Gartner for Finance

Three Best Practices for Government and Public Sector Finance Leaders
Three Best Practices for Government and Public Sector CFOs

In recent years, the CFO has become increasingly important to government agencies and other public sector entities as a champion of rigorous financial management and a safeguard against fraud. CFOs of such institutions face unique regulatory requirements, but their mandate is much like that of their private sector peers: Lead their organization to manage financial resources to effectively drive the organization’s mission.

As such, government sector CFOs can learn from best practices in the private sector. In particular, Gartner research suggests that government CFOs should focus on three critical areas:

01 Maximize Your Effectiveness as a CFO
- Focus more on the needs of your constituents
- Challenge and influence key stakeholders
- Prioritize your time and attention in four ways

02 Bolster the Digital Skills of Your Team
- Assess the gaps in your team’s digital competencies
- Act deliberately to close digital competency gaps
- Know the impact of the five most relevant digital competencies

03 Integrate Metrics and Reporting
- Know if your data is decision-ready
- Know the limits of the single source of truth for data
- Use “sufficient versions” of the truth to drive decision making
Maximize your effectiveness as a CFO

Only 20% of CFOs are personally effective ... but effectiveness is within the control of CFOs willing to change their behaviors.

Source: Gartner
Focus More on the Needs of Your Constituents

Leading private sector CFOs are more likely to spend time with their organization’s customers, helping them to build an independent perspective on the value their function must ultimately deliver. They also prioritize personally the priorities of their key stakeholders.

Government and public sector CFOs must similarly find ways to surface and meet the needs of their constituents.

Among the ways CFOs can connect with citizens, for example:

1. Listen to recorded calls.
2. Attend events.
3. Read customer surveys. Many agencies and departments collect their own survey data, and government customer service data is becoming more readily available on social media and crowdsourced review sites.

Customer Orientation Attributes Driving CFO Personal Effectiveness

Percent Improvement in CFO Effectiveness Index Scores as a Result of Moving From the 10th Percentile to the 90th

Effective CFOs spend at least 5% of their time with customers — and are increasing it to 10%.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>10th Percentile</th>
<th>90th Percentile</th>
<th>Percent Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personally Prioritize Pricing</td>
<td>45%</td>
<td>37%</td>
<td>36%</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Relationship With</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head of Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personally Prioritize Working</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ideal Time Spent With Customer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Time Spent With Customer</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

n = 61 CFOs of large global enterprises
Source: 2019 Gartner CFO Personal Effectiveness Research Model
Challenge and Influence Key Stakeholders

Personally effective CFOs go beyond building strong relationships; they bring constructive tension to their dialogue with key stakeholders up, down and across the organization.

Leading private sector CFOs become key advisors to their board of directors, CEO and C-suite peers. Government and public sector CFOs must be equally willing to practice “constructive tension,” whether they report to the secretary or oversight entities or engage with other stakeholders.

Leader Relationship Attributes Driving CFO Personal Effectiveness

Percent Improvement in CFO Personal Effectiveness Index Scores as a Result of Moving From the 10th Percentile to the 90th

- **Dark blue bars** are attributes at which most private sector CFOs are already effective.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to Wear Many Different Hats</td>
<td>39%</td>
</tr>
<tr>
<td>Ownership of Strategic Risk Mitigation</td>
<td>39%</td>
</tr>
<tr>
<td>High Performance in Unfamiliar Work</td>
<td>37%</td>
</tr>
<tr>
<td>Strong Board Relationship</td>
<td>36%</td>
</tr>
<tr>
<td>Good Appetite for Unfamiliar Work</td>
<td>35%</td>
</tr>
<tr>
<td>Strong CEO Relationship</td>
<td>34%</td>
</tr>
<tr>
<td>Partnership With CEO on Company Strategy</td>
<td>28%</td>
</tr>
<tr>
<td>Ability to Influence CEO on Major Issues</td>
<td>26%</td>
</tr>
</tbody>
</table>

n = 61 CFOs of large global enterprises
Source: 2019 Gartner CFO Personal Effectiveness Research Model
Prioritize Your Time and Attention in Four Ways

Four Explicit Behaviors That Help Prioritize CFO Time

1. **Publicly announce your priorities.** Your commitment encourages senior stakeholders to contribute to your key initiatives.

