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Leadership

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The changing role of the Chief Financial Officer (CFO)

There was a time not so long ago when the CFO was seen purely as a technocrat and consequently, unfairly derided as a simple 'bean counter'. This has coloured how many view this pivotal role for all businesses.

Therefore, those who diligently passed their accountancy exams looked forward to a career of being gleefully 'narrow and deep'. In the now long faded past times of certainty, they had very specific questions to answer and they did just that perfectly.

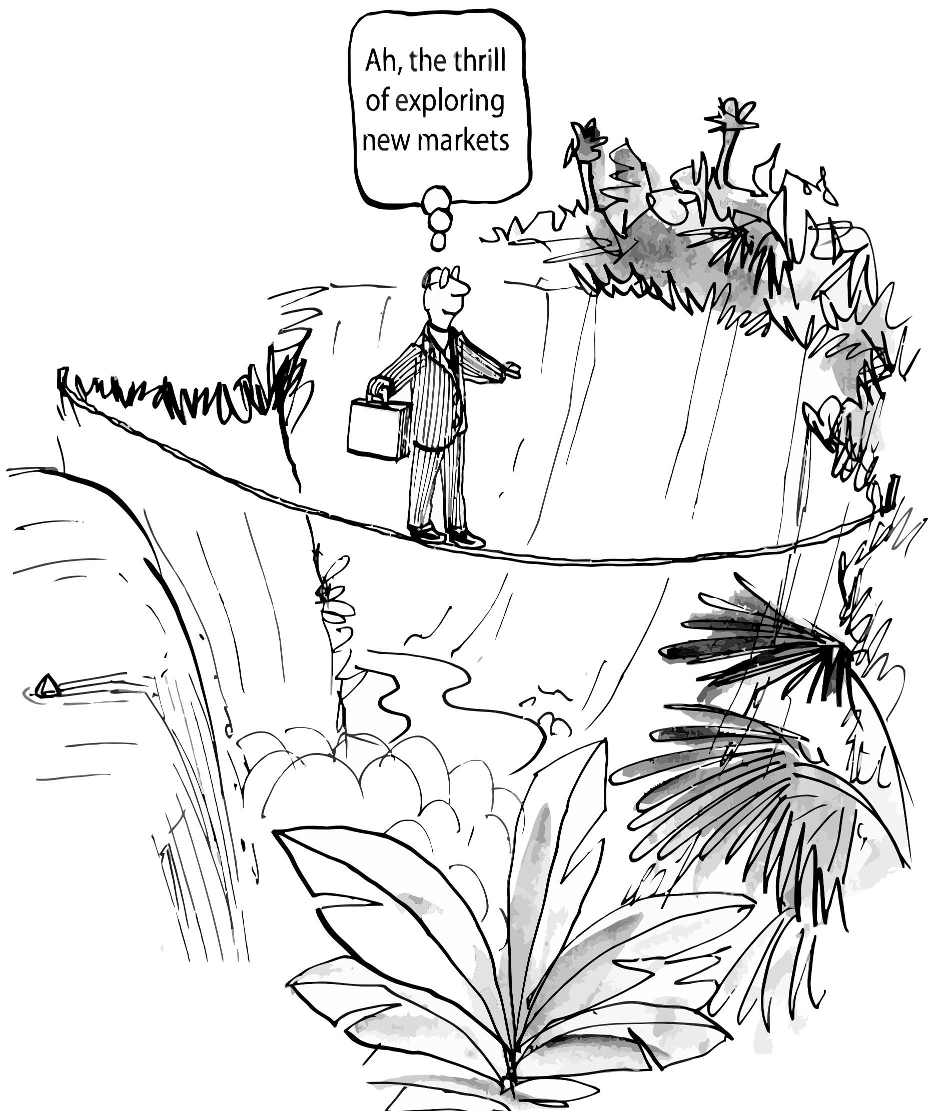
They provided essential technical expertise whilst policing the processes and procedures of the organisation with zealous control. Some would harshly say that they knew the price of everything and the value of nothing.

They were not in the business of being popular, but apart from the Chief Executive Officer (CEO), they appeared to wield most authority and power at the top of the organisation.

The profession appeared to attract those of a more scientific bent with a head for numbers, and they were perhaps not as much interested in the 'softer' skills. In many respects, they were the original 'geeks'. The audit, compliance and risk functions were also opportunities for these smart and well-qualified technocrats.

During the 80s and 90s with the rise and rise of computing power, IT had not yet become strategic to the organisation but it was a huge and rising cost. Consequently, this coupled with the fact that IT was usually deployed to cut the existing costs, fledgeling IT functions found themselves uncomfortably reporting to the CFO.

