

BUSINESS GUIDE

The 7 Habits of Highly Effective CFOs

Technical and Behavioural Skills to Lead Your Business Forward





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The days when the chief financial officer was primarily responsible for internal controls and compliance are long gone. While financial discipline remains critical, today's CFOs have far more responsibility than their predecessors did, playing key roles in developing strategy, fostering innovation and driving growth.

As their role expands, CFOs face challenges their predecessors never encountered: labour shortages, social and environmental concerns, ransomware attacks, increased regulation and global competition to name a few. Coping with these challenges requires knowledge and skills earlier CFOs were once able to outsource to peers.

CFOs are also more visible, both internally and externally, than they were in the past. The green visor and insular persona of the bean counter stereotype doesn't apply today — if it ever did. To be effective, CFOs must be both personable and analytical. They need to be excellent communicators who exude credibility and are confident discussing any aspect of the business, not just the financials.

This business guide illuminates the habits that effective CFOs use to meet the high expectations and demands of their ever-expanding role.

Focus on Long-Term Strategic Goals

Originally, chief financial officers were primarily responsible for maintaining accurate financial records and ensuring compliance with accounting rules and regulations. As a result, their views of the business were confined to the data needed to produce financial statements, which meant they only knew what happened in the past. The CFO was largely left out of daily operations, so this historical perspective was sufficient.

Today, however, the CFO role is much broader and often includes oversight of functions like human resources and information technology. CFOs now play a pivotal role in developing and implementing corporate strategy. These changes mean they can no longer afford to be rearward facing. New responsibilities require a forward-looking view that anticipates the needs of the company.

The most effective CFOs understand the importance of taking the long view, resisting the temptation to improve short-term financial results at the expense of long-term growth initiatives.

Adhere to a Strict Code of Ethics

After the financial scandals and deep recession of the 2000s, corporate boards turned to CFOs as they sought to gain better insight into the financial health of the businesses they oversaw. The turmoil brought on by the pandemic has once again put chief financial officers in the spotlight, with stakeholders looking for clear signs that companies have weathered the storm and are returning to growth.

As a key spokesperson for the business, the CFO is just as responsible for managing expectations as the CEO, perhaps more so. Because confidence requires trust, effective CFOs understand that to succeed, they must be completely transparent when discussing financial results with board members, investors and other stakeholders, avoiding the temptation to make results seem better than they are, either by over-emphasising positives or glossing over negatives.

They also recognise the importance of promoting and maintaining the highest ethical standards across the organisation, ensuring full compliance with government regulations and accounting rules.



In short, the most effective CFOs provide a moral compass for the business.

Build and Maintain Relationships

First and foremost, the chief financial officer must have a solid working relationship with the CEO. Good relationships with other C-suite executives and direct reports are also important, of course. Without them, it's difficult for CFOs to accomplish anything. The most effective CFOs don't limit their interactions to the people they work with most. Rather, they strive to build relationships at all levels within the organisation and across all departments because they realise a strong internal network will give them insights into company performance they can't get from financial data alone.

A chief financial officer must also build relationships with board members and key stakeholders outside of the company. In the past, boards tended to rely on the CEO as their primary source of information about business performance. In the wake of the 2007–2008 financial crisis, however, board members demand greater transparency and look to CFOs for insights into financial performance. These demands have increased with the pandemic. Today, directors expect the CFO to provide a rational perspective on the state of the business as a counterpoint to the unbridled optimism CEOs often exhibit. Effective CFOs create a direct, open line of communication with each board member and build relationships based on mutual trust. This is the only way to establish and maintain the credibility needed to meet directors' expectations.

Finally, the most effective CFOs also engage with customers, vendors, community leaders and other external stakeholders. No company is an island; each exists within a larger ecosystem. Building relationships with other members of this ecosystem helps ensure the business succeeds.

Identify Opportunities...not Just Risks

Controlling costs is always important, and chief financial officers are ultimately responsible for the financial health of their organizations. CFOs see it as their job to protect the company by preventing money from being misspent, leading some to refer to their CFO derisively as the "CFNo." Consistent negativity makes it difficult to build positive working relationships.

The most effective CFOs are just as focused on long-term growth as they are on financial controls, and they evaluate opportunities on the basis of potential revenue as well as costs.

