

Gartner for Finance

Value-Focused Finance Decision Support (Tog Line Inc.)



Company Name: Tog Line Inc.*

Industry: Transportation

Location: Copenhagen, Denmark

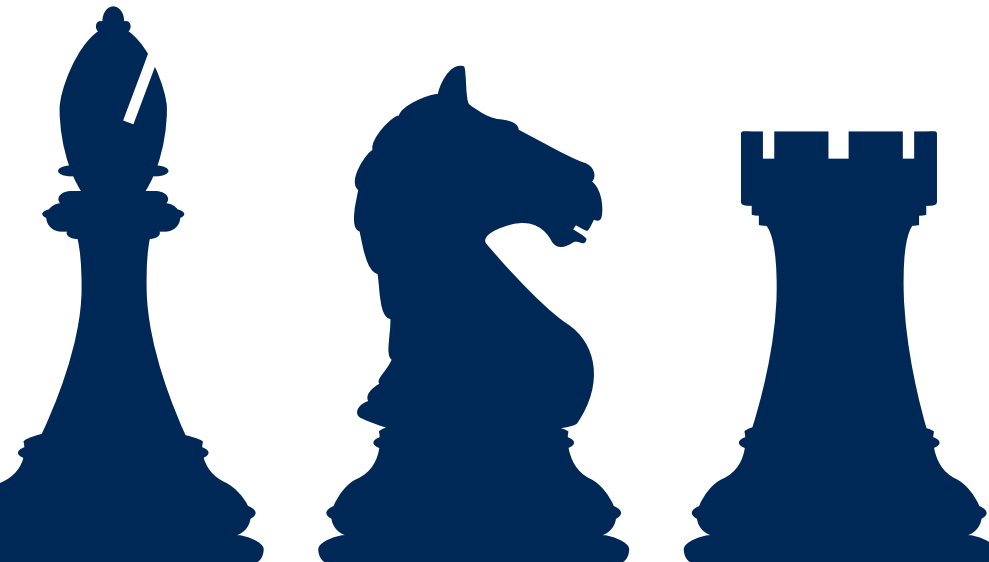
Revenue: About \$20 billion

Head Count: 23,000

Overview

Expectations for finance are changing; the business increasingly looks to finance to drive performance, not just provide back-office support. For most finance organizations, providing value means limiting the costs of transactional activities and improving response times. For others, value is a term widely discussed but not clearly defined.

At Tog Line, finance leaders redefined what value means for decision support. Under this new model, finance business partners (FBPs) minimize irrelevant analysis done for the business, communicate in a manner intuitive to the business, and demonstrate thought leadership by presenting alternative recommendations.



Since implementing this model, more decisions have met their investment return goals and finance has been able to support a larger number of decisions in a timely, scalable manner.

Solution highlights

- Perform only high-value activities, which are defined by a strict set of criteria. Eliminate low-value activities.
- Prioritize business logic over financials, focusing on the business situation and the complication it creates.
- Instead of analyzing individual decisions in isolation and seeking precise conclusions, give the business multiple decision options and highlight the companywide impact of each.

Challenge

FBPs have misperceptions about what business value means for finance decision support. As FBPs are increasingly asked to deliver more value, they fall into a mindset of “the more, the better,” ramping up the number of analyses and reports they provide to the business. They also overemphasize the financial data aspects of decision support, immediately resorting to analysis and communicating to the business in the language of finance.

This response of increased analysis strains FBPs’ already limited capacity and distracts the business from what is most important. Furthermore, focusing on financials and individual solutions fails to pinpoint the underlying business complication and the broader impact the solutions may have on the company as a whole.



Solution

Tog Line’s model for value-focused finance decision support has three key components:

1. Decision-specific activity assessment
2. Problem-focused storytelling framework
3. Dynamic decision trade-off modeling

1. Decision-specific activity assessment

Use specific, transparent criteria to assess whether an activity is high-value and eliminate activities that do not meet the criteria.

Cutting out unnecessary FBP activities can reduce the prevalence of information that can distract the business from what matters most. But simply setting the expectation for FBPs to deliver more value to the business does not help them actually accomplish this. FBPs need specific, objective guidance to determine whether to continue to perform an activity.

To develop that guidance, finance leaders at Tog Line defined three end states high-value activities should be able to deliver: insight, influence and impact. They then listed different attributes for each. FBPs then list the activities they currently perform for each type of decision their business stakeholders have to make and use the attributes as criteria to assess whether it is a high- or low-value activity (see Figure 1).

