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The Financial Function and the Creation of Firm Value

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ABSTRACT

A sure sign that the society needs a firm's product is its willingness to buy such a product in amounts and at prices that ensure the firm's profits. In turn, the firm's sustainable development depends on its ability to convert profits into increased company value by improving the efficiency of current processes, developing new products and implementing innovative business models. The purpose of the study is to determine the directions of the corporate financial service and the ways of its assistance to maximize the value of the firm in the current environment. Theoretical and methodological basis of research was made by scientific works of foreign scientists and experts on the formation of company value. Methods of qualitative and quantitative analysis of scientific publications, analytical materials of famous consulting organizations, statistical data were used. The author proves in the article that the modern corporate financial service has the ability and capacity to manage the creation of value inside and outside the balance sheet of the firm, to actively contribute to the effectiveness of the use of its tangible and intangible assets. In this regard, the author proposes to reclassify the financial function from supporting the firm's core activities as part of the firm's infrastructure in the value chain to a primary function

Keywords: financial function; value creation; profit maximization; tangible and intangible assets

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INTRODUCTION

In an environment of increasing external uncertainty, lack of stability and high speed of change in technology and customer requirements, achieving sustainable long-term growth, preventing loss and creating additional company value is proving particularly challenging.

The firm's finance function, which has traditionally been dedicated to recording, reporting, controlling physical assets and handling cash transactions, plays an important role in achieving this goal. These responsibilities have largely determined the perception of this service as a "bookkeeper" or "corporate policeman" [1, 2]. However, as noted by J.S. Moag, W.T. Carleton and E.M. Lerner, it "does not correspond to the essence of modern finance". Another side of the finance function, especially demanded in the new conditions, is the analysis of all corporate processes from the point of view of improving their efficiency to increase competitiveness and maximize the company's profits, its sustainable development, creation and increase in the value of the firm.

By automating routine processes through their digitalisation, the finance function is increasingly focused on helping the firm's management focus on what matters for long-term success, while helping to meet investors' expectations for short-term results. The challenge, however, is that cash flows, which are the direct responsibility of the finance function to assess, are also affected (in addition to the supply of raw materials, supplies and components, production structure and sales of finished goods) by a rapidly changing consumer culture, brand reputation, employee and community relations. At the same time, a significant part of the firm's value is determined by the viability of the business model and strategic factors — intangible and difficult to monetize. "Such intangible factors and assets are usually reflected in market premiums, which represent the difference between the market value and the book value of the company, and thus this "intangibility"

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is transformed into something tangible in the form of growth in the capitalisation of the company, which is logical since the development of the economy is increasingly based on skills, knowledge, digital and other technologies rather than on physical or tangible assets" [4]. In the United States and the ten largest economies of Western Europe, investments in intangible assets accounted for approximately 30% of total capital investments in 1995, and in 2019 — already 40% [5]. McKinsey's March 2021 global survey of the current state of the global economy in 21 industries found that the fastest-growing large companies with average growth rates of around 20% (those in the top quartile of gross value-added growth) invested 2.6 times more in intangible assets in 2018–2019 than companies with 3% average growth (which turned out to be about half of the 861 organizations surveyed). That is, increased investment in intangible capital correlates well with higher growth rates of company value added [6].

Thus, we can agree with the International Federation of Accountants' assertion that "finance [as traditionally understood by the author] tells only part of the story of value creation, which is created and destroyed off the balance sheet".[1]

CREATING VALUE INSIDE AND OUTSIDE THE FIRM'S BALANCE SHEET

To create value within the firm's balance sheet, for which the traditional finance function is responsible, the following tasks are most important:

1. Optimisation of the capital structure in terms of its cost, availability, volume and maturity of capital, taking into account the needs of basic production, which allows to give impetus to the development of the firm in the creation of new value, while failure can plunge it into a chaos of liquidity, which can lead to bankruptcy.

2. Efficient use of accumulated cash reserves in the firm's accounts: investing them to create additional value, allocating them to early repayment of financial liabilities, paying dividends or repurchasing shares. Otherwise, accumulated resources are evidence of an inefficient business model, as the firm cannot scale its activities, which require cash to invest in, and its diversification is not feasible.

3. Motivating production units to rationally use fixed assets, which ensures the production of goods with the maximum possible added value in a given configuration of equipment. This is extremely complex, but the methodology of through-costing allows us to show how to change the structure of manufactured products in order to maximise profits.

