

## Insights

### Trust as foundation for high performance



*The most important characteristic of an HPFF manager is to be fully trusted by the employees. It is impossible to be "high performing", if the managers are not trusted.*

*The longer version of the article was published in edition 3, September 2018 of VRC magazine "We Are Finance".*

#### **The chain of information**

The financial function, together with all its components, forms an information chain ranging from data recording, processing, reporting, analysis, to accounting and advice. One aspect cannot do without the other: a controller cannot do without good reports, a controller but also a specialist cannot do without good (financial) data. Furthermore, operations and other staff departments outside the financial function see the financial function as a whole, as one department. Joint focus, cooperation and management within the financial function is therefore essential.

#### **Trust, outside and around the financial function**

The financial function interfaces with numerous stakeholders in the organization: with the management team, business managers, budget holders, and other staff departments. Hence collaborative relationships are not based on the effective functioning of one's "own" information chain itself. The output of the financial function (data, analysis, reporting, advice), and how it is presented to the internal client, forms the 'products' on which the financial function is assessed by the management or division manager, and therefore constitutes the basis for the existence, or not, of trust.

The relationship with other departments is different. Let us zoom in on the relationship between the financial function and IT: two functions that are highly dependent on each other. The projects where Finance needs IT input, rarely come at the top of the IT department's priority list. The business where the money is earned, always has top priority. On top of that there was a lot of frustration at what was seen as IT forcing its own systems on finance. IT wasn't in touch with the specific characteristics of the processes of Finance.

Our HPFF study shows that the better the understanding of IT architecture and IT knowledge is within the financial function, the better it performs. And the better the financial function performs, the better it contributes to the organization. Investing in applications with which data can be collected and processed efficiently and effectively, frees up time for other matters deserving attention. This shows clearly the importance of the finance department working closely with the IT department, and therefore making an effort to ensure optimal communication based on mutual trust. This is also of great value for the IT department. The extensive range of "state-of-the-art" (financial) software, the large range of external expertise and implementation power means that they are often "challenged" from within.

Organizations that play their cards right, raise the cooperation between both departments to a higher level and increase mutual trust, creating not only a win-win situation, but also paving the way to an HPO / HPFF.

*Would you like to go "Silo Busting" with us and break down the walls between departments? Would you like to start working on trust within and outside the department? Then do the diagnosis with us and call for an appointment.*

## Origins and development of the HPFF framework

*In this article we describe how to develop a framework which an organisation can actually use to create an HPFF. This framework is based on scientific research and is strongly connected with the HPO body of thought. Financial functions are thus provided with a validated and working improvement model with which they can transform into a high-performing function.*



### The core of HPO thinking

Recent years have seen a strong increase in interest in the concept of the high-performing organization (HPO). An HPO is defined as: "an organization that achieves increasingly better financial and non-financial results over five or more years, when compared to similar organizations". This is achieved by focusing in a disciplined way on what really matters to the organization. The core of HPO thinking is the creation of an internal organization of such strength that it can handle threats with ease and flexibility, and above all, can deal with the possibilities that arise in the external world. Based on this, we developed the High-Performance Finance Function.

### Why HPFF?

Various studies have shown that HPFF distinguishes itself in many areas such as: lower operational costs, less errors, more satisfied internal customers, greater knowledge of the latest IT applications and greater capacity to apply them. In addition, they often have a greater influence in the organization - especially in strategic decision-making - and a more active role in business partnering. Reason enough to want this. The question then of course is: how can the HPFF be created?

### The launch of the HPFF study and our approach

We had already laid down the ideas which could potentially lead to the creation of an HPFF in an earlier publication, (see De Waal & Bilstra, 2016). In this study, our aim was to relate these ideas to the performance of the financial function on the one hand, and to the HPO factors on the other (see box "The HPO factors"). We designed a questionnaire by transforming the above ideas into HPFF statements that allowed respondents to assess their own financial function. The relevance and validity of these questions were then assessed by a number of experts in the financial field. Eventually the eleven ideas were converted into 34 statements. In addition, we designed a number of propositions that could be used to measure the performance of the financial function.

The HPFF, HPO and performance statements were included in a questionnaire which was sent to a random selection of our financial relations. We collected 396 fully completed questionnaires on which we based the statistics.

### The five HPFF Factors and their characteristics

Using our factor analysis, we identified five HPFF factors out of the collected data. These five factors consist of a total of 28 characteristics.

#### **Financial Function Improvement:**

This factor deals with the extent to which financial professionals are able to improve their position. This could be for example the monitoring and evaluation, with the help of performance indicators, of improvements in the financial function.

#### **IT Focus:**

The emphasis here is on the importance of automation to strengthen the financial function. Bearing in mind that the financial function has sufficient budget to accelerate the automation and digitization of the function; and that automation and digitization are high priority.

**Personal Development:**

Here we focus on the personal development of financial employees examining aspects such as: have they had enough personal development training over the past year to excel in their position.

**Role clarity:**

The HPFF Role Clarity factor clarifies the different roles existing in the financial function. The concept of "the" financial employee does not exist. Clear requirements per role need to be defined.

**Strategic Role:**

Last but not least, the HPFF Strategic Role factor relates to the way in which the organization, and in particular operations, perceive the financial function. We look at whether the financial function is seen as a valued partner on a strategic level; and whether it is actively involved in all important projects and processes of the organization.

Now that we have the 5 HPFF factors and their characteristics: what can we actually do with them?

We now have data from a large number of companies on how they score on each of these factors. We are able to compare companies with each other and, based on this diagnosis, support the customer on the way to HPFF. We reveal where improvements are necessary, and in which order they need to be made.

*Curious to know more about how this diagnosis actually works or what this framework could bring your organization? Contact us for a consultation, no strings attached.*