

On-Site Financial Presents:

### Five Steps CFO's can Take to Drive a High-Performance Culture

Source: Alan Wunsche

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Based on our experience, the five steps below present a series of activities that the CFO can and should lead to drive an overall culture of high-performance in your business.

#### Define your performance accountability and decision support framework

Being clear about who is accountable for your key business decisions is not easy, but it is essential to clarify decision-making roles in achieving a high-performance culture. The CFO should be the catalyst.



At GrowthCo, our first step was to clearly understand how decisions were made throughout the business and how accountability for performance was distributed. This performance-accountability framework was critical in defining the key business decisions and in communicating throughout the executive team how finance would support the key business decision makers in the future. We applied Michael Raynor's model of requisite uncertainty found in *The Strategy Paradox* to establish a clearer accountability model for each of the strategic, investing, financing and operating groups of decisions. This approach aligned the executive management team's 5-10 year decision-making horizon of strategic decisions down to the operating management's 0-2 year decision-making horizon.

Figure 2: Requisite Uncertainty

Source: M. Raynor, *The Strategy Paradox*, (Adapted from Jacques, 1979)

Decision	Type of Uncertainty	Time Horizon	Responsibility
Board of Directors	Strategic	10 yr +	
Corporate		5-10	
Business	Operational	2-5	
Operations		3-12 mo.	

Once the performance accountability model was defined, we revisited the finance functions organizational structure to ensure that transactional accounting, financial reporting, treasury, tax and business unit finance groups were appropriately aligned with their business counterparts.

Our key learning from this approach was that while many in the organization may think about long-term strategy, risks and value growth, it is the corporate-level executive team that needs to be held accountable for managing these. The language and expectations of the executive team is strategic, while the language, expectations and focus of the front line managers is operational. As Raynor explains, the performance of front-line managers in the short term is defined as executing to live up to the strategic commitments made by the executive team. This understanding was a fork in the road for GrowthCo's journey to a high-performance culture.

### Get your customer's point of view

The business is your CFO's primary internal customer. High-performing finance functions provide the business with value added analysis based on financial and non-financial information - and that analysis needs to be demand-driven. Understanding your customer's expectations and needs is an important step.



In order to develop a high-performance culture in GrowthCo, we began by understanding the financial and non-financial performance objectives for the entire organization by business unit. We matched performance objectives to the decision categories and organizational role (e.g. executive team, business unit management, functional management).

When we asked them, we learned from business decision-makers that both transactional efficiency and decision support effectiveness were key components of finance's value to the business. Getting the financial accounting right and on time was considered table stakes to get the "dial-tone" for the business. Since the business units were allocated the finance support costs, they wanted this service at the lowest possible cost. More importantly, management reporting and decision support through advanced analysis of the financial results were deemed to be of high value to the business units in order for them to achieve its growth objectives. The business was prepared to absorb costs that could be connected to better operational planning and ongoing operating decisions.

To make the point again, being an efficient operator and having the effective controls of a steward are baseline expectations of finance. In order to become a valued business partner and an influential leader of high-performance outside of finance, the CFO's office would need to deliver more and so we turned to measuring and reporting more than just the financial accounting-based performance.

### Measure the economic performance that matters

Getting a baseline for performance and establishing targets is only the beginning of this journey. Beyond generating timely financial information, the CFO should measure the economic, cash-based performance that matters to overall value creation of the business.

At GrowthCo, based on the needs of decision-makers for receiving both financial reports and value added operational analysis, we established baseline performance data to determine where performance gaps existed between current performance and best practices for the industry. We also established a clearer definition of high performance as "value created by the business for its shareholders."

The performance assessment also required applying new ways of thinking. To adequately compare the value created by the business units to external industry peers, financial accounting data needed to be supplemented with economic (cash-based) performance measures, such as economic profit (EP). The CFO had the CEO's full support for making EP a focus of their performance management.

What we learned during this phase was that even though the business had measured and was rewarded on economic profit in the past, what was missing was a deep understanding of how non-

financial process measures flowed up to financial accounting measures and then to economic (cash) measures of value.

With a strong dialogue with business leaders and a clearer understanding of performance at the different levels of the organization, the CFO was now well on the way to becoming a strategist, able to influence and enable the business more effectively.

#### Partner with HR to develop a capabilities plan

The Human Resources (HR) group is an important partner for the CFO in building any high-performance organization. The HR function brings expertise to establishing the organizational structure, role profiles and skills-based training programs to bridge gaps in current skill levels. HR also helps to manage change and deliver communications plans to ensure that senior management's performance expectations are reinforced in day-to-day coaching and mentoring opportunities.

At ServeCo, a new performance management was in the process of being implemented and the finance function realized that a key ingredient to getting the most from the new toolkits was an up-skilling of the finance staff. A business performance-management Centre of Excellence (BPM COE) was determined to be the catalyst in signaling this skills transformation. The BPM COE would lead by acquiring vital new decision-support skills and be tasked with serving the rest of the business.



At GrowthCo, the HR group played an important role in defining a clearer set of roles along with skills requirements and skills-based training. HR has been invaluable in establishing learning paths and embedding the skills requirements into updated role descriptions.

#### Celebrate your high-performance moments

Celebrating high-performance is an important element in reinforcing the behaviors that you desire. The CFO should proactively identify opportunities to communicate that the transformation to high performance is moving in the right direction.

At GrowthCo, as the finance function transformed itself from a relatively inefficient and over-structured group to a high-performing value-added partner, we learned that even small wins needed to be celebrated early and often. Not only did the finance organization need to know it was headed in the right direction, but the business leaders who sponsored the investment in high-performing finance needed to see tangible results. New decision support skills demanded by the business were generating some positive results and these needed to be highlighted. Celebrating these quick wins as tangible examples of the finance transformation in progress was instrumental to continued buy-in from the business.

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