

Change of focus

Tax compliance? Finance directors have more important things on the 'to do' list, which is where outsourcing can help, argues Malcolm Wheatley

Scratch a finance director and beneath the pinstriped surface you will often find an individual obsessed with detail, says Garrett O'Keeffe, a business leadership coach whose clients have included BT, Vodafone and O2. He thinks it can make performing the job harder.

"It's strange, but they often feel the need to retain control over the tasks that they used to perform as they came up through the ranks," says O'Keeffe. And it is not difficult to see why, he believes.

"Quite simply, there's an element of comfort attached to dealing with familiar detail," he says.

But that is a temptation that must be resisted. The FD must recognise that they are part of their organisation's senior leadership team, "working alongside the chief executive on strategic issues, rather than dealing with detail," warns O'Keeffe.

Looking up

Jennifer Raines, a former FD and director of Finance Heads, a collaborative group of interim



financial executives, agrees.

“The opportunities facing the FD come from spending more time in a strategic space, not a transactional one,” says Raines.

That is where outsourcing some of the tax compliance burden, particularly for large multinationals, makes sense.

“Where do potential acquisitions lie? What growth opportunities are there? How can I work better with the chief executive and the board to drive the business forward? It’s the answers to questions like these that matter most, not the operational minutiae of day-to-day compliance and transaction processing,” she adds.

Adding value

By freeing up time, FDs can devote their energy to more strategic considerations, as well as collaborating with other parts of the business.

At mortgage management company HML, which services almost £50bn in UK mortgage assets on behalf of its clients, it is precisely this sort of thinking that is driving a conscious strategy of looking for outsourcing opportunities, says its chief financial officer Neil Warman.

Welcoming a tendency for FDs to become more involved in the strategic direction of their organisations, he says: “Outsourcing decisions are an increasingly important aspect of this: companies should always look to outsource where it makes sense to do so.”

To begin with, many FDs can add immediate value by turning transactional data into actionable information.

“There’s a huge opportunity to analyse data, rather than just process it on a transactional basis,” says Mike Ellis, FD at payroll and HR specialist ADP. Indeed, he says, a senior member of his finance team is tasked with doing just that. In his own FD role, Ellis explains, he has recently been working with the product marketing team to assess

Opportunities for FDs come from spending more time in a strategic space

whether potential new lines of business can be competitive, as well as with the sales team to develop pricing strategies.

“The biggest thing is to be able to spend more time supporting the business – helping to drive growth, and improve margins,” he says. “The opportunity really is significant.”

More to the point, though, freed from their transactional focus, FDs can finally begin to work more closely with their chief executives and other functional heads.

And it is good news from a career perspective, too. Clive Davis, director at financial recruitment

firm Robert Half International, reports a growing demand for FDs with a proven track record in collaborating with other parts of the business in the furtherance of a strategic, not operational, agenda.

“Very recently, we recruited an FD where there was a formal job requirement for them to work closely with the sales, brand marketing and product development teams, in order to ensure that the business maximised its commercial profitability,” Davis says.

And FDs who are able to interact with the procurement and supply chain functions are also in demand. “When the business is under pressure to reduce costs and deliver lower prices, the ability to deal creatively and flexibly with supply chain issues is paramount,” he says.

The unspoken message: FDs who are bogged down with tax compliance detail will not have the time or the depth of board-level relationships to do that. Which might explain some of this year’s high-profile cases of FDs being passed over for the chief executive role.

PUTTING MATTERS RIGHT

Outsourcing transactional and compliance-related detail offers an opportunity to better use your time. A recent study by PricewaterhouseCoopers (PwC) has examined the effectiveness of the finance function at over a hundred FTSE-200 companies.

“The study clearly shows that both chief executives and finance professionals have some significant hurdles to overcome before the finance function truly becomes the strategic partner that the business requires,” says Nick Jarman, PwC partner in charge of the finance function.

He points to the report’s findings that chief executives are generally unhappy with the service they are being provided with by the finance function and the FD – and links this to several recent high-

profile cases of FDs being passed over for the chief executive role.

The typical FD’s relationship with the procurement function – a major cost centre in many businesses and one that has a knock-on effect on tax transactions – is also found wanting.

Research carried out by Professor Adrian Done of Spain’s IESE Business School, published in November 2009 by finance system vendor Basware, talks openly of tensions between the finance and procurement functions. It contains hard-hitting quotes from a number of procurement executives. And the problem is a serious one.

“It’s very profound,” says Done. “The finance and procurement functions don’t share a common language and can’t communicate.”