4. Management of currency, credit, production, and accounts receivable risks, which has always been an unusual task. Structurally, it is solved by insurance or hedging with market instruments. But even a well-insured risk, when realised and compensated, nevertheless interrupts production activities, thus damaging the continuity of the process, the timeliness of fulfillment of obligations to customers, because if it is, for example, equipment, it takes time for it to be produced, delivered, and put into operation. In hedging risks, it is often more effective, especially when such an instrument is not available, to create an asset within the entity that is equal in amount, currency, and maturity to the hedged liability, which has the same risk characteristics as the liability to be hedged but, upon the occurrence of a risk event, neutralises the negative movement of the corresponding liability. This approach is referred to as *natural hedging of risks*. In any case, the task of the financial service is most likely to create conditions to prevent the very realisation of the risk. Measures to prevent it also cost a lot of money, but they allow to ensure the continuity of production, the stoppage of which, as a rule, causes many times more damage to the company than such costs.

In order to prevent loss and create new value for the objects reflected in the balance sheet, complex prospective modelling is the most effective. It includes the assessment of each risk object under

[1] A vision for the CFO & finance function. IFAC; 2019. 24 p.

a large number of scenarios (including stress situations), taking into account that changes in one object are very likely to affect another. For example, the geography and structure of sales may change the product program of production and currency risks.

Sophisticated multi-factor modelling with respect to all or most of the circumstances under consideration is capable of revealing risk information covering all of a company's financial positions; it can also explain and justify a financial management strategy and, once approved, will allow adequate action to address inefficiencies.

The above-mentioned issues of management of material positions, which are reflected in the company's balance sheet, do not cover other resources that ensure the firm's activity and remain off-balance sheet, namely: intellectual, human; environmental resources; social and ethical relations in the team and with society. The efficiency of management of these off-balance sheet resources largely determines the long-term cash flows of any company and, consequently, its value for shareholders. This point is important because long-term investments in shares act as one of the most important long-term instruments that ensure the safety and increase of money savings of the population with the prospect of their use after the end of active activity, transfer into inheritance or for large acquisitions. For example, in the USA, short-term investors hold only about 25% of company shares, while 75% are held by owners for a long time and are distributed as follows: 33% is held by long-term private investors, 25% by long-term institutional investors and 17% by index funds [7]. In this respect, the results of the survey of long-term investors on how they relate to quarterly earnings and news affecting long-term results are indicative (*Table 1*).

The head of the world's largest investment fund, BlackRock, reiterates this approach in his message to CEOs: "Most of our clients are investing to fund retirement. Their time horizons can span decades. The financial security we strive to help our clients achieve is not created overnight. It's a long-term endeavour, and we take a long-term approach … Long-term profitability is the measure by which the markets will ultimately determine the success of your company".[2]

Focusing on a sustainable positive financial result through ambidextrous approach to the organisation of the company's activities [8] ensures the growth of its value over a long period of time, which allows owners to benefit not only from dividends, but also from the growth of shares. At that, the growth of such total shareholder return (Total Shareholder Return — TSR) is proved not only over a relatively short period of time (from January 1996 to June 2022, the average annual inflation-cleared total return on the S&P 500 index was 6.8%, and nominally 9%), but also over the last 200 years (the average annual inflation-cleared growth rate of US stocks over this period was 6.5–7.0%). In nominal terms, the annualised return on indices of other markets (MSCI World, Emerging Markets and ACWI) also ranged from 8 to 10% for decades [9]. Such growth benefits not only the owners of companies, but also society as a whole, since the received income increases current consumption, i.e., creates additional demand, which is realised, among other things, in greater employment or allows investing in the development of the most promising companies, whose activities create additional benefits for society or make existing goods and services cheaper, more convenient and safe, and, accordingly, increases the standard of living of the population.

Longevity is not only the time horizon of the investments of the vast majority of private investors, but also a confirmation of the effectiveness of the market relationships within which such investments exist. Numerous intangible factors strongly influence the value of companies in which money is invested, and also have a significant impact on people's faith in such relationships, which benefits the entire society, not just the most successful segments of it. For a society,

[2] The Power of Capitalism. Larry Fink's 2022 letter to CEOs. URL: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter (accessed on 06.08.2022).

