Quest Masterclass

Chief Financial Officer: Architect of The Corporation's Future

Chief Financial Officer: Challenges & Solutions

The role of CFO has seen a massive change in the past 2 decades. Earlier their duties comprised of reporting the numbers, managing the financial function and being reactive to events as and when they unfold. But today, they need to apply critical thinking skills along with financial acumen to achieve the milestones set in the organization. The role of a CFO also includes being a team leader not only to the employees working inside the financial function but also to those working outside. The CFO is responsible for exploring the key strengths of his team members and obtaining higher level of performance than the individuals might achieve on their own. Let's have a look at the challenges that CFO's face and ways to mitigate them.

How to Build An Effective Enterprise Financial Management

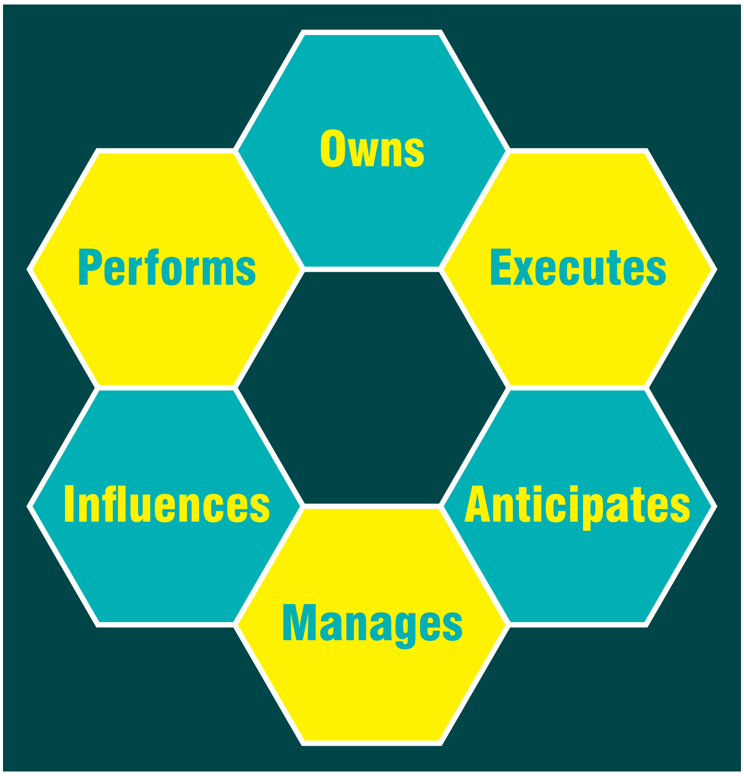
A poorly performing organization needs to revamp its leadership team. If a company fails to do that, the failure seeps all the way down the organization. Creating an effective enterprise financial management structure is very challenging. Let's study some of the reasons that cause this:

Weak Financial Management Culture - Causes

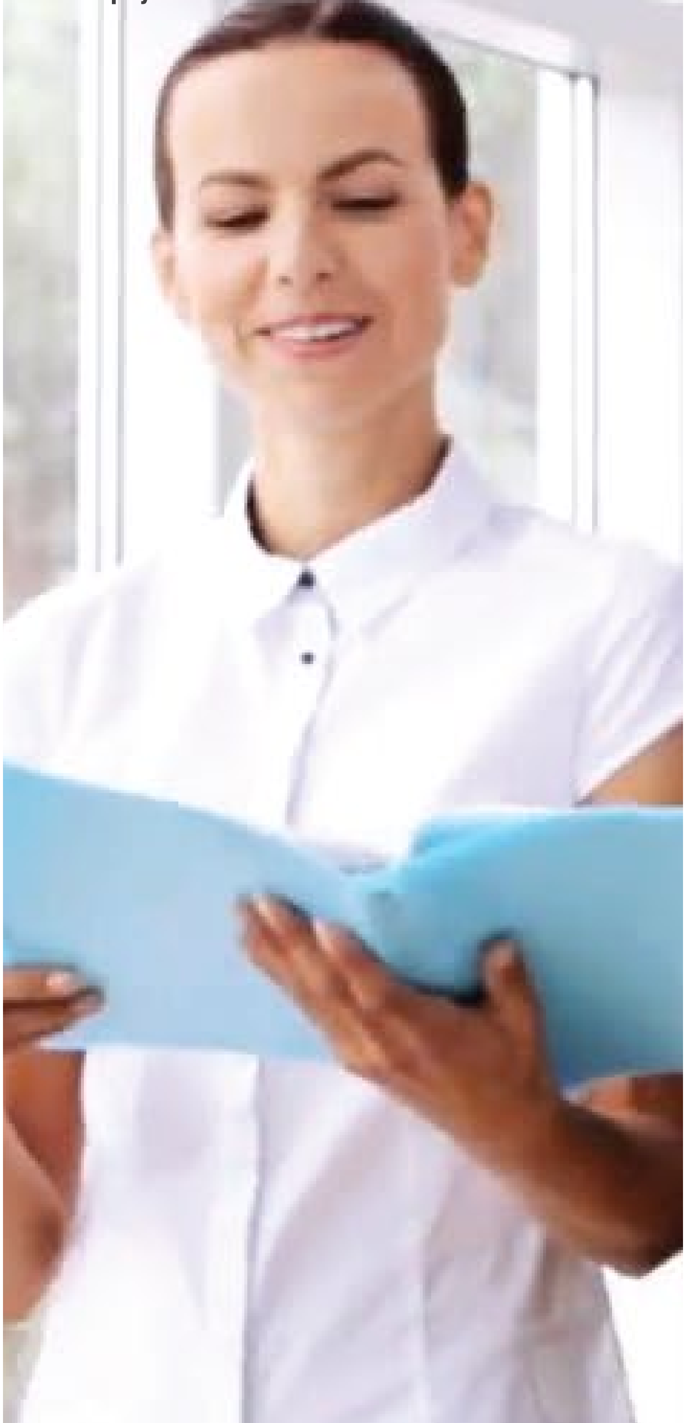
Failure to Implement | Suits Some People | Maturity | Failure to Invest | Commu-nication | Leadership