For example, to support pricing decisions, FBPs perform competitor rate benchmarks, which can meet four of the five attributes finance leaders identified. FBPs typically recommend continuing activities like this that meet most of the criteria. However, if activities don't meet the criteria, such as volume versus cost reporting, finance discontinues them, either by completely eliminating them or assigning them to a shared service center or outsource shop.

Figure 1. Decision-specific activity assessment

Pricing decision activities	Competitor rate benchmarks	Volume vs. cost reporting	Weekly global freight deal book
Insight			
1. Highlight improvement areas.	✓	✗	✓
2. Differentiate drivers of recent performance.	✓	✓	✗
Influence			
3. Surface alternatives to improve performance.	✗	✗	✗
4. Challenge the business's current mental model.	✓	✗	✓
Impact			
5. Demonstrate the impact on broader key performance indicators (KPIs).	✓	✗	✗
Recommendation	Continue	Discontinue	Discontinue

Overview of criteria used to restrict low-value decision support activities

2. Problem-focused storytelling framework

Use a shared problem-solving toolkit that focuses on what is new and different about the current manifestation of a business problem to create a compelling business story that business decision makers find intuitive.

The standard approach to finance decision support overemphasizes financial data aggregation and analysis. In isolation, the business often finds this information not actionable or difficult to understand. To define the business logic underpinning its analysis, FBPs at Tog Line use a four-step problem-solving process that forces finance to spend most of its efforts upfront.

The first two steps are:

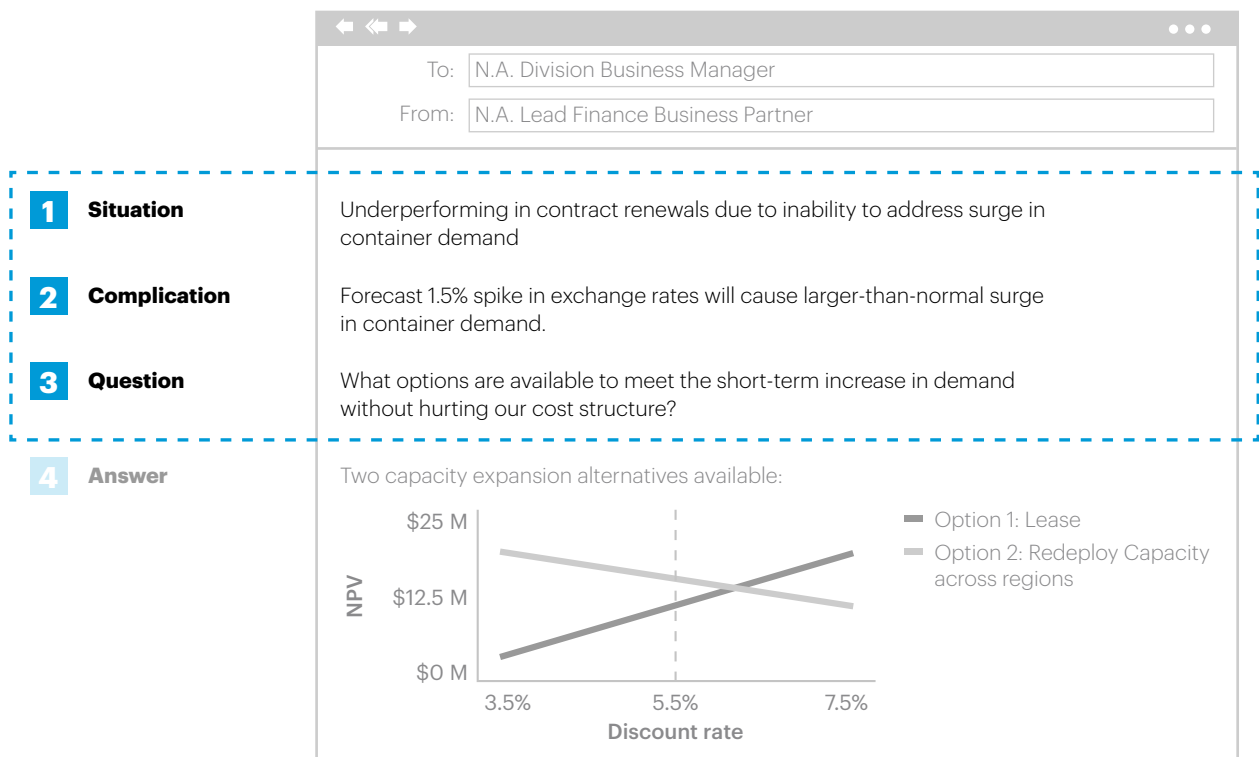
1. Define the current situation and — more important — how it is relevant to the business stakeholder finance is supporting.
2. To create an urgency to act, spell out the complication — the adverse effects that make the current situation not sustainable and drive the need for change.

