THE STRATEGIC CFO:

How to get out of minutiae and focus on adding value

PARO

INTRODUCTION

The name itself commands a certain level of gravitas and stature.

Chief. Financial. Officer.

And with good reason. A CFO is one of the most critical functions in any growing company. All decisions, comparisons, and analyses to truly measure a business' success are going to filter through the lens of a CFO.

So as a CFO it is natural when imagining the role to envision analyzing, providing strategy, and driving the company to greater heights.

But the reality is often different. Many times, a CFO is held back. Too many CFOs are wearing a lot of hats, managing too many people, and correcting mistakes to truly play the role they are meant to play.

We believe that's a major problem. It's a problem for CFOs because you are not playing to your true strengths and adding the value you are capable of. And it's an even bigger problem for mid market companies who desperately need CFO-level advice and analysis but are being robbed of it because the CFO is too busy playing part-time controller.

This guide is written for CFOs, but should also be read by CEOs, COOs, and anyone who is part of a financial department in a mid market company.

BY THE NUMBERS

But wait! I thought because of technology and more flexible talent, these issues were going to go away? Well, that's certainly what many CFOs are optimistic about.

In a survey of CFOs by Deloitte for Q3 2018[1] the majority of CFOs expressed optimism in the new economy of talent.

63%
of surveyed CFOs believe improvements in technology will allow their finance workforce to primarily focus on "analysis, prediction, and decision support rather than accounting, reporting, and compliance."

66%
are confident "technology will likely enable significant productivity gains, and thus significant workforce reductions, in accounting, reporting, and compliance processes."

88%
is the expected increase in "outsourced, contingent, contract, or gig workers providing finance work to our company" over the next 3 years.

CFOs: Is technology increasing the efficiency of your finance teams and enabling you to play to your strengths?

So the question is - with all this confidence and expectation about added efficiency and CFOs playing to their strengths - are you seeing it in your finance department?

It's clear there is an opportunity in this new economy. But how do you harness it? How do you start?

This guide is written for CFOs, but should also be read by CEOs, COOs, and anyone who is part of a financial department in a mid market company.

Our goal is to define what the role of a CFO should be, why it's so important, and what has to happen to make that a reality.

CFO LIFE IN A PERFECT WORLD

Before we dive into CFOs' biggest time-sucks and frustrations, let's take a step back and view at a high level what a CFO's role *should* look like.

Investopedia.com defines a CFO like this: The CFO reports to the chief executive officer (CEO) but has significant input in the company's investments, capital structure, and how the company manages its income and expenses. The CFO works with other senior managers and plays a key role in a company's overall success, especially in the long run.

> ***"A CFO's job is to have an unfiltered, 30,000-foot view of the business across all business units. This enables them to understand where the company is adding or destroying value and what levers to pull to best optimize company performance and shareholder ROI."***
>
> FORMER CFO OF A FORTUNE 100 COMPANY

Read more: Chief Financial Officer - CFO[2]

So, What Should a CFO Be Focused On?

A CFO's role is less defined by a set of tasks and more like an owner who is directly responsible for the growth and success of the company. As such, what should a CFO be doing day-to-day in a perfect world?

To dig deep into this question, we asked Kenneth Fick, President and CEO of FPAexperts.com and Paro freelance CFO.

FICK SAYS CFOS ARE RESPONSIBLE FOR 5 THINGS:

1.

Business Performance Analysis - seeks to improve Enterprise profitability through the analysis of the various parts of a business. This includes business unit or segment analysis, product line/product profitability analysis, customer profitability analysis or geographic/market analysis. Frequently this area is called upon to support Strategic Initiatives M&A activities or new business development.

2.

Planning and Forecasting - the development of strategic, operating, and financial plans that are continuously compared against actuals and forecasts to identify new opportunities, avoid negative risks, and adjust to meet plan targets. This can encompass the income statement, balance sheet, and cash flow of an enterprise and are performed on a routine basis.

3.

Performance Management & Reporting - any activity that measures or assesses a company's performance. This can include the development of dashboards and key performance indicators, senior management reporting, external stakeholders reporting or enterprise and business unit reporting.

4.

Cost Management and Analysis - includes product costing, managing cost allocations, inventory accounting and valuation, capital budgeting, and project cost analysis. Accurately determining costs is a difficult and time consuming process for many organizations. Cost Management and Analysis is critical to ensure that products, services, and projects undertaken are prioritized based on their profit opportunities.

5.

Transaction Processing - the processing of the myriad of transactions that an enterprise is faced with each day and can include: invoicing, credit card payments, cash receipts, bank reconciliations, purchase and disposal of fixed assets, investments, accounts payable, and closing the books to name a few. This component is typically focused on accounting, controls, and historical reporting.

But... CFOs spend a disproportionate amount of time on transaction processing over future-looking, value-add activities.

A 'PERFECT WORLD' CFO IS A HUGE ASSET TO A COMPANY

When CFOs spread their time across these five main focus-areas and truly play to their strengths, stronger, healthier companies result. Here's the type of impact a 'perfect world' CFO can have on an organization.

