Mastering the traits of a winning CFO

By David Parmenter

Never before has the role of the CFO been more complex, multi-faceted and rewarding. The CFO is now juggling more balls in the air than ever before, in front of an audience that is more demanding and knowledgeable.

What makes the difference from average to good and from good to great performance?

In this article I will attempt to shed some light on why you may not be scoring the goals you should, save training drills and suggestions. Please note that I am not writing this from personal success. I have never been a CFO, nor was I a good corporate accountant. I am basing this article on countless years of benchmarking CFO's from all sectors and whose success varied from poor to great.

Five foundation stones of a winning CFO

In order to succeed as a leader, you need five foundation stones in place. These have been derived from my observations of some very good CFOs.

Foundation stone 1: Self-belief with a vision of goals and legacy

To be an effective CFO one needs to exhibit confidence borne from a healthy self-belief, a clear vision of what the organisation and the accounting team can achieve and know what legacy you, as a CFO, wish to leave with your organisation.

Too many CFOs sit in the background being the technical expert, the master of the accounting processes and a fire fighter of Olympian level. They sit on the senior management team, treated by their peers as a necessary nuisance, not seen as one who will be greatly mourned when they move on.

Foundation stone 2: Integrity, perseverance and commitment

I am proud to say that of all the years of contact with CFOs barely a handful would, I consider have dubious integrity. Being the "banker" in the organisation has attracted those individuals who see right from wrong and do their level best for the benefit of the organisation.

Seldom have I found a CFO who is cruising in their role. Quite the contrary I find CFOs working very hard, committed to getting things done. In many cases, however, their workload is full of antiquated practices that are more akin to Charles Dicken's era rather than the 21st century.

Foundation stone 3: Master of communication and selling change

You cannot champion change unless others understand your vision and are sold "the flight tickets" for the journey. Mastering communication means understanding the importance of one-to-one communications, being seen by your peers, working the public relations machine, and mastering the written and spoken word.

All great leaders realize that the world is a small place and "what goes around comes around". They take care to avoid alienating themselves from individuals who they may not like. One of the best pieces of advice I have been given has been to always approach those who are your adversaries, your road blocks, and take them out for coffee or lunch. It is the hardest thing to do yet the most effective.

Selling changes to staff, management, the board and to the stockholders takes a sound understanding of the 'emotional drivers' of these different groups. Whilst the skill set that made us good accountants seldom makes us efficient at selling a new concept. We blindly rush into beautifully argued report writing, full of sound logical arguments "signifying nothing". These reports go nowhere because no change ever occurred from a sound logical argument. Change occurred because we communicate on an emotional level to the audience. They buy-in because we have focussed on their 'points of pain'.

Foundation stone 4: Acquire a mentor

I am mortified by the number of accountants I come across who do not have a mentor nor do they understand why they should have one. Post qualification and with their compulsory continued professional training they feel" I am all right Jack".

Yet as a CFO many costly corporate failures could have been averted if CFOs had sought advice from a trusted and wise mentor, who had been there before. The key is the selection (and use) of your mentor/advisor and to realize that just because you have asked once does not preclude a second, or third, request for help.

The more senior you are the more likely that you will need mentors for different aspects of your role.

Foundation stone 5: Focus on continual learning and innovation

In this cauldron of deadlines, politics, acquisitions and crisis CFOs have, as one, dispensed with most forms of training. Few attend courses longer than the free 'breakfast session' provided by motivated vendors and even less have engaged the services of a mentor. This results in many self taught CFOs who are a danger to their organisations, their staff and to themselves.

When taking a company to the stock exchange for the first time the CFO needs a mentor who has been there before and has already walked through the 'red hot coals'. The last thing they should allow is to be at the mercy of the advising investment bank as this is not only costly but an exercise that will not always end up with a happy outcome.

Exhibit 1 A winning CFO model

Once you have the foundation stones in place, you can now use them as a platform from which to juggle the areas of focus, see Exhibit 1, that make up being a winning CFO. Many of the focus areas have a soft skills component, an area which is often not on the CFOs radar screen. These have been marked with an s.

Areas of focus for a winning CFO

Let us realise the balls we need to juggle in the air as a winning CFO.

