

The evolving role of the CFO

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In today's volatile economic climate, efficient financial management is becoming increasingly critical to any business' success. With a growing spotlight on cost efficiencies, the role of the chief financial officer (CFO) is rapidly evolving, adapting constantly so as to be able ensure the long-term financial sustainability of a business.



Traditionally, the finance department has existed within its own silo, with CFOs focusing primarily on reporting and day-to-day financial management. However, in light of global financial systems' continuing uncertainty, CFOs are being forced to play an increasingly integral role in the operational side of business.

With the Web and more sophisticated technology making financial information more readily available to key business stakeholders, the CFO's value to a company increasingly lies in his ability to guide financial strategy and ensure viability across all departments. As a result, today's CFO needs to be more involved in all aspects of the business and to be equipped with sufficient knowledge and expertise to make critical strategic decisions across a diverse range of disciplines.

Defining success

With companies placing increasing focus on value as opposed to traditional profitability, today's CFO is no longer simply able to rely on numeric measures to define success.

Cost efficiencies now need to be implemented without compromising a company's ability to implement effective service delivery and, as such, CFOs are required to have an intrinsic understanding of what constitutes value across all departments.

Technology, in particular, is a growing area of focus for modern CFOs, with IT systems and processes playing an increasingly pivotal role in a business' sustainability. Understanding emerging technological trends forms a vital component

of a CFO's ability to manage a company's financial status, with systems like cloud computing able in many instances to reduce costs while at the same time bolstering operational efficiency.

Managing the efficiency of human resources

Over and above overseeing the economic efficacy of a company's systems and processes, today's CFO is also tasked with managing the efficiency of human resources.

In order to ensure the growth and improved productivity of an organisation, the CFO needs to be able to measure and manage staff performance successfully. For the majority of enterprises, salaries represent a major expense and