



## **Technical Skills and Leadership in the Public Financial Management Profession**

**BY NORMAN ECKSTEIN AND VINCENT REITANO**

One of the major challenges the public financial management profession faces is striking a balance between budgeting and actually financing the services. We need to link the practical application of technical skills to management and leadership approaches that teach us how to address uncertainty. These skills will also help convince others that the actions you recommend will make a difference and meet the needs of constituents. Essentially, any analyst or manager can develop a response to challenges using technical skills such as strategic planning and forecasting — but it takes a leader to effectively communicate and implement those ideas in a way that build a resilient organization.

This article links the typical kinds of financial analysis to different leadership approaches. This approach is important because technical financial skills are no longer enough to make one an effective public finance manager.

## EDUCATIONAL PATHWAYS

Finance managers come to their jobs via different educational pathways. Some have earned a Master of Public Administration (MPA), Master of Business Administration (MBA), or a Master of Accounting (MAC). These degrees teach critical skills, but they differ in terms of pedagogy and course content. An MPA usually emphasizes both the normative aspects of government budgeting and technical aspects of public financial management, whereas an MBA or MAC might emphasize skills required for a CPA rather than comprehensively covering governmental budgeting. And each degree and certification program differs in its approach to management, leadership, and methods for addressing uncertainty, given differences across fields.

A technical public financial management skillset, which covers topics such as forecasting, auditing, and financial reporting, isn't easy to attain. The next step — expanding the impact of that skillset by making public financial management more resilient and sustainable, despite the increasing uncertainty the public sector faces — is even more difficult. Creating resiliency and sustainability depends on linking technical skills to management and leadership approaches that work for the public sector.

## TECHNICAL SKILLS, MANAGEMENT, AND LEADERSHIP

This article covers five of the technical skills that are critical to public financial management. They provide a good starting point for considering how the profession educates and continues to train new and seasoned public financial managers.

**Human Resource Budgeting.** Human resource (HR) budgeting involves analyzing workforce costs, forecasting them into the future, and formulating potential responses to the projected cost trajectory, among other functions. Employee costs typically make up 66 percent of the budget for general purpose local governments and 75 to 80 percent of school district budgets. It's relatively common for these costs to be locked in over several years through union contracts and/or other types of restrictive policies. During periods

of uncertainty, however, analysts and managers need the ability to find cost reductions quickly, through furloughs, consultants and outsourcing, or more innovative cost-sharing methods.

During times of fiscal stress, finance officers must therefore be able to use their technical skill to quickly understand the human resource budget and develop new ways to address it. Then, they need to act as leaders by informing decision makers that changes must be made to ensure the government's sustainability. This requires presenting data and potential decisions effectively, including potential long-term implications, so decision makers feel

confident in pursuing your recommendation.

Leaders need to determine the best approaches to cutting labor costs or finding alternative funding sources. They also must be able to explain proposed changes in ways that help employees understand that these measures are necessary to ensuring the continued provision of important public services. A finance officer's ability to make this connection for employees will help improve their motivation and commitment.

For example, Oakland County, Michigan, found that a 5 percent salary reduction spread over two fiscal years would save the jobs of 150 full-time employees. This analysis helped

Any analyst or manager can develop a response to challenges using technical skills such as strategic planning and forecasting — but it takes a leader to effectively communicate and implement those ideas in ways that build a resilient organization.

circumvent controversy because leadership demonstrated clearly why the cuts were necessary and how they would keep many employees in their job while helping address structural balance. County finance officers were able to make use of human resource budgeting data, communicate the results of their analysis, and demonstrate how the decisions they made would help with addressing financial uncertainty.<sup>1</sup>

#### **Cost Analysis for Non-Labor Expenditures.**

Changing public-sector employee labor contracts is such a complex undertaking, finance officers need to look for other ways of cutting costs if possible. Conducting a cost analysis, finding cost-reduction strategies, and considering innovations (e.g., cost-sharing) requires an extensive technical skillset. The finance officer then needs to display leadership to champion these ideas and enact them.

To enact a cost-sharing agreement, leaders need to creatively navigate the complexity of shared services and contracting agreements, and any political windfall that may result. They also need to build support in the community and develop an agreement that protects against consequences if the agreement doesn't work as intended is also required. For example, many communities have embraced cost-sharing initiatives with non-profits and other jurisdictions in order to cut costs and make their governments more resilient in response to financial uncertainty.

These types of cost savings, however, carry a different type of cost — namely compromise and/or easing of local political control. Further, the finance officer must set realistic expectations for the service levels that can be provided. Leadership is needed to clearly communicate budget alternatives and ensure that the decisions made best reflect the overall needs of the local community.