Minimizing one's personal baggage

Accountants frequently have avoided the soft-skills, they have not attended many self development courses and hence, know little about themselves. CFOs go from one deadline to the other showing the signs of stress like a startled deer caught in the headlights. Few CFOs have attended training on their Myers Briggs personality, their Herman's thinking preferences or more importantly their personality weakness identifiable through the 'Ennergram programme'.

Being an effective leader

Leadership is so often left unnourished as the CFO focuses on the more interesting technical aspects of their job. The finance staff, are often left to flounder in a leaderless vacuum. I believe poor leadership is almost harder to achieve than good leadership, once you have been enlightened. Leadership is not a nuisance it is the life blood of the finance team, and the most important duty of the CFO.

CFO's need to be a "Viking with a mother's heart", a quote once said about Sir Ernest Shackleton, the Antarctic explorer. There is no better role model than Shackleton who was a servant leader. CFOs need to understand the difference between being a self serving or serving leader and invest large chunks of their day, every day, in this fundamental area.

Many CFOs are 'below average' people managers. They perform all the manager duties required by the HR team, by the designated deadlines, but that is about it. There is little enthusiasm of energy to invest in this area. Far more attractive is the next technical issue that will stimulate the grey matter. Why do we not realise that we, as CFOs, will never achieve greatness unless we achieve through others? Why can we not see the 'beauty' of a young finance staff member mastering a new skill? Why do we see every staff member's questions about assignment clarity as an interruption?

As a CFO over 40% of one's time should be spent managing the troops, mastering the art of being a servant leader. Being just ordinary as a manager and leader is selling yourself, your team and your organisation short.

The art of negotiation and persuasion

CFOs are involved in important negotiations in most years, whether it is a national supply contract, purchase of IT infrastructure, acquisition of property, handling a takeover merger. Each negotiation is only a hairs breath away from failure if the CFO is not fully conversant with the 'art of negotiation' and the great work of Harry Mills, author of many books on the subject[1].

The CFO needs to be able to get important tasks "over the line" , a signed contract which creates a long term win –win for all parties involved. So being persuasive is a skill that CFOs need to master, and master well.

Mastering time management

With so many deadlines, so many fires to put out it is no wonder that many CFO live behind a closed door with a harried look. However, if CFOs would only stand back and look at their time management they would be amazed at the inefficiencies they preside over. Endless meetings and emails that eat into the most productive time of the day; the mornings. A total absence of 'blue ocean' thinking time and a disproportionate amount of time spent on non-important activities that are treated as urgent, that cripple the productivity of the CFO.

Develop and maintain relationships

With the complexity of the CFO already discussed it is of no wonder that this role has a great need for networking, both inside the organisation and outside. Yet so few CFOs manage this activity well. CFOs need to maintain a close relationship with their peers on the senior management team, develop a strong bond with the CEO, and be well known and liked by the staff in the organisation.

There will of course be Budget holders whose activities and non compliance with the finance team's systems make the relationship somewhat strained until these budget holders have seen the light – "conform or leave, your choice".

In many organisations the CFOs are responsible for managing borrowing requirements and maintaining a working relationship with the banks and handling the bank's complex regional loan approval structures. The maintenance of an open and honest communication line, when a crisis hits, is a very difficult balancing act. Great CFOs are tough enough to maintain integrity even when internal pressures are requesting that you be 'economical with the truth'.

Overseeing resource allocation

As CFO's we preside over the worst form of resource allocation ever invented, the annual plan. The annual plan is a flawed process on a number of counts. It undermines an efficient allocation of resources, encourages dysfunctional budget holder behaviour, negates the value of monthly variance reporting and time consuming for the Board, senior management team, budget holders, their assistants and of course the finance team.

Far more productive use of our time and an infinitely more success resource allocation can be accessed through quarterly rolling planning.

Implementer of best practice

CFOs need to understand, assess and implement the better practices that exist around the world. This is an onerous task, although made easier through the writings of Jeremy Hope[2] , who I consider the Guru of all corporate accountants. His profound work should be compulsory reading for all CFOs.

Whilst CFOs commonly subscribe to an international benchmarking study, few really take the bull by the horns and implement many of the 21st Century finance team better practices. Some CFOs have:

- financial reporting available at any point in time 'virtual reporting'
- invested in 21st century systems for the accounts payable team
- put their auditors 'under the hammer' and demand signed audited accounts within 20 days of year-end.
- replaced the annual plan with a quarterly rolling process
- embedded winning KPIs, balanced scorecard
- introduced electronic Board papers and paperless Board meetings, and so on.