Table 1

Attitude of the long-term investors to the issues of the firm's activity affecting its short- and long-term results, %

Event	Doesn't bother at all	Moderately bothers	Bothers most of all
The Company announces in advance that it will cease to provide quarterly EPS (Earnings per share) guidance after 1 year	19	5	0
The new CEO is redefining the corporate purpose to solely "maximise shareholder value"	5	12	7
Significantly less investment has been announced in research and development for the next few years, but with using cash for share buybacks	3	13	8
Employee satisfaction has declined sharply	0	15	8
Significant changes made to the asset base asset base (or capital structure), resulted in an increase in financial leverage	2	13	9
A strong management team is expected to retire in a few years, and weaker managers will take over the management team	0	14	10
The Company publishes data indicating that it is not adequately addressing environmental or social issues	1	10	13
There has been a sharp decline in customer satisfaction (although this is unlikely to affect financial results in the next 18 months)	1	9	14
There are questionable practices in the supply chain (human rights/environment), which poses a significant risk to reputation	1	8	15

Source: compiled by the author according to URL: https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-to-build-an-alliance-against-corporate-short-termism

each member of which is a consumer of goods and services produced by companies involved in the market economy, it is important not only the quality and availability of such products, but also the state of the environment, the opportunity to develop and apply their abilities, ethical relations, etc. Therefore, to "make market relations inclusive and their benefits more widely and equitably distributed", the non-profit Coalition for Inclusive Capitalism (The Coalition for Inclusive Capitalism) in its policy paper notes[3] the need to take into account intangible factors, including innovation, pointing to the difference in approaches to valuing companies based on current accounting reports and taking into account the intangible factors of company development, which are manifested in their market capitalisation (*Fig. 1*).

CONTRIBUTION OF THE FINANCE FUNCTION TO VALUE CREATION

The focus on creating sustainable long-term value for the company challenges the finance function to change the substance of its work from recording the flow of tangible assets, preparing formal accounting reports and cash management to a business partnership in business development and value creation. Accordingly, it requires a transition

[3] Embankment Project for Inclusive Capitalism. The Coalition for Inclusive Capitalism; 2018. 122 p.

