Integrated Reconciliation – The Toughest Challenge

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Wanted: 'joined-up' decision-making

Many organisations are finding themselves 'hitting the wall'. After years of improvement projects, huge investments in wall-to-wall ERP systems, and relentless pressure on all functions to perform better, it's still a struggle to achieve what's required: growth, increased innovation and greater responsiveness to changes in customer demand – while reducing working capital and costs and improving customer service.

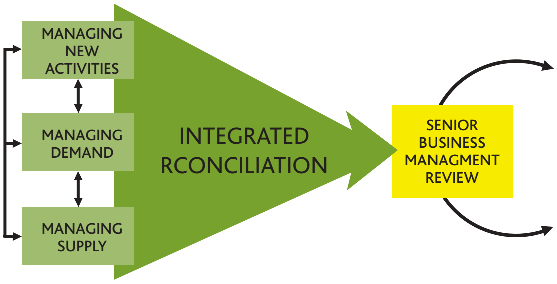
That's because, in most organisations, independent decisions are being made with incomplete information across the business. Functional – rather than collaborative – behaviours persist, despite best intentions.

The cost of this fragmentation can be huge, and cannot be addressed by driving functional activity and excellence even harder. What's needed is 'joined-up' thinking, processes and behaviour that drive 'joined-up' decision-making such that the different parts of the organisation, working together, achieve a total result that is greater than the sum of their contributions.

The StrataBridge Five Step process (see diagram below) provides a framework for identifying the crucial decisions that need to be made in a joined-up way, and ensuring the necessary integration and reconciliation of different views across the business.

At every step of the process, different functions and divisions will have different perspectives. But nowhere are these differences more obvious, and more difficult to address, than at the Integrated Reconciliation step.

'Joined-up' Decision Making
The StrataBridge Five Step process



What's in a name?

integrated /|IntI|greIted/ adj. 1. made into a whole; incorporated. 2. made into a whole by bringing all parts together; unified. 3. joined with something else; made part of a larger unit; united. 4. formed into one whole; made entire; complete.

reconciliation /|r_k( )n|sIli|eIsh( )n/ n. 1. making (two or more apparently conflicting things) compatible or consistent with each other. 2. bringing back to harmony; causing to be no longer at variance. 3. making consistent or congruous; bringing to agreement. 4. adjustment; settling. 5. bringing into consonance or accord.

It sounds like typical 'consultant speak', but in fact the term Integrated Reconciliation describes the fundamental nature of joined-up thinking, values and behaviour. Bringing together (often conflicting) different views of the business, through cross-functional participation, and making them compatible with the overall business goals, is the main route to solving the problems of fragmentation outlined above.

Whether your organisation adopts the Five Step process above, or another decision-making framework, the Integrated Reconciliation step is one that has to be taken to ensure that the right choices are made to keep your entire organisation pointing in the same direction towards the same goals.

Symptoms of fragmented decision-making

Many organisations struggle with integrated reconciliation. Typical examples of where things can go wrong include:

- Last-minute adding up of the numbers, ***rather than*** information-based ongoing decision support
- Collections of functional/geographic inputs, ***rather than*** an integrated knowledge base
- Supply/demand balancing, ***rather than*** business optimisation
- Mistrust and second-guessing, ***rather than*** mutual trust between those developing the integrated, reconciled view of what needs to be done and those making the decisions
- Dressing up the information gathered, ***rather than*** highlighting and proposing action where action is needed
- Disconnected one-off proposals, ***rather than*** options linked to the strategic direction
- A black hole into which people are asked to submit ideas, ***rather than*** continuous constructive feedback from the decision-making process
- Getting lost in the detail, ***rather than*** understanding the impact of high-level assumption changes

Root causes in 3D

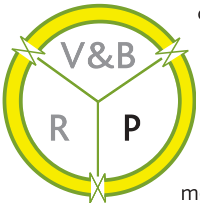
To unravel and address the complex challenges inherent in integrated reconciliation, StrataBridge has developed a pragmatic and successful approach incorporating three key dimensions of decision-making:

- Process
- Resources
- Values and Behaviours.

By breaking down the challenges into these three areas, it becomes easier to define and implement workable solutions for apparently intractable situations.

For instance, some organisations labour under basic misconceptions about the aims of the integrated reconciliation step in the decision-making ***process***.

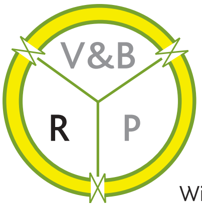
They see this step as simply an opportunity to collect and collate data from a range of different, disconnected sources. Quite often, it is the only time that Finance is involved in the decision-making process.



The 'integration' is run as a meeting, as opposed to an ongoing iterative process. Such meetings are in addition to existing forums where decisions *really* get made.