These first two steps help scope a specific, accurate question that finance analysis must answer. Starting with these steps has the added benefit of reducing the likelihood FBPs will pursue false leads when providing support.

After these steps comes what finance traditionally spends most of its time on: analyzing data and presenting findings to the business. However, instead of providing a single, definitive answer in response to the question, FBPs provide more than one recommendation and detail their trade-offs to create solutions to the complications.

Not only is this the process used to solve problems, it also acts as a communication framework FBPs use to make analysis more intuitive and valuable to the business. FBPs even send emails using this format (see Figure 2).

Figure 2. Email resulting from problem-focused storytelling



3. Dynamic decision trade-off modeling

Augment visual maps of enterprise KPIs with tools that help premodel the impact of business decisions to educate the business on broader financial implications in the moment.

Analyzing individual decisions in isolation fails to inform the business of the impact those decisions may have on the company as a whole. To increase the value of their decision support, FBPs at Tog Line model the trade-offs of different decisions to give business stakeholders a more comprehensive picture of decision outcomes, thus helping them make more informed decisions.

Finance does this first by creating an enterprisewide value driver and KPI map, which is an iterative process. At its core, finance performed the following steps to set this up:

- Interview business experts to develop a comprehensive list of KPIs.
- Verify KPIs' relevance using statistical techniques, such as correlation analysis.
- Shortlist KPIs that are most critical using the following criteria:
 - The impact KPIs have on the enterprise
 - The degree of influence the business has over KPIs
 - The ease with which the business can reverse decisions that drive KPIs

For example, finance keeps KPIs that have tangible, material impacts on the business and removes KPIs that the business has little influence over, such as oil prices.

Figure 3 shows Tog Line's partial map. FBPs use it as a template to educate the business on different decisions' impact on the broader enterprise. Finance uses the map to model real impacts, transforming the map from a static, theoretical artifact to a dynamic one that business stakeholders can use to assess the tangible trade-offs of decision options.