1. Transparency about financial performance and accountability suits some people, which is why human complexity is one of the main causes of Enterprise financial management failure.
2. It also depends upon the level of maturity. A business that has been badly managed for years often blame different departments of an organization such as HR function, IT function, Finance function etc.
3. People who make the most noise are those who do not take up any leadership responsibility and are unwilling to invest in ancillary functions that support the leadership department.
4. If duties aren't delegated and communicated properly to the employees, it can lead to a major failure.
5. Under-investment in leadership is one of the main sources of poor performance, thereby producing losses.
6. If assigned resources are not implemented correctly and judiciously, it leads to failure

An Effective Financial Management Culture Consists of The Following:



1. Comprehends and **OWN** the financial targets and their role in achieving those targets.
2. Cognizing and **EXECUTING** the things that need to happen to accomplish the set targets.
3. **ANTICIPATES** the problems that may hinder the performance and taking actions to mitigate them.
4. **MANAGES** the difficulties and communicates issues before opportunities are missed.
5. **INFLUENCING** and communicating Key Performance Indicators that display traction on the things that matter.
6. Fathoms the effective linkage between **PERFORMANCE** and pay.



5 Ways to Build A Strong Enterprise Financial Management Culture (EFMC)

A CFO needs to establish the right financial environment for the company because it is the corporate culture that attracts and retains skilled employees. Top performers want to be a part of a company that provides support from high level executives, whenever required, and rewards for good performance. Below are 6 ways that a CFO can contribute in building such a culture:

1. Developing The Right Financial Growth Plan for The Year

The main objective of a CFO is to pave the right financial growth plan for a company. For this, they must develop a team of analysts who can build a solid fact base around the company's businesses and its parallel markets. Smart CFO's use this fact base to indulge into strategic conversations with the rest of their management team. The CFO also evaluates and selects the best investment opportunities for the company ranging from capital investments to acquisition opportunities to ensure the highest returns. Moreover, it would not be wrong to call the CFO as the Chief Metrics Officer as he can provide critical data regarding compliance, balance sheet management, treasury, and account related details to the CEO, Head of Sales, Head of Operations, and business unit leaders. In summary, CFO's have to constantly determine the growth opportunities, chart out a feasible financial growth plan and ensure that is achieved in the given time period.

Building A Financially STRONG Business

Keys You Can Apply Today To Promote Solid Financial Growth!

Tackle Your Financial Ability

1. Have cash balance equivalent to 1 month of operating expenditure
2. Determine your cash flow weaknesses and fix them
3. Build an authentic financial forecast for the next 3 quarters.

Build A Financial Safety Pond

1. Finish your bank line down to zero
2. Begin reducing your personal guarantees
3. Create a pool equivalent to 3 months of operating expenses

Grow & Relish Financial Success

1. For sustaining capital expenditures, rely on existing cash flow.
2. Pay your remaining debt as early as possible.
3. Recompense the owners with cash.

