The evolving role of the CFO in the new economy
According to recent feedback from over 800 executives and business leaders from the accounting and finance industry, these are the top four core competencies or skills that leaders are required to possess.

1. Thinking and acting strategically
2. Coaching to optimize performance
3. Effectively leading change
4. Developing leaders and sustaining a talent mindset

In the aftermath of the seismic shakeup in the global marketplace, companies are operating in an increasingly stringent regulatory environment and spending an unprecedented amount of time making sure their organizations are as compliant and as transparent as possible. The CFO is ultimately responsible for this increasingly painstaking exercise.

As the economy continues to struggle, the CFO is also charged with ensuring his or her operation is running efficiently and effectively, while trying to build value and drive profits. The CFO is also now expected to be a key strategist and leader, help the CEO and the rest of the executive team shape overall strategy and direction, and act as an agent of change who can instill a performance-driven culture throughout the company.

The role of the CFO has become more complex and demanding than ever.
The evolving role of the CFO

While companies struggle to gain a footing in this new post-recession economy, CFOs are faced with the daunting task of how to do more with less, while also navigating an increasingly labyrinthine regulatory environment. Through a combination of necessity and experience, CFOs are stepping outside their traditional comfort zones and taking the reins across a range of business units within their corporations. They’ve evolved into a hybrid role as scorekeeper, adviser, operations manager, and strategist — all while being subject to a degree of scrutiny once reserved for the CEO, thanks to a range of startling corporate events from Enron to the Madoff scandal that have left investors warier and more litigious than ever before.

Today’s most effective CFOs are those that have a breadth of business experience on their resumes in addition to finance — from operations management to business development to even IT and HR. CFOs are drawing upon a varied range of backgrounds and thinking much more broadly about their roles. The traditional, inward-looking aspects of a CFO’s job have given way to a whole new set of priorities. And, as the CFO function is entrusted with these greater responsibilities, many of which require an outward-facing approach, a thorough examination of this role is critical to understanding both these expectations and the skills that CFOs believe are crucial to the job now.

The following report explores the issues facing the modern-day CFO, based on Parker + Lynch’s experience with CFOs and the companies that hire and manage them. It provides some valuable insight into tactics for climbing the finance ladder. For senior executives, we believe the observations and information herein will enable you to work more productively, and gain a deeper understanding of the CFO function.

You have to be good with numbers — and with words.

The events of the last decade, and particularly of the last few years, have added yet another crucial facet to the CFO’s role: that of communicator. The early boom years of 2003-2006, in which most markets flourished (such as real estate, commodities and manufacturing), meant easy access to capital and a steady demand for financial and human resources. But the market meltdown of 2007-2009 — the “Great Recession” — created a severe credit crunch, and demand slumped across virtually every industry.

The result is that the CFO has emerged as a pivotal, go-to figure — the “glue” of the organization in many respects. The new CFO must be the person that can crunch the numbers and, just as importantly, translate what they mean to a wide range of audiences. A key component of being that “glue” is the ability to interface comfortably with business unit heads across the company.

Today, every organization is being forced to work and think differently in order to achieve the growth and results that seemed almost easy to come by even five years ago. For this reason, it’s more crucial than ever to think broadly, and be able to effectively communicate your vision, whether you’re presently a CFO or you aspire to the office one day. While time spent at a Big Four public accounting firm is valuable, companies are now looking for candidates who can draw upon a breadth of experience and consider the whole picture, while simultaneously being able to rally the entire company to the cause — building investor value — with exceptional communication and leadership skills.

Getting priorities in order.

We asked over 800 executives and business leaders across the accounting and finance industry, “What is your top priority for this year?” Here is what we found:

46% Search out challenging opportunities to change and improve productivity and results
18% Retain and develop my team
15% Strengthen individuals by assigning critical tasks and supporting others
10% Foster collaboration
5% Celebrate team accomplishments more
5% Other

The modern CFO =

Increased responsibility +
Greater scrutiny +
More regulations +
Fewer resources
Mark Castaneda is the CFO of Primo Water, a role he has held since March 2008. A certified public accountant by training, Castaneda began his career at Deloitte & Touche, later broadening his work as controller at a private company where he served a consultative role in operations and strategic planning. Over the years, Castaneda has built his expertise in acquisitions and IPOs, taking Blue Rhino Corporation public in 1998 during his seven-year tenure at the company from 1997 to 2004, and lead an IPO for Pike Electric in 2005 and most recently, Primo Water, which completed its IPO in late 2010. He brings more than 15 years of experience as CFO of companies including Tecta America, Inc. (a private national roofing contractor), and Interact Public Safety (a private software company).