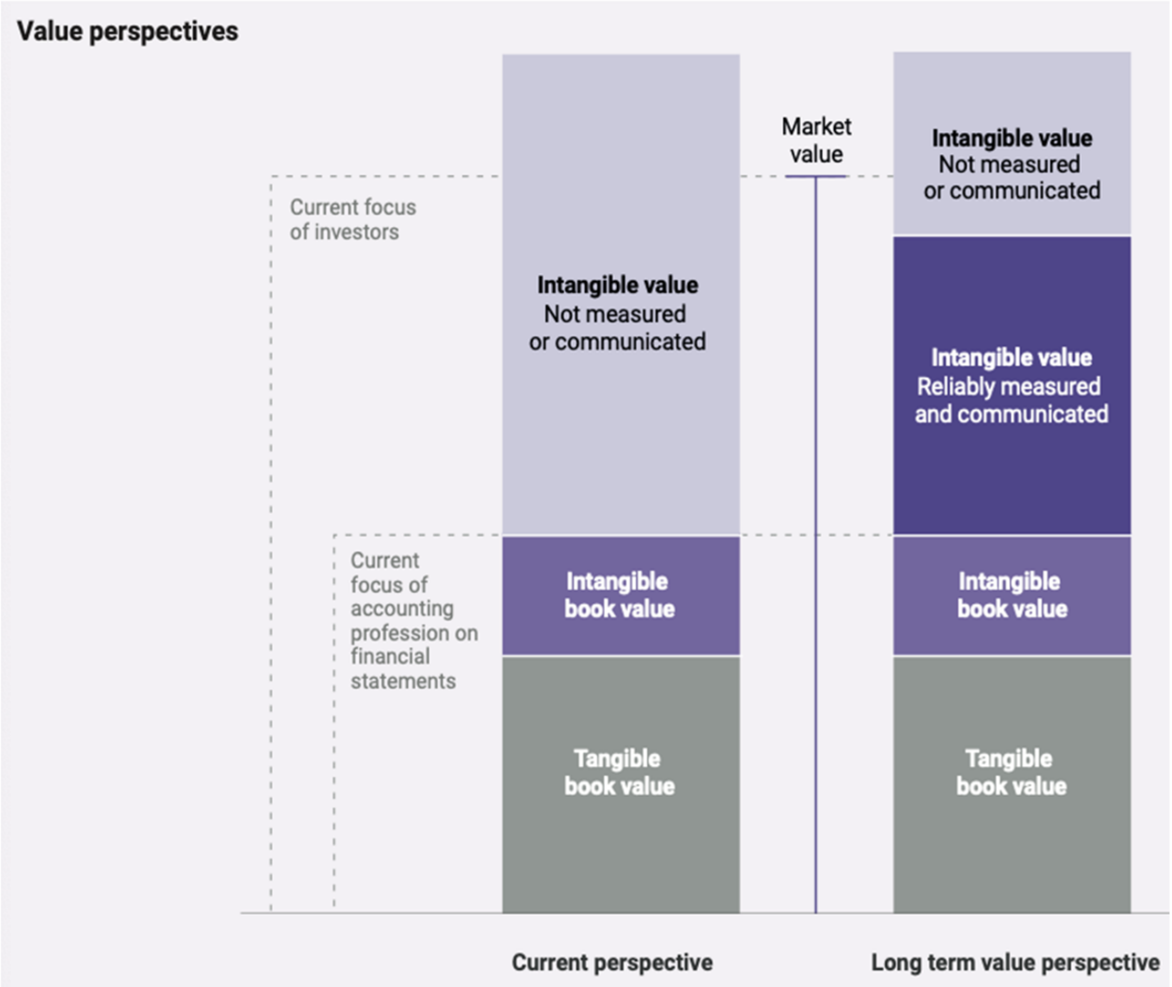

Fig. 1. **Attitudes towards the valuation of companies from an accounting and market points of view**

Source: compiled by the author according to URL: https://coalitionforinclusivecapitalism.com/epic/

from a role isolated from the rest of the company's activities to the inclusion on the financial results of the firm as a whole in the context of its business development, the situation in the industry and in the economy. Embeddedness in the joint work on solving tasks to achieve the main goals of the company (maximisation of value on the basis of profit growth) forces the financial service to change the nature and directions of its activities (*Table 2*).

As a result, the finance department finds itself involved in both tactical tasks of improving individual processes and introducing innovations, as well as in the discussion of strategic development, where it presents its views on risk management to preserve and increase the value of the company. Moreover, not just a vision of a problem, but also a plan to overcome it. If such a plan is approved, the finance department is involved in monitoring and facilitating its implementation. In this way, the finance function is fully immersed and involved in the activities of the entire company, rather than isolated from it (it does not matter whether the function itself is isolated or whether it does not have a mandate to do so). The position of the financial service, which is to ensure that any changes in the company's activities (regarding production technology, purchasing and sales strategy, business model) would ensure maximisation of the financial result, is unique for any firm. It is determined by the fact that, firstly, it is the only division of the company that looks at any situation from this point of view,

Table 2

Areas of work of the financial service, affecting the creation of company value

Direction No. 1	Comprehensive understanding and confidence in business performance and results
Direction No. 2	The transition to a new role is possible due to: – customer centricity; – the use of digital technologies and massive data processing; – A change in mindset to active participation in business development
Direction No. 3	To be at the centre of decision making requires: – In-depth insight into all facets of the business; – productivity and efficiency; – risk management; – active communication with other departments; – a climate of trust in the company
Direction No. 4	Development of proposals relating to the main issues of creating, preserving and increasing the value of the company

Source: compiled by the author according to URL: https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/vision-cfo-finance-function

and secondly, the financial result is the main priority of the owners of the company, as well as its creditors, due to which the former can increase their capital, and the latter can guarantee the return of funds lent to the company.

Therefore, it is necessary to "pull" the financial service out of self-isolation, if it has closed itself in the "ivory tower" of accounting, reporting and credit and settlement operations, to empower it and make it responsible for researching all aspects of the firm's work. The main reason for empowering the finance function is that each division acts as a link in the firm's value chain whose work affects the bottom line. It is important to consider the aggregate (monthly, quarterly, or annual) results of the company's activities, but without a thorough analysis of their causes (which lie in the work of individual departments or specialists) it is impossible to understand the source of the problem and find a way to solve it. The financial service can and should identify the inefficiency of some process and draw the attention of the management of the relevant division to it in order to jointly develop a way to eliminate it.