2. **Zero-base your calendar** to remove all preexisting meetings. Add back only what aligns with your mission’s priorities.

3. **Concentrate your efforts** where you can deliver the most value. For example, tackle issues that are complex or uncertain (i.e., you need to lean in to define the scope) or where your expertise is a comparative advantage.

4. **Audit your calendar** to see whether you have spent your time as you should — and adjust (or zero-base again) if not.

→ Learn More: 4 Things the Best CFOs Do Differently
Three Best Practices for Government and Public Sector Finance Leaders

Bolster the digital skills of your team

66% of finance leaders believe the function’s digital competency gap is widening relative to the pace of evolving technology.

Source: Gartner
Digital technologies emulate human performance, and their added value goes well beyond robotic process automation (RPA) of finance processes. Artificial intelligence (AI), for example, can identify fraudulent transactions in the back office while also preventing false fraud alerts that could hurt relationships with strategic constituents.

Despite pressure to upskill their talent, seven out of 10 finance leaders are still in "wait and see" mode when it comes to codifying the digital competencies they need on their teams.

Government and public sector CFOs must evaluate whether and how digital competency gaps are undermining their ability to leverage digital tools and investments.

Assess the Gaps in Your Team’s Digital Competencies

Finance Leader Perception of Current Digital Talent Gap
Percentage of Respondents Who Had Defined, Clear Measures of Cost Management Success

- **34%** Stable or Shrinking Digital Talent Gap
- **66%** Increasing Digital Talent Gap

Disparity between digitally skilled and unskilled finance employees causes friction with left-behind workers.

n = 191 finance leaders
Source: Gartner Talent Survey 2019
Act Deliberately to Close Digital Competency Gaps

Methodology to narrow down the most relevant digital finance competencies

1. Identify all digital competencies new to current finance competency models.
   - Analytics
   - Business model fluency
   - Resilience
   - Negotiation
   - Change management
   - Social channel collaboration
   - Data boundary awareness
   - Blockchain application management
   - Coding & programming
   - Data privacy
   - Digital skepticism
   - Cognition
   - System personalization
   - Digital translation
   - Exploration

2. Evaluate new competency relevance against technology trends with the highest staying power.
   - Social channel collaboration
   - Data boundary awareness
   - Blockchain application management
   - Coding & programming
   - Data privacy
   - Digital skepticism
   - Cognition
   - System personalization
   - Digital translation
   - Exploration

3. Assess newness and value of digital competencies with finance leaders.
   - Data boundary awareness
   - Coding & programming
   - Digital translation
   - Exploration

Most Relevant Digital Finance Competencies

Source: Gartner
# Three Best Practices for Government and Public Sector Finance Leaders

## Know the Impact of the Five Most Relevant Digital Competencies

### Impact of Digital Competencies on Finance’s Key Goals

<table>
<thead>
<tr>
<th>#</th>
<th>Competency</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Digital Ambition</td>
<td>Capability and motivation to embrace technology and new ways of working</td>
<td>26%</td>
</tr>
<tr>
<td>2</td>
<td>Digital Translation</td>
<td>Ability to understand how digital technologies interact with finance stakeholders, processes and systems</td>
<td>22%</td>
</tr>
<tr>
<td>3</td>
<td>Technological Literacy</td>
<td>Knowledge of how to exploit digital technology to drive better outcomes for finance and the business</td>
<td>22%</td>
</tr>
<tr>
<td>4</td>
<td>Digital Learning &amp; Development</td>
<td>Ability to fast-cycle new digital learning requirements within the new learning environment</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>Digital Bias Management</td>
<td>Ability to understand and articulate bias in machine learning and manage the risk</td>
<td>9%</td>
</tr>
</tbody>
</table>

n = 804 finance leaders  
Source: 2020 Gartner Finance Talent Survey

→ Learn More: Leading the Next-Generation Finance Team
Integrate metrics and reporting

82% of CFOs expected advanced data analytics technologies and tools to take more or significantly more time in 2021.

