Being a CFO today

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In this article, we use three numbers to show why it's no longer all about the figures.

What does it mean to be a CFO today? Every CFO would have his or her own answer to this question.

It would depend on their backgrounds, past positions and the environment in which they are working. It is easy to argue that CFOs from, for instance, an international food and drink company, a universal bank, a FinTech start-up and a family business have very little in common.

This is all the more the case since answers to this question may change over time as more and more enquiries and responsibilities are heaped on CFOs.

Yet, as CFOs grow in stature and gain new responsibilities, they can sketch similar patterns in the way they tackle business challenges and issues. Regardless of their differences, what unites them is the key role they play within and for their company.

Ultimately, it all comes back to the same critical issue that sits at the top of their agenda: how to add value to the business?

The CFO role now requires incumbents to focus on what matters both inside and outside of the field of pure finance and gain an understanding of the company's business model and industry.

The 1,000 faces of CFOs

A CFO's responsibilities go well beyond financials alone to span an ever-widening range of topics.

In addition to traditional accounting, supervision and reporting, CFOs now also play a crucial role in the organization and operational setup of the finance function, the training and management of their teams, IT systems selection and implementation, identification of risks and implementation of mitigating measures, and controls for finance and accounting activities.

They and their team are involved every time a corporate project is launched to provide an accurate financial analysis of the impact these initiatives will have on the business. It goes without saying that other examples of this shift will come to mind as you read this.

The broadening and diversification of areas of responsibility and scrutiny require new skills beside the old-fashioned (and now insufficient) analytical mindset and a "love for figures".

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Strong leadership skills have become necessary for CFOs as their role and responsibilities continue to expand.

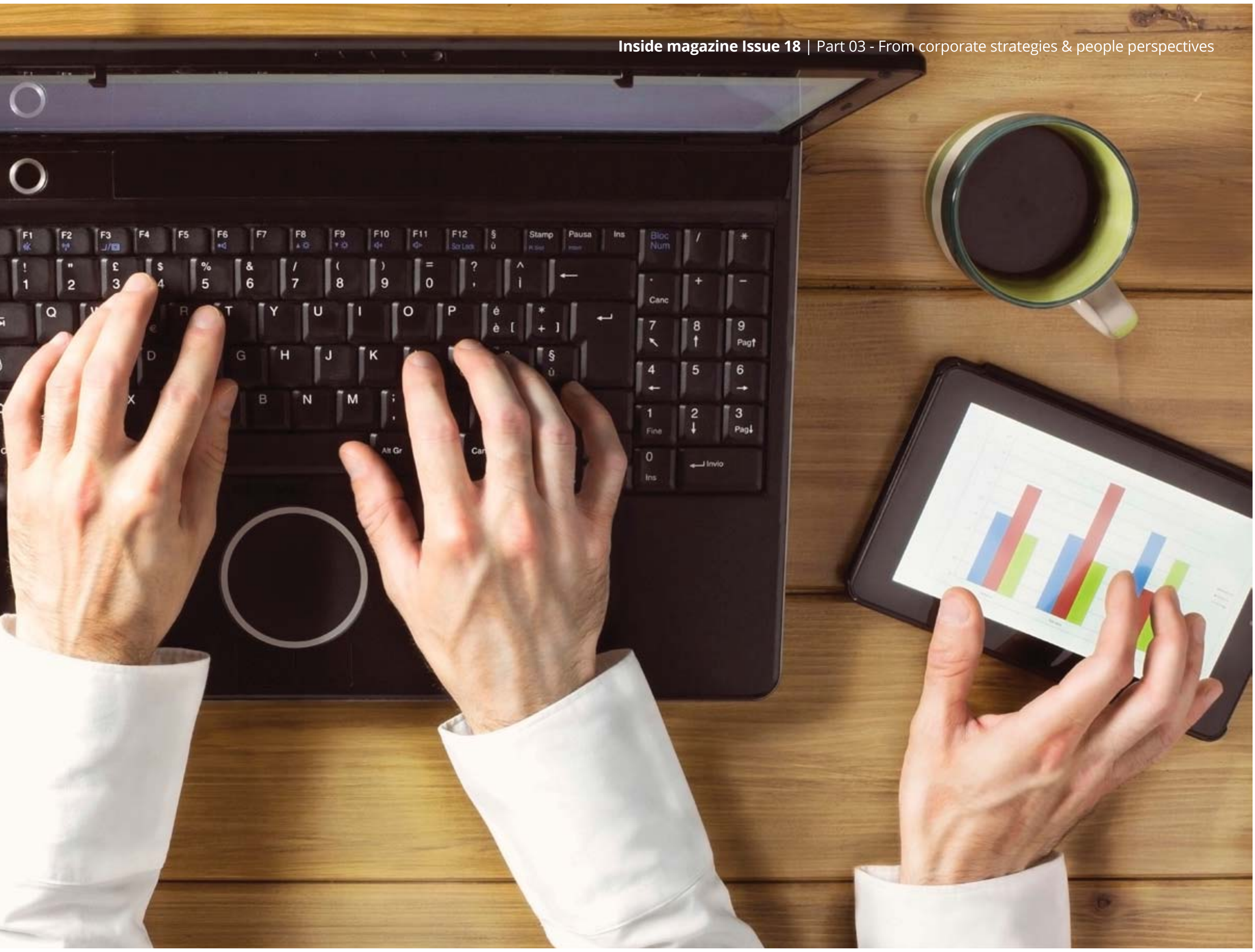
The 4 roles of CFOs

Regardless of their differences, their responsibilities are what make CFOs part of a common club. These responsibilities stem from four main roles: operator, steward, catalyst, and strategist.