Data visualization

What is that I hear you say? It is the area of focus of many a young and keen corporate accountants but seldom a blip on the CFO's radars screen. Why? For surely a display of data to staff, management, the board and finally the stockholders is the final sign that the accounting team has performed some exercises. All CFOs need to keep abreast of the great work of Stephen Few[3]. They need to avoid the careless delegation to well meaning but inadequately experienced accounting staff who develop reports that a rocket scientist would produce. These reports tend to be, full of detail and complexity, but obscuring the fundamental message.

Master of performance measurement

CFOs around the world have debased performance measurement calling all performance measures KPIs regardless of their significance. Balanced scorecards are quoted as having a failure rate exceeding 60 % because we have corrupted a sound methodology with garbage. Few organisations have concerned themselves with first understanding what factors of the business are critical to the organisation. These 'Critical Success Factors' should be the foundation stones of all performance measures, the reporting of performance and workload management.

Abandonment and avoiding costly mistakes

Peter Drucker, the management guru, frequently used the word "abandonment". He said that

> "the first step in a growth policy is not to decide where and how to grow. It is to decide what to abandon. In order to grow, a business must have a systematic policy to get rid of the outgrown, the obsolete, the unproductive."

He also put it another way "Don't tell me what you're doing, tell me what you've stopped doing."

CFOs need to know when to cut the losses, admit they made an error of judgment, sell off old parts of their business and move on. The act of abandonment gives a tremendous sense of relief to the senior management team for it stops the past haunting the future. It takes courage and conviction and abandonment is a skill that one needs to nurture.

Technically capable

CFOs need to know about accounting, treasury, taxation, information systems, stock market floatations, risk management, raising debt the list goes on. Of all the senior management team, the CFO could be argued as the most technically demanding and diverse role.

21st century accounting systems

The myriad of systems available to the CFO is mind blowing. The CFO needs to have a clear vision of what they want and be working with the Chief Information Officer (CIO) to bring about operational and financial systems that reflect the 21st Century. The CFO needs to be able to withstand the barrage of skilful selling that some of the major system houses use. If not you end up with an accounting system that needs to be implemented by consultants, very expensive ones from abroad, make what is a relatively simple exercise of debits and credits one that is more complex than it needs to be. This unnecessary complexity in the financial systems is one of the great mistakes of the 21st Century for the CFO.

“Being a warrior against waste”

Jeremy Hope of Beyond Budgeting fame coined this phrase in his must read book ‘Reinventing the CFO’. Every single day, your organisation is haemorrhaging somewhere through inefficiencies, poor practices, blatant abuses and possibly fraud. The CFO is ideally trained to lead a daily ‘war against waste’. In fact every month the CFO should aim to have implemented some change, no matter how small, to reduce waste.

Many CFOs have presided over disastrous take over decisions, so few succeed yet so many are written up as “one and one equals five”. The mistake is made when you believe there are synergies gained from consolidation, when you wish to buy expertise, or a customer base. The latter two disappear, like a summer’s fog, as key staff and customers seek better pastures. CFOs have to be strong to combat against the Machiavellian characters of the investment banking world who fleece the uninitiated to fund their country estates, polo horses and shooting parties.

Marketing the finance team and yourself

Too often the CFO misses marketing the finance team through their commitment to their ever-increasing workload. A winning CFO knows that there are many relatively easy goals worth scoring in this area, such as:

- Organising a celebration on the completion of a Finance Team project and inviting the CEO along to address the Finance Team and say ‘Thank you, well done’.
- Speaking at conferences when you have a case study worth sharing.
- Writing articles for a professional journal
- Being a member of a prestigious sports club where the members are key decision makers.
- Volunteering your services to a prestigious charity or not-for-profit organizations where other committee members are well connected.
- Offering your services on radio, TV, column in a magazine/newspaper as an expert in their field.

Finishing what you start

Many initiatives fail because the CFO does not get behind the projects enough. Many CFOs have an attention deficit disorder that rivals any teenager. An additional problem is that some projects are started when, with proper counsel this would have not happened. CFOs need to be known, throughout the organisation, as a meticulous finisher of what they have started. They should be the champion of finishing. All late projects, which are past their deadline, should be reported, each week to the senior management team consequently it should be made career limiting for project managers to be on the "late project list" on a regular basis. All projects-in-progress should be overseen by the CFO with a simple one-page summary showing the state of progress and this reported at least twice a month to the SMT.