Source: Gartner
Three Best Practices for Government and Public Sector Finance Leaders

Know If Your Data Is Decision-Ready

Business leaders and other decision makers rely on performance data that is multidimensional, incorporating financial, operational, external and business-driver data.

Performance data also combines raw data, reports and analysis, is drawn from sources with varying levels of data quality and is available with varying frequency.

Data reported by finance is often optimized for accuracy, but isn’t aligned with the performance data used by decision makers. This easily results in differing interpretations and inconsistent decision making.

Government and public sector CFOs must make sure to provide their decision-making constituents with decision-ready data.

### Decision Readiness of Data Reported by Finance

<table>
<thead>
<tr>
<th>Percentage of Business Leaders Who Agree Performance Data Reported Meets Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Is Up to Date: 26%</td>
</tr>
<tr>
<td>Data Explains Key Financial Outcomes: 23%</td>
</tr>
<tr>
<td>Data Is Complete: 21%</td>
</tr>
<tr>
<td>Consistency in Different Views of the Data: 18%</td>
</tr>
<tr>
<td>Availability of New Forms of Data: 18%</td>
</tr>
<tr>
<td>Data Truly Reflects Business Performance: 13%</td>
</tr>
<tr>
<td>Low Effort in Organizing Data for Analysis: 9%</td>
</tr>
</tbody>
</table>

n = 299 business decision makers
Source: 2019 Gartner Data Management Model
Know the Limits of the Single Source of Truth for Data

Finance often centralizes data into a “single source of truth” to optimize for accuracy, but the data may not be fit for decision makers to use productively.

Under Single Source of Truth

**Decision readiness increases when:**
- Organizations are unable to aggregate data across silos
- Organizations cannot compare data and prioritize across silos

**Decision readiness decreases when:**
- The level of data granularity required for everyday decisions increases beyond what a single source of truth can provide
- The volume of data and number of decision makers grows beyond what a single source of truth repository can serve without compromising security or relevance

Source: Gartner
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Use “Sufficient Versions” of the Truth to Drive Decision Making

Progressive organizations pursue “sufficient versions” of the truth, balancing the cost and effort of additional data with its economic benefit. Instead of pursuing a reconciled “single version of the truth,” the data adheres to standards that make it trustworthy enough for immediate use by decision makers.

Here’s what it takes:

1. Finance supports distributed data owners, providing guidance on which data to govern and the extent of governance.
2. Multiple data repositories with universal data catalogs and clarification on what are acceptable inconsistencies across datasets.
3. Curation of existing and new forms of performance data by value driver map into reports and internal tools.

Organizations using sufficient-versions-of-the-truth strategy are 41% more likely to produce decision-ready data and deliver management reports that better inform decision making.

Sufficient Versions of the Truth Strategy Ties Data Sources to Value

- Allows for governance as distributed data ownership grows
- Creates trust that internal reports provide sufficient guidance
- Focuses data quality improvement efforts on areas of highest ROI

Source: Gartner
Actionable, objective insight

Explore these additional complimentary resources and tools for finance leaders:

- **Research**
  - U.S. Cities With the Best Government Finance Talent
  - Optimize your government finance hiring strategy.
  - Download Research

- **Research**
  - 10 CFO Opportunities to Drive Digital Transformation
  - Drive digital transformation across your finance function and organization.
  - Download Research

- **Conference**
  - Gartner CFO & Finance Executive Conference
  - Join hundreds of your peers to learn about the trends shaping finance.
  - Learn More

- **Case Study**
  - Gartner for Finance Leaders
  - Discover how Gartner helped a government CFO achieve a 10% increase in efficiency.
  - Learn More

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