What are the key challenges facing CFOs now? How do those challenges differ from five years ago, and how do you think they will differ going forward?

We’ve come through the Great Recession, which has changed people’s mindset and the business environment dramatically. The old ways of forecasting have changed, making day-to-day business more difficult to plan, and the uncertainty level is much higher than any other period I can remember in the past 20 years I’ve been in finance. We’ve certainly had to brainstorm more creative financing options. For example, over the last few years there was no growth capital available, so we decided to go public. I’ve taken two other companies public as a CFO in 1998 and 2005, and this time was different. In the SEC’s effort to protect investors from risk, the requirements of filing have become extremely complicated. CFOs today have to be much more concerned about risk management because there are people out there looking to sue you.
As a result of the recession, are you now involved in parts of your company’s business that you weren’t before? How do you think this will change your career and your organization moving forward?

The CFO today plays four roles, which I view as a kind of hierarchy. At the base is the accountant, who is the foundation and the steward of the assets, making sure your reporting is right and handling all the basic blocking and tackling. The next level is an operator role, turning accounting data into meaningful metrics. The accounting process is built around financial reporting, and not necessarily around running a business, so this is the level that gives meaningful information to the business operators. The third level is a strategist, which is especially important with the level of complexity everyone faces today. The strategist enhances business performance, makes an impact and creates value. He understands the numbers, but also understands the business as a whole and the competitive landscape. He’s the voice of reason. With the limited resources that companies have, the strategist helps everyone understand how to best use our capital, human or monetary, to create value. The final level is the catalyst, a leader who sets the culture for execution, much like a COO, and promotes financial literacy and values discipline. He’s the voice of reason. With the limited resources that companies have, the strategist helps everyone understand how to best use our capital, human or monetary, to create value.

The evolving role of the CFO

What are the four roles of today’s CFO?

- Accountant
- Business Operator
- Strategist
- Catalyst

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What are some of the important business lessons you’ve learned that will be applicable in the future?

You are your credibility. That’s always been true, but it’s more important today in our new, transformed environment where there are more losers than winners. When things go south you must be more transparent than ever before. We used to simply talk about the importance of transparency, but now we have to consistently remind people of it, and show it, act it and live it. It’s much more critical today than it was even five years ago.

What are your current business priorities?

Growth is our number-one priority. We will spend more time and effort on regulatory activities than we did with the Blue Rhino IPO in 1998 because in this environment, everything is subject to a much higher level of scrutiny. However, we will continue to focus on growth.

What skill sets, tools or technologies do you think will be important in the next decade?

Everyone needs to know the basics. The differentiators will be understanding the business and really knowing your industry. You need to be the voice at the table that says, “I think we can create value by doing this,” or “Have we thought of this?” Having more of an operations bent with the financial acumen to back it up is very important. The other crucial skill is having a strong understanding of technology and how to leverage it because it’s changing every day. It’s clear, for example, that smart phones will change the way business operates in the future.

What does the role of a CFO look like in 2020?

If you look at accounting departments over the last 20 years, 90 percent of the time was spent getting the accounting done and gathering the information before computers really came into play. As technology and processes improve, there will be a shift in the use of our time. Just 20-30 percent of our time may be spent preparing financial statements, and we will focus more heavily on higher thinking — on analysis and improving the business.

What career advice would you give to those who are looking to climb the accounting/finance career ladder?

The best advice I ever got was to do your boss’ job for him to make his job really easy. You also have to do “extra credit” work — you have to do the homework. It’s much easier today with the Internet, so go to meetings informed, and be prepared to inform others to differentiate yourself.

How do you determine success beyond revenue, EBITDA, sales, balance sheet?

I think, as people grow and get older, their measures of success change. Early on, my goals were to get the CFO job, then try to be successful in the position and create value within the company. The ultimate measure of a CFO is his role in helping to create value, and this includes contributing to society. At Primo Water, we work to eliminate landfill waste from water bottles — a solvable problem if we can convince people to drink from reusable bottles. I think it’s important to try to give back to the world.

The CFO has absolutely taken on a greater communications role. There are so many more constituencies that you’re working with today — being able to craft the message and communicate clearly is much more important than it used to be.”

