



**Lucilius Interim
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Better decisions through activist business partnering

Financial leadership in action

A Lucilius Interim® Memo

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Financial leadership is a systematic effort to make business decisions fact-based and sound, lend them consistency and rigor and keep the underlying assumptions honest. It's also the practice of taking decisions along these lines and doing with care and urgency the things thus decided. This memo¹ demonstrates how financial leadership drives quality in decision-making and – through activist business partnering – can produce more profitable decisions.

¹ This memo is an adapted version of my IEEE TEMS Leadership Brief, which appeared as part of the 2022 issue 4. Many thanks to the IEES TEMS editors Prof. Dr. Sabine Baumann, Tariq Samad and Mark Wehde for their valuable comments. For the original publication, see: <https://www.ieee-tems.org/financial-leadership-driving-quality-in-decision-making/>

Why it's worth your while

Financial Leadership sets out to ground any position or decision a company takes in as rich and unbiased an understanding of reality as it can achieve. In a world where certainty can seldom be had, this confers a comparative advantage to organizations which systematically and efficiently sift and distill facts. As important is a second aspect: Financial leadership helps an organization communicate. If adding a feature to a product increases purchase intent by 2% but causes a 3% loss of manufacturing efficiency, a production engineer and a market researcher may not immediately agree on whether the feature is a good idea. Financial evaluation translates the two effects into a common language and makes them comparable.

In short, Financial Leadership gives an organization a superior way of acquiring, debating, and acting on, superior insight.

Imagine

If you want to promote Financial Leadership in the organization you lead, you may have to challenge the way your Finance team has traditionally worked. Here's how you get them to add more value by through activist business partnering.

- **Let finance crunch the numbers.** No news here, but you do not want the can of worms where every department comes up with some creative, and often self-serving, spreadsheet of their own. Finance needs to keep this step firmly under their control while incorporating the input of all involved functions. But don't limit them to this task — you will want them elsewhere.
- **Make sure your finance team is part of The Big Discussion,** i.e. the meeting(s) or conferences(s) in which the alternatives get vetted and the decision is taken. If they don't get invited, motivate them to invite themselves. If challenged, say they need to be present to aid the correct interpretation of their numbers.
- **Let slip the dogs of Finance.** Encourage them to point out every fly in the ointment. Support them through the awkward moments of silence and have them point some more, until everybody sees it clearly. Or maybe they find a hidden nugget no one else has noticed so far? Even better.



- **Make it painful to change assumptions.** Engineering have revised a crucial assumption for no apparent reason? Over to your financial analyst: “Didn’t we need 2,000 hours for a similar project last year? You said 1,800 last week. So, what exactly is it that will now make us do with 950?” Understanding, and safe-guarding the consistency of, the multifaceted system of assumptions on which major decisions rest is one of finance’s key roles.
- **Review.** The project was supposed to save the year, but did not deliver? Let finance get ready for their Bones routine and invite the whole business team to a fun post-mortem. Make sure, it’s extra graphic about what went wrong and why.

Getting started

As tech leader or managing director, financial leadership starts with you. Realize that you stand to gain most from activist business partnering and the better decision-making it will entail. Be clear to your management team that you want to follow the principles and practices financial leadership maintains. Challenge finance to grow and deliver.

If you’re the CFO of the organization, you own this initiative. Energize your team with their new role and allow their fears to dissipate. Promote the vision forcefully and put all you have into building up the skills. Let your team engage with sales and marketing and ops and HR. Support where needed, but don’t crowd them out. Trust your team to grow with the challenges their new role will inevitably bring along.

At some companies, all this may be familiar and come naturally. But if it isn’t, leading an organization there can be tough, so in any case the most important message for you is this: Persevere.

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Photo credits: Many thanks to Andrej Lisakov (p.1) and Michael Tucker (p.2), both on unsplash.com

