

Chapter 7

The HPFF Diagnosis

ABSTRACT

The initial step in the transformation to an HPFF involves performing an HPFF diagnosis. The diagnosis is the starting point for initiating change, prioritizing topics, and taking steps for improvement. For a process in which improvements take root, after a diagnosis and discussion of the outcomes, a follow-up is needed to continue the movement that has been initiated. This translates into concrete actions and projects. The focus must be on small improvement steps, so that employees save time for further improvement steps. In this chapter, what the HPFF diagnosis looks like is discussed. In addition, the experience of a finance function that conducted the HPFF diagnosis is related.

7.1 SET-UP AND EXECUTION OF THE HPFF DIAGNOSIS

The HPFF diagnosis consists of three main steps, which are described below.

First Step: Preparation and Communication

It is important to create clarity about the why, how, and what of the HPFF diagnosis and subsequent transformation. Communication about the different steps and what is expected of the financial professionals is important, not only via e-mail but also verbally by the management team members. It is also nice to create a newsletter to communicate regularly. Another option is to conduct communication by means of a vlog (preferably from the CFO) indicating why this “HPFF business” is being initiated and what the next steps will be (such as the questionnaire that will be sent). It is also wise to give financial professionals the opportunity to respond to the intended process, for example, by reflecting on it in the work meetings of the various finance teams. It is crucial that everyone participates, not only by completing the survey and attending the HPFF workshop but also—especially—during the execution of the HPFF transformation actions.

Second Step: The HPFF Questionnaire

Step 2 consists of collecting the necessary data. All financial professionals complete the HPFF questionnaire which consists of questions based on the 28 HPFF characteristics, the five finance function performance characteristics, and the 10 obstacles. The financial professionals are asked to what extent their finance function meets the HPFF characteristics and the finance function performance characteristics, with possible answers on a scale from 1 (not at all) to 10 (completely). In addition, they assess to what extent the 10 obstacles in their organization can actually hinder the transformation to HPFF, with a rating scale from 1 (not at all) to 10 (very severe obstacle). After this, the scores for all characteristics and obstacles are calculated and displayed in graphs. The graphs indicate how far the finance function is on the road to HPFF and what obstacles it can expect on that road. Incidentally, in order to be called an HPFF, the mean score of each HPFF factor must be at least 8.5. The graphs show which factors (and underlying characteristics) need to be strengthened in order to improve the performance of the finance function as a whole, and which obstacles need to be tackled to make this happen.

The Stages on the Way to the HPFF

In practice, a finance function does not become an HPFF overnight. In general, four development stages can be distinguished that bring a finance function ever closer to the HPFF. We have summarized these four stages in Table 1.¹

Table 1. The four development stages of the finance function

| Development stage | Basic finance function | Effective finance function | Leading finance function | High-performance finance function |
|---------------------------------|--|--|--|--|
| Criteria | Maintain and comply with financial regulations | Improve processes in the finance function | Improve organizational processes (touching adjacent finance processes) | Impact on the organization by helping to develop the organization |
| Focus | Execute core financial processes | Implement “point (= specific) improvements” in current processes | Implemented improvements in organizational processes and value chains | Act as a high-performing finance team on all fronts (focus on the HPFF factors). |
| Associated HPFF diagnosis score | Between 1.0 and 4.0 | Between 4.1 and 7.0 | Between 7.1 and 8.4 | Between 8.5 and 10.0 |

In the HPFF graph, these stages are displayed such that, at a glance, the financial professionals can see (a) at which development stage their finance function is, and (b) what the strong points and the areas of improvement for their finance function are (see Figure 1 for an example).

Figure 1 shows that the finance function of Company XYZ has an average score of 6.2 for the five HPFF factors, which puts this finance function in the “effective” stage. This means that this finance function is essentially able to fulfill all its (internal and external) reporting and processing requirements, and also has some time left over for improving its own processes. The graph also shows an area where the

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