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VALUEPOINT™

From Gatekeeper to Trusted Counsel

The Expanding Role of the CFO

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We recently led 50 executives at the CFO Rising conference (Miami, 17-18 March) through a spirited interactive session “From Gatekeeper to Partner.” Facilitated by thought leaders from Stanley Black & Decker, Sprint and SmartOrg, executives from a wide range of industries explored the changing role of the CFO in today’s often unpredictable business environment. Not surprising, many agreed with a key finding of a [2013 Ernst & Young survey](#) of Fortune 1000 CFOs where “81% felt they worked for a company that viewed their financial operation as a ‘strategic business partner,’ involving the CFO in top-level decision-making as never before.”

The role of the CFO as a strategic partner to the CEO and board is placing new demands—and creating opportunities—for forward-thinking Chief Financial Officers. A real challenge for many CFOs involves developing a strategic mindset within and outside their organization when much of the past has been heavily weighted toward financials, budgeting, compliance and number-crunching activities. Another challenge, still existing in many companies,

is the perception of the CFO and the financial function as gatekeepers that stand in the way of strategic initiatives.

The Association of Accountants and Financial Professionals in Business (ACCA) and the Institute of Management Accountants (IMA), in their report “[The Changing Role of the CFO](#)” highlighted a variety of important issues, two of which caught my attention: the need for the CFO to drive change and the need to deal with technology and analytics in addressing issues around strategic decision making.

- A key frustration cited by CFOs, “the business was often focused on short-term cost improvements (e.g., headcount reduction) to the detriment of longer-term strategic planning, and that time was often misspent on activities that did not contribute to a more effective longer-term strategy. There was a sense in which a rebalance was necessary.”
- “Tomorrow’s CFOs and their finance functions will need to be very adept in leveraging technology. In theory this

“One of the key challenges for the modern CFO is risk management. Avoiding risks is not an option. You have to be proactive and be prepared to take risks.”

— ACCA-IMA
Roundtable
New York



CFOs and financial executives from a wide range of industries surfaced issues facing CFOs as they increase their roles as counsels to their CEOs and boards in a SmartOrg-led session “From Gatekeeper to Partner” at the CFO Rising conference in Miami.

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means less time on recording and verifying the numbers, and more time making the data connections and explaining the number implications to the business—applying the finance lens on decision making.”

[Editor note: one example is coping with Big Data; reference ValuePoint “[The Big Data Paradox](#).”]

The role of the CFO as a strategic partner was emphasized by Professor Robert A. Howell of the Tuck School of Business at Dartmouth College in a 2012 Wall Street Journal article “[CFOs: Not Just for Finance Anymore](#).” “Simply put, the people who have the strongest grasp of a company’s finances need to be part of the strategic thinking from the ground up. Not only should they crunch the numbers on potential moves like mergers, but they should also generate strategies themselves, by analyzing the likely financial impact of industry trends and other big issues. Strategy and finance should be like two sides of a coin—inseparable.

“So, if CFOs and finance organizations are going to be considered strategic assets, they must be actively involved in identifying value. They should look for potential acquisitions, attractive markets to enter, product lines to expand and other investments to make—and then see how those moves might pan out by running the numbers.”

At the CFO Rising conference the group identified a list of areas where CFOs could make a real difference on value creation for their companies, including:

- Develop strategies for maintaining profitable growth when it is necessary to reduce costs and cut budgets; “cutting costs without cutting the future” said one CFO.
- Make sure that long-range planning includes developing and evaluating multiple alternatives to support resource-allocation decisions to balance risk vs. return on portfolios of short, mid- and long-term investments.
- Be a counselor to R&D, product development, marketing and other functions that have a high impact on the

future of the company. Help them apply processes and tools to guide function-level strategic capital and resource allocations.

It is clear that being a valuable resource and counselor to the CEO and the board involves more than rolling up numbers and making reports. A panel member at a recent Boyden roundtable summarized the challenge well, “In this transforming world businesses need CFOs who can translate numbers into opportunity.”

When the environment is characterized by volatility and uncertainty, developing credible forecasts and analyses is no simple task. Since 2000 SmartOrg economic and financial evaluation software has provided the information needed to obtain the highest value from R&D, NP, CAPX and other strategic investments.

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