**Continuously Evaluating Revenue Distribution.** Local governments monitor revenue distribution constantly, and benchmark revenue distribution against peer governments. Since elected officials are often constrained in their ability to increase property taxes because of levy limitations (a concern complicated by public referendums), finance officers

**A technical public financial management skillset isn't easy to attain. The next step—expanding the impact of that skillset by making public financial management more resilient and sustainable — is even more difficult.**

must make use of leadership strategies paired with cost savings to fund services. Property reassessments are one strategy; as is going to the public to garner support for the idea of a new revenue stream, like a local sales tax increase. Ensuring that the public understands why the reassessment or higher tax rate is necessary, and what it means for the resiliency of the broader community, is key. Finance officers need effective communication and public outreach strategies to make sure the public understands what the government plans to do, and why.

Ensuring transparency and demonstrating that the new measures will bring value and improve the community may require conversations with a range of community stakeholders, and it will be challenging. The finance officer might start by offering key statistics and benchmark reports — all part of his or her technical skillset — to the public, arguing in favor of a new or expanded revenue stream. Holding meetings and town halls is another leadership approach that can com-





pound the effect of evidence-based arguments in favor of raising revenues through reassessments or through a referendum. Having adequate revenues to fund crucial services also makes the community less vulnerable to losses in property assessments and subsequent tax appeals, which external monitors such as bond rating agencies would recognize as a proactive management policy, helping make the community more resilient.

Leaders must communicate this fact clearly to their constituents. The purpose of a reassessment and revaluation is to ensure that each property is assessed at its fair market value at the same point in time. This principle of fairness might be welcomed by taxpayers, assuming they understand how it relates to needs of the broader community.

**Forecasting.** Forecasters strive to determine an acceptable level of uncertainty and communicate it through transparent reporting of their assumptions and historical accuracy. The technical skillset is important, but the management and leadership components are just as critical. Translating a forecast into decisions is challenging, and it sometimes requires that the forecaster consider political implications. For example, to present a forecast that projects a structural imbalance caused by changes in the external environment, a leader needs to carefully present forecast assumptions and the potential decisions that should be considered. The explanation should avoid statistical terms and focus on educating rather than talking down to decision makers. This approach ensures that decision makers feel informed and empowered to select the right course of action in light of uncertainty in the future.<sup>2</sup>

**Technical Communication and Data Visualization.** This skillset is critical to internal and external discussions about uncertainty. Knowing how to coordinate meetings effectively by using tools such as Liberating Structures or Six Thinking Hats, an amalgam of technical and management skills, can create constructive conversations. For example, these skills can help a finance officer move beyond static meetings by introducing innovative methods that allow everyone to say something at the start of a meeting, and encourage collaborative idea generation with small group discussions. This is also a good way to ensure that meetings are structured

Knowing how to coordinate meetings effectively by using tools such as Liberating Structures or Six Thinking Hats, an amalgam of technical and management skills, can create constructive conversations.

around an agenda that is grounded in visualized data.

Even in a group of public financial management experts, being able to analyze budgets and financial reports is no easy task, and visualization of data with time-series charts, pie charts, and other types of graphics can help to quickly convey ideas and potential decisions. For example, a time-series chart of projected versus actual financials can help to show short- and long-term decisions over time, along with any structural balance concerns.

Presenting information in this way can help managers and leaders quickly and easily convey a situation and solutions being considered.

This skillset is particularly critical during times of fiscal stress. Technical skills combined with communication and data visualization can help leaders to build a vision for making their government resilient and sustainable during and after a crisis. Financial officials should therefore be trained in transforming daunting situations into opportunities for innovation and growth in their organizations.

## CONCLUSIONS

The above discussion presents just a few of the major skills that any public finance professional in a government should cultivate. When finance officers combine these skills with leadership approaches, a transformation occurs — data analysis is turned into effective thought leadership. In this way, finance officers can help their governments to prepare for and respond to financial uncertainty. It all hinges on understanding how numbers are translated into conversations and potential decisions. ■

### Notes

1. Laurie Van Pelt, "Oakland County Emphasizes Long-Term Planning Over Immediate Fixes," *Government Finance Review*, April 2010.
2. For further information about government forecasting, see: Shayne Kavanagh and Dan Williams, *Informed Decision-Making through Forecasting: A Practitioner's Guide* (Chicago: GFOA, 2016).

---

**NORMAN ECKSTEIN** is chief finance officer and tax collector for the Township of Boonton, New Jersey. **VINCENT REITANO** is a public finance associate at GFOA in Chicago.