This was during a period where most opportunities or challenges for the organisation could be dealt with in a vertical, neat and tidy manner. It would either be an HR issue or a marketing issue or even a finance issue, but these in the



main could be dealt with purely and solely by that function.

With the changing nature of business and the advent of more 'enterprise-wide' IT systems, it soon became very rare for any challenge and opportunity to be so neat and tidy. Instead, nearly every opportunity or issue cuts right across the organisational structure. Most new initiatives now demand cross-functional activity and cross-functional teams, and nearly all of them require the attention and input of the finance function.

This demands essential collaboration right across the organisation. This, in turn, has made new demands on the capability and behaviour of the CFO and their teams.

There was a time when the data alone could provide 100% of the answer. In today's fast-moving and unforgiving markets with uncertainty becoming the norm, the data rarely provides 70% of the insight necessary to come to a meaningful decision. In order to keep the organisation moving and functioning at pace, we can no longer wait for the data, but we have to make judgement calls based on our experience, instincts and environment—this is what we call leadership.

This, along with the need for collaboration, has started to paint a new and exciting profile for the new age CFO.

In recent history when for whatever reason, it was time to appoint a new CFO, there tended to be two different types of candidates; if it's assumed that the business outlook will be difficult where costs need to be cut or controlled, then the preferred choice tended to be a senior executive from finance.

If the business outlook is more positive or requires transformation, then we tend to see the CEO usually coming from one of the revenue generating business units, or from outside of the organisation.

In quite simplistic terms, in times of change or growth, firms tend to go for the most enterprising CEO and in times of difficulty or constraint, it is highly likely that the appointment would be a practising CFO.

In recent times, we have seen the appointment of a number of new banking CEOs, after the difficulties of the global financial crash witnessed the appointment of a number of former investment bankers—this appeared counter-intuitive and a few banks have already paid a heavy price for their audacity.

However, with Deutsche Bank making the media headlines for all the wrong reasons, what appeared to be a safety-first appointment of their CFO to the CEO's office appears to have also backfired quite dramatically.

The CFO will always remain a key player both for the executive team and the board of directors but nowadays, being a technocrat alone is no longer enough.

What is needed is a little less management and a lot more leadership.

In order to move from being technocrat to an inspired leader, the following requires addressing:

- Become more visible around the organisation
- Listen a lot more whilst being far more supportive of new ideas
- Embrace change as a necessity
- Think more about investment than just seeing everything as cost
- Become more of a team player and less a 'policing' authority
- Balance the long-term requirements with the short-term needs
- Allow others to challenge you in an open forum

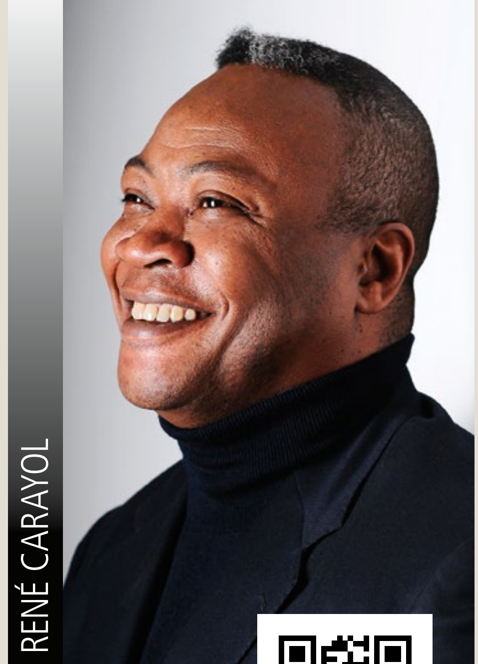
The new age CFO needs to be an expert communicator and a strong team player with the ability to influence and persuade, and not just use the blunt instrument of command and control. Their increasing influence and ownership of the corporate strategy require a more rounded business leader.

Those thinking of studying accounting and hoping to become a CFO should not be put off by the new demands on the CFO, as this has now become the price of entry to all who would wish to sit in the top executive teams.

As the Oracle of Omaha, Warren Buffet points out, "Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."

And oh, by the way, you still have to be a quality technocrat but nowadays, that is secondary to the ability to lead and influence.

There is no executive career that I can think of where having strong emotional intelligence and with a much stronger leadership focus is not a significant and tangible competitive advantage—apart from the Prime Minister of the United Kingdom, where they clearly were not requirements when the current incumbent was chosen. ▲



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