

Intro: Hello and welcome to the CPA Australia podcast. Your weekly source of business, leadership, and public practise accounting information.

Nisha: Welcome to CPA Congress 2018 podcast series. My name is Nisha Iyer and I'm one of the conference producers of CPA Congress. I would like to welcome our guest today, Danette Fenton-Menzies, Director of Learning at Magical Learning. Danette presented at CPA Congress 2018 on Developing Your Strategic Finance Skills.

Welcome, Danette. And thank you for joining us today.

Danette: Thank you.

Nisha: Let's jump straight into some questions. So Danette, what is strategic leadership and why is it important?

Danette: In terms of what is strategic leadership, it is the ability to influence others voluntarily. That allows us to make ... help those people make decisions that enhance the prospect for the organization's long term success. But also help maintain the financial stability long term as well. Now this great definition that I got actually came off Wikipedia and it was the best definition I found for strategic leadership. Because if you think about every organisation, they have to use their resources and they only have a finite amount of resources, hopefully in a direction that helps that organisation thrive. And that's whether it's not for profit, for profit, government, et cetera.

So strategic leadership, from my perspective, is so important because it allows us to set the long term direction of an organisation. And as finance people, we have skills that allow us to see the organisation through the numbers. When we also learn the skills of strategic leadership, we're actually able to sit beside the CEO and the coup to be able to help say, "Here's where we can go. And you know what, we've got these resources to be able to achieve it." So it's a great skill for finance people to learn.

Nisha: So Danette, how does strategic finance support strategic leadership?

Danette: One of the things we do, I suppose, in finance is we look at the numbers, we see the big picture through those numbers, and we also delve into the detail. By being able to understand that, when the executive team go, "Oh, here's a great direction to head in." We can go, "Okay, yes, that is a great direction to head in, and you know what? Here is the best way to fund that. Here are the best resources to be able to help us to get there. And have you thought about this." So that we can actually do that better, we can value add in this area which maybe we haven't seen before.

Some of the things that I also think where finance really adds from a strategic viewpoint, is that we're able to measure and report. Not just from a financial perspective, but now systems are so smart that we can use those systems to report all sorts of different information to help the executive go, "Yes, we're on track." Or, "Oh, no, we need to adjust this slightly because it's not working for us."

The other thing I think from a strategic finance is if we're really smart, we stay aware of what's going on in the environment around our organisation, as well. We're then able to be proactive in anticipating what's coming up for the organisation. That maybe instead of it being an issue because we get blindsided, we actually can be proactive and go, "Here's an opportunity for us to take."

What I find pretty much all organisations, their strategies are either about igniting or sustaining growth and, or cutting cost so that they can achieve the most with what they've got. As finance people, we have access to a lot of that information already. It's us moving from the detail and going, "Now can we understand the detail." What does that look like at 30,000 feet and how can we utilise that to better adjust our resources to be able to achieving aims that the executive team want to achieve.

Nisha: And what skills do we need to develop, to value add from a strategic perspective?

Danette: Great question. And one of the things I'd start this with is CPA have actually started to anticipate this. And recently they refreshed their finance capability framework. That's available to every one. So that link will be in the show notes, please refer to that.

The wonderful thing about the financial capability framework is they've identified four key areas. The technical skills we need as finance people, also the business skills. And one of the areas where we really need to learn a lot in terms of strategic finance is those business skills. So understanding how a business works, not just our area, but all of the different areas of running a business.

They also look at leading yourself and leading others. Which are critical skills when you get to that strategic level. Because some of the skills that we will need are things such as influencing skills. And also being able to negotiate. With a small amount of resources, everyone's going to say, "Pick me, pick me." And we've got to be able to go, "What's the best place to put those resources." And then negotiate how we get those resources in the correct area. And it may ... the resources could be people, they could be equipment, they could be money, they could be actual locations, I.T. All of those sort of things. So the ability to be able to influence and negotiate. And that's ... Often when I am running workshops for CPA, that's an area that most accountants say, "It's an area I need to develop."

Some other ones are being able to really think strategically. So how do I set the vision for an organisation? What does that involve? And it's quite different skills from the day to day. Because you're looking out. And there's no right or wrong answer. You put a vision in place and it either works or it doesn't work. And we put the goals in place and they either work or they don't. One of the things as accountants is often we want ... this is the answer. It's a different skillset to be able to go, "Here are the possibilities, let's pick the ones we think are most likely to serve the organisation. And then how do we measure that? How do we report on it? How do we achieve it?"

Making those decisions. Which strategies should we invest in? Things like good old I.T., the data analytics, the data visualisation, being more technologically focused. So using

things such as Cloud based ERP, all of those techo things that I'm not particularly techo. And the things that will help us report better so we know how we're going.

