rewind

The Evolving Finance Office

A look back at *GFR* in August 2006

In an August 2006 *GFR* article, "From Control to Collaboration… Finance Shifts Its Focus," Perry James (then the chief financial officer for the City of Raleigh, North Carolina) noted that "the most successful organizations are those that see change coming and respond in ways that meet the needs and the desires of their customers." But for public-sector organizations, then as now, "the dilemma faced by finance professionals is how to be that type of responsive, continuously improving force while also staying on top of the compliance and control-oriented rules that have long characterized public financial management's objectives."

The article compared a finance office that had traditionally focused on transactional operations with a more modern finance office that emphasized decision-support capabilities—a transition from fiscal police (who hide the government's reserves "from all but the most astute accounting minds to organization-wide") all the way to a valued partner who comes in early on projects to help analyze and evaluate fiscal options.

James also noted a few steps in between. CFOs have become fiscal facilitators whose work helps everyone in the organization do their job better. They've moved from being a selective information custodian to an information provider who provides fiscal transparency that can be accessed by anyone who needs it, and a trainer to help others understand the financial system. CFOs are no longer just the "holder of the purse strings"; they're now a partner in allocating fiscal resources, coming in early in the project to help analyze and evaluate fiscal options.

The function of the finance office has moved from structured processing to evolving processes; from control over financial transactions to oversight of distributed financial transactions; from internal risk assessment to enhanced risk management assessment; and from limited economic development involvement to integral support for economic development.

In 2006, James explained that the CFO was expected to provide instantaneous information for decision making and to serve as a champion for continuous improvement, which is, of course, still the case. The finance office refocused its efforts on ensuring that the new systems needed for this kind of transparency "have all of the right financial components built into them before they go live." (To read about some of the ways in which this remains a cutting-edge challenge, see "Trick or Treat: Understanding the Promise and Peril of Best Practices for ERP" in this issue of *GFR*.) This part of the role for finance "requires a collaborative attitude that combines necessary compliance verifications with the empowering areas outside the finance office to work within sound fiscal frameworks that we have helped facilitate."

We have seen a shift from a transaction-based finance office to an integrated finance office that provides decision support. Common denominators among governments include:

- The need for leadership, to help determine new attitudes, but also to change the culture itself to support the change over the long term.
- Strategies for change that balance the objectives of stability and agility.
- Teamwork with other parts of the organization and within its own office structure.
- New means of assuring compliance with fiscal requirements. Moving from a detailed transactional focus means finding new, effective ways to review compliance that are consistent with its evolved function—e.g., new fiscal compliance sections that help with upfront quality controls, use of internal auditing resources, and overall reconciliation efforts.
- Effective and efficient ongoing technology investments that create an organizational infrastructure that can provide the financial information to support the organization's operational needs and decisions.
- Quality assurance, which starts with strategic planning and front-end involvement in setting key quality control checks early in financial processes.

"The new finance office is challenged to contribute in more collaborative ways to the important decisions of the organization," James wrote. "Evolving the structure to balance its needs for stable financial operations with the agility to support high-level decisions must be our goal."