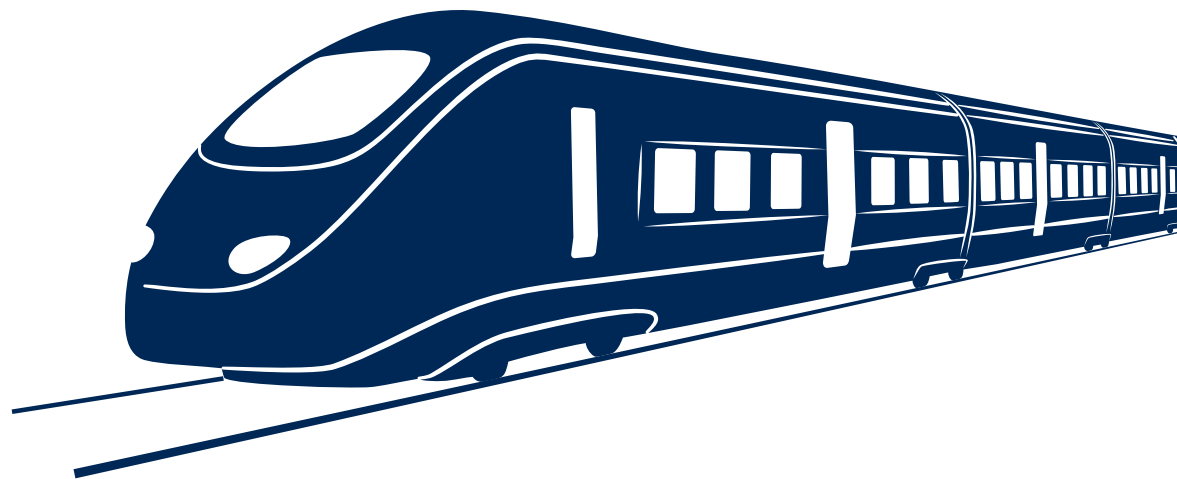
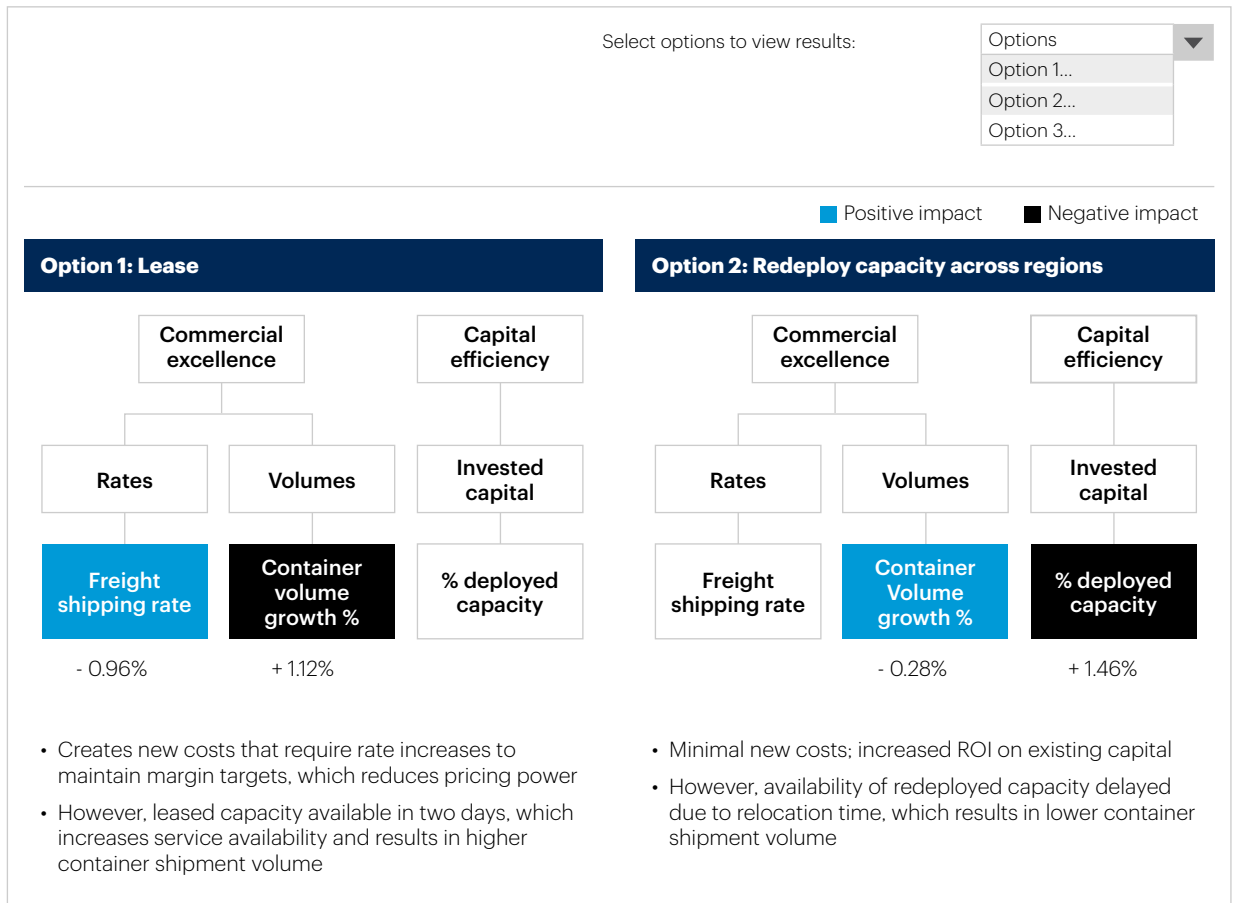


Figure 3. Dynamic decision trade-off modeling



Overview of the enterprisewide value driver map and decision trade-off modeling

Results

Tog Line’s new FBP model has produced financial and nonfinancial results. A key driver behind the company’s decision to create this model was that few decisions reached corporate ROI goals; however, since implementation, a higher number of decisions meet — or even exceed — those goals. Additional results were also noted, including reduced time required for the business to make decisions and improved FBP relationships with the business (measured through periodic business stakeholder performance surveys).

Recommendations

Finance leaders who seek to improve FBPs’ impact and relationships with the business should establish an FBP model that:

- Lists the activities currently being performed to support each type of decision and eliminates those that cannot deliver new insights, impact and influence
- Focuses on the upfront aspects of problem solving, which include defining the situation and the pain points or opportunities it creates, not data aggregation and analysis
- Provides multiple options instead of a single answer when providing decision support and teaches the business about the enterprisewide impact of each option

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