

Chapter 3

Current Situation of the Finance Function

ABSTRACT

This chapter deals with the current situation of the finance function, which is explained from a historical perspective by first looking back several decades and then working toward the present time. Subsequently, the research into the trends in the finance function over that same period is reviewed. This research shows that there are specific “evergreens,” that is, activities that have taken up a significant proportion of the time of the finance function over the past decades, and in fact still do. These evergreens are described, and in addition, the latest developments—identified from the professional literature—on activities that might become or possibly already are important to the finance function are discussed. This chapter concludes with the core aim of the HPFF framework which is to support the finance function in dealing with current and future developments to meet and exceed its targets.

3.1 STATUS OF THE FINANCE FUNCTION

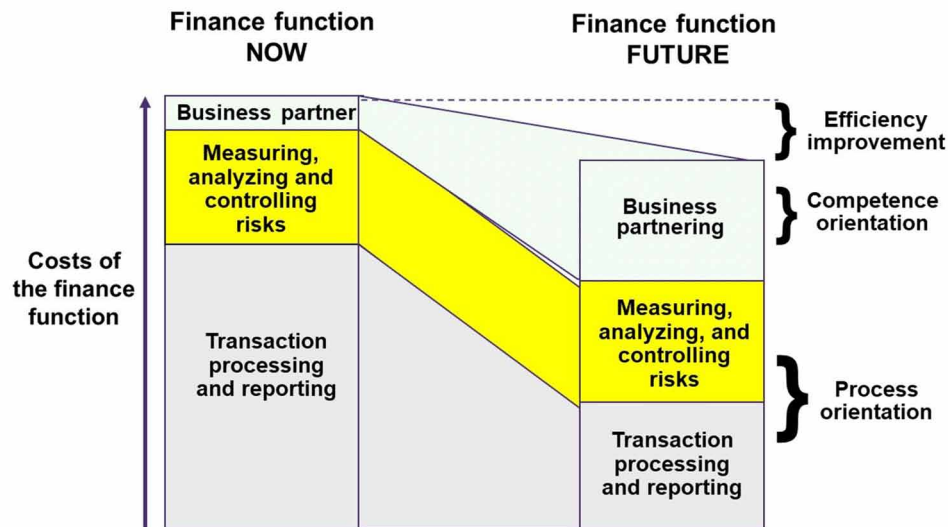
Sixteen years ago we published in the Netherlands the book *De Financiële Manager van de 21^{ste} Eeuw* [The Financial Manager of the 21st Century] (de Waal, 2006). The Introduction in that book read as follows: “The finance function is one of the most important functions within an organization. It is estimated that companies in the world’s five largest economies spend more than \$200 billion per year on executing financial processes. Nevertheless, there is great dissatisfaction with the added value of the finance function and many organizations have worked in recent years to improve both the efficiency and the effectiveness of financial processes. It can now be said that transformation of the finance function is no longer an option but a necessity. The role of financial managers has been changing as a result of all this. Whereas in the past they were mainly expected to efficiently execute the financial administration, now financial managers have to focus primarily on the effectiveness of the finance function. This effectiveness is all about supporting the growth and prosperity of the organization. Costs, and especially cost reductions, are still an important means, but increasing sales and delivering added value have become the primary goal.

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Financial managers are required to simultaneously perform a number of sometimes contradictory tasks: restore society's trust in the integrity of the organization, safeguard the profitability of the organization, enable further growth and shareholder value creation, and do more with less. They are no longer only responsible for the quality of the data and reported results, but now also for the realization of these results. In response to this development, financial managers have become professionalized at a rapid pace. In recent years they have grown from "the economic conscience of the organization" to individuals who are concerned not only with the traditional recording of historical data, but also with the business evaluation of current and future business activities. Financial managers are moving from "scorekeepers" to "business partners." This development has continued to date and will probably continue for some time to come." The book also included a schematic future vision of the costs of the finance function according to the type of activity (Figure 1).

Figure 1. Cost development of the finance function, as predicted in 2006 (de Waal, 2006)



From Bean Counter to Bean Grower
<p>The finance function is in general by nature conservative, detail-oriented, rule-oriented, and structured. To make the transition to a more forward-looking finance function requires a lot of innovative thinking and a structure to put this thinking into practice. Thus, over the next decade, finance functions will have to disrupt themselves to meet the demands of their customers who increasingly expect the function to serve as a true business partner, not a back-office department focused on transactional processing and historical reporting. It's a move from bean counter to bean grower (KPMG, 2019).</p>

The clear prediction was that the emphasis in the time use (and thus the costs) for the finance function was shifting from transaction processing to business partnering, and that this would be done at a lower cost. As Figure 1 shows, the time that financial professionals spend on traditional activities would decrease because of increasing automation; they would instead spend more time analyzing data

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