Where it is run by a middle-management group, it is seen to have a purely operational perspective, making it difficult – if not impossible – to get or keep senior management interested.

Other organisations suffer more from a lack of ***resources*** and capability to carry out competently the activities involved in integrated reconciliation.



The basic data are often not available – largely because the data requirements are not understood across the whole decision-making process. Without this fundamental input, it is impossible to see an integrated picture, or to consider and test alternative scenarios.

Even if the numbers are available, they may be presented without essential background about the underlying assumptions, vulnerabilities and opportunities. This qualitative and quantitative information is essential raw material for scenario planning and option development.

Where people lack the capabilities needed for scenario planning and what-if analysis, a traditional planning and control mentality usually drives a desire for one solution – 'one set of numbers' – which in effect yields a 'take it or leave it' approach to decision-making. Compounded by a lack of strategic awareness or orientation, this capability gap results in not knowing which questions to ask, and ultimately no supporting decision-making at senior management level.

Inaction is often blamed – misguidedly – on inadequate systems. However, the integration process will undoubtedly suffer without some basic functionality and the ability to move and manipulate data. Some spreadsheet-driven solutions and specialised systems have proven to be deficient in this regard; others are simply under-utilised, showing how few companies truly drive this step of their decision-making process.

Of all three dimensions under consideration, the organisational DNA – comprising the ***values and behaviours*** of all those involved in or affected by the process – is the one most instrumental in stopping the decision-making process from working effectively.

Deep-rooted values and behaviours that do not recognise the power of bringing together issues and views from across the business, and working them in an integrated way, form an invisible yet unbreakable barrier to joined-up decisions.

Myriad specific values and behaviours can hinder interdependence, stifle creativity and innovative solutions to emerging issues or proactive development of opportunities, and inhibit effective decision-making.

The specifics of each organisation are very 'personal' to that company, and result in a unique organisational genetic code for that company. So, in many cases, this aspect of integrated reconciliation for decision-making is glossed over or ignored, because it's seen as too hard to handle.

Integrated reconciliation that works

In practice, most companies manifest a combination of the above problems. So necessarily their solutions will involve a combination of elements directed at improving process and/or resources and (almost always) values and behaviour.

If you want to have a significant impact on the integrated reconciliation part of decision-making in your organisation, it is worth focusing on establishing the following:

Discipline and flawless execution. This is partly a process issue and partly based on values and behaviours.

- Make the preceding steps in the decision-making process work so that inputs for this step are available on time, allowing proper consolidation of numbers, identification of issues, and definition of options to be worked up.
- Ensure that all the forms of communication involved in integrated reconciliation – conversations, e-mails and meetings – work together, in a culture of honesty and trust. Put any meeting dates in the diary early; make sure that all those involved prepare, attend on time, and participate in moving things forward rather than merely presenting data or defending a given position.
- Resolve supply/demand balancing in earlier steps of the process. Then integrated reconciliation can concentrate on looking at long-term optimisation issues: e.g. the need for new or different capabilities for the future.

Dialogue and feedback. Some organisational cultures put these in the 'time-wasting' category; astute organisations recognise the value creation aspects of these activities.

- Use the integrated reconciliation step to identify gaps between planned performance and actual, and generate ideas for closing those gaps. Encourage everyone in the organisation to submit their ideas – and create a continuous feedback loop that explains why ideas are chosen (or not) for further investigation.
- Establish a transparent system for filtering ideas, which includes clear criteria for ensuring that revenue-generating ideas link to strategic direction, and also keeps track of ideas previously submitted. Use this system to avoid endless debates about the same old chestnuts; and also to reconsider earlier ideas that might be worth another look in light of recent changes.
- Promote continuous, open dialogue between the people involved in the integrated reconciliation step and their managers – it will be needed to resolve the 'unspeakable' issues that will inevitably arise during this step of the decision-making process. Make options and future decisions a regular topic of conversation rather than the end product of this step.

The big picture. Countless organisations, in striving for performance, have created a situation where functions or divisions compete against each other rather than collaborating to beat the competition.

- Leave your functional/geographic hats behind at the door. This is the opportunity for people to develop their general management potential and influence across the whole organisation.
- Resist the temptation to continually change performance indicators throughout the decision-making process. The key performance indicators (KPIs) and balanced scorecards feeding into integrated reconciliation should communicate progress towards the strategic direction of the business – they're not for micromanaging the detail.
- Don't get lost in the detail. Integrated reconciliation often ends up debating whether the forecast on a particular item in a particular channel or geography is realistic – because the underpinning assumptions are missing. More value would be added if the debate centred on understanding what had changed, why, and what the future implications are for the business.

Integrated reconciliation is undoubtedly the hardest part of the decision-making process to do well. But the challenges can be met, by tackling the issues of process, resources, and – above all – values and behaviours to bring decision-making into true alignment with where the business is trying to go.