

Chief Financial Officer: A Guide to CFO Success



Chief Financial Officer: Challenges & Solutions

The role of CFO has seen a massive change in the past 2 decades. Earlier their duties comprised of reporting the numbers, managing the financial function and being reactive to events as and when they unfold. But today, they need to apply critical thinking skills along with financial acumen to achieve the milestones set in the organization. The role of a CFO also includes being a team leader not only to the employees working inside the financial function but also to those working outside. The CFO is responsible for exploring the key strengths of his team members and obtaining higher level of performance than the individuals might achieve on their own. Let's have a look at the challenges that CFO's face and ways to mitigate them.



5 Ways To Build A Strong Enterprise Financial Management Culture (EFMC)

A CFO needs to establish the right financial environment for the company because it is the corporate culture that attracts and retains skilled employees. Top performers want to be a part of a company that provides support from high level executives, whenever required, and rewards for good performance. Below are 6 ways that a CFO can contribute in building such a culture:

1. Developing The Right Financial Growth Plan for The Year

The main objective of a CFO is to pave the right financial growth plan for a company. For this, they must develop a team of analysts who can build a solid fact base around the company's businesses and its parallel markets. Smart CFO's use this fact base to indulge into strategic conversations with the rest of their management team. The CFO also evaluates and selects the best investment opportunities for the company ranging from capital investments to acquisition opportunities to ensure the highest returns. Moreover, it would not be wrong to call the CFO as the Chief Metrics Officer as he can provide critical data regarding compliance, balance sheet management, treasury, and account related details to the CEO, Head of Sales, Head of Operations, and business unit leaders. In summary, CFO's have to constantly determine the growth opportunities, chart out a feasible financial growth plan and ensure that is achieved in the given time period.

Building A Financially STRONG Business

Keys You Can Apply Today To Promote Solid Financial Growth!

Tackle Your Financial Ability

- 1** Have cash balance equivalent to 1 month of operating expenditure
- 2** Determine your cash flow weaknesses and fix them
- 3** Build an authentic financial forecast for the next 3 quarters.

Build A Financial Safety Pond

- 1** Finish your bank line down to zero
- 2** Begin reducing your personal guarantees
- 3** Create a pool equivalent to 3 months of operating expenses

Grow & Relish Financial Success

- 1** For sustaining capital expenditures, rely on existing cash flow.
- 2** Pay your remaining debt as early as possible.
- 3** Recompense the owners with cash.



2. Need To Manage The Impact Of Change To Ensure Stability & Growth

In this ever changing world, risks and instabilities threaten the survival and growth of a company. Factors such as competitor's activities, currency fluctuations, expeditious technological developments, new compliances and sanctions, challenges in product innovation, equipment failures, and pricing strategies increase the volatility of the market. This often leads to less earnings and reduced cash flows. To avoid falling in this trap, CFO's need to study the critical business drivers diligently and equip themselves with relevant data. Instead of adhering to budget commitments, they should use rolling forecasts to evaluate performance based on current conditions. They should implement early warning systems and deploy sensitivity analyses to take into account the risks that determine the planning assumptions. Most importantly, a CFO must always be ready with myriad contingency plans and adequate financial reserves to increase the flexibility of the company while it faces countless challenges in this ever changing financial environment.