Mark Castaneda, Primo Water CFO
The evolving role of the CFO

Mark Stull
Liberty Hardware

Mark Stull has been CFO of Liberty Hardware since 2006. Stull made his foray into the manufacturing world when he joined Bose in 1994. As controller, he focused on supply chain and manufacturing. After joining Qualcomm in 1998, his responsibilities expanded across every phase of product development from concept through engineering, forecasting, manufacturing and sourcing. He was also involved in strategic business development at the company, facilitating various deals in the U.S., Asia and Europe. He began his career as a certified public accountant.

How will regulatory changes, risk management, compliance reform, etc. affect CFOs within the next year, five years and ten years?
The post-Sarbanes-Oxley (SOX) and corruption era has unfortunately forced compliance front and center. In the 1980s, everyone felt they had a very healthy perspective on internal controls. There was a broad-based understanding of the importance of internal controls, and that they were based on good, solid business practices. In the 1990s and the early 2000s, things went downhill to a point where auditors were no longer even testing internal controls, instead relying on management representations of their effectiveness. Today, while it’s great to have focus back on internal controls, I believe the pendulum has swung too far in the other direction. We spend an inordinate amount of time devoting staff to compliance and regulatory issues that we have to hire additional staff to focus on business issues. It has swung to a place beyond balance. I think it will come back, but it’s going to take time because of the corruption scandals that took place during the SOX era.

What are the key challenges facing CFOs now? How do those challenges differ from five years ago, and how do you think they will differ going forward?
There has been a shift back to focusing on cost structure and working capital. At our economic peak in 2006-2007, a CFO’s focus was harvesting the fields and ensuring maximum benefits of a healthy top line. In the downturn, it’s increasingly important to look at the middle of the business, to make sure the cost structure is optimized and healthy, as well as carefully managing cash flow. Investing activities need to be much more risk-free and have a much faster pay-back time.

As a result of the recession, are you now involved in parts of your company’s business that you weren’t before? How do you think this will change your career and your organization moving forward?
Shortly after becoming CFO, my role was broadened. The team now consists of IT, planning, and strategic business planning and analysis, largely because my past includes work across a number of different functional responsibilities. My responsibility areas might be different from those of a typical CFO, but I think the CFO role today is more complex than people realize — we’re not just the accounting gods anymore. We’re expected to be involved in all aspects of the business to optimize profitability and pursue growth for the least amount of risk.

What do you think the CFO role will look like in 2020?
My prediction is that the CFO role will continue to evolve in the way it has over the last five years. The stereotypical CFO role has been transforming into more of a COO role, but with the added responsibility of finance and accounting. I feel this has been a movement for some time that will likely continue, but we need to get back to the idea of compliance as a means to ensure healthy business practices in order for CFOs to continue taking on more responsibility.

What career advice would you give to those who are looking to climb the accounting/finance career ladder?
Learn leadership and communications skills. In my view, CFOs that have difficulty being influential grew up through the accounting/finance channels, but never developed selling skills or leadership and communications skills. Also, you have to learn the business. Don’t be the bean counter in the corner office. To ascend to a CFO position, you have to find a way to be on the front lines so you can speak the language across the business. Once you have the technical ability, you have the opportunity to fine tune your influence and leadership skills.

What are your current business priorities? What do you think they will be in ten years?
The one thing you have to recognize as a CFO in this era is that compliance has to be a top priority. You cannot afford to de-emphasize it for growth or driving profitability; it has to maintain an equal seat at the table. Compliance is just as important as everything else that we’re being asked to do. I also think CFOs need to balance the compliance responsibilities with a requirement to be a business partner that helps evaluate and drive growth opportunities, while minimizing risk. CFOs will have to get really good at using both sides of their brains.

How do you determine success beyond revenue, EBITDA, sales, balance sheet?
For me, success is being part of a team that does exceptional work. That team could mean the entire business, the accounting and finance team, or the leadership team. And success will also someday mean that the people who worked for me or with me would look back on our time together as a positive experience — that they learned from it and were given the opportunities they were looking for. Win as a team and have some fun doing it!

What does the role of a CFO look like in 2020?

Win as a team and have some fun doing it!
The evolving role of the CFO

Michael Kelly was appointed CFO of Piedmont Pharmaceuticals in July 2009. Following his undergraduate education at Cornell University, Kelly began his career in sales. He earned his MBA from Harvard Business School followed by four years working in Switzerland in new ventures and business development. He then moved onto strategic planning, marketing, and finally into finance management and controller positions. Most recently, he served as CFO of the North American Animal Health Division of Novartis and their Global Manufacturing Function.

