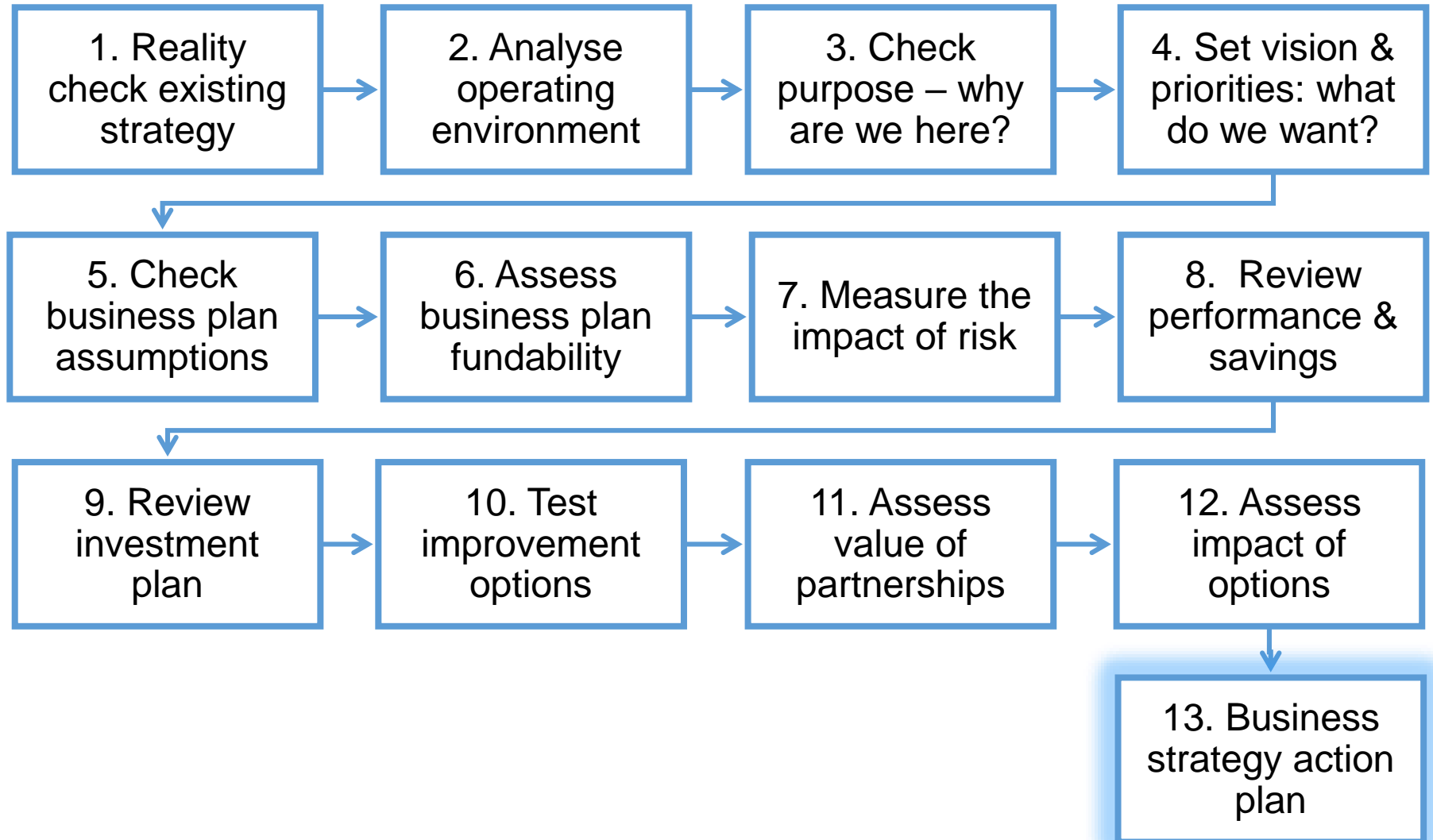


So how do you get there?
What are the successful ingredients to successful strategy and financial planning?





Strategic business planning process



Business Plan Development & Review

Financial Viability

- Is baseline plan sustainable in short, medium & long term?
- Are there adequate cash reserves throughout the life of the plan?

Rent Affordability

- Can the level of income generated support business activities?
- Are rents affordable now and in the future?

Debt Affordability

- Can borrowing be financed now and in the future?
- Is the borrowing affordable, sustainable and prudent?

Investment

- Are there sufficient levels of investment in the stock?
- Do we take an integrated approach to asset management?

Service Delivery

- Can service delivery be maintained at required levels?
- How does the Association compare to its peers?

Performance & Efficiency Review

- What aspects of the business work well?
- How do we compare with other Associations?

Internal Business Review

How to improve business plan fundability and sustainability?

Rent
restructuring
& strategy

Is our rent structure
fair, consistent &
transparent?

Asset
management

Is our housing stock
fit for purpose now
& in the future?

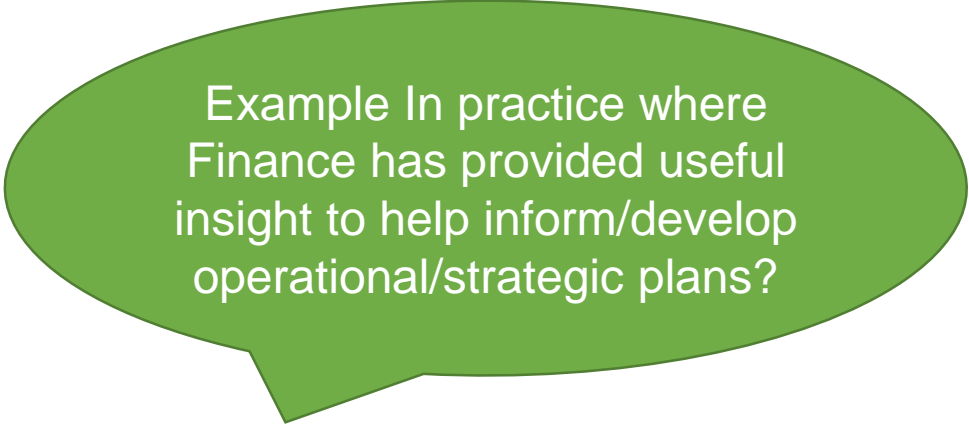
Zero based
budgeting

Do we understand
our costs & manage
budgets stringently?

Efficiency
programme

Can we do things
differently to
improve value or
lower overheads?

Discussion & Questions



Example In practice where Finance has provided useful insight to help inform/develop operational/strategic plans?



What are the key barriers to change for the Finance Function ?