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# TALKING HEAD

## WERNER BAUMANN, CFO, BAYER



Werner Baumann has been CFO at Bayer since May 2010. Prior to his appointment he held a number of different roles in the company since joining in 1988. He has worked across Bayer operations in Spain, the US and, for the last nine years, in Germany. His principal recent role has been at Bayer Healthcare AG.

“For me, the role of finance in ensuring cost and process efficiency remains critical, the challenge is then to move finance out and maximise the value in supporting the wider business.

At Bayer we have around 200 to 250 people in corporate finance and treasury globally, which includes headquarters, and the treasury functions in some of the hubs. They include financing companies, so it is already a highly consolidated function.

In terms of our performance, the company has just gone through an efficiency program and the results of that were encouraging. As confirmation of that, there was a recent report from the Bank of New York Mellon which looked at our US finance function and their assessment was that they had never seen a company which is so efficient and so highly automated in the financial processes of the business. However, we can always improve.

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The question then is whether we as an organisation are able to take that efficiency that we have developed within the finance function, and take finance further out into the business. That includes how finance staff work with other non-finance staff to support innovation, for example.

It is a key question and of course, if you consider functional excellence, it is clear that you need to create an environment which provides people with the opportunity to continuously improve on the core capabilities of the finance function.

But if you do that in isolation, it will lead in the end to further isolation. And that is the opposite of what is needed in order to make sure that the finance function caters to the business needs. Ultimately, finance and business are not two separate parts, but actually integral elements of a well functioning company.

The issues are always at the interface, so consider the example of capital markets. If we want to issue commercial paper, or to issue new shares, that is a non-issue because it is in capital markets, either in debt market or an equity market issue that we deal with in the finance function. That is clearly a finance function responsibility.

But when it comes to financing our operational business, be that discussing terms and conditions with suppliers, potential win-win solutions in supplier financing, or to making smart business decisions on how we best support our commercial organisation with customer financing, the finance function has to be an integral part of the business and work outside the lines.

That was certainly the case at the sourcing end of the business processes, where we had to make sure that our procurement organisation on the one hand, and the finance organisation on the other hand work together seamlessly. If they don't do that, it ends up in suboptimal business results for the company.

The procurement organisation focuses on optimising the price per item. They don't look at payment terms, for example, or if there are purchases outstanding. And maybe things which are a little bit more innovative, like supplier financing, do not come to the mind of a

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normal procurement manager. And that's because he/she does not have exposure to a truly involved and business-minded finance function.

That disconnect means that we have to improve the way we develop our finance staff. What we have come to realise is that developing expertise 'monolithically' or within a silo mentality is not a smart way to develop talent, because they do not necessarily understand what happens on the other side of the fence. Think of it as there being two small backyards – you don't have a clue what is going on in your neighbourhood.

In order to make sure that we avoid this mentality, we are transitioning into a much more broad and holistic approach to talent management. This means that when young people who have an 'economics' background, for example, arrive at the company, be it into consulting, finance and accounting or business analysis in the operational business, they have to rotate during the early years of their careers. That means they have a short stint in the business units, then go into finance, look at treasury and how to finance the company, go into accounting, and understand how a country organisation works and so on.

Once you have done that you should have a fairly good understanding of how our company works, and wherever your next job is, whether you are dealing with the broader management responsibility or a function expertise, you are immediately enabled to look at other important issues you have to take into consideration. And that also means you will not be looking at a finance division in isolation and, with this approach, we get the sense of the way our business works.

Of course, you need to make sure you have the right resourcing structures in place to allow this to happen. That means that the more automated you can make your back office functions, the more you can free up your finance staff to make a higher value contribution.

At the same time, the increased flexibility and versatility of our talent pool means that it is much, much easier to be able to shift from one area to another. That often happens at a time when a lot of people look for stimulus and a new challenge, because they are getting stuck in a routine.

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Because it is true that not everybody can rise up in the ranks of the company, it is really also an absolutely essential element of better career and employment development that we provide people with the opportunity to work in a different area. And the better they are prepped before, because of the exposure they have already had to other parts of the company, the better it is for both the company and the people.

The worst thing for me, as an employee, is to find myself in my late 30s, having done a job for ten years, and my supervisor tells me that the level I have achieved is very nice, but it can't go any further. With that, the really tough message is: you have not done anything other than the job you are doing right now in your professional life, and you are a specialist who cannot break out of that mould anymore. You are stuck for the next 25 years, and that is a very long time to look ahead."