Judgement and decision making is another one. A really good one that we need to develop as strategic finance leaders is the ability to be able to challenge business leaders. Because sometimes, and it happens to all of us, we get shiny-object-itis. Which means, "Oh, that looks really great. Let's go down this route." Now, it may not be the right way to go. And our role as strategic finance people is to go, "I can see merits in that and this is what we were talking about, where we need to go. Let's make sure that we are making the right decision before we invest more resources in something that maybe doesn't align with our strategic direction." And, you know, many organisations do get off track because someone does get shiny-object-itis and all of a sudden, they're investing money in something that doesn't really serve the organisation longer term. That can be one of our roles.

The other thing I think from a business perspective is really us becoming more strategic finance business partners. Where we sit with the executive team and when they're making decisions, we provide insight from a financial perspective that supports their decisions. And we do it in a way that is plain English as opposed to what I often hear from my clients, because I coach a lot of CEO's, is that we use too much technical finance speak.

One of the things when I was reflecting on this podcast was that as accountants we have our own language. Strategic decision making, et cetera, has its own language, too. Part of our role is to learn that new language and apply it.

Nisha: So what tools do we need to support strategic finance?

Danette: Okay. Some of the tools are standard tools that we would use anyway if you were doing any strategic decision making. Things such as environmental scanning. Looking at the environment around us and going, "What's going on from a political perspective, a legal perspective, a technological perspective, an I.T. perspective?" To be aware of what might be coming towards our organisation that maybe people haven't considered when they're looking at how do they invest their resources.

For example, when the GFC happened, the Global Financial Crisis, if you were scanning the environment a little bit before that, you probably would have seen some of the warning markers. And if you weren't doing that, you just go, "Oh, well our organisation is in our little bubble." The problem is the bubble gets impacted by things outside.

By doing that on a fairly regular basis ... and it can involve reading newspapers, but it can also involve talking to your network, going to different conferences, and just looking at different perspectives about the world around you to spot not only what might potentially impact the organisation, but what opportunities other organisations haven't yet seen because they're not doing that scan either.

Classic one is the SWOT tool, which stands for strengths, weaknesses, opportunities, and threats. There's a new version of that now which is called SWAT, which is strengths, weaknesses, and trends. And we generally pick the trends up in the environmental scanning anyway. The strengths and weaknesses are more internal. What are we strong at and what do we need to work on.

We can do scenario planning. So start to anticipate different scenarios that might happen to us and start to do models to work out, "Okay, if this happens how do we deal with that? And if this happens how do we make that into an opportunity?" Which is really great question.

We can look at our value chain. So in every organisation there are different components to what the organisation does. So there might be some manufacturing, distribution, research and development, et cetera. And look at each of those components of your organisation and go, "Which ones should we be doing?" And maybe some of these should be outsourced, we should be getting someone who is much better at this. For example, in our organisation, which is a learning and development organisation, I'm two types of accountants, but I don't do anything to do with the finances other than reading the financial statements. Because I don't value add in that area. I can pay someone who's much better at it while I spend my time writing and developing and training and doing things like congress and that.

If we hadn't done that value chain analysis, we naturally go, "Well, you're an accountant, so therefore you should be doing that." It's not the best use of my time. In every organisation we should be helping the organisation to work up where are we really great and where might we partner with others to be great in the areas where we're not currently great.

Some other things are looking at your competitors and analysing where are they strong and where do we stand different to those. To understand why do our clients come to us. Because if we don't understand why do our clients come to us, we might be servicing them in a way we think is really effective, but it's not effective for the client. And we look then the same as another competitor and then it becomes about price. Which is not a great outcome either.

Obviously as accountants, some of the other tools being able to measure, report, do budgets. There's a TED Talk by a gentleman called John Doerr. And he talks about OKR's, which stand for objectives and key results. A lot of really strong organisations such as Google, LinkedIn use this as a tool to be able to say, "These are our strategic goals and then everyone every quarter take on what roles they need to do to deliver those strategic goals." It's a great TED Talk. Highly recommend that.

Anything that allows us to have better insight in terms of how the organisation is going and where the opportunities are. Obviously the data analytics, the data visualisation, and being able to use technology such as Cloud based ERP.

Nisha: And what questions should we asking from a strategic perspective to value add?

Danette: Excellent question. What I find is as people move up the levels in an organisation, they ask different questions. So to give you an example. If your organisation was going through lots of change and maybe the organisation was thinking about laying off staff, a staff member might ask the question, "How can I keep my job given all of these changes?" A manager might ask a question such as, "Where can we cut cost?"

And obviously when you ask a question, you're focused in on what you've asked the question about. So the manager would then be focusing on the way I deliver value is to cut cost. When we move to the more strategic level, we're asking far different questions. We're not even looking sometimes at the organisation. We might be looking at the industry as a whole. For example, they could ask, "Well how can we disrupt this industry?" Now that's a much more powerful question than how do we cut costs. Because you're looking then for opportunities where perhaps no one else is. Because they're not asking those questions.

