



Building capabilities in the Finance Team



To make a business more adaptive to change and more aware of outside risks and opportunities, the finance team plays a key role. Usually, it's a change, even a big change, from the traditional contribution made by finance. A traditional finance team spends too much time looking backwards and wastes time processing unnecessary detail. Rather than joining the officers on the bridge, the finance team is too often below deck, Transforming the finance team is a highly rewarding process of coaching and alignment. Import spin-offs are a boost in morale and retention.

This article discusses how to make a small accounts department a genuine finance team, able to partner the business with fast, relevant information, understandable decision support and an outward, forward looking approach.

This is not a revolution

What are the fundamental capabilities of all finance teams? The ability to work with numbers, accounting systems and analytical tools like Excel, the ability to understand book-keeping and accounting principles, a commitment to accuracy and safeguarding assets. This is an excellent starting point.

First steps: Make sure the team understands the financial performance

The first step in upgrading the team's contribution is to build awareness of the financial performance of the business. Everyone in the team must be comfortable with understanding basic financial statements. I particularly look for an understanding of the key reconciliation points going from the P&L to the cash-flow to the

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balance sheet. I recommend monthly presentations of the financial results to the team; encourage discussion and alternate who presents. This may already be a change. The SME owners may find this level of information sharing confronting; just remind them that the finance team is highly trusted, and anyway has access to all the data anyway (which is true more often than not at SMEs).

Increase Engagement with the business

The finance team needs some people who are deeply interested in the business, and are autonomous. You can drop them into rough terrain, and know they have the awareness to detect when there is something happening they need to know about, and the initiative to investigate further.

Once finance team size gets to about five or six, you should deliberately strive for a mix of capabilities and styles in your team. In a team of that size, aim for two people capable of working independently in the business, away from their finance desk. Your test of that is: can you assign them to a project team anywhere in the business? In Australian Football terms, these are your midfielders: capable of winning the ball in a contest, and moments later running into space and linking team mates to move the ball rapidly. These people take the analytical approach that is a key value of finance, and fuse that with an understanding of business processes.

Do you need to hire these people from the market? Doing so is expensive and disruptive. Of course, it's better to find and develop people under your nose. It is very motivating for the person and for the team. In my experience of working with teams all around the world, often in low profile, out of the way organisations (factories in rural France and Poland, for example), these capabilities exist. You won't find someone ready to be a star on day one, but you will probably find potential. As well, the points below help when recruiting.

The indicators that someone has these capabilities are

- a desire to learn. Someone who is studying, keen to ask



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questions, interested in customers and suppliers.

- a people person, interested in what people are doing
- enjoys explaining
- interested in the business application of information and analysis
- reality-checks numbers, understands when something makes sense in the real world.
- is confident about estimating and making approximations
- instinctively treats phone calls from customers as a priority, and doesn't volunteer that the customer is talking "merely" to Finance, but instead focuses on helping the customer or quickly handing the call over to someone who can help. Handing over does not mean simply forwarding the call.
- Time management: Peter Drucker has a wonderful quote about time: a resource that you can't buy, produce, borrow or store. Prioritisation is the key. People show this in many ways: someone successfully studying while working will be good at this.

Team Balance: In defence of bean-counters

The stereotype of a traditional finance team is "bean counters", referring to accountants who pay extreme attention to detail, are very thorough and rules based, and reliable in completing routine tasks with accuracy. After you have recruited or developed two or three people into the midfielder role I describe above, the reliable, safe pair of hands becomes important. Finance must never leave behind the key requirement to be accurate, reliable and predictable in its core responsibilities. In a small team aim for one or two "anchors". The trade off for lack of flexibility and engagement with the business is high reliability. The person may not have flair, but they are motivated and passionate about the accuracy of their work, and proud of their personal brand. You need a bean counter or two, but make sure they are exceptional and



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independent at it, because you don't want to check their work all the time.

