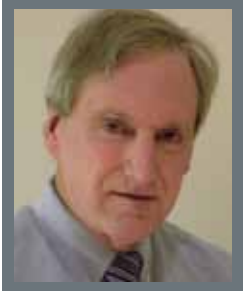

TALKING HEAD

JIM MORRISON, CFO, TEKNOR APEX



James E. Morrison is the CFO of Teknor Apex Company, a privately held manufacturer of plastic compounds headquartered in Pawtucket with facilities in the US, Europe and Asia. Jim is on the Board of Directors of the Rhode Island Society of Certified Public Accountants, and serves as Chair of the Business and Industry Executive Committee of the AICPA. He has an MBA from Xavier University, and a B.A. in Accounting from the University of Missouri.

“The finance function has undergone a significant transformation over the past ten years. We have moved closer to the business, and are now considered part of the decision making team. Anyone predicting the end of the finance function did not foresee this development.

The transformation begins with a clearly thought out organisation plan. This plan needs to set aside finance professionals as business analysts, and give them the mandate of creating value. You can’t just say to somebody in finance ‘while you’re doing your current job, you need to be a business partner and by the way, could you find some time to be an analyst?’ You have to establish and support that position.

A key stage in the transformation of the business analyst is to physically place them in the heart of the business team. If they are going to be a business partner they need to be sitting with the management team. The final stage is to create the desire to have business unit goals that are aligned with corporate objectives.

“The true value of the business analysis function comes in the forecast of the future results and performance. As the finance professional, you become the key go to person for decisions impacting the future.”

The basic analysis support function involves budgets, capital decision analysis, and measuring business performance. But the true value of this function comes in the forecast of future results and performance. As the finance professional, you become the key go to person for decisions impacting the future.

It is important that the business analysts broaden their perspective and understanding of business processes. So when a question comes up, whether a project proposal or a technical accounting issue, the analytical approach is to start connecting the dots to the other areas that will be affected. Continued exposure to all the different functions in the business gives one this capability, but the best analysts quickly identify the critical impact areas, the ‘value levers’. I think this helps you see the result of actions in one small area and how changes can affect the wider business.

While there is a transformation, the business analyst must remain true to their profession. There is a fear among some that the lines may begin to blur if finance works too closely with operations. But that won’t happen if we acknowledge our ethical roots and ensure that decisions we are promoting are for the benefit of the total company and its stakeholders. This objective and non-biased approach will continue to build credibility within the organisation, and promote the finance professional as a catalyst for value creation. I tell my team that everyone should think of themselves as a CFO of their area, because the CFO always asks what is the best decision that will benefit the company long-term.

Reporting lines are important. In my view, the business analyst needs to have a strong dotted line to the business manager they support. Without this they will never attain business partner status. However, to protect the integrity and independence of the finance professional, a direct line back through finance is preferable. The finance function is usually going to remain the career ladder of choice, and that connection should not be severed.

While the business manager should have input on the performance rating of the business analyst, the financial head should have the final judgement of their performance.

All this involves a learning curve, and I have always believed that for a finance person to be considered a partner, they have to be accountable for the business performance. I tell the finance people they are just as important as anybody because they are going to help people around the business make good decisions; they are going to help them see where they are going off target and where they are on target.

Frankly, the people that I have right now – the business analysts that are on the operational teams – are rewarded just like their counterparts in those business teams: 20% of their bonuses based on corporate performance, 30% on the business performance, which is usually an EBIT number, and 50% on personal targets. So they are totally accountable.

“The transformation of the finance function has resulted in bringing value to the business. Finance professionals today are more likely to be seen on the front line bringing a clarity to decision making, always with an eye to the future.”

Clearly that’s even more important given the state of the economy. I have seen business managers listening far more to their business analysts now because the environment is so complex and volatile. The result is that those managers are now more likely to focus on strengths and to quickly address the problem areas.

The transformation of the finance function has resulted in bringing value to the business. Finance professionals today are more likely to be seen on the front line, bringing a clarity to decision making, always with an eye to the future. It’s an exciting time to be a finance professional.”