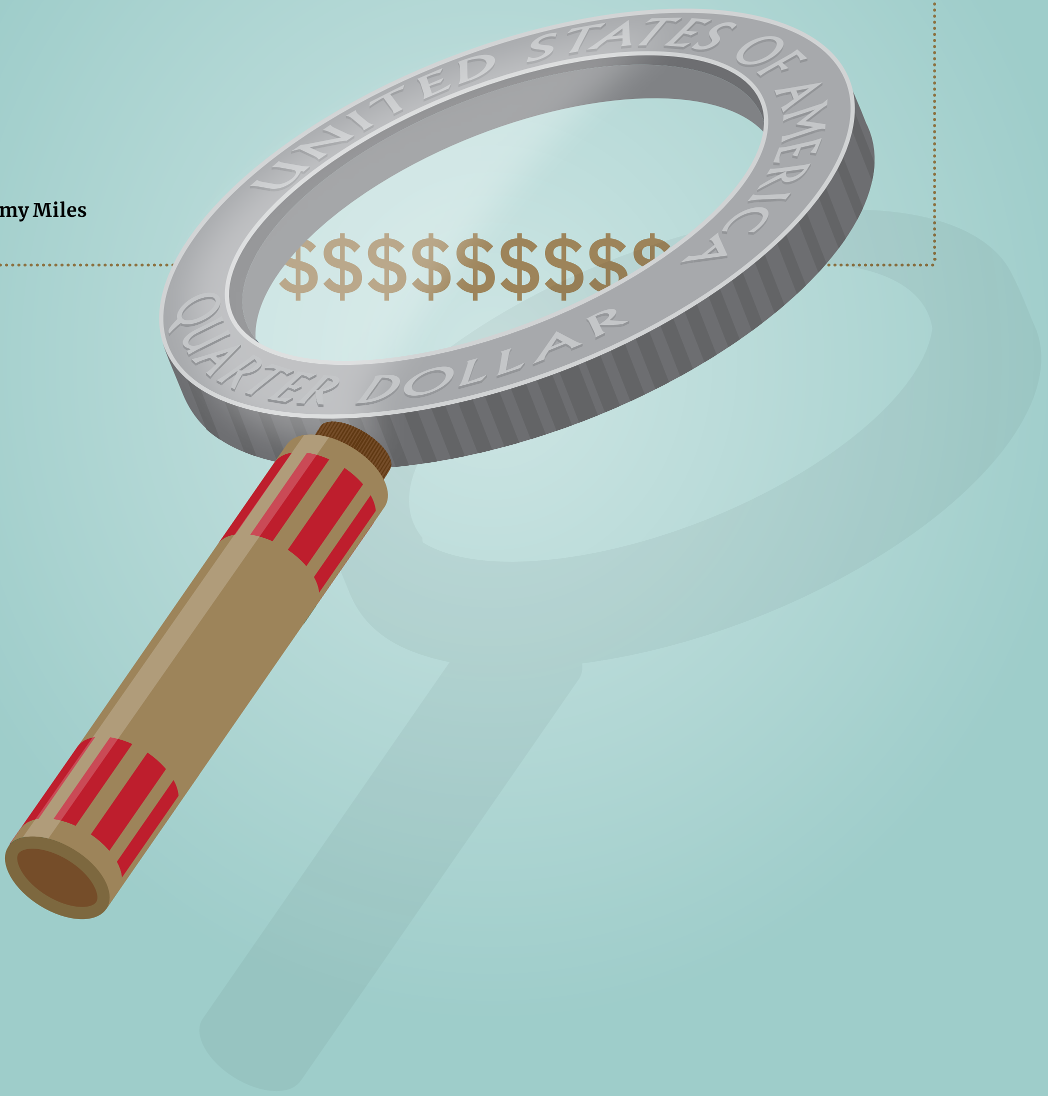
Assessing the Maturity of Your Finance Organization

By Jeremy Miles



It is important to use assessments to identify strengths and weaknesses within your organization.

We are all faced with challenges. Some of these challenges may be common, repeated issues we have faced many times before. Or they may be life-altering trials that affect us greatly. How we conduct ourselves in dealing with these challenges is highly dependent on our maturity. The way one person reacts to a difficult situation most likely differs from how they would have handled it in years prior. Additionally, the way two people handle the same situation can vary drastically, based on experience.

The same rules apply to how companies, or even divisions within a company, address risks and challenges. This can be especially true for the office of the CFO. Due to their position within the enterprise, they will naturally be an early identifier of challenges across the company. They may not be directly accountable for addressing these issues, but the ability to proactively respond can be largely driven by their groups' ability to identify challenges and put the first pieces of the resolution plan in place.

Assessing the maturity of your Finance organization can provide valuable insight into those areas in which you may be performing above, at, or below recommended standards. This review can provide telling information about root causes you may be encountering, or help you to take a proactive approach to addressing risks. Why Finance and not other parts of the organization, or the whole company? The answer lies in the relative size of Finance organizations, the importance of the role they provide for the whole company, and the tendency for finance resources to get stuck in the past and not leverage new technologies, even if they are available.

WHAT IS ORGANIZATIONAL MATURITY AND HOW DO YOU ASSESS IT?