What are the key challenges facing CFOs now? How do those challenges differ from five years ago, and how do you think they will differ going forward?

I don’t think the challenges are new, but the emphasis has changed. There are 25-30 things that CFOs are thinking about, and several things have come to the forefront in light of recent events. First, with the collapse of Lehman Brothers and the housing market, risk management has risen to the top of the list for CFOs. Before the “Great Recession”, many businesses were over-leveraged, but given what we’ve gone through, leverage has gotten a significant rethink. CFOs have been historically conservative, but now they are reducing the debt on their balance sheets.

Finally, while businesses have focused on growth for a long time, we now have to rethink how we’re driving profitable growth. Everyone must sharpen their pencils in terms of marketing and sales activities, and think long and hard about how to drive additional growth.

As a result of the recession, are you now involved in parts of your company’s business that you weren’t before?

The need to maintain the bottom line and all the control issues makes the CFO the solid right-hand person of the CEO. The CFO also has to take a very broad look at the organization and be a key driver of business strategy. This has definitely taken on a new level of prominence in recent years.

What skill sets, tools or technologies do you think will be important in the next decade?

Coming from a non-traditional background, I feel that big-company CFOs tend to have a lot of depth in their finance function, but not as much breadth. Conversely, small companies want more breadth in CFOs as opposed to depth. When I hire, I want a breadth of experience particularly in my financial analysts, while on the accounting side I am looking for breadth as well as small business/start-up experience — a better sense of how accounting fits into the business. I look for skill sets that are perhaps not typical of other CFOs, but it’s all in the interest of building value for investors by building a business savvy staff.

What career advice would you give to those who are looking to climb the accounting/finance career ladder?

If you have an opportunity to work internationally, especially for a larger company, take it. And a three-year engagement, rather than a one year stint, will give you a tremendous amount of depth and breadth. You should be looking for different experiences in your career so you continue to build a very solid base of business knowledge.

What does the role of a CFO look like in 2020?

The role of the CFO is not going to be a whole lot different than it is today — the question is going to be, of those 25-30 CFO priorities, which ones will have more or less emphasis? There are two areas that will continue to gain prominence as we head toward 2020. The first is focus. In this increasingly complex environment, companies have so much going on that the focus piece is really important: what are the few things that really need to be done exceptionally? The other is innovation. It’s one of the hallmarks of American companies, but it will be a significant driver in the next century. Very innovative businesses are constantly challenged to maintain cutting edge advancements. The pharmaceutical industry is a great example of that.

How will regulatory changes, risk management, compliance reform, etc. affect CFOs within the next five years and ten years?

If you go back five years, the hot topics were Sarbanes-Oxley and the collapse of Enron, which changed the whole control environment that CFOs faced. CFOs have adjusted to that, but nevertheless, the overall complexity of our business has continued to make the operating environment more challenging. We’re working at a higher level, but the complexity continues to evolve.

How will you determine success beyond revenue, EBITDA, sales, balance sheet?

Overall leadership skills are a very important part of the job. I’ve gotten tremendous satisfaction from building teams and watching people develop. I’ve recruited for project management positions across a number of business areas, including IT and finance. It was very satisfying for me to see people build these cross-functional leadership skill sets based on running projects.
Anthony Frabotta has held the position of CFO at Atlas Tube since January 2007. Previously, he served as director of operations for the company, overseeing every division from manufacturing to planning to shipping. Frabotta describes the experience as “invaluable” in building a foundation for his current role, as it provided tremendous insight into how each division of the company works individually and together. Prior to joining Atlas, he spent two years at TransUnion. Frabotta is a graduate of the University of Illinois at Chicago.

What are the key challenges facing CFOs now? How do those challenges differ from five years ago, and how do you think they will differ going forward?

The fallout from corporate debacles like Enron has meant that the CFO is now more responsible than ever for managing compliance and regulatory issues effectively, a task that consumes an enormous amount of time and requires many qualified people. At the same time, the CFO has assumed a much more visible role, which means it’s crucial that he/she be a strong communicator. People want to hear what the CFO has to say, which means he/she has to have a firm handle on everything that’s happening within the company.

What are some of the important business lessons you’ve learned that will be applicable in the future?

Given the growing pressure on companies — and CFOs in particular — to answer to a range of audiences, it’s more important than ever that the CFO know what’s going on in every part of his or her organization, and that he/she be able to communicate effectively. The days of the CFO focusing mainly on reporting and presentations are long gone — the CFO now shoulders a much broader load of responsibility. Today’s CFOs must have a breadth of past experiences as they are charged with understanding the company as a whole to make strategic decisions that build value for investors.

