

Finance & Performance Management

Finance mastery (I): Value-centered culture and high performance

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One of the consistent features of high-performance businesses is a sense of energy, a special buzz that permeates their atmosphere and the attitude of everyone who works for them. This energy, focused on achieving excellence in those areas that set the business apart from industry peers, lies at the heart of a value-centered culture—one of the five key capabilities underlying finance mastery (see sidebar, next page).

Such a culture optimizes the delivery of value to multiple stakeholders through careful decisions regarding business strategy and resource deployment. It infuses an organization with financial acumen, governance and discipline so that everyone's behavior is consistently focused on the common objective of delivering sustainable and superior total shareholder returns. Because it is a fact-based environment, a value-centered culture supports the management processes required to identify new value creation opportunities, as well as the discipline to manage and act on those opportunities. This culture also includes the ability to balance the delivery of current value with the investments required to develop future value.

Finance plays a critical role in a value-centered culture, both in defining what value means and in helping to embed value-based decision making at every level. Put simply, finance frames how business alternatives should be analyzed, with the goal of optimizing value creation. While line management retains ultimate responsibility for strategic decisions, finance sets the economic

terms of the debate and is an integral member of the decision-making team, helping to reinforce the "value" in a value-centered culture.

What are the competencies needed if finance is to help produce a value-centered culture? Accenture research highlights three in particular. First, finance management and governance, to establish effective controls and the management processes required to enable effective decisions across the entire organization. Second, finance skills and development, to attract and develop the talent pool necessary to implement finance and performance management processes and to create analytics to support the business. And third, change management, to develop the skills and confidence to lead business transformation.

Creating a value-centered culture

Effective communications and organizational design are essential to creating a value-centered culture. The ability to convey a company's core values and mission at a very personal level differentiates high-performance businesses from their peers. Engaged employees are those who understand how their personal actions contribute to the success of the company. Creating the link between organizational mission and an employee's role within that mission—as well as igniting a passion for outstanding performance—is essential to building a value-centered culture.

For example, the Dell Values in Action program describes in detail what it means to work for

and partner with the computer maker. Shareholder value is only one of the elements highlighted. Customer aspirations, being part of the Dell team, customer relationship management, global citizenship and what it means to win are all defined within the program. Company newsletters highlight activities and achievements that exemplify Dell's value-driven approach. Effective communication, backed by appropriate behavioral reinforcements, enables the company to connect directly with its employees and maintain its strong value-centered culture.

Beyond communicating core values, companies must put in place the right organizational structures to nurture a value-centered culture. Ideally, financial planning and analysis professionals are physically deployed to the business units or departments they support, while retaining their organizational connection back to the finance organization. This organizational model is preferred by high performers because it enables a close, day-to-day working relationship between finance and line management. Important benefits of strong partnership then accrue: Finance professionals understand the strengths and weaknesses of the enterprises they support. Finance is trusted by its customers in the line organization. And, equally important, finance is seen as

About the research

Accenture's study of companies identified as "masters of finance" has uncovered five key capabilities, all of which are directly linked to achieving superior business performance. These capabilities—a value-centered culture, enterprise performance management, finance operations, capital stewardship and enterprise risk management—can be thought of as five pillars of finance that support overall organization performance. For a more in-depth analysis of a value-centered culture and the other capabilities, as well as information about the research, see *CFO Insights: Delivering High Performance* by Mike Donnellan and Mike Sutcliffe (Wiley, 2006).

part of the management team rather than as an outside advisor, so it is included more frequently in key decisions.

Managing the journey

Some organizations falter in their attempts to establish a viable value-centered culture because, after an initial push, not enough work is done to sustain the culture over the course of the journey. Strong journey management capabilities are essential, including effective leadership. CFOs must be prepared to play the role of chief evangelist for value-centered thinking within their organizations. This is the role that Mitch Blaser took on within the Americas Property & Casualty Division at global reinsurer Swiss Re: setting the tone from the top, mobilizing the company and ensuring buy-in from the entire finance leadership team. With this approach, Blaser could ensure that team members were aligned around the importance of developing a value-centered culture and the strategy for making it happen.

Achieving this level of alignment within finance leadership also means rethinking how finance is organized and how its activities are measured, to ensure the greater accountability required to promote change. A strong analytical framework is necessary—one that measures value creation and that shows how each facet of the enterprise contributes to the overall value proposition. At Swiss Re, for example, Blaser used economic value management to put value creation on a fact-based foundation.

Finally, it is important to assess progress on the journey along at least three fronts: in the wider use of value concepts in day-to-day business decisions; in finance's growing role in setting business direction; and in the increased perception across the enterprise about the importance of finance's contributions. Harder metrics are also important, such as the improved customer-focus ratings that finance now receives at Swiss Re.

Lessons from the masters of value-centered culture creation

The Accenture research into finance mastery underscored a number of com-

mon elements to those companies that have mastered the ability to create a value-centered culture through the finance function.

- Clearly and concretely define what value means for your enterprise and how finance helps create it.
- Ensure that the finance organization is at the table during corporate strategy and decision-making sessions.
- Place a high priority on developing the higher-order finance and business skills—similar to those of business managers than of traditional accountants—needed to provide insightful analysis.
- Educate business managers and employees in value concepts and their application to day-to-day decision making, using both formal (structured curriculum) and informal (on-the-job learning) strategies.
- Ensure that the finance organization interacts closely with the company's business managers and employees every day.

When a value-centered culture is alive and well, employees at every level have a better grasp of their contribution to their organization's success. Accenture believes that this deeper understanding and focus on value enhances an organization's productivity and competitiveness, helping it to meet the expectations of primary stakeholders and achieve high performance.

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