In this context, it seems natural that it is in manufacturing corporations, where processes are the most diverse and complex, that financial services as a business partner have become "fundamentally important in decision-making". According to a joint ACCA and PwC global survey, this is the case in more than 40% of these corporations, while financial services play a less significant role in other segments of the economy.[4] In other words, it can be stated that corporations have positively assessed the need to change the functionality of the financial service and actively use it as a business partner. Therefore, as McKinsey consulting company notes, financial services of large international companies are the second after CEOs to initiate transformations for the above purposes. At the same time, 23% of the proposed transformations relate to the entire company, 27% — relate to individual divisions, and only half — to the work of the finance department itself.[5]

[4] Finance insights — reimagined. Association of Chartered Certified Accountants and PricewaterhouseCoopers LLP; 2020. 68 p.

[5] The new CFO Mandate: Prioritize, transform, repeat. McKinsey& Company; 2018. 12 p.

NEW TECHNOLOGIES IN FINANCIAL SERVICES AND CORPORATE INNOVATION

New technologies that automate standard routine operations and help analyse and process data are the main tools for improving the efficiency of the finance function. While there are positive developments in this direction, the same McKinsey report indicates that in 2/3 of large global companies in 2018, only 25% of financial services work was automated or digitised. Consequently, this affects the areas of the finance function that utilise digital technologies and those that do not, but could benefit most from them (*Fig. 2*).

Reflecting this situation, IBM, in its 2022 Global Finance Function Development Study report, notes that over the past 10 years (2013 to 2021), the efficiency of traditional finance function task execution has improved from 50 percent to 57 percent.[6] It seems that the growth of this indicator is due to the relative ease of automation of routine processes. At the same time, increased uncertainty and the accelerated development of new technologies have had a negative impact on the feasibility of the strategic objectives made earlier and on the ability of companies to achieve them, as well as on the quality of management of related risks. All of the above has led (hopefully temporarily) to a decrease in the efficiency of strategic planning and realisation of strategic goals from 51% to 38%, and of risk management from 64% to 44%.[7] It is clear that financial services need to step up their efforts in these high-demand areas, given the great potential of digital technology to support strategic objectives and risk management.

But the introduction of new technologies is important not only in the work of the financial service, — there is much more return when they are used in the activities of the entire company. That's why it makes sense to focus on analysing innovations offered by divisions, the implementation of which should provide so-called "net new growth" — the creation of something that did not exist before. McKinsey, as part of a global study, examined the elements of innovation mastered by multinational companies,[8] and found that the added economic value over and above the cost of capital (economic profit) grows exponentially (*Fig.* 3), depending on the number of elements used: strategy and the set of products produced: the desire to innovate (1) and selecting the most appropriate innovations for the firm's core business (2); unique value proposition (3) and innovation development (4); innovation adoption (5) and scaling (6); building an organisation's culture mobilised to innovate (7) and motivating innovation (8).

The latter is especially relevant to the work of the financial service, whose task becomes to stimulate innovation that improves the financial result of the company. According to the results of the study, McKinsey notes: "If a company has mastered only a few of the elements mentioned, it will not have a significant impact on economic profit. Unfortunately, most companies are in this position. They may set good goals and allocate resources to innovation, but they don't evolve their business models to capitalise on new offerings." However, when 5 or 6 of these techniques are widely used in an organisation, the economic return is 60% higher than if none of them were used. On the other hand, if 7 or 8 are mastered, the economic return is 2.4 times greater.

In this context, it is natural that even in the face of the approaching economic crisis, 84% of finance executives at the world's 772 largest Fortune1000 companies indicated in August 2022 that they are focusing on transforming their organisations' business processes to drive growth through innovation. They cite building predictive models and strengthening their scenario analysis capabilities as one of the most important tools for doing so.[9]

[6] Strategic Intelligence: CFOs as architects of action and champions of change. IBM Institute for Business Value; 2022. 52 p.

[7] Strategic Intelligence: CFOs as architects of action and champions of change. IBM Institute for Business Value; 2022. 52 p.

[8] In conversation: The CFO's critical role in innovation. McKinsey& Company; 2022. 7 p.

[9] CFO and finance leaders. PwC, August 2022. URL: https://www.pwc.com/us/en/library/pulse-survey/managing-business-risks/cfo.html (accessed on 27.08.2022).

