

# ‘VISION AND THE FINANCE DIRECTOR: OIL AND WATER?’

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THE ROLE OF THE FD

## VISION AND THE FINANCE DIRECTOR: OIL AND WATER?

How, if at all, are FDs involved in creating, challenging and communicating a company's vision? **Simon Hill** explains the FDs unique perspective.

'Many executives thrash about with mission statements and vision statements. Unfortunately, most of those statements turn out to be a muddled stew of values, goals, purposes, philosophies, beliefs, aspirations, norms, strategies, practices, and descriptions. They are usually a boring, confusing, structurally unsound stream of words that evoke the response "True, but who cares?" Even more problematic, seldom do these statements have a direct link to the fundamental dynamic of visionary

companies: preserve the core and stimulate progress. That dynamic, not vision or mission statements, is the primary engine of enduring companies. Vision simply provides the context for bringing this dynamic to life. Building a visionary company requires 1% vision and 99% alignment. When you have superb alignment, a visitor could drop in from outer space and infer your vision from the operations and activities of the company without ever reading it on paper or meeting a single senior executive.' James C Collins and Jerry I Porras, *Harvard Business Review*, September/October 1996.



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Visions are ethereal. Finance directors only deal in fact. Never the twain. Ends.

So this piece exploring the FD's role on creating, challenging and communicating the company's vision could have been neatly concluded in just 12 words.

## ‘For FDs to play their parts in the vision dynamic then they need to tune in clearly to the business’ core ideology’

But to do so would have perpetuated a couple of false premises. So let’s not get sidetracked by the cul-de-sac of vision statements. Far more fruitful to explore the idea of a primary engine at the heart of visionary, enduring companies – the dynamic between preserving the core and stimulating progress (Collins and Porras – see above). Visions provide context, bringing this dynamic to life and it is alignment that really counts. This made a lot of sense when I first came across it a decade or so ago. Does it still hold? I think so and more than that, it is a sensible way for finance directors to connect with ‘vision’.

### Defining the vision

Defining a vision for the business feels like CEO territory. But some boards are more collegiate and collaborative than others reflecting the strengths and characteristics of the individuals concerned. In most cases the CFO is well-placed to act as a sounding board and reality check. But too much reality risks sucking the motivational merit out of the vision. There has to be a note of audacity, boldness and ambition to set the vision apart from any other objective. Tough to get the collective corporate army marching towards an uptick in profits of 5% year on year. Global domination in ten years’ time? Now you’re talking.

So the FD supports but doesn’t lead this vision definition, but he or she must understand it well to set the agenda for finance itself. Here employees have just as much a need for a vision to set their work in context, helping to create meaning and purpose to what they do. “The best visions help keep things fresh for the employees,” comments Richard Hastings, VP Finance Europe for Kohler Mira. “Within finance we have a balanced set of objectives, consistent with the business vision that cascade down to individual levels. It’s crucial we then pick the right metrics and apply them to make progress. Finance can set an example to the rest of the business in how to make this work.”

### Preserving the core

So much for the future. What of the past and the present? For FDs to play their parts in the vision dynamic then they need to tune in clearly to the business’ core ideology. What is the purpose of this business? What are its values? Clearly this runs deeper than a list of buzzwords HR might ping across. Here we are talking about the touchstone for decision making within the business. Finance and the FD should live the vision and values of the business. This applies to all interactions, from business reviews to routine reporting of key performance indicators, where any departure from core values is highlighted, rectified and learned from.

### Stimulating progress

Great visions have real currency in the everyday proceedings of a business. Remember this is more about creating some momentum rather than setting down a prediction to be assessed for accuracy. If FDs are to challenge the vision, it has to be on this basis: ‘How do we know if it’s working?’ ‘How do we know if our people get it?’ Rather than ‘Is this vision right?’ FDs also stimulate progress by ensuring finance partners the business effectively. Do people get the information they need to make good decisions?

Historic data should have a forward looking focus. How is the business tracking against its forecasts? What are leading performance indicators telling us? What action should we take? All crucial questions but certainly not top of mind when first thinking of ‘vision’.

### Aligning the business

If a vision is something to strive for but rarely reach then alignment should always be part of the FD’s vision. Measurement and incentives are the key tools in ensuring what needs to happen does. Both should reflect the business strategy. Performance reporting puts finance in the frontline of communicating progress towards the organisation’s stated vision. Inevitably it will influence behaviour. Finance directors must be aware of the unintended consequences the preferred mix of measures and incentives might bring. Above all they must be mindful that these are not the only things that engage employees.

“Understanding what drives engagement in your organisation, and crucially how engagement drives performance, is a must for FDs and CEOs alike”, says Chris Copland, managing partner at Engage Group. “No question, engaging employees with your vision, business strategy or change initiative will have a significant and measurable impact on your bottom line. Finance directors have a key role in this – not only in getting the incentives right and communicating progress, but also in providing strong leadership and ensuring employees have the right tools and environment to do the best job possible.”

FDs are crucial to aligning businesses and hence making any vision a reality. Vision and the finance director should be inseparable. More gin and tonic than oil and water.