

# TIPS *from* LauberCFOs

## What is a CFO?

Occasionally we are asked:

- What is the difference between a controller and Chief Financial Officer (CFO)?
- What separates the really good CFOs from the rest of the pack?
- What is *The CFO Advantage*®?

The role of CFO can differ from company to company depending on type and size of the business. However, one constant is the CFO is an integral part of the senior management team.

The designation of CFO goes beyond titles and functional responsibilities. It indicates a level of overall competence and contribution. The answers to the above questions lie in understanding the **Art versus Science** of internal financial management.

Much is written about the **Science** part, i.e. the functional duties. The contributions in this area are fairly easy to identify and measure.

- Financial Statements
- Cost Accounting
- Credit & Collection
- Internal Control
- Supervising the Accounting Staff
- IT or HR Responsibilities
- Banking
- Special Analysis and Reports

The **Art** portion of the CFO role is much more subjective in nature and is defined in terms of:

- **Strategic Perspective** – the CFO along with the other senior managers are responsible for setting the strategic direction of the business. The CFOs unique role is to quantify and articulate this vision.
- **Credibility** – since the CFO is the financial spokesman and an advocate for the business he or she needs to be trusted. They must set the standard for ethical behavior within the organization.
- **Stewardship** - safeguarding the companies assets is key. The CFO must be able to astutely evaluate risk, taking steps to minimize the risks including insuring where appropriate.
- **Proactive** – the CFO role needs to have a tri-focus: historic, current, and future. Most financial professionals are able to effectively deal with the historic and current time frames. The really successful CFOs have a unique ability to quantify the future and prepare their organizations to capitalize on it.
- **Insightful Response to Circumstances** – the good CFO can look at a set of circumstances and identify the risks and opportunities. They instinctively know what additional input is needed and where to get it, to enable their organization to be in a position to make superior decisions.
- **Architect of Capital Structure** – often considered the most important responsibility of the CFO; ensuring adequate capital is available for the business to achieve its goals. This role varies significantly from company to company and

includes managing internal cash, bank borrowing, procuring venture capital and tapping into public or private debt / equity markets.

- **Fortitude** – the CFO position is not for those who prefer the path of least resistance. The CFO needs the strength to stand firm even if the message is unpopular. The successful ones accomplish this without becoming rigid.
- **Interpersonal skills** - tact, negotiation, and well-developed communication abilities are important for CFOs in building strong relationships both within and outside of their organization.
- **Inquisitiveness** – constantly seeking answers is a trait shared by most successful CFOs.
- **Understand the non-financial areas of the business** – financial plans cannot be made in a vacuum. An understanding of how financial plans

will impact the broader organization and how the functional areas will contribute to the plans is critical to their success.

- **Interpret and explain** – many financial concepts are not easily understood. The CFO must be a teacher within the organization to ensure everyone is on the same page.
- **Maintain External Relationships** – the experienced CFO will be responsible for maintaining the external professional relationships of the business. This includes having a backup plan if any of these relationships need to be changed.

These traits are shared by successful CFOs in small privately held businesses and fortune 500 companies. It is not the functional skills that define these professionals, rather it is a unique perspective that they bring to their organizations that embodies **The CFO Advantage®**.

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