

Building Trust through Reliability and Consistency



By Shayne Kavanagh

Trust is the glue that holds a local government's financial foundation together, and people have more trust in a local government and its finance office if the approach to financial management is consistent.

To learn more about how finance officers can enhance their trustworthiness, GFOA surveyed the members of two large state/provincial GFOA associations.¹ We asked these members to identify other finance officers in their state or province who they thought were particularly trustworthy. We then conducted face-to-face interviews with the finance officers who got the most nominations, seeking to learn the behaviors they engaged in that helped them to build trust with others.

We then organized our findings into the five elements of trustworthiness suggested by the GFOA's Code of Ethics (www.gfoa.org/ethics). The code is focused on enhancing the trustworthiness of the local government finance office. This article will focus on what we learned about one of these five elements, "reliability and consistency."

DEMONSTRATE RELIABILITY THROUGH TIMELINESS

We were struck by how often in our interviews we heard about the importance of getting back to people's inquiries in a timely fashion. Promptly replying to emails and returning phone calls make a positive impression. It shows that the finance office takes the questioner's concerns seriously and can be relied upon to provide answers. Though replying promptly may seem like a small thing, the information requested from the finance office is often critical from the perspective of the people making the requests. If they perceive that finance is "holding up" their work, this will not reflect well on the finance office's reliability.

However, in many cases the answer the finance office has is not the answer that the questioner would like to hear. Therefore, a finance officer needs the skills to deliver this kind of bad news and, perhaps more importantly, the skills

to look for solutions that meet the questioner's needs while also maintaining a solid financial foundation for the government. For example, at one local government, an employee's flight was canceled while they were trying to return from an out-of-state conference. The next available flight was more expensive, and booking it would be a violation of the local government's policy, but the employee reasoned that it would be even more expensive to book a last-minute hotel for the night.

Let's now imagine that the finance office stuck rigidly to the policy and refused to reimburse the employee for the cost of the flight. The finance office would have diminished its trustworthiness in the eyes of the other department —

which has consequences. Before, the other department was trying to make the best use of the local government's resources. It is not difficult to imagine that this department might start to care less about making the most prudent use of resources and care more about remaining in compliance with policies, regardless of the circumstances. The finance office would have lost a partner in looking out for the best financial interest of the government and, instead, created a relationship of rote compliance. Fortunately, the

chief financial officer (CFO) realized this and worked with the department to make a one-time exception to the policy.

Another important skill when conveying information that the listener might not like is explaining the "why," not just the "what." A classic example here is the charges associated with an internal service fund. A department may reasonably wonder why it can't take its vehicles to the local service station to get an oil change rather than paying a higher charge to an internal motor pool for that service. If the finance office can explain why the motor pool charges are higher, then the department will be more accepting of the answer. For example, maybe the motor pool's charges are fully loaded with other costs such as insurance, which would still have to be paid even if the department used a local service station for oil changes.

Promptly replying to emails and returning phone calls make a positive impression. It shows that the finance office takes the questioner's concerns seriously and can be relied upon to provide answers.

Having the skills described above helps finance officers make timely response because they don't need to struggle with how to deliver difficult news. Beyond that, though, finance offices must also find a way to manage the volume of requests they get. Our interviews adopted different approaches to this problem, depending on CFOs' work styles.

For example, perhaps one CFO doesn't believe in out-of-office messages and makes a point of responding to emails even when they are away. While this CFO was at an out-of-state conference, the city's recreation director emailed a question about the procurement policy and how it relates to printing a seasonal activity guide. The CFO replied with enough information to relieve the recreation director's anxiety about getting the guide printed on time and allowing the recreation director to complete the next steps in the process.

Another CFO developed special notifications for his phone and email to highlight messages from the county manager and board members. The CFO recognized that these are relationships where trust is key, so the notifications ensure that messages from these people don't get lost in the shuffle.

Our research suggests that it is not important which particular email tool or personal organization method a finance office adopts. What matters is that there is a system of some kind in place to ensure prompt and helpful replies.²

As a final consideration about timeliness, consider how meetings are run. Our interviewees recommended starting promptly, respecting the agreed-upon schedule and agenda for the meeting, and asking participants' permission to go late, if needed. When meetings convened by the finance office stick to a well-organized agenda, it contributes to the perception of a reliable finance office. This is probably not surprising, considering the near universal skepticism with which meetings are viewed. According to one study of senior managers from various industries, 65 percent said meetings keep them from completing their own work, and 71 percent said meetings are unproductive and inefficient.³

Since finance officers often have to give questioners answers they don't want to hear, they need the skills to deliver this kind of bad news and to look for solutions that meet the questioner's needs while maintaining a solid financial foundation for the government.

