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Let's Stick Together: The Finance Function as Glue

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Let’s Stick Together
The Finance Department as ‘Glue’: Bringing Together Organisation Departments
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Finance can play a valuable role in helping align the different organisational departments more closely to achieve a common goal. This article indicates some of the causes of friction between departments and provides suggestions as to how finance executives and managers can contribute to greater alignment.

In many organisations the functional silo is alive and well. A common view held by those in sales is that finance does not provide information required by sales and is trying to prevent sales from selling by vetoing deals or attempting to reduce entertainment budgets.

Members of the finance department can also be critical of the sales force, especially when the rest of the organisation is tightening belts and sales seem to be blowing significant money on entertainment related expenses, have little accountability for how they spend their time and are perceived to believe that cost reduction does not relate to them.

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These conflicts are not limited to finance and sales. For example: conflicts often occur between sales and production regarding the availability of product and between research and development and production in relation to the manufacturability of new products designed. With these conflicts people within the organisation often get frustrated making comments such as “imagine how well we could do if we worked together” or “we have been successful despite ourselves”.

The finance department is not only a participant in some inter-divisional conflicts, it is also often an important player in some of the activities that can be the ‘glue’ to integrate the divisions or functions within a company. In difficult times the balance of power often moves to the finance department given the need to reduce costs and increase accountability. This article discusses some of the reasons for conflict and the role that the finance department can play in moving the whole organisation in the right direction.

The root causes of interdivisional conflict within an organisation can include:
- Different sub-cultures and mental maps for success,
- Group dynamics,
- Performance measures that seek to maximise the performance of one function not the company as a whole,
- Inconsistent and incomplete information, and
- Poor communications.

Different Sub-Cultures and Mental Maps

A corporate culture reflects the common beliefs and values of an organisation and defines acceptable behaviour and behaviour required for success. Most companies have many sub-cultures confined within separate functional units. This is not surprising as often people within a department or division are more alike each other than they are alike people in other divisions in the same organisation.

For instance, in a finance department many people are likely to have similar educational backgrounds with accounting degrees and a professional qualification such as Chartered or CPA, developed strong analytical skills and a propensity for working with numbers. Often, finance people are very focussed on cost management and profit. Unstated perceived rules for success held within the finance department may include – avoiding excessive risks and/or the need to tightly manage costs leading to a pessimistic focus on what can go wrong and worst case scenarios.

People in the sales department may, likewise, be similar to each other in background and outlook, but very different to finance personnel. From a personality perspective, sales people are usually more optimistic than those in finance, may prefer dealing with people than numbers and may have a mental map that satisfying the customer at any cost is critical to success, that any sale is better than no sale and/or that it is necessary to spend money to make money.

Such fundamental differences in views can cause conflict. For example, sales may think that finance is a support function while sales bring in the revenue that pays finance salaries. Finance can appear to sales to be deliberately making their role more difficult. Sales staff can be seen by finance to be spendthrifts with little accountability when other departments are cutting back and to paint a rosy picture of conditions and potential sales.

For an organisation to be successful a balance of these attributes is required. Many companies that have failed during the GFC were dominated by sales and marketing people and did not have the financial rigour or ‘devil’s advocate’ of a healthy finance department. On the other
hand, how successful would organisations be if they relied on finance people to generate all of the company’s sales? Most accounting and finance people would not be comfortable with the cold calls, rejections and networking required to make sales particularly in the current tough selling environment.

**Group Dynamics**

Work groups often form strong bonds within the group while developing adversary relationships with other ‘different’ groups inside or outside of the organisation. Nothing brings a group together like a common enemy. How often have you heard other departments in your organisation referred to as the ‘dark side’? Needless to say, members of each department consider their own unit as good and others as evil.

These differences in culture and normal group dynamics result in members of departments trying to operate autonomously and see co-ordination issues as further evidence of the incompetence or maliciousness of other departments.

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**Counter Productive Performance Measures**

In some organisations performance measures and compensation policies make things worse. These often gauge and reward departments and members on performance measures that optimise a single function but negatively impact on other functions or the organisation as a whole.