Flexibility and empowerment: the leadership role

Leadership in a finance team should be more guiding than controlling. Firstly, as CFO you will rely on the judgement of your people to enforce business controls and raise concerns. If you take away initiative, you risk dulling judgement and a feeling of ownership; if people feel personally accountable and responsible, they will present you with finished product. Let people define how they will meet an objective, don't tell them how to do it. In the process of working this out, they grow their own ownership of the task.

Development and alignment: new job descriptions

I structure the transformed finance team around four pillars. There are other ways to understand how you want finance to work. The vital points are

- (a) people need to be aligned to the new mission for finance
- (b) everything discussed above must be reflected in performance assessment.

Almost everyone likes learning new skills and improving. People who learn are constantly becoming more productive and are working with pride and personal engagement. Formal development planning is required for a finance transformation effort to succeed and become embedded. This means sitting down regularly, setting goals and giving people the chance to learn new skills, and giving each team member a personal roadmap to future roles.

Link each job description to the four quadrants of the finance function; aligning the individual with the team's mission. Expect everyone to make some contribution to each quadrant. Give



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guidance about the performance expected of the next level. Finally, add leadership competences. Like all frameworks, this makes development plans easy to discuss.

Compared with traditional job descriptions, this is less task oriented and more about alignment, expectations and development goals.

Here is how it may look, taken from a real example.

Position: Company Accountant.

Key responsibilities

The accountant works under the direction of the CFO, and tasks and priorities will vary over time.

Specifically, some key tasks are:

- Designing and maintaining record keeping systems for source documents
- Advanced GL journal entries
- Supervision of monthly closing
- Bank reconciliation supervision
- Supervision of cost price and gross margin accuracy
- Business contact for external payroll

In general, the accountant will closely support the CFO in execution of the finance department's mission, which is

- Business control
- Process efficiency and innovation
- Decision support and analysis
- Business optimisation

The Accountant is expected to be a significant contributor in the first two areas and competent in the third and fourth area.

In addition, leadership competences for this position are

- Team leadership



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- Cross-functional co-operation
- Shareholder and lender relations

[Note: the expected next step in this role is financial controller, which may or may not be under current employment.]

	Good performance	Excellent performance	Next Level: Financial Controller
Finance Mission			
Business control	Associate	Senior Associate+	Manager
Process efficiency and innovation	Associate	Senior Associate+	Manager
Decision support and analysis	Associate	Senior Associate+	Manager
Business cash flow optimisation	Associate	Senior Associate+	Manager

	Good performance	Excellent performance	Next Level: Financial Controller
Business leadership			
Team leadership	Starter	Starter	Associate
Cross functional co-operation	Starter	Starter	Associate
Shareholder and lender relations	Starter	Starter	Associate

Performance levels are defined in a standard appendix, like this:



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- Starter: occasional specific sub-tasks under supervision.
- Associate: Executes basic tasks under supervision when task is completed, rework is not uncommon but should happen less than half the time.
- Senior Associate: Strong subject knowledge, takes a project definition and turns into tasks, delegates to others.
- Manager: Very strong subject knowledge, identifies opportunities and risks, teaches others, organises teams. Identifies skill weaknesses in others and adapts allocation of tasks in accordance. Helps other members of the finance team build skills. Helps other members of the finance team improve their contribution to the team's mission.
- Leader: respected in the management team as an authority. Develops other people, makes recruitment and staffing decisions. Able to work as a peer with other functions, and able to represent shareholder interests when dealing with banks and other external parties. Inspires confidence from the owner of the business. Motivation and inspirational to the team.

Development Path for this position

This position should be held by someone with the potential to succeed to a financial controller role, which includes responsibility for a team.

The key skills required for the next step are people management and development, confidence explaining results to managers and external parties.

Full CPA status is also a requirement to take the next step.

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So you can see that this gives guidance about how to perform at a high level, and gives a framework for a development plan.



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Managing performance

Following the guidelines above, you will have established what you need to change the contribution of the finance team. That means you will have set the right expectations. Managing that your expectations are met is a huge topic of its own. A valuable resource is <http://www.agreatsupervisor.com> and the associated <http://www.threestarleadership.com/supervisorsupportkit/>. This book and its processes are practical and down to earth.