

Going from Good to Great requires you to create the culture for great insights to be heard

Written by the TheFinanceAnalyst.com

Since my first job as a Graduate, I have always held the belief that great insights drive better decisions and ultimately achieve better results.

Experience has taught me that great insights are not enough. I have learnt that people need to be in the right frame of mind to hear what the insights are telling them. Otherwise, they will hear what they believe the insights ought to be telling them. Through further experience I have realised that having the right culture where insights can be nurtured and heard is essential to ensuring they are fully understood and the right decisions are made.

My belief was recently confirmed after reading Jim Collin's best-selling management book "Good to Great: Why Some Companies Make the Leap... and Others Don't". The book focuses on several principles of what makes a company transition from good to great.

In this short article I am going to focus on one of the book's chapters "confront the brutal facts". This chapter focuses on the path to greatness which requires companies to always confront the brutal facts of their realities and to ensure they build the right cultures for facts or insights to be heard.

It is my view that the role of finance is central when it comes to building the right culture for the truth to be heard. Below are some principles to help establish the right culture for the truth:

Be curious and ask questions

One of the key ways of getting to the truth is to ask questions. It is hard to resist not knowing the answer or even taking things for granted. It's even harder to resist in today's world where access to information is so easy. Although you must wait to hear what the analysis is saying.

Curiosity is healthy and it can be fostered in various ways, such ways could include introducing a learning culture, making it acceptable to question the status quo and more vital in my view is making it fun to be curious.

Have a good debate....Have a heated debate. Having a debate with colleagues, even a heated one is a great way to review, understand and get different perspectives on what a piece of analysis is telling you. It's important the spirit of the debate is one of getting to an understanding, versus certain colleagues trying to impose the ideas on others.

Crime scene investigate it...although don't assign blame

In situations where the outcome wasn't as expected, doing a deep dive review is a great way to understand the truth of a situation. The key thing when doing this exercise is to ensure the focus is on understanding a situation, it is not a process to assign blame. Once you start assigning out blame the learning you will get will be greatly distorted.

Crime scene investigate it...when things go well

Many companies only ever do a deep dive when things have gone bad. Doing the same review when they have gone well is equally important. If you can understand the key factors of success, then hopefully you can replicate them.

Build in the right review systems

Build appropriate KPIs, reports, review meetings that highlight when something is either going well or not so well. The trick is having a warning/review system that turns data into information that cannot be ignored and that will instigate the right next steps.

Have the right mix of people doing the understanding

In many companies you will always have certain people that are charismatic or strong willed that can easily present their beliefs as the 'real reality'. In those situations the right learning will not happen and the insights can easily be lost. Therefore having the right mix of people (different levels, experience, functional expertise) reviewing a situation is important in getting to the right answer. This can be further supported by having the right processes around such a review e.g. having to give a formal update in the form of a report or presentation may work.

This is not a one off process and it's not just for senior management

Great companies don't just employ these techniques once, they are regularly seeking the truth and confronting the facts of their reality all the time. Also it's not just senior managers doing this, all levels and all parts of the business are regularly seeking the truth. As a result great performance comes from a series of strong decisions based on the truth.