

Chapter 5

Design of the High-Performance Finance Function Framework

ABSTRACT

In this chapter, the movements are discussed that are currently shaping or that are expected to transform in the near future the finance function into a higher-quality finance function. Subsequently, these movements are converted into a framework that can be used to create the HPFF. The HPFF framework is then extensively described, and its relation with the HPO framework and its influence on the performance of the finance functions are explained. Also, the difference between the what and the how of the framework is discussed, as are the obstacles that finance function can encounter in practice during their transformation in to an HPFF. Courses of action to surmount these obstacles are also given.

From the studies discussed in Chapters 3 and 4, we can observe the following:

- The most important activities of the finance function are still the provision of reports and associated analyses, and the provision of support to the business with financial issues. The use of ICT, especially in the form of cloud computing and big data, is receiving increased attention.
- The finance function is still struggling to find the right balance between the roles of scorekeeper and business controller. Risk management is an increasingly important task for the business, which, at the same time, requires more and more strategic and tactical support.
- The finance function sees its future in providing more value-adding services to the business, although the function is currently still largely engaged in transactional activities of relatively low added value.
- There is a (slow) shift from financial activities that were previously the exclusive domain of the finance function to the operational level where line managers gain more financial control and where the finance function provides support to them.

DOI: 10.4018/978-1-7998-6929-0.ch005

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- The finance function will become more involved in the external world, with both the internal and external stakeholders of the organization.
- The finance function will have to deliver more output with a higher quality and decreased budgets.

We can now start shaping the HPPF based on this sketch of the situation.

A German industrial conglomerate employed an innovative approach: a zero-based organizational redesign of its finance function. It categorized the activities of the finance function as governance, service, or advice, and applied a zero-based mindset to determine which ones were truly required. For governance, it considered what type of minimum governance and control was really needed. For service activities, it asked the business units to define the type and level of support services they required. For advice activities, it considered what central entrepreneurial guidance and recommendations were needed from a business perspective and what would be the most effective way for the finance function to provide that support. This approach helped the organization analyze the value of finance activities and align those activities with business needs and Board priorities (Roos et al., 2020).

5.1 IDENTIFYING THE MOVEMENTS TO THE FUTURE FINANCE FUNCTION

When we combine the ideas for a best-performing finance function (Chapter 4, Table 2) with the main activities of the finance function (Chapter 3, section “Summary of the most important activities“), it turns out that all ‘evergreens’ are covered by the suggested ideas (see Table 1). This allows us to conclude that the future finance function will probably broadly perform the same activities as in past decades, but that there are enough ideas to execute these activities in different, better ways that will lead to a higher quality level of the finance function.

Table 1. Activities of and associated ideas for the future finance function

Ideas	Evergreens
1. Increase the efficiency and effectiveness of the finance function	<ul style="list-style-type: none"> ■ Make information more reliable ■ Optimize processes ■ Add more non-financial information ■ Make budgeting more efficient ■ Implement standardization ■ Reduce costs
2. Place greater focus on the execution of added value activities	
3. Apply even more IT to automate processes	<ul style="list-style-type: none"> ■ Improve ICT systems and architecture
4. Creating closer cooperation with the business by being a business partner	<ul style="list-style-type: none"> ■ Improve implementation capabilities
5. Place greater focus on looking ahead and forecasting	<ul style="list-style-type: none"> ■ Strengthen looking ahead
6. Apply more outsourcing and shared services	
7. Create financial self-reliance in the line	
8. Pay more attention to the personal development of financial professionals	<ul style="list-style-type: none"> ■ Develop talent ■ Hire good people
9. Gain greater involvement in the strategy and decision-making processes	
10. Develop a specific behavioral profile for each financial role	<ul style="list-style-type: none"> ■ Strengthen innovation capabilities ■ Improve behavioral aspects
11. Gain deeper knowledge of IT	

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