3. Creating A Financial Culture That Is More Transparent & Trustable

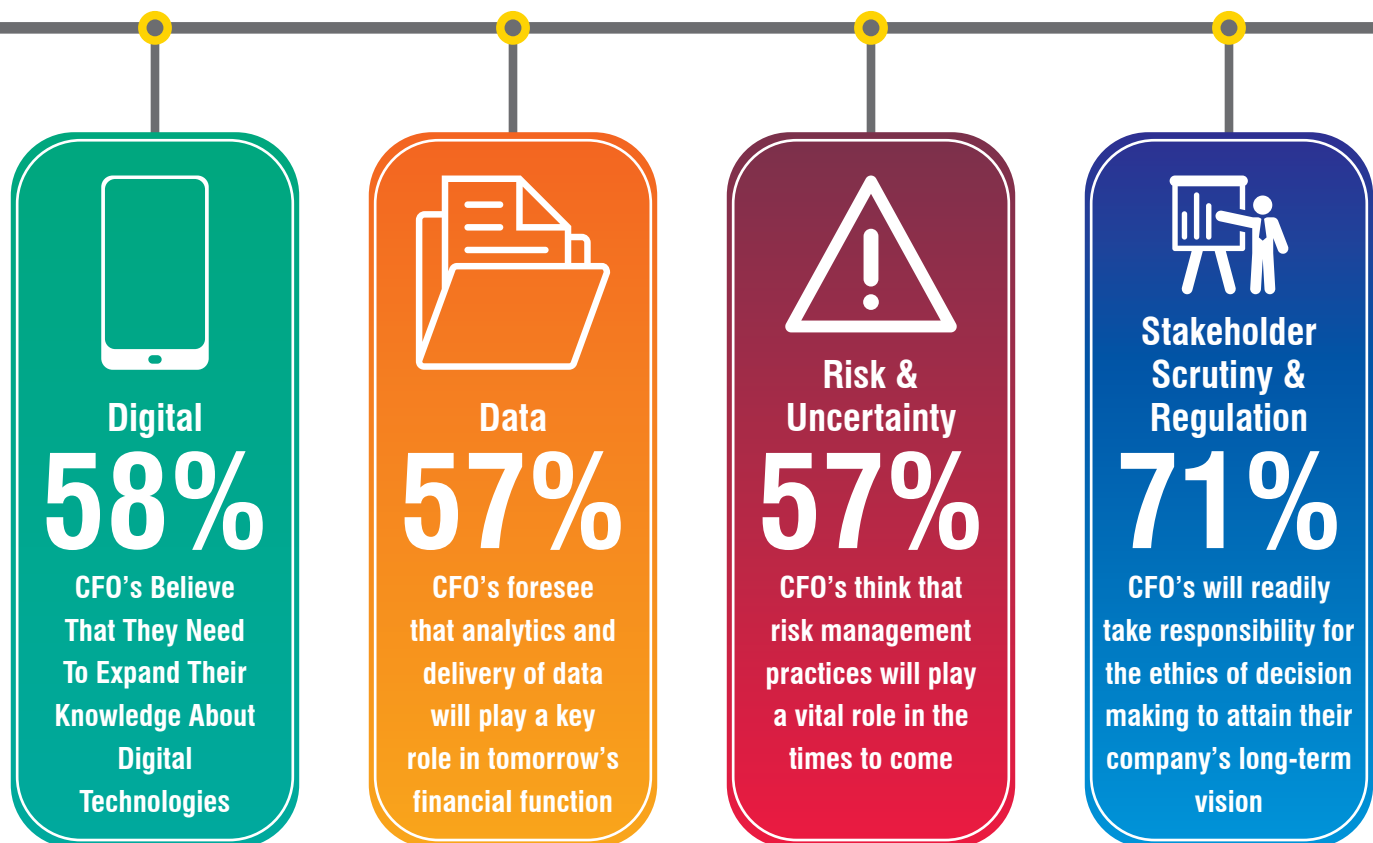
Since the global financial crisis, there has been an issue of 'trust-crisis' in the business world around the globe. Today, in the hyper-connected world, the financial impact of such events is often inordinate and elongated. CFO's need to keep a close watch on not only the legal compliances of the organisation. But also on the Corporate and Social Responsibilities (CSR). Unfortunately, it has been found that there is a deep disconnect between the various stakeholders including financial regulators, investors, employees and customers. This leads to erosion of trust between the company and the various stakeholders as it raises a question of the extent to which organizations have a responsibility to address this. Companies should try to fill this trust deficit as soon as possible as it allows better communication with stakeholders which ultimately helps the organization to focus on its long-term strategy.