2. Need to Manage The Impact of Change to Ensure Stability & Growth

In this ever changing world, risks and instabilities threaten the survival and growth of a company. Factors such as competitor's activities, currency fluctuations, expeditious technological developments, new compliances and sanctions, challenges in product innovation, equipment failures, and pricing strategies increase the volatility of the market. This often leads to less earnings and reduced cash flows. To avoid falling in this trap, CFO's need to study the critical business drivers diligently and equip themselves with relevant data. Instead of adhering to budget commitments, they should use rolling forecasts to evaluate performance based on current conditions. They should implement early warning systems and deploy sensitivity analyses to take into account the risks that determine the planning assumptions. Most importantly, a CFO must always be ready with myriad contingency plans and adequate financial reserves to increase the flexibility of the company while it faces countless challenges in this ever changing financial environment.

3. Creating A Financial Culture That is More Transparent & Trustable

Since the global financial crisis, there has been an issue of 'trust-crisis' in the business world around the globe. Today, in the hyper-connected world, the financial impact of such events is often inordinate and elongated. CFO's need to keep a close watch on not only the legal compliances of the organisation. But also on the Corporate and Social Responsibilities (CSR). Unfortunately, it has been found that there is a deep disconnect between the various stakeholders including financial regulators, investors, employees and customers. This leads to erosion of trust between the company and the various stakeholders as it raises a question of the extent to which organizations have a responsibility to address this. Companies should try to fill this trust deficit as soon as possible as it allows better communication with stakeholders which ultimately helps the organization to focus on its long-term strategy.

Companies That Demonstrate Higher Level of Transparency Are More Likely to be Trusted by Stakeholders Including The Customers, Employees & Investors.

4. Building A Financial Culture That Embraces Technology

CFO's need to bring technology into the mainstream finance function. This step will make Finance more insight driven, agile, and future focused. In recent times, the mobile payments industry has expanded exponentially and companies like Freelancer and Uber are behemoths that have emerged as a result of it. This has made it possible for people to work completely remotely and hence has strengthened the outsourcing culture, wherein, a company need not hire an expensive in-house employee but rather outsource the work to others at an economical rate. CFO's can also ensure that their data is secured and create many backup copies by making use of cloud computing. Also, with Blockchain rising to power, CFO's can further cut costs by distributing ledgers. Moreover, with the introduction of crypto currencies, companies can work to create their own form of alternative currencies that will decentralize finance even further.

4 Forces Disrupting The CFO Role

Digital
58%
CFO's Believe That They Need To Expand Their Knowledge About Digital Technologies

Data
57%
CFO's foresee that analytics and delivery of data will play a key role in tomorrow's financial function

Risk & Uncertainty
57%
CFO's think that risk management practices will play a vital role in the times to come

Stakeholder Scrutiny & Regulation
71%
CFO's will readily take responsibility for the ethics of decision making to attain their company's long-term vision