Closing words

I have already said that I am not preaching from my experience but from your trail blazing peers. I hope my book will go some way to aiding you with your legacy, and that when you leave each organisation there is an outpouring of grief at the sense of loss.

I wish you all the best with your journey.

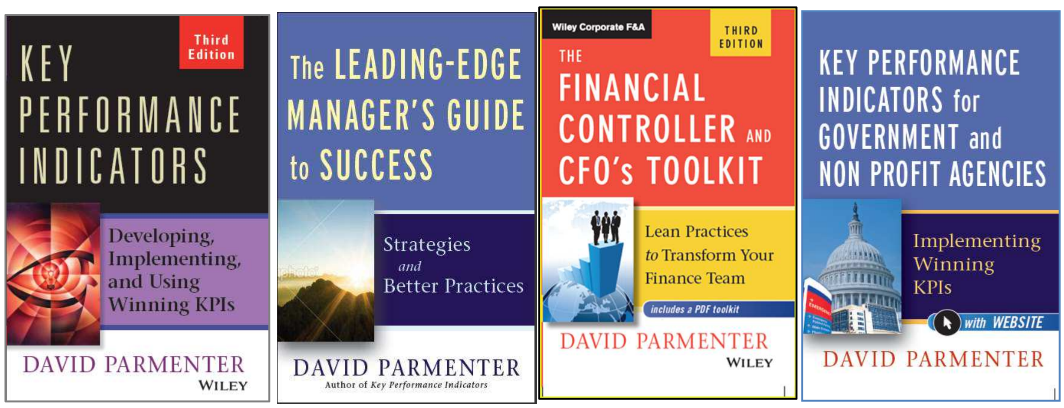
Writer's Biography

David Parmenter is an international presenter who is known for his thought provoking and lively sessions, which have led to substantial change in many organisations. He has spoken in 31 countries and in most continents in the world. Besides delivering in-depth workshops he has been a keynote speaker for the IBM Finance Forum, The World Capability Congress, TEC Malaysia, and Profiles International Romania. David is a leading expert in: the development of winning KPIs, replacing the annual planning process with quarterly rolling planning, quick month-end processes and making reporting a decision based tool.

John Wiley & Sons Inc have published his four books, including *"The Financial Controller and CFO's Toolkit*", "*The Leading-edge Manager's guide to success – strategies and better practices", "Key Performance Indicators – developing, implementing and using winning KPIs*" and *"Key Performance Indicators for Government and Non Profit Agencies".*

David has also worked for Ernst & Young, BP Oil Ltd, Arthur Andersen, and Price Waterhouse. David is a fellow of the Institute of Chartered Accountants in England and Wales.

He has written over 50 articles for the accounting and management journals. He has won two 'article of merit' awards from the International Federation of Accountants. (2007 and 2009). His published articles titles include: *"Quarterly rolling planning - removing the barriers to success"*, *"Throw away the annual budget", "Beware corporate mergers", "Implementing a Balanced Scorecard in 16 weeks not 16 months", "Convert your monthly reporting to a management tool", "Smash through the performance barrier", "Is your board reporting process out of control?" "Implementing winning Key Performance Indicators", "Quick month end reporting" "Conquest leadership- lessons from Sir Ernest Shackleton" "Should we abandon performance measures?" "Putting the finance team on the map" etc.*



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[1] Artful Persuasion -How to command attention, change minds and influence people The street Smart Negotiator -How to Outwit, Outmanoeuvre, and Outlast Your Opponents Negotiate - How to get what you want - every time *By Harry Mills, available from* /www.millsonline.com

[2] Jeremy Hope and Robin Fraser, Beyond Budgeting: How Managers Can Break Free *from the Annual Performance Trap* (Boston, MA: Harvard Business School Press, 2003). Jeremy Hope, Reinventing the CFO: How Financial Mangers Can Transform Their *Roles and Add Greater Value* (Boston, MA: Harvard Business School Press, 2006).

[3] Information Dashboard Design: The Effective Visual Communication of Data by Stephen Few Now You See It: Simple Visualization Techniques for Quantitative Analysis by Stephen Few