01. The role of operator is the cornerstone of the finance function

It requires the balancing of capabilities, talent, costs, and service levels to ensure that the finance function is performing its core responsibilities and duties effectively. To that end, CFOs must ensure that finance and accounting organization, processes, and operational activities are in place and allow attention to be focused on value-added activities.

Typically, this encompasses duties such as developing the finance operating model and talent management processes and keeping these up to date as the business model and environment evolve, while ensuring that they remain effective and efficient. The aim here is to allocate limited human and IT resources so as to drive the greatest return on investment while managing risk.



Thus, the management, development, and training of finance talents and profiles are key aspects of this element of CFOs' role as they seek to ensure that the finance function's structure and activities are adequate and sustainable in the context of the business, competitive, and legal environments.

This role, often perceived as a necessary evil, has the potential to become a competitive advantage for best-in-class finance departments. Nevertheless, it is a must to ensure that enough time and resources are allocated to the other roles of CFOs and their team.

02. CFOs must be the steward that ensures accuracy and provides insight on the strength of the business

In this role, CFOs focus on upstream activities and factors that may adversely affect the timely and reliable production, analysis, and disclosure of financial figures and information. The goal should be to manage business complexity while minimizing operational risk linked to finance and accounting activities and initiatives.

This leads to increased scrutiny on areas such as information and data quality, management of risks and controls and—depending on the company's footprint and activities—on the implementation of robust and streamlined processes and the enforcement of procedures across multiple locations and operations (markets, businesses, local and global finance activities, etc.).

This will enable finance functions to safeguard the critical assets of the organization and allow for accurate reporting of financial positions and operations to both internal and external stakeholders.

This wide span of control requires CFOs to regularly assess and ensure the alignment of the finance function's activities and organization with new accounting standards (such as the new IFRS 9, 15 and 16) and increasingly granular and extensive regulatory requirements (such as FinRep, CoRep, BCL, and country-to-country reporting).

03. CFOs and their teams act as a catalyst for the emergence and protection of the financial culture within the organization

CFOs foster behaviors across the organization in order to achieve strategic and financial objectives while at the same time creating a risk-intelligent culture.

CFOs now serve as people-managing, technology-fluent, risk-assertive, and business-driven financial coaches and mentors to internal stakeholders, and key contacts for external parties and investors. The main pitfall for CFOs is the lack of focus that may result from this evolution.

CFOs serve as the business partners of other executives such from sales, production, risk, information technologies and infrastructures, legal, etc. They (or their team) also have to liaise with professionals from their own department to explain the main concepts at stake within finance and their impact on or from their activities, and to coach them during projects and business initiatives.

From an operational perspective, this requires the implementation of a process to define optimal targets and to measure the performance of business activities and strategic initiatives through a balanced scorecard and/or KPI framework disclosed to, and adapted to, the various internal stakeholders.

It also requires CFOs to ensure optimal business alignment so as to successfully identify, evaluate, and execute strategies by partnering with senior management to gain a competitive advantage over competitors as well as optimized investor relationships and interactions with regulators and public stakeholders.

04. Ultimately, CFOs should aim to be strategists

This is where CFOs step into a leadership role: together with their company's senior management, they deliver the financial information and scenarios used to determine strategic business direction, M&A, financing, and capital market and longer-term strategies.

Decisions stemming from these activities are vital to the future performance of the company as they shape the factors that will put them ahead of and set them apart from competitors. They also affect the very core of the business in which the company is engaged and are in most cases irreversible. Indeed, such decisions are likely to influence major investment and financing decisions (the launch or interruption of new activities related to services, products or markets, acquisitions and joint ventures, diversification of activities, etc.) that result in organizational changes, or even the redefinition of the company's target operating model and structure.

Only 1 focus: bringing added value to the business

All the roles discussed above are interconnected and often overlapping. CFOs and the finance function do not have the luxury of gradually honing their skills over time—all of these roles are equally vital, and CFOs must excel in each of these areas to remain "best in class".
This implies that being a CFO requires a wide array of varied and complementary skills, knowledge, and awareness.

Nowadays, this diverse skillset must be applied to a plethora of new business topics that fall under the responsibility of CFOs and their team: digital finance, GDPR, BEPS, the US tax reform, blockchain, robotic process automation, payments and PSD2, cyber criminality, and the management of professionals from Generation Y.

Admittedly, being a subject-matter expert on finance and accounting topics remains essential. Yet, the role requires more and more competencies not directly linked to figures. CFOs now serve as people-managing, technology-fluent, risk-assertive, and business-driven financial coaches and mentors to internal stakeholders, and key contacts for external parties and investors. The main pitfall for CFOs is the lack of focus that may result from this evolution. They should fight against becoming corporate jacks of all trades but masters of none.

The growing number of topics under the responsibility or scrutiny of the finance function is an ever-increasing concern for CFOs. The more they deal with activities on the fringes of their traditional area of responsibility and the higher the number of stakeholders with whom they interact, the higher the risk of blurring the focus on finance.

Conclusion

CFOs should stick to the pattern that has made them successful: focus on finance.

This may seem paradoxical and a step backwards, but it is not. Indeed, CFOs should take responsibility for their operations, and the insight and information they provide via financial business figures, and delegate or drop their other ancillary activities or responsibilities (while continuing to oversee them).

In doing so, they will continue to generate added value for their business in an accelerating and ever-expanding business environment.