POINT OF VIEW

FINANCE CAPABILITIES

DOING MORE WITH LESS – THE ROLE OF PEOPLE

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The regulatory environment in which banks operate is becoming more complicated. This increases the burden on banks' Finance divisions. Simultaneously, banks are responding to diminished revenue prospects by cutting costs. And Finance cannot expect to be spared. To satisfy these opposing imperatives, Finance divisions must learn to do more with less.

This is a serious challenge but not an insuperable one. In this brief paper, we aim to show how Finance divisions can improve employee productivity by changing the way they recruit, train and organise their staff – or, in other words, by changing their "people model".

1. ORGANISE AROUND TASKS

Modern finance is nothing like the Dickensian grind of bookkeeping portrayed in Victorian novels. However, many tasks are repeated frequently, such as reconciling positions or closing out the daily P&L. These need to be executed quickly and accurately. On the other hand, finance must also put the figures into a wider business context, analyse one-off events, support business decisions and improve existing processes and reports. The balance of work is increasingly shifting from repeated tasks towards one-offs.

Organisations that mix different kinds of tasks when designing their organisation do not get the best out of their people. It takes fundamentally different skills and mindsets to enjoy solving difficult problems rather than producing accurate financial reports. People who are good at producing reports often feel uncomfortable and ill-equipped when asked to solve an undefined problem. Conversely, assigning natural problem solvers to repeated tasks can stifle their flexibility, creativity and innovation.

The answer is to assign people to the type of work they are best at. This can be achieved by defining teams on the organisation chart according to tasks (e.g. establishing separate reporting and analytics groups) and then defining roles within teams so that people focus mainly on tasks they are best-suited to.

This also has implications for promotion models. Leadership roles are increasingly focused on solving new problems, so high performers who enjoy routine tasks may not be suited for promotion, or may require coaching to develop their problem solving abilities. This applies across the organisation since even reporting will always need to be restructured to match changing business requirements.

Furthermore, effective project working requires a different infrastructure. This includes tools to match resources to projects across the organisation, track progress on the project portfolio (rather than locally within teams), accurately measure individuals' performance and share knowledge across the organisation. Without these tools, knowledge and resources will not flow across the hierarchies and silos which exist in most banks. This is a large gap in most organisations and partly explains why banks struggle to manage their reporting portfolios.

2. FIND THE RIGHT PEOPLE FOR PROBLEM SOLVING ROLES

Few people with a traditional finance background have the right skills to solve undefined problems. However, many are willing and able to learn new skills and develop in this area.

Rather than running theoretical competence or aptitude tests to identify this group, we have found that simply asking people whether they want to join an Analytics program, then testing their performance in solving a real business problem, is the easiest and most effective way to identify those with aptitude.

Finance Managers must simultaneously define rewarding career paths within finance – rewarding both to the individuals employed and to the organisation. Looking along the career path, we see three "pain points" common to finance organisations:

- Insufficient rigour around recruitment, especially at the graduate level. Finance functions tend to recruit moderately talented individuals rather than top talent
- Over-investment in graduate programs and under-investment in transitioning people to manage their own career paths. Graduates are spoon fed highly structured training programs for years, then feel abandoned when left to fend for themselves when the program ends
- Lack of clarity around mid-level to senior level career paths. At this stage the pyramid tighten, and staff are extremely uncertain about what they should do to progress within the organisation

To address these issues we recommend a targeted restructuring of critical finance human resourcing processes:

- Leaders must recruit top talent. This requires an end-to-end re-design of the hiring process from on-campus marketing through to interviewer training. For example, case based interviews reveal candidates' aptitude for problem solving and do not descend into cosy chats about the candidate' CV
- Hiring needs to become more diverse by looking for new blood from adjacent businesses and from outside finance. In our experience, a large proportion of finance roles do not really require an accounting qualification. A willingness to learn, an aptitude for problem solving and well-developed data analysis skills are at least as important
- Graduate programs need to be restructured to reduce hand-holding and spread investment over a longer period of graduates' careers, so that new hires make a smooth transition from the program into self-management
- Career paths should involve the broader organisation. Finance people need to understand that their career cannot be built upon narrow technical knowledge alone, but should also involve lateral moves within finance and the broader organisation

In summary, finance needs to become a much more attractive place to work. In combination these initiatives have proved effective at stopping the "brain drain" seen in many finance organisations.

3. MOVE TEAMS FROM TRADITIONAL ACCOUNTING TO PROBLEM SOLVING

At junior and middle levels of large financial services organisations, traditional finance roles revolve around the monthly, quarterly and annual cycles. Job performance is measured by the accuracy and timeliness of the numbers produced. Investing time to think through issues and address root causes is rare. Working arrangements are typically at arm's-length, with no culture of coaching, while peer review tends to be frowned upon. The "one hour per week bilateral with the boss" is typical in this environment.