The maturity of an organization ranges from immature, or non-existent, to fully mature, established, and industry-leading. This is by no means in relation to actual age or time of existence. This may be the case most of the time in relation to people, but for businesses, younger companies may be just as, or more, mature in operations and efficiencies than older ones. Additionally, the move from one level of maturity to the next may seem subtle or simple, but effectively moving the entirety of the organization along the scale is quite complex.

Maturity of an organization

Nonexistent: The organization is very immature in how it operates. This could be the result of a newly formed department within a newer company or a maturing company with lagging investment or focus on the organization.

Developing: The organization is growing and a need for some form of organized governance has been identified and addressed. It may mean that policies, procedures, and resource responsibilities have been defined and documented but are out of date or not consistently followed.

Leading: Regarded as a world-class organization utilizing leading practices. Policies and procedures are clearly defined and documented. In turn, this documentation is centrally available, easy to access, and regularly updated as necessary so that everyone is aware of their responsibilities, work is performed consistently, and technology is an enabler.

WHAT DO WE LOOK FOR?

To truly assess the full maturity of a Finance organization, or any corporate department for that matter, it is necessary to take a holistic approach and assess three very important dimensions; the responsibility, the activities, and the tools.

The Responsibility

When an issue has been identified within an organization or business unit, it's easy to automatically assume someone has performed poorly or missed an assignment. However, if that person does not have the adequate tools to efficiently perform a task, they may lose control over whether the activity is completed on time or accurately. Likewise, resources are often tasked with responsibilities they do not have the skills for. The desire to reduce costs, or at least control them, can put undue burden on resources by asking too much of employees. Two questions the leaders of a Finance organization should think through thoroughly are: "How does your organization approach assignment of new responsibilities and tasks to resources?" and "Do you look at the skills necessary to effectively complete a job or do you look at who has the most time available to take on additional work?" Something else to consider is that the one responsible may not be a person at all, but a robot.

The Activities

The activities performed by your organization to complete daily tasks are the next dimension to consider. Inefficient processes drain capital at an alarming rate. When your people are free of redundant, suboptimal, and unnecessarily complex processes, costs stop growing as well. There may have been a time when your firm was smaller, and you could rely on a few key people to smooth out any issue. However, as your firm grows, you need standard, repeatable processes just to provide a minimum level of service. It would seem easy to throw more bodies at a situation that requires mass amounts of manual intervention, but this could also lead to an increased risk of error or lack of motivation in highly skilled employees performing work of little value in comparison to their core knowledge base. This is not to say that every process that builds the operations of your organization should be automated. This is simply not feasible for any company. However, all processes should be documented and standardized in a way that they can be easily repeated, should there be a need for the responsibility of the process to transition between resources.

NONEXISTENT

Unclear responsibilities leading to duplicative efforts or incomplete/delayed work

No documented processes

Appropriate systems do not exist

DEVELOPING

Roles and responsibilities are somewhat defined, but require further alignment and adjustment to fit the organization

Processes are documented but not consistently followed

Systems are in place, but fragmented and still require manual intervention

Poor master data management strategies

LEADING

Roles and responsibilities are clearly defined and the organization utilizes centers of excellence for specialized tasks

Processes are clearly documented, consistently followed, and updated as necessary

Systems provide automation into repeatable processes and are efficiently integrated to provide standardization across the enterprise

The Tools

Similar to inefficient processes, inefficient technology can also be a drain on capital. Systems working independently from one another, with no communication, cause difficulty in reporting, data accuracy, and master data management, and directly affect processes. This can also apply to aging technologies used by your business. Although the cost of managing multiple systems applies more directly to the IT organization, these costs trickle down to the Finance organization. Systems that require work-around processes or manipulation of data to view results, become a burden on your people and lead to potential errors requiring additional oversight on the work performed. Again, this is not to say that every system or tool utilized by your company should be integrated, top of the line, industry-leading systems. However, assessing those systems most impactful to your organization, people, and process should be seen as a priority in making improvements.

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THE BENEFITS THIS WILL BRING

At first glance, this may seem a simple task that answers one simple question, "Is my finance organization mature enough to support the daily operations it is responsible for?". However, this is not one simple answer, nor is it a simple question. What you may really need to know is how you can improve upon the current state of your organization.

"If you were able to free up the time of your most valued resources to focus on tasks more aligned to their skillset and interests, would they become more productive?"

"If repeatable, mundane processes were automated or required little to no manual intervention, could you improve the accuracy of the output the process provides?"

"How does the maturity of your technologies affect your bottom line?"

Not only can you expect various levels of maturity within each dimension of your organization, but each dimension could also be driven down to various levels of detail. For instance, the processes of your Finance organization, as a whole, may seem very mature or developing. But this may be that your budgeting and forecasting processes utilize industry-leading practices, whereas those related to order-to-cash are lagging far behind. By assessing your organization at an appropriate level, you can more directly identify those highest-priority issues.

Once you've assessed the current state of your finance organization, what value and insight have you gained? To start, you have a high-level view of your organization, with identified strengths and weaknesses in daily or monthly operations. In addition, you now have a starting point to address the weaknesses, or proactively address potential weaknesses, and build upon the strengths that make your organization thrive to get the job done. However, this is not a one-size-fits-all solution, and not all issues will be immediately identified. The benefits of this viewpoint will vary within each dimension of your organization (responsibilities, activities, tools) and among companies. Those companies that start to think about their organization as a whole, and not the individual problems at hand, are those that can start to learn from mistakes and mature into industry-leading icons of performance.

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