For example, often sales departments and staff are rewarded on gross sales or gross margin generated on sales with little or no emphasis on other costs generated throughout the company. This can result in increased sales of under-priced (and therefore easy to sell) products, heavily discounted products or giving away substantial services or products in order to gain a sale. Sales to poor credit risks can be seen as at best a break-even bet or at worst potential lost sales commission, whereas for the organisation as a whole if the customer doesn’t pay a large loss may result.

**Inconsistent and Incomplete Information**

Often departments are operating on incomplete, inconsistent or out of date information. For example, the sales department may not be aware of the costs of additional deliveries promised in order to make a sale or stock availability records accessed by sales staff in placing an order may not be updated to reflect true stock levels. In some cases friction between functions results as much from arguments about different versions of what is supposed to be the same information as from decisions to be made. Some organisations have addressed this through the implementation of enterprise resource planning software and data warehouses for a ‘single view’ of information.

**Poor Communication**

Different departments are in different locations and seldom do members meet face to face. Finance and sales staff rarely visit the factory, warehouse or other delivery areas of an organisation. This has become even more challenging with the rise of shared services and outsourcing resulted in functions being located vast distances from each other, sometimes in different countries. Downsizing has eliminated many long serving middle managers with cross-functional knowledge and informal relationships across the company.

Email can make communication even more problematic, as recipients cannot see the facial expressions or hear the tone of voice of the sender that, along with the different language often used across functions, can cause conflict where not offence was meant. Even worse, hastily compiled emails are often copied into all and sundry, including the CEO, and can turn a simple misunderstanding into total war!

**HOW FINANCE CAN ACT AS ORGANISATIONAL GLUE**

The following are some of the actions finance managers and staff can take to address some of these issues and bring the actions of departments together:

- **Work on and communicate common organisational goals and culture.** This provides a guide for the actions of departments. While sub-cultures will still exist an umbrella culture of how people treat each other needs to be defined and appropriate behaviour reinforced. These steps need to be driven by senior management and supported by finance and other departments. Identifying and continually communicating internally a competitor as a common enemy can be effective in bringing departments together.
- **Understand and accept that people in other departments are different and that this difference is necessary.** In most conflicts people on both sides are generally doing what they think is right. Try to understand why people are acting as they are before reacting.
- **Understand and question the mental models of other divisions and your own.** These mental models are often deep-seated beliefs that are not easily changed by being told they are wrong. Finance professionals generally bring some very good analytical skills that can be used to model the value drivers of the business and test the mental models throughout the company but is crucial to involve key players around the company.
- **Seek to develop a view of finance as a value-adding department.** Although finance departments are generally moving in this direction, unfortunately the function can be perceived as an overhead or a meddling traffic cop. While control is an important role of finance, substantial value can be added by working with departments to assist them to solve their problems. This may include, for example, helping to build a business case as opposed to trying to knock one down.
- **Assisting to develop performance measures that improve organisational performance.** For example, sales could be measured by the profitability of revenue as opposed to gross revenue. Finance staffs often have skills in activity based costing and balanced scorecard development to support these activities.
Produce cross-functional information. This can include a whole of organisation view of the profitability of customers, for example. Finance often has the skills to pull this information together but it is important to ensure the information is shared with decision makers.

Understand the business and issues in business units. Some organisations have dual reporting roles where a finance representative sits in another function. This can develop a real understanding of the issues in the unit. Unfortunately, the finance representative is often seen as a ‘spy’ from finance and not trusted and if the person is successful they are often treated by finance as having ‘gone native’.

Ensure the coordination role of planning/budgeting/forecasting is understood. These processes are often managed by the finance department and are important for common understanding and coordinating departments, but are often run as win/lose game playing for resources.

Communicate regularly with other departments. When an issue arises, don’t send an email and copy in the world. Pick up the telephone, or better still where possible, walk around and talk to the appropriate person.

CONCLUSIONS
There are many reasons for inter-department conflicts. However, to be successful, people with different views need to work together to harness valuable differences. Finance can play a valuable role in bringing departments together to move towards a common organisation goal. While an economic downturn generally strengthens the hand of the finance department it is vital to recognise the importance, roles and knowledge of other departments.

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