48% of CFO's Think That Digital Technologies Will Fundamentally Change Finance

5. Build A Balanced Scorecard & Evaluate KPI's According to it

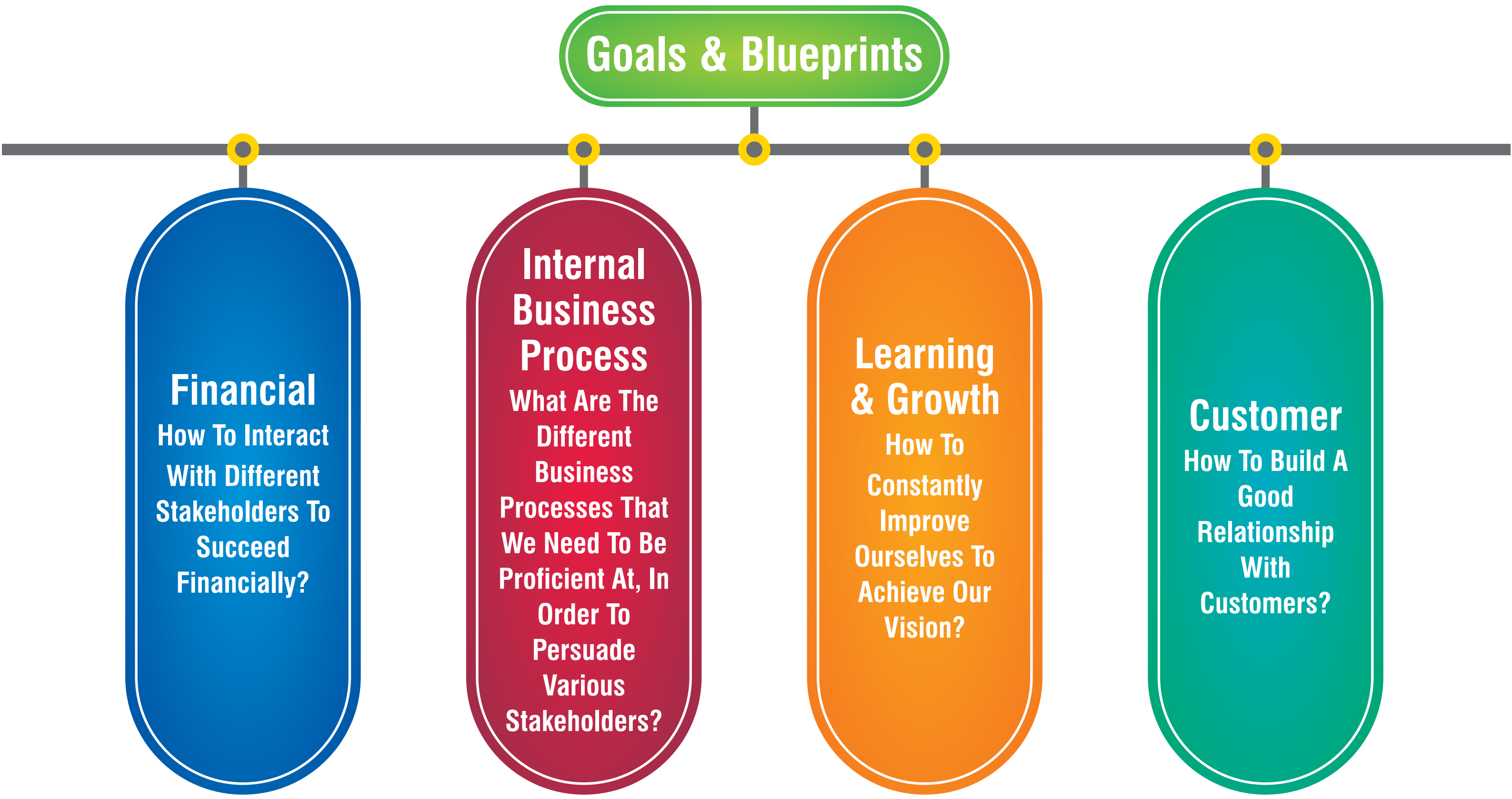
To help companies effectively manage and track their progress, Key Performance indicators (KPI) are used. These KPI's are evaluated according to a balanced scorecard that helps align the workforce with the company's long term vision. CFO's must evaluate customer satisfaction, financial performance over a period of time, internal operational goals, and innovation that will drive the company into the future. Kaplan and Norton, creators of the Balanced Scorecard, have paved down 4 critical processes for strategic management.

A. The first and foremost thing is to pinpoint the strategic objectives that a company looks forward to achieve. For translating this into a reality, there needs to be a consensus between the business leaders, who must ensure that all the objectives are goal based so as to avoid 'pet-projects'.

B. Second most vital thing is to establish a two-way communication line between the various stakeholders so that core objectives can be concretized periodically, as a result of which, the processes are refined and an efficient feedback system comes to existence.

C. The third thing that needs to be taken care in the strategic management process is to identify the targets as measured by the KPI's. In summary, for achieving strategic goals, individual targets are set, which are then linked to larger strategic objectives.

D. The last step is to learn from feedback. The findings from the scorecard that includes performance information should be used to refine the decision-making process continuously.



A Chief Financial Officer always needs to be on his toes. He should be able to transform the performance of the Finance team by constantly imparting them new skills and showing them the right path. His is one who improves the speed, quality, and relevance of management information by aligning to the correct strategy as per the current scenario. He should embrace technology and increase its effectiveness by using tried and tested methodologies. A successful CFO is one who incorporates all these factors and contributes to the success of the company.

Quest ontheFRONTIER

People- Knowledge- Success

Consulting/ Interim Management

Executive Search

Master Class & Conference

Incorporated in 2002 and head quartered in Singapore, **Quest ontheFRONTIER** is an established international consulting, executive search and training company operating in Asia, the Middle East and Africa with 7 offices including China, India, Vietnam and Indonesia. We provide implementation consulting wherein our consultants with deep industry knowledge help organizations develop and execute business initiatives. The same philosophy guides our training services including Quest Master Class; our Master trainers are seasoned industry executives with leading global companies who share their insights and facilitate interactive learning among the participants. Quest conferences provides a platform for industry leaders to exchange ideas, interact and network.
We help individuals and organizations succeed through knowledge and insights.

Quest Masterclass | Quest Conferences | Quest Learning & Development | Quest Consulting

www.questonthefrontier.com

Singapore l Hong kong l China l Vietnam l India l Indonesia l Dubai UAE l Myanmar

for More Details Contact mayur@questmasterclass.com