How will regulatory changes, risk management, compliance reform, etc. affect CFOs within the next year, five years and ten years?

The increasingly stringent regulatory environment means that, going forward, as the strictest compliance and transparency measures become standard practice, organizations will need more and more qualified talent to manage those processes. Staying on top of these regulatory and compliance issues takes a tremendous amount of time.

What does the role of a CFO look like in 2020?

The idea of the CFO as a true and trusted communicator above all else is one that will continue to evolve through the next decade. In the past, the role of the CFO was mainly reporting — you were really more of a scorekeeper than a businessperson. Now, CFOs have to be able to communicate effectively with a range of audiences — not just their own staff, but other departments, as well as external audiences like investors and the media. More and more people want to hear from the CFO, in addition to the CEO.

While CFOs continue to forecast high unemployment nationwide (on average, predicting at least nine percent for the next six to 12 months), hiring prospects at their own companies paint a positive picture. More than half (57%) plan to hire additional employees within the next six months.
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The CFO has to wear more hats today than ever before, and often operate with vastly fewer resources. Being effective in this challenging environment means recognizing what roles are expected of you, and approaching each with a clear focus on what you want to accomplish. Here is a list of skill sets, combining both “hard” and “soft” skills, that CFOs need to differentiate themselves from the rest of the pack, gleaned from Parker + Lynch’s experience in both working with and counseling finance pros.

Criteria for CFO success.

Be a master communicator. The ability to articulate ideas to a range of audiences is more important than ever. Being able to lead teams, build consensus, motivate people, and illuminate your vision against the challenging backdrop of uncertainty most companies face now is crucial. If your communication skills are lacking, consider working with an executive coach, or taking a management course through a school of continuing education.

Be a business generalist… to a degree. More and more, companies are looking for finance professionals who boast a diverse range of business experience. Make an effort to gain some experience in a range of jobs across different operating units of a business, so you can understand how they all work together and how the finance function impacts them and unites them all. Within finance, seek opportunities beyond financial reporting and tax. Familiarize yourself with the basic functions of risk management, treasury, human resources, and IT.

Be an adept translator. Given that the entire accounting process in the U.S. is built around financial reporting, and not necessarily around running a business, it’s crucial that the CFO be able to translate numbers into meaningful information. CFOs must be able to relay key learnings to all the operators within a business, including the CEO, so that all the functional heads can understand how to fuel growth across the organization.

Be transparent. Today, the credibility of the CFO is the foundation upon which entire companies rise and sometimes crumble. Own up to mistakes, and lead by example by demonstrating integrity and ethics in everything you do.

Be a thoughtful strategist. Make a conscious effort to think strategically at every turn and to view your organization holistically. Embrace opportunities to work within other departments and business areas so you can understand how the entire company works together; then use that knowledge to make informed decisions that create value.

Be informed. Staying abreast of developments within both your industry and the broader landscape of regulatory and compliance requirements is imperative, especially in such a complex operating environment. Given that this regulatory framework is ever-changing, it’s crucial to know the latest developments from the FASB, SEC, and other regulatory agencies. Make it a point to stay apprised of the latest news coming out of these organizations, and do your homework by reading trade publications that address both finance and your specific industry.

CFOs are showing increased concern about the global economy. The Q2 2011 CFO Optimism Index for the U.S. economy declined by nearly five points (from 64.10 to 59.00), and the outlook for their own companies remained consistent with the previous quarter (72 in Q1).
Very few people, CFOs included, are willing to hazard a guess as to where the economy is headed next. However, the momentum of the CFO position is easier to forecast—it’s a role that’s becoming more multi-faceted with every passing day, and more complicated by a regulatory environment that many CFOs view as stifling and excessive. That said, the newfound visibility and expanding responsibility of the CFO means it’s a more dynamic position than ever before. And it’s a role that requires an increasing amount of attributes—namely, communications and leadership skills—as well as a need to think broadly and holistically across your organization.

Finance professionals who aspire to the CFO office should learn their business inside and out, and be open to exploring related opportunities beyond accounting. Today’s business environment requires an unprecedented amount of agility and acumen, and a breadth of experience. It’s clear that in many respects, the sky is the limit now for the CFO, and he or she has the opportunity to create a role that’s part COO and CEO.

For more information on how to succeed in an accounting or financial management role in the new economy, please contact your local Parker + Lynch representative today.