They could also ask ... and this is one that my coach shared with me many years ago, which is what's the opportunity here? The moment you ask that question to your brain, your brain opens up to scan the environment to look for opportunities. If everyone else around you is asking, "What's the problem." Their focus, and the brain actually narrows the neural pathways to focus on the problem. By asking what's the opportunity here, you're actually opening up and you will see things that others don't see. That's a really great strategic question.

Some other ones. How can we leverage this? If we were, and you could put in a high performing organisation. So you could say, "If we were Amazon what would we do here?" Because again, you'd then be thinking quite differently to the day to day. Another one, one of my buddies in our coaching group asks in his business, and they're based in the U.S. is, "How do we triple this business in the next two years?" And he said, "Often they won't achieve that result and they'll get pretty close, because they've asked a question which forces everyone to think quite differently. Because if you're just like, "How do we cut our costs." You're looking very narrowly. If you're going, "How do we triple our business?" You're actually going, "Okay, we'll go look at whole stack of different opportunities. So should we be buying another business to be able to triple our business? What other opportunities are out there in the market to allow us to get to that space?" Very different results based on your question.

When I coach the leaders that I coach, we focus a lot on the power of the question. Because the power of the question gives you opportunities. If you ask a great question, a not so great question won't give you those opportunities.

Nisha: Great point. And finally, Danette, what do you see as the future for developing strategic finance?

Danette: Great question. I'm actually going to start with a study that came out very recently from the world economic forum. And it was on the future of jobs, 2018 report. And they looked forward to 2022 and reviewed a number of industries around the world. And what they found was by 2020, no less than 54% of all employees will basically have to significantly re-skill and up-skill.

For us in finance, there was some interesting information in terms of a table on page nine of that report. Which talked about I suppose careers that were becoming more redundant. And by redundant they meant less demand. And in those they had accounting, bookkeeping, payroll clerks. Whereas they had stable financial advisors. And that's where I really see us moving from a strategic perspective. We become that advisor, that strategic business partner.

That means we are going to have to continuously up-skill ourselves. I have a favourite phrase I use in every training I do. Doesn't matter what I'm training in. And it is, "Change equals uncomfortable equals growth." The moment we get into discomfort we tend to want to go back to comfortable. The problem is it means we're not growing. And when we're not growing we do become one of those redundant people. In a career, that really we can value add so much better if we keep growing and investing in ourselves.

We should always be asking ourselves, "How do I value add? What can I do here to help this organisation or this person that I'm advising make better decisions?" Because that's really what we do as finance people. We provide information for people to make decisions.

Some of the traits I think that will help us get there, being curious. We should never stop growing. We should never stop asking questions. And when we're doing something this way, ask why we're doing it this way. Is there a better way to do this? And if someone says, "Well, that's because we've always done it this way." We know we haven't been curious and we haven't been thinking about how do we do it better.

Some other things are just becoming a student of great companies and great leaders. If we want to develop our strategic skills by following those who have already done it, we can learn some great traits.

There's a fabulous book called "Good to Great" by Jim Collins. It was written a number of years ago. Where he studied organisations that had been successful well above the market for more than 40 years. And looking at the traits of those leaders, we as finance people can learn those and we've got the skills of the finance already.

The other things I would say is ask what's the opportunity? Every time there's a challenge that comes up, ask that question. And invest in yourself every day. There's an analogy I use in a number of workshops that I run. And I say to people, "If I bought a racehorse into this room and offered to give it to all of you and I can guarantee it's going to earn you a million dollars, would you invest in it?" And I get people to put up their hands. And everyone's ... so it doesn't cost you any more, you'll get a million dollars, absolute guaranteed return. Everyone's putting their hands up.

There was a study done back in 2013 here in Australia that said if you leave school year 11 or less education, your average lifetime earnings back in 2012 dollars was \$1.7 million. If you leave school and do your master's or above, your average lifetime earnings in Australian dollars back in 2012 dollars, \$3.2 million. We are that racehorse.

Most people don't realise that. So they don't invest in themselves and they don't continuously grow.

Most people say to me, "I don't have enough time." Great. Are you commuting? "Yes." Okay, listen to a podcast, like the CPA podcast. Read a book, listen to an audio book. If you're standing in line, instead of playing Candy Crush listen to something. Read something. If you invest half an hour to an hour a day, it doesn't seem like much in your learning day to day, over 12 months you're a whole new person.

That desire to keep learning, I think, is the most important trait that we as finance people need to do in order for us to stay relevant and, in fact, be the people that people want to talk to in organisations because we are value adding and giving that different perspective to enable our organisation and particularly the people within it to thrive.

Nisha: Thank you, Danette, for your insights on developing our strategic finance skills.

Danette: Thank you so much for having me today. It's been a fabulous opportunity. And my first ever podcast, which was awesome. Thank you, CPA.

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