The company has accurate data to make better decisions

Too often CEOs rely on their gut to make decisions about how to grow—what products to launch, what new markets to expand to, where to invest capital, etc. When a CFO is forward-looking, has accurate historical data at their fingertips, and can make projections that are rooted in reality, then they can create analyses and make recommendations that directly impact the future direction of the organization.

Cash is available when the business needs it

A business relies on cash flow to operate. The reason businesses fail is because they run out of cash. A CFO is worth their weight in gold simply because they are keeping an eye on the cash in a business, not only making sure there is enough cash for the business to operate, but also ensuring the business has adequate cash available for growth initiatives and necessary investments.

The company prioritizes high-value initiatives

Here's a stupidly simple statement. A business has a lot of things going on at once. But, are teams spending their time on the highest value initiatives?

A CFO who is spending their time tackling their top five priorities can make the distinction because they have the analysis to back it up. In a $150 Million company, cutting 1% of something that's not working and doubling down on 1% of something that is working can be worth millions of dollars.

The CEO feels supported and empowered

Life as a CEO is stressful and overwhelming. Inevitably, a CEO is going to have days where they question why they are doing what they are doing, or fear everything is going to come crashing down.

While CFOs prefer to quantify everything, there is also an anecdotal value in having the CEO's back. A CFO can give data and reassurance to a CEO to show what is truly happening in reality and where we can go from here as an organization.

Now, having said ALL that, **the unfortunate reality is most CFOs in mid market companies are not providing that level of value**. Why?

TWO HIGH-IMPACT INITIATIVES CFOS CAN TACKLE IMMEDIATELY

If you are a CFO, hopefully you are spending as much of your time as possible on the five key areas Kenneth Fick described above. If not, we'll have some tips later in this whitepaper on how you can.

For now, we also want to go specific in two specific projects you can take on to add immediate impact for your enterprise.

Simplify Your Financial Forecast

We spoke with Philip Campbell of Financial Rhythm on his tips for CFOs to add value to their companies. He said while many CFOs will start with a financial forecast and comparison of projected versus actual, not many take the extra step of analyzing and summarizing the key information.

> "The challenge with a financial forecast is that you are now doubling the amount of numbers in a report, which is a lot to take in. So, think strategically; put yourself in management's shoes. What do they think about every day? How can you distill the essence of your financial information into something that's simple and easy for them to understand and digest?
>
> The information you provide should be viewed as an integral decision-making tool. The key here is to simplify, simplify, simplify...then simplify some more. Consider summarizing the top 3-5 insights when you distribute the historical and forecast results. And, highlight the key drivers of performance so it clearly shows if the actual results are not aligned with the expected results. That way, management can quickly see the link between their areas of responsibility and the impact their actions have on the financial statements."

The key here is to simplify, simplify, simplify... ***then simplify some more.***

*Use sales data to look for **tight areas of price dispersion around certain customer volume levels.***

Partner with Sales to Improve Company Performance

Another specific project idea for adding value comes from Kenneth Fick. He says often a wall is up between CFOs and sales and marketing teams, with constant questioning of why sales is not hitting numbers. Instead, he suggests using analysis to help sales teams thrive.

One project that can generate impact immediately is a Price Optimization Analysis.

Fick breaks down the steps like this:

> "Take your targeted product/service, etc... and calculate the average sales price per customer. If you are a retailer or otherwise provide products directly to consumers than look at it on a per-store, per time-period or per-season basis instead. Then using an Excel scatter chart, plot the price per unit against each customer's volume on a per period basis (typically over 12-months).
>
> If you are like most organizations, you will notice tight areas of price dispersion around certain customer volume levels. That is a good thing but then just as in the previous analysis search for differences between customers. Are there some customers that have very high volume but also a high average sales prices and if so, why? Are there customers with significant discounts, why is that?"

Fick also provides two other examples of adding value by working with sales in this article.[3]

Don't Underestimate Your Value

The point in all of these examples should be clear. **When you as a CFO are performing at your highest level - the impact for a company is tremendous**.

So when you allow yourself to get off track and focus on minor things that pull you away from these primary functions, you are not only cheating yourself, but also putting the entire company at a disadvantage.

With that in mind, let's move on and look into how to make sure you are only doing what is adding the most value.

WHAT PREVENTS CFOS FROM PROVIDING MAXIMUM VALUE

They are getting drawn deep into the weeds of day-to-day processes and transactions. To provide the much-desired analysis and forward-looking projections, CFOs need accurate trustworthy, and fast financial information. Because it's pretty hard to make decisions based on two-month-old information.

The Problem for CFOs

Now we're getting into this issue at hand. When you have a lag in financial reporting, a CFO is now forced into the minutiae of micromanaging and sorting through the data.

The CFO Indicator Report[4] by Adaptive Insights indicates this minutiae is a primary concern for CFOs. According to the report:

17%
is the estimated amount of time CFOs are **spending on strategy**

60%
of CFOs list **data integration as the top hurdle** for gaining actionable reporting information

68%
of CFOs say the number of reports needed is increasing, which means **even more time gathering data**

"The worst thing for a business is if the CFO views themself as a high level accountant instead of a trusted advisor."