Fig. 2. **Mismatch between the level of use of digital technology and its capabilities, %**

Source: compiled by the author according to URL: https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/mastering-change-the-new-cfo-mandate

The results of another empirical study show why it is important for the finance function to focus on growing and improving the efficiency of its company in order to create value for shareholders (and thus for society through the creation of products it needs, which thanks the company for this by buying more of these products and often at a higher price, which provides the company's profits). McKinsey's analysis of 1,621 of the world's largest public companies in various industries with average revenues of more than $ 1 billion per year for 15 years (2005–2019) revealed that the following business approaches are critical to maximising value:

- prioritising the creation of a competitive market advantage in its product;
- preference for profitable, fast-growing market segments;
- the need to increase sales volumes faster than competitors;
- maximum concentration on its core competencies;
- supporting growth in areas that are within core competencies but not yet core competencies;
- focusing on growth in areas where the company has a competitive advantage;
- ensuring success in the home market;
- realising that the success of international expansion depends on success in its home market;
- combining organic growth with acquisitions of competitors in its industry;
- realising that divestment of non-core businesses provides growth in key areas of value creation [10].

Moreover, the more of these approaches a company uses (which speak of creating superiority over competitors in its core business in terms of operational efficiency and effectiveness of the business model applied), the higher its result in value creation (*Fig. 4*). It turned out that the majority of the surveyed companies (63%) are not yet able to follow more than three approaches, which condemns their shareholders to lower annual returns, compared to companies more consistent in moving in this direction.

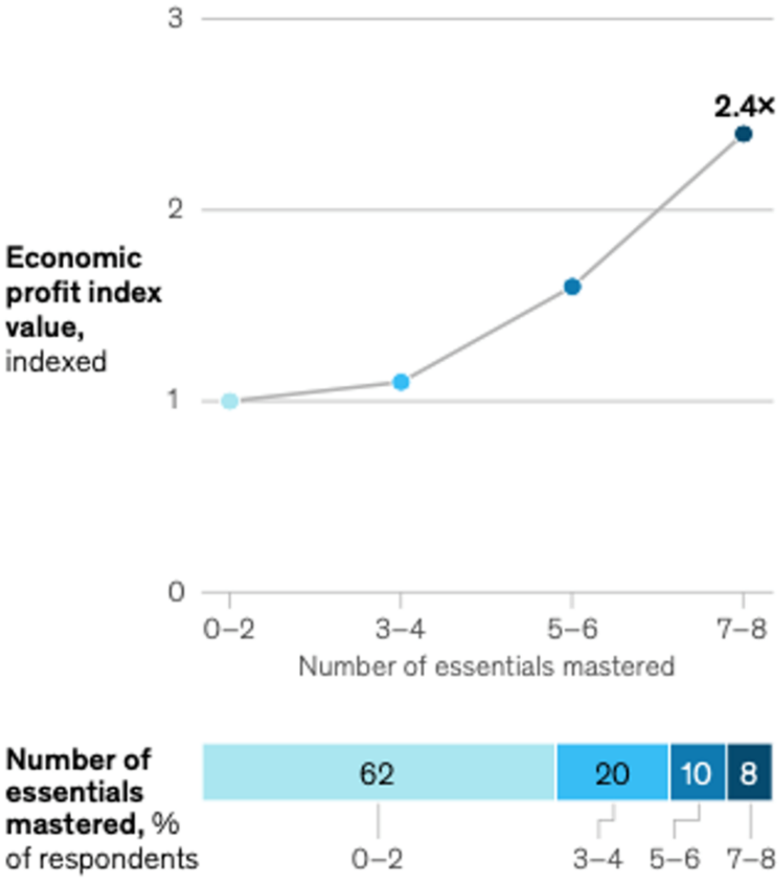

Fig. 3. **Dependence of economic profit on the level of mastering by companies of the elements of innovation activity**

Source: compiled by the author according to URL: https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/in-conversation-the-cfos-critical-role-in-innovation

This situation obliges financial services to intensify their efforts to find weaknesses and discover new opportunities for their companies in order to achieve the main goal of maximising value through profit maximisation.

REFLECTING THE ROLE OF THE FINANCE FUNCTION IN THE VALUE CHAIN

A firm can only create value for its shareholders by producing a commodity that society is willing to buy in a quantity and at a price that will allow the firm to generate sustainable profits. Thus, the production of a commodity is the instrument for value creation. The latter is the main goal of the owners who have invested their funds in the organisation in order to multiply them, preferably above the cost of capital, i.e., to generate economic profit.

In the value chain creation M. Porter [11] distinguished the main activities related to the creation of the product and its sale, and supporting activities that serve the main ones. The traditional understanding of the latter is reduced to ensuring the production of the commodity by human resources, improvement of technologies, timely delivery of raw materials and components, provision of accounting and legal services, cash, quality control, etc. The problem is that a single service unit is not concerned with value creation, because each of them has more specific tasks: attracting qualified personnel, improving technological processes, providing production with materials of the required quality, accounting for the movement of material assets, timely issuance of reports, making settlements, etc.