When discussing a new initiative, they assess the possible benefits first and, if feasible, attempt to quantify the value with the goal of ultimately funding projects that will grow the company. When pointing out risks, they also propose ways to minimise them if possible. And if they ultimately have to object to a deal, smart CFOs use data to support their position. It's not always possible to avoid heated discussions, but a logically sound argument backed up by solid data can mitigate the effects of emotion and intuition that so often lead to bad decisions.

Develop and Engage Your Team

Great leaders surround themselves with great people. Effective CFOs not only look for people with the right skills and experience; they prioritise intangible qualities like passion and work ethic. And with the growing importance of data analytics, many CFOs seek out candidates who display intellectual curiosity as an essential characteristic.

Given that demand for finance and accounting talent always seems to outpace supply, it's also critical to keep good people. Chief financial officers who understand the importance of engaging with all team members do better at retaining key talent and treat voluntary turnover as a negative indicator of performance.

The best CFOs emphasise transparency. They make sure staff understand corporate strategy and provide as much information as feasible during periods of disruption or uncertainty.

They actively solicit input on departmental policies and decisions and ask for feedback on their own performance. And while not every company has the ability to provide skills training, effective CFOs look for ways to help staff members develop professionally.

Scan the Horizon for What's Next

As a trusted adviser both to the chief executive officer and board of directors, today's CFO must constantly scan the horizon for emerging trends that may affect the business. With stakeholders increasingly concerned about the social and

environmental impact of companies they invest in, for instance, CFOs must look for ways to monitor and improve performance in these areas.

They must also pay attention to both the competitive and political landscape, preparing their organisations to respond effectively to market threats or pending legislation. And perhaps most importantly, the CFO must stay up-to-date on the latest technology. Once relegated to the IT department, technology decisions increasingly fall under the CFO's scope, especially in organisations that lack a chief information officer.

While blockchain, artificial intelligence and edge computing get much of the press coverage, finding ways to make better use of existing data is a higher priority for most CFOs.

Become Data-Driven

Business intelligence and advanced analytics underpin many of the habits the most effective CFOs exhibit. Though underutilised, organisational data is an important asset that, when fully leveraged, can be a source of competitive advantage. With the right data, the modern CFO is better equipped to perform the kind of cost/benefit analysis required to make smart investments, including acquisitions. It also helps neutralise, or at least make visible, any bias that may impact both C-level and line-of-business decisions. To avoid the risks of intuitive or emotion-based decisions, CFOs must have good data at their disposal.

Highly effective CFOs make data and analytics a priority for themselves and their teams. They prioritise new skill sets, from data science to designing analysis procedures that enhance traditional accounting roles. They also advocate for and adopt digital platforms, like enterprise resource planning (ERP) and customer relationship management (CRM) systems, which not only provide them with real-time business-wide data

but also simplify and optimise the operations from which data flows. “Long, linear paper presentations are designed to keep things opaque,” observed one CFO. “Digital sets the truth free.”

For data to drive organisational improvement, CFOs must make a habit of using it to improve processes and drive innovation — even if that means causing some discomfort among their peers. Data-driven improvements often require fundamentally changing how departments operate. To get there, CFOs need to advocate to hire people with the right skills, provide operational support and adopt technology that can enable this data-driven vision.

Conclusion

In an era where transformation and innovation are being mandated from all corners, the CFO role has changed. One trait that sets effective CFOs apart from their peers is a relentless focus on innovation. They are constantly looking for ways to improve operational efficiency, increase workforce productivity, forge lasting customer relationships and accelerate growth.

Developing habits that enable them to meet disruption head-on requires a commitment to conversations with customers and constant analysis of the organisation’s data, identifying the real challenges based on those insights, formulating a plan and investing in technology platforms that solve those challenges at scale. Finally, effective CFOs build ties with leaders in IT, marketing, HR and beyond. They share data as means to enable a common culture of innovation.

The highly effective CFO succeeds not just because they embrace innovation, but because they use it to achieve the organisation’s financial and business goals.

With the right data and technology platforms at their disposal, CFOs can navigate future risks with foresight that few other C-suite members possess. Their role should be to safely lead the business forward — not hold it back.





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