FORMER CFO OF FORTUNE 100 COMPANY

Three Critical Functions that Dominate CFOs' Time

The challenge of wasted time takes on many forms, because the reason for problems can be so vast. But here are some examples of what ends up happening with CFOs.

To unpack it we again asked expert Kenneth Fick where CFOs typically end up spending their time. He named three primary activities.

+ **Order to Cash**
From receiving customer order to billing for goods sold. This functionis A/R and revenue-focused and makes sure the incoming cash is handled, collected, and reported.

+ **Procure to Pay**
From obtaining raw materials to paying for secured materials (NOTE: in service focused businesses this includes payroll, as that is a direct cost of the service)

This function is A/P and cost-focused and looks at the movement of cash and proper allocation of expenses.

+ **Record to Report**
From period close to financial reporting of period performance. This function builds out reporting and data on the health and essential performance of the company.

CFOs Are Reacting and Cleaning up Instead of Strategizing and Leading

If an organization falls behind in any of these three items, everything else goes on hold. According to Fick, poor processes with order to cash, procure to pay or record to report have a major ripple effect on a company.

"Why? Because people scream when any of the above go off track." Fick says. "And it requires the CFO's complete attention to put out the fire and keep the wheels on the bus."

So what ends up happening when these processes are slow or unorganized, is every single month a CFO has to dig in and clean things up.

This is a far cry of our ideal vision of a CFO who is driving results and profit. **So how do we bridge this gap?**

UNDERSTANDING THE NEW ECONOMY OF TALENT TO BRIDGE THE GAP

Fortunately, it is entirely possible to have the best of all worlds. It's possible to have a surrounding team of talent who owns and handles the day-to-day financial tasks necessary for timely financials. And it's possible for you to truly play the role of CFO, with a strategic, value-driven approach to the organization.

One way it can happen is by leveraging on-demand talent with a platform like Paro where you can plug in experienced financial professionals to manage and execute on day-to-day financial tasks.

> ***"Our team has a lot of great accounting and bookkeeping people, but on the FP&A side, it's great to have smart people who can tackle projects quickly and with minimal input."***
>
> CORPORATE CFO

On-demand talent means you plug in the right piece and the right place and time. You have full flexibility to stay nimble, but ensure you have these critical functions moving efficiently.

Learn more about how CFOs are approaching this economy and what questions need to be answered in this article: https://www.paro.io/blog/10-questions-cfos-have-about-the-freelance-economy[5]

Here are some of the ways we believe on-demand talent can help you reduce waste and get back to being a true CFO.

On-demand talent is specialized

When you work with on-demand talent, curated marketplaces, like Paro, connect you with subject-matter experts.

On-demand talent can be specialized by role (AP, controller, financial analyst, etc.), software experience and industry. You can automatically plug in someone with all the right skills and experience.

On-demand talent is experienced

One of the challenges in finding talent is getting the right blend of experience and cost effectiveness. With on-demand talent, you don't have this concern, because you can get exactly the talent you need when you need it.

Rather than hiring a generalist to work on many different types of projects (likely at a slower pace and with more hands-on management as you guide them through their learning curve), hiring on-demand talent enables you to leverage the exact experience and skillset required for your project. By hourly rate, you will pay a premium, but the time savings and efficiencies created more than make up for it.

On-demand talent is flexible

In a fast-moving enterprise, you don't really know what you're going to need in 6-12 months, and yet the hiring process to bring a new team member on board can take that long. With on-demand talent you can stay nimble and solve today's unique issues, plug people in to fill gaps with no expectations of a long-term commitment, and rinse and repeat when new challenges arise.

Consider a part-time controller to streamline the time-wasters

Think back to section two of this guide and all the areas where CFOs' time gets wasted. Another potential benefit in the on-demand economy is you can actually hire a high level financial pro, like a controller.

A part-time controller could come in and tackle quality control of month-end close

and financial processes and compliance, and suddenly you have gained a whole lot more freedom and time.

Read more about how to ramp up a controller in this article: https://www.paro.io/blog/how-long-does-it-take-to-ramp-up-a-remote-controller[6]

For many, the idea of the on-demand economy brings to mind thoughts of quick, cheap tasks. That is not the case anymore. High level professionals are also looking for part-time and project-based work with flexibility. This could create a win-win where you have access to great talent without a huge salary commitment.

Get back to playing to your strengths

Ultimately - the on-demand talent option is a way to streamline the day to day financial activity. You can supplement the team you currently have and make sure every piece is running smooth and you have access to the data you need.

The goal is for this system to provide you the confidence you need to come into work each day with a strategic approach.

We want to see CFOs bringing the value to the table they are capable of. We want to see CFOs who are helping with decisions, forecasting into the future and driving businesses to the next level.

That can't happen when a finance department is inefficient and you are constantly reviewing and correcting issues.

LET US HELP CREATE YOUR PERFECT WORLD

CFOs, we'd love to invite you to play to your strengths and take control of your time with a Paro part-time controller.

Contact us at sales@paro.io to see how we can help and thanks for joining us for this guide!

PARO

The future is freelance. Hire your first finance freelancer today.

sales@paro.io 872-216-7276

RESOURCES

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