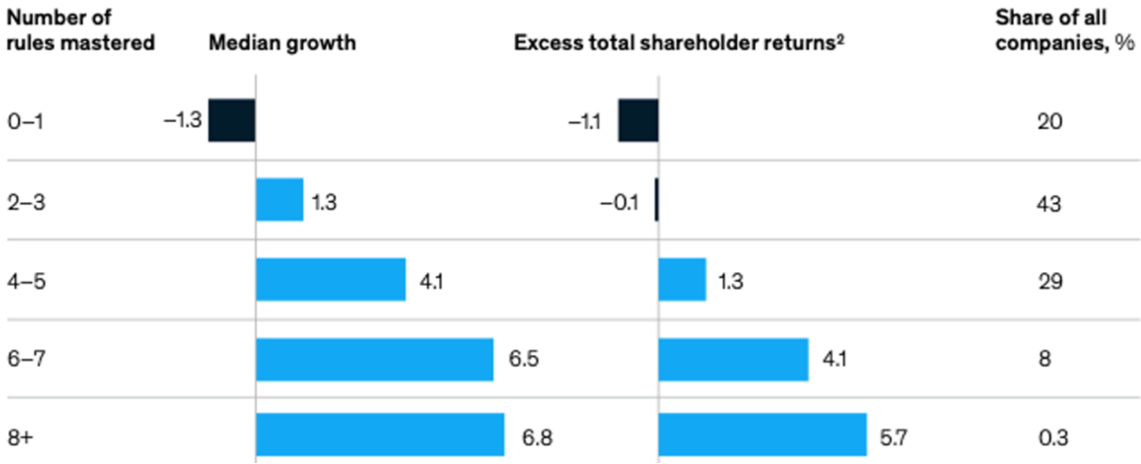

Fig. 4. **Growth in company and shareholder revenues as a function of or depending on the number of value growth approaches used, comparing average annual growth rates in 2005–2009 and 2015–2019, in %**

Source: compiled by the author according to URL: https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-ten-rules-of-growth

But none of the units, including the core units, until recently had a direct value creation objective. They achieved their goals within the allocated financial budget or by finding a creative solution to a problem. Consequently, the financial result for the firm as a whole was of no concern to the divisions, and the finance department simply stated it. Relatively recently, value management (rather than value capture) has become a priority for the finance department.

Its work on value management, the increase of which is fundamentally important to the owners of the firm, is carried out in two directions within the ambidextrous approach to its organisation: addressing operational efficiency and long-term sustainable value growth through technological and product innovation, as well as the new business models. At the same time, the key aspect of the new work of the finance department is its ability, having retrospective and forecast summary and special data on the company's activities, to analyse the actions of divisions from the point of view of value creation, as well as to prepare appropriate proposals for their improvement. As a result, it is not the technologies themselves or individual actions of any division that become important, but their contribution to value creation.

For example, the sales team has a target for revenue in a certain period of time. The easiest way to fulfill it is to use cheaper products in the existing product line, as there are more customers in this segment. But, as a rule, cheap products have lower profit margins than expensive ones due to high competition, and, accordingly, there is a risk of failing to achieve the goal of generating added value over and above the cost of raw materials, which will cover other costs, including fixed costs, and also allow the transition to profit. It is in this, and not in the volume of revenue, that the true goal of sales lies. To avoid this risk, the finance department should set sales targets not for the amount of revenue, but for the total amount of margin that sales of the firm's products will generate. The sales margin target is formed not only taking into account operating costs in excess of raw materials and consumed components, but also includes requirements for interest payments on borrowed loans, financing of investment projects, investors' expectations of dividend payments, etc. The realisation of such a task requires a completely different approach to sales strategy and tactics.

Another example is the work of a production unit, which, in order to successfully fulfill the production plan, is concerned about the constant availability of all necessary specialists at the production site, the serviceability of equipment, the mastering and correct operation of it by workers, and their safety. At the same time, they do not care about costs, such as, for example, the number of workers operating a particular equipment, because the main thing is that it should produce according to the plan, and therefore the number of workers is often higher than necessary. The finance department may take a different view of the situation and, for example, propose to reduce the number of workers to maintain this equipment and increase the salaries of the remaining specialists by redistributing half of the savings on the payroll due to increased productivity and responsibility for meeting the production plan. Such an approach will not only eliminate management's concerns about plan fulfillment, but will also ensure retention of the most highly skilled employees and increase their motivation to improve productivity. In addition, labor costs will be reduced.