Our discussions with traditional finance teams moving into project roles revealed that mid-level team members often had no understanding of how their part of the organisation makes money and fits into the bank's overall strategy. The outlook and working practices of finance staff must change dramatically to become effective problem solvers and to work in partnership with the business. Teams need coaching to change their approach to:

- Identify the key issues within a business context, rather than tackling the first problem encountered in isolation
- Plan the project in detail, rather than immediately getting stuck in
- Draw data from a variety of sources, rather than just pulling internal, backwards-looking data from the finance server
- Work as a team to solve problems together, rather than working in isolation
- Continuously re-prioritise tasks and assign resources accordingly to complete the project on time
- Test answers as they are produced by sharing them with key stakeholders, rather than avoiding contact with stakeholders until the end of the project

Third party support can be helpful to introduce this new way of working. The transition should begin by discussing the desired finance operating model and how the new approach will allow finance to better support business and exco demands. Once this framework is clear, our experience shows that a combination of theoretical training and hands-on support to solve real issues is extremely effective in embedding new behaviour.

4. TEAM LEADERS SHOULD BECOME TRUSTED PARTNERS

Stakeholders must be actively managed so that they understand and appropriately influence projects. With time finance also needs to develop relationships with these stakeholders to become a "preferred supplier" of services and to work in partnership. This also allows finance to manage demand and prioritise work, to ensure resources are deployed where they have the highest value.

Unfortunately, many teams start off with the best intentions, but relationships stall well before they mature. A simple model for relationship development is required to show Team Leaders how to get to partnership-level relationships (see Exhibit 1).

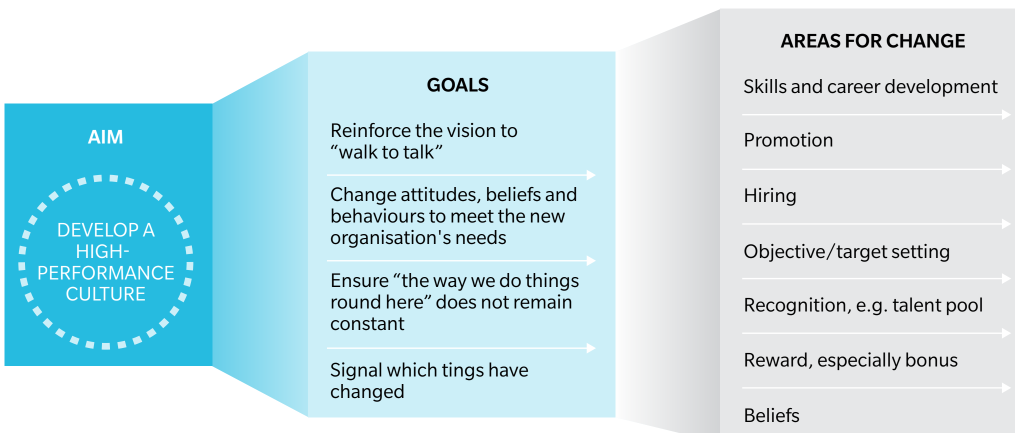
EXHIBIT 1: A SIMPLE FINANCE RELATIONSHIP MODEL

RELATIONSHIP	UNSTRUCTURED	EARLY DAYS	BUILDING	MATURE
RELATIONSHIP TYPE	• Directive and adversarial	• Client – supplier	• Trusted supplier	• Partnership
TYPICAL WORK	• Low volume • Ad hoc small tasks	• Large volume • Mainly ad hoc • Beginning to pick up some projects	• Major projects plus some ad hoc • Large volume	• Strategic plus some ad hoc • Managed volume
AGREEMENT OF DELIVERABLES	• Issues pre-defined by the business and cut into component parts • Analytics has no input	• Overall issues begin to be discussed • Analytics has some input	• Detailed discussion of context and needs • Analytics influences business	• By mutual agreement • Projects suggested by both parties
OUTCOME	• Distrust • Preference towards alternative suppliers	• Recognised as helpful	• Reasonable trust • Preferred supplier	• Mutual trust and benefit

5. BUILD A CONSISTENT PEOPLE MODEL

A small cadre of high-performers can add more value to an organisation than a large army of middle performers. But our clients consistently tell us that retaining top performers is a struggle. In our view this is because their people model and culture does not consistently support high performance. This is because weakness in any one area of the people model will rapidly undo good work in other areas. For example, hiring top performers often leads to frustration because performance is not objectively measured and linked to bonus allocation and career progression. Banks need to ensure consistency across the seven elements below.

EXHIBIT 2: PEOPLE-RELATED ELEMENTS REQUIRED TO DEVELOP A HIGH PERFORMANCE CULTURE



Most organisations have gaps in one or more areas of their model, most often around hiring, promotion and career planning. Under-investment or lack of rigour in these areas seriously undermines the ability of businesses to develop world class teams.

SUMMARY

To keep up with ever-changing business demands, finance must work more efficiently and free-up resources to reinvest. There are many cost reduction opportunities over the short run. Over the long run, however, changing the finance "people model" is the only way to improve productivity.

Changing the way finance staff go about their daily work is challenging but, with the right ideas and the right leadership, it is achievable. Finance divisions can become faster, more accurate and more flexible in their support of the complex businesses they work with.

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