Business Flexibility and the Finance Director

What are the Finance function goals? The value-added stuff includes; translating ambitions and plans into financial plan values over time. What else? Tracking actual financial progress against plans. Carrying out ad hoc analysis and multi-dimensional reporting to add insights to decision making. Forecasting, including cash flows to ensure solvency. Improving reporting systems and streamlining finance processes.

There are also the activities to 'keep the wheels turning'. These include statutory compliance reporting, paying taxes and paying supplier bills that fall due. Collecting monies owing. Managing finance teams. Maintaining various internal controls.

What role can business flexibility (FL) play in the so called 'value-added' activities of the finance dept? The Finance Director (FD) can champion investment in business FL in its various forms. This means not just increasing the free cash reserves. But valuing and acquiring real options too. And using FL as a tool to improve forecasting accuracy. A relevant example are sports teams try to control the game, to give themselves more options on how to maximise points to win the game. Of course by controlling the game, you can also massively improve your forecast of the final score too.

What else? Finance people tend to want to quantify all business activity into accounting frameworks of income, costs, assets and liabilities. Enlightened FDs should concede that two concurrent 'languages' that a business also needs to use are time reporting and quality reporting. Some customer segments, especially luxury and upper premium, care more about those attributes than cost. Even mass market consumers need to consider time and quality, not just cost, to cope with risk. A serious question for the founder of any business start-up and its FD is whether they're investing enough in reporting systems to monitor process time and output quality.

Astute FDs recognise that building a 'FL portfolio' for their business (a range of flexibilities that can be managed), minimises the impact of such adverse shocks as the loss of key accounts, industry disruption, currency devaluation, or economic downturn.

Leadership is needed by the FD in providing wider analytical insights on a timely basis. This utilises both data and human judgement. Looming business problems need ingenuity and examination from different sides. Sometimes the first challenge is finding ways to buy more time.

Decision making also needs to use valid comparisons. Real options can be bid for. Trade-offs and trade-ons can be highlighted. Fl can be developed systematically and internally, across various flexitypes including; communications FL, design FL, resource FL, system FL, product FL, service FL, channel FL, process FL, project FL, management FL and business model FL.

Finally, what advice would a business flexibility consultant give the FD about the 'keep the wheels turning' financial activities? Automate them as much as possible, with probability-based decision criteria. The opportunity cost (of time forgone on value-adding activities to handle hyper-competition and market uncertainty) is simply too high.

Simon Leicester
Business Flexibility Consultant
www.sleicest-consulting.org.uk