Or let us consider the problem of defects in production. As a rule, it arises from non-compliance of workers with technological requirements for the operation of equipment and the material used. Usually, the problem is solved by introducing fines for defects for workers. However, in the overwhelming number of cases, the amount of the fine, which is limited to a portion of the worker's salary, does not cover the company's losses from defects. Realising this, the finance department can suggest a different approach, which provides a bonus for work without defects or below the level set for them, which is much better in motivating workers to comply with technological discipline and also provides a reduction in the costs of defective products, if — ideally — not their total elimination in the firm.

In considering the role of innovation in value creation, it is useful to note that the mere idea of a new technology, process improvement or business model does not in itself translate into an increase in firm value. This happens only after the idea has been comprehensively thought through to incorporate the innovation into the firm's operational processes in terms of its ability to create value. In this endeavour, the role of the analytical finance function is essential, which can evaluate the innovation and propose a configuration for its use that achieves the firm's primary financial objective. Practice shows that there is a huge number of innovations in established companies and start-ups that seem to be investment attractive, but do not ensure the firm's entry into profitable operations and, consequently, the creation of value for shareholders over a long period of time of the innovation's application. At the same time, the growth of the company's capitalisation without generating profits during the period of investors' euphoria about the idea is hardly worth taking into account.

Such analytical and creative activity of the financial service, which is aimed at achieving the main goal of any firm — value creation — is radically different from the image of this service half a century ago, when M. Porter developed the value chain theory.

If the purpose of the value chain is to demonstrate all its links and the role of each of them in this process, then the management of value creation is one of the key aspects of the value.

In this regard, it seems that it is necessary to reclassify the analytical part of the financial function from *supporting* the main activities of the firm as part of the company's infrastructure in the value chain to the *primary* one, since it has a significant impact on value generation, even without being a direct participant in the production of the product. In other words, the work of the finance function in managing value creation is no longer "servicing" (which may refer to accounting, reporting, calculations) the main activities of the company, but makes a "direct" contribution to its increase.

M. Porter allowed the transfer of some supporting functions into the primary ones, but only taking into account the peculiarities of a particular firm's activity. At present, the inclusion of analytical activities of the financial service in

Table 3

A renewed value chain for the firm

Areas of the firm's activities that support the main ones	Firm infrastructure without the analytical part of the finance function					
	Knowledge and skills of the firm's personnel					
	Technology support for the firm's operations					
	Procurement					
The main activities of the company are as follows	Inbound logistics	Internal operational processing	Value creation management	Outbound logistics	Marketing and sales of products	After-sales customer service

Source: compiled by the author.

the number of the main ones seems reasonable for any firm, because through it the above-mentioned tasks of creating additional, not only added value, which is the difference between material costs and price, are solved. This vision of the firm's value chain creation is shown in *Table 3*.

The fairness and appropriateness of this conclusion is justified by the fact that companies with financial services that act as partners in solving strategic tasks of business development, consistently provide an operating margin of 2 p.p. more than those where the financial service adheres to traditional approaches to the conduct of its activities.[10] In the world's largest companies, this difference adds tens of billions of dollars to the bottom line each year.

CONCLUSIONS

Anticipating the future is not a trivial task, and the expanded role of the modern finance function is precisely to achieve financial success over the long term. The only way to create value, as the above suggests, is to study the present as thoroughly and comprehensively as possible, those aspects of it that can already be improved now, and even more importantly, to notice and nurture those new growths that can bring benefits in the future. This ability to understand the present is the key to success in the future.

The transformation of the finance function from a registrar to a business partner of the firm's management and departments, which is realised through the analysis of all areas of the company's activities with the preparation of proposals for the use of existing reserves and the introduction of new process and product solutions in order to maximise profits and on this basis the sustainable growth of the firm's value, provides the financial service with a new role in the value chain.

New value that is created mainly through technological or business model innovations, as well as improved operational efficiency, strengthens the firm's competitiveness, which positively affects its valuation by the market, which in turn is positively reflected in its market capitalisation. As a result, the interests of shareholders and society are fully satisfied, which receives the product demanded by it at a price acceptable to it.

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