

# 21st century CFOs

Philip Keet, MD of change management consultancy **Millennium**, outlines the changing role of the CFO at the beginning of a new era.

Today's CFO should be something of a chameleon. Employing a footballing analogy, CFOs have progressed from a purely defensive role as goalkeeper, safeguarding corporate assets, to defender, midfielder and attacker all in one – assisting organisations to succeed in an increasingly competitive finance world.

Historically, CFOs were primarily responsible for ensuring the accuracy of the accounts, timely statutory reporting and maintaining good relations with the tax authorities. Today though, they are involved in a wider range of areas not restricted to finance. They have become the CEO's trusted advisor, adding valuable commercial input as well as safeguarding the organisation's assets. No longer considered purely an overhead with limited input into the business, they are increasingly viewed as key contributors to organisational strategy.

The CFO has assumed a leadership role whereby he or she works closely with the CEO, providing support and advice on the financial implications of alternative courses of action, as well as dealing with third parties such as investors, shareholders, the media, regulators and the general public. The CFO has become a key decision-maker, often an instigator of corporate change, helping organisations identify and respond to changing market trends.

Not surprisingly, recent evidence suggests that over 25% of FTSE 100 CEOs have a background in finance and this is understandable when considering the all-round nature of the CFO role. With solid accounting and financial control a high priority for many companies, financial expertise has become a much sought-after skill in the boardroom and organisations are increasingly searching for experienced finance executives to lead them in the post-Sarbanes-Oxley, IFRS world. Instead of a retrospective focus employing a

rear-view mirror approach, concerned with only historical financial information, the modern CFO now operates across a broad range of areas. They help define corporate strategy, providing and interpreting financial data to facilitate informed business decision making. Their role will often include general management of the finance department and this may also include administration and IT staff responsibility.

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#### Role play

Enterprise performance software, such as Cognos and Hyperion, facilitates sophisticated budgeting, forecasting and planning analysis, which also fall under a CFO's responsibility and usually require co-operation with other functions such as HR, sales, production and marketing. Financial control responsibilities deal with safeguarding cashflow and ensuring debtors comply with contract payment terms. The CFO will also be responsible for treasury activities, managing the investment of surplus funds which may lead to profit centre status as trading/hedging becomes significant. The CFO is also responsible for corporate governance, managing the relationships and responsibilities between the board, management, shareholders and



other relevant stakeholders, in line with legal and regulatory frameworks.

Another important area is corporate finance and the CFO typically plays a role in M&A activity – identifying targets and ensuring the necessary financial resources are in place to enable transactions to succeed. With the rise of the internet as a profitable route to market, many CFOs have played an active part in e-commerce strategy. They ensure that risks are mitigated and appropriate technologies put in place to manage client and supplier relations and product distribution. The deployment and use of ERP systems across organisations has normally been the responsibility of the CFO as primary project sponsor and corporate reporting is typically addressed to meet the needs of the CFO as well as other board members.

Today's CFO now possesses a broad, high-level, strategic outlook combined with the skills required for progression to a CEO position. However they need to ensure they also have the holistic and innovative outlook of a successful CEO with the vision and ability to drive the organisation forward. ■

#### Further information

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