If the finance office can buck this trend and consistently make meetings more productive and worthwhile for participants, it will make a strong positive impression.

CONSISTENCY: WHERE WORDS MEET ACTION

The essence of consistency is whether your words are reliable indicator of the actions you will take. For the finance function, the most common application of this is meeting deadlines for reports, projects, etc. If circumstances conspire to keep you from meeting a deadline, keep people

informed of the situation — our interviewees counseled not to miss deadlines often, though.

Part of meeting deadlines is to establish realistic expectations. For example, a middle manager in one of the divisions of the finance office was overconfident about how soon work would get done and would then fail to meet the deadlines he set. This was annoying to other departments, so the finance director had to coach the middle manager to set more realistic estimates.

Overconfidence is not limited to the finance office. Departments are often overconfident about what they can accomplish during the year and therefore tend to over-budget, making it more difficult to balance the budget. In one city, the CFO addressed this problem by asking departments to remove the more "aspirational" projects from the budget, along with a promise to add the funds to the budget via a budget amendment or funds transfer during the year, if it turned out the department had the time to do the project after all. Eventually, a circumstance arose where a department did have the time to complete one of these aspirational projects, so the CFO did as he promised and added the funds.

A similar budget problem happens when departments add "padding" or "slack" to their budgets to account for unknowable circumstances that might arise during the year. If every department does this, the government will almost always have far more in padding, across the entire government,

than necessary. One CFO recognized this and sought to reduce the padding to help deal with financial stress the organization was facing. Departments were nervous about the CFO's proposal because it exposed them to more perceived risk. The CFO promised to work with the departments if something unexpected happened during the year. Later, the fire department incurred extra overtime costs

to fill shifts for injured staff, and the recreation department experienced an unexpected utility rate increase for its facilities. The CFO worked with the departments to address these issues, including explaining to the city council why these budget increases were needed in the middle year. The CFO had already laid the groundwork with the council at the start of the year by explaining the benefit of the new centralized approach to budget contingency. All of this impressed on the departments that the CFO was a reliable partner and their actions were consistent with their words.

Finally, finance officers need to give consistent answers. Our interviewees stressed the importance of giving the same answers in public and private. This includes knowing when not to give an answer at all to maintain confidence. If someone asks a question that would require the finance officer to break a confidence in order the answer, most questioners will respect the finance officer when they explain.

Another way to create consistency in the answers people get from the finance office is to have financial policies. There is often some need for flexibility in how policies are administered, but policies are still a great starting point for establishing an expectation and living up to it. This applies to big-picture governance issues like the appropriate use of reserves or one-time revenues. GFOA's book, *Financial Policies*, provides guidance on how to develop these types of policies; it also applies to day-to-day administrative issues. For example, one of our interviewees had the human resources (HR) function under her purview. The staff member who managed HR was not very well organized and would not always give the same answer to employees' inquiries about HR issues. Our interviewees helped the HR manager develop policies so that employees could have consistent answers.

Financial policies help create consistency in the answers people get from the finance office, although there is often some need for flexibility in how policies are administered.

CONCLUSIONS

Reliability and consistency are essential for creating a trustworthy reputation. This paper highlighted the following:

- Reply to people's inquiries promptly. Have a system for responding to inquiries promptly, especially for people with whom trust is most important (e.g., members of the governing board).
- Develop the skills to address inquiries that have answer the questioner may not like. This includes looking for win-win solutions and providing compelling explanations of the reasoning behind the answer.
- Run efficient meetings. If the meeting sticks to the time and the agenda, the finance office demonstrates its consistency (and shows the finance office respects people's time).
- Keep promises. Balancing a budget often requires someone to give something up, perhaps in exchange for a promise of support later. Be sure to follow through when this support is needed.
- Meet your deadlines. Set realistic expectations for when work will be accomplished, and then meet them. If you can't meet a deadline, make sure the people who are relying on you are kept apprised.
- Develop policies. Policies provide written guidelines for how financial business will be conducted, making them a great way to provide consistency. ■

Notes

1. Many states and provinces have their own GFOA association, which is separate from the GFOA of the United States and Canada.
2. There are many email management tools, including personal organization systems such as "InboxZero." Other technologies to help manage email include applications that will unsubscribe you from unwanted bulk email or remind you about email conversations you need to follow up on.
3. Leslie A. Perlow, Constance Noonan Hadley, and Eunice Eun, "Stop the Meeting Madness," *Harvard Business Review*, July-August, 2017.

SHAYNE KAVANAGH is GFOA's senior research manager.