Companies That Demonstrate Higher Level of Transparency Are More Likely to be Trusted by Stakeholders Including The Customers, Employees & Investors.

4. Building A Financial Culture That Embraces Technology

CFO's need to bring technology into the mainstream finance function. This step will make Finance more insight driven, agile, and future focused. In recent times, the mobile payments industry has expanded exponentially and companies like Freelancer and Uber are behemoths that have emerged as a result of it. This has made it possible for people to work completely remotely and hence has strengthened the outsourcing culture, wherein, a company need not hire an expensive in-house employee but rather outsource the work to others at an economical rate. CFO's can also ensure that their data is secured and create many backup copies by making use of cloud computing. Also, with Blockchain rising to power, CFO's can further cut costs by distributing ledgers. Moreover, with the introduction of crypto currencies, companies can work to create their own form of alternative currencies that will decentralize finance even further.

4 Forces Disrupting The CFO Role



48% of CFO's Think That Digital Technologies Will Fundamentally Change Finance

5. Build A Balanced Scorecard & Evaluate KPI's According to it

To help companies effectively manage and track their progress, Key Performance indicators (KPI) are used. These KPI's are evaluated according to a balanced scorecard that helps align the workforce with the company's long term vision. CFO's must evaluate customer satisfaction, financial performance over a period of time, internal operational goals, and innovation that will drive the company into the future. Kaplan and Norton, creators of the Balanced Scorecard, have paved down 4 critical processes for strategic management.

a. The first and foremost thing is to pinpoint the strategic objectives that a company looks forward to achieve. For translating this into a reality, there needs to be a consensus between the business leaders, who must ensure that all the objectives are goal based so as to avoid 'pet-projects'.

b. Second most vital thing is to establish a two-way communication line between the various stakeholders so that core objectives can be concretized periodically, as a result of which, the processes are refined and an efficient feedback system comes to existence.

c. The third thing that needs to be taken care in the strategic management process is to identify the targets as measured by the KPI's. In summary, for achieving strategic goals, individual targets are set, which are then linked to larger strategic objectives.

d. The last step is to learn from feedback. The findings from the scorecard that includes performance information should be used to refine the decision-making process continuously.

Goals & Blueprints

Learning & Growth

How To
Constantly
Improve
Ourselves To
Achieve Our
Vision?

Financial

How To Interact
With Different
Stakeholders To
Succeed
Financially?

Internal Business Process

What Are The
Different
Business
Processes That
We Need To Be
Proficient At, In
Order To
Persuade
Various
Stakeholders?

Customer

How To Build A
Good
Relationship
With
Customers?

Technical & Behavioural Competencies in The Finance Team

According to a survey, the skills that needed to be improved by finance professionals, according to the senior management are ranked as shown:

Let's go through them one by one.

1. The first and foremost skill that finance professionals need to improve are their interpersonal skills which include conflict management skills, their negotiating skills and the influence that they have on their peers. Motivating their team members to constantly achieve new heights is also one of them.

2. The second most important skill are their communication skills. A finance personnel has to present the financial health of the company to the senior management team quite often. For this, they require excellent oral, written, and presentation skills to leave a mark on others.

3. Strategic management skills come third in the list. Flexibility to change whenever required and incorporating out-of-the-box solutions is what defines a successful finance personnel. Assessing and facilitating changes, evaluating risks, and searching ways to mitigate them are prime qualities that define a finance personnel.

4. A finance personnel needs to update themselves with technical skills as well. These include a broad understanding of Accounting skills with newly formed rules and regulations. Also, they need to understand the new IT tools, techniques and concepts to retain their technical competency.

Skills to Improve



Conclusion: A Chief Financial Officer always needs to be on his toes. He should be able to transform the performance of the Finance team by constantly imparting them new skills and showing them the right path. His is one who improves the speed, quality, and relevance of management information by aligning to the correct strategy as per the current scenario. He should embrace technology and increase its effectiveness by using tried and tested methodologies. A successful CFO is one who incorporates all these factors and contributes to the success of the company.