Stop controlling your controllers

It's time for Financial Services CFOs to stop "controlling their controllers". After spending the last 25 years speaking with CFOs and Finance leaders about their ambitions for their function, there is a common thread that has emerged. Invariably they describe the concept of becoming more "value-added" as a Finance team.

They use words like strategic and business-centric, and they speak about focusing less on producing numbers and more on providing insights. The reality is, many Financial Services Finance leaders struggle to get there. Why is that? Because they continue to operate exactly the way they always have – with a rigid set of principles that do not align with their ambition. In my experience, there is a clear opportunity to learn from others outside of Financial Services who are thinking, acting, and leading differently. That requires letting go of some long-held beliefs that stifle innovation, but the upside is meaningful and real.

First, let's look at the technology sector – the bastion of innovation. We recognize that leading technology firms face constant pressure to evolve. This drives a relentless focus on product development, engineering and idea generation – not only in operations, but across the entire organization. Many of you have likely heard of Google's 20% rule, where employees are encouraged to spend 1 day a week working on what they think will most benefit the company - projects often unrelated to their work that they have a passion for. Others in the tech sector have adopted some variation of this approach with great success. This focus on innovation extends to Finance with similar results.

Adoption of new and emerging technologies for Finance and different uses of the tools in place today often come from the "free time" – think of it like "shower time" where your mind is given the freedom to wander. Let's be honest, it's not in most Financial Services CFO's nature to endorse spending time on anything other than the latest business review or quarterly earnings. Change is never comfortable, but it's necessary. Worried about the pace at which your finance team is adopting AI? Let them play with play with popular Gen-AI tools and platforms. Interested in how you could better use data visualization to communicate key trends? Let them play with online tools. If you encourage this innovation mindset and celebrate and reward those that are carving out time for "passion projects", you could be amazed at the results. And guess what? Your team is likely to be more engaged, and more committed to your organization. Just like that you're one step closer to a more value-added Finance function, and all you had to do was give your team some freedom.

Next, let's turn our attention to the world of Private Equity. If there is one word to describe the private investing sector, it is ruthless. High leverage and shorter time horizons drive a relentless focus on enterprise value and speed to market. But how does that impact Finance and what can be learned?

In traditional financial services companies, the list of financial metrics that are tracked and reported on is long and constantly growing. I hesitate to use the term KPI – it's hard to consider hundreds of metrics as all being key! In private equity, there is a laser focus on a very small number of financial and operational metrics that truly impact performance and value (often tied to the original investment thesis). Those metrics need to be available at a high degree of frequency and accuracy – often at the expense of less impactful metrics. Similarly, raising materiality thresholds for reconciliation, accruals, and other analysis (not materiality in the audit sense, but for management reporting purposes) to free up time to focus on key KPIs. This also forces a more business-centric mindset if more effort and attention is placed on delivering metrics such as customer profitability or product profitability (not typical financial reporting metrics) as opposed to explaining small variances on prepaid expenses. The lesson – don't ask your team to deliver "all things to all people" - go narrow and deep on the activities and data that matters. Bringing this PE mindset is both liberating for the team members who are ruthlessly eliminating the non-value add activities/ metrics from their day, and also beneficial to the organization as there is more focus on the information that truly drives decisions.

Giving your team the autonomy and authority to constantly question “why are we doing this?” can bring you one step closer to the value-added ambition you have.

Finally, let’s see what can be learned from the retail/CPG industry. Part of relinquishing “control” over the controllers is giving the Finance team members freedom of movement throughout your organization. Large CPG companies and retailers are better at giving Finance professionals a “lattice” career path that allows them to move laterally between Finance teams (controllership, FP&A, commercial finance etc.). Just as importantly, they promote movement of team members into and out of Finance as a whole (either through operational roles or through project work where they take a non-finance role for a defined period). This is different than the typical management trainee program for new grads that lasts for 2-3 years at which point the highly trained individual is locked into a single Finance team for the foreseeable future. The approach taken in CPG/Retail is essentially a permanent trainee program where there is an expectation that you will change roles every 1-2 years (often not with a promotion or change in job band) and gain a broad set of experiences that benefit both the company and the individual. Many in Financial Services will say they promote and encourage this type of mobility, but in practice it doesn’t happen.

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In many cases, the root cause of a more traditional/linear career path in FS is manual/inefficient/bespoke processes. It takes so long for a Finance professional to learn the nuances and subtleties of their role that transitioning to a new role is too costly and training their replacement too time consuming. This thought process needs to change – the CPG and retail industry has proven that more frequent movement (both within and across functions) improves process efficiency as the new resource in the role is more likely to question the status quo and drive improvement. Furthermore, limiting mobility won’t lead to more stability/productivity in the long term because your best people will simply find the diversity of experience, they are seeking by leaving your organization! All the more reason to embrace freedom of movement and use it as a lever to achieve your objective of a more business-centric Finance team.

As you can see, there is plenty which CFOs and Finance leaders can learn from industries outside of Financial Services, and the central theme remains the same. If you are looking to become a more insightful, strategic, and value-added function, you may need to adjust some of your preconceived notions of what it means to be in Finance. Embrace freedom of time, freedom of thought and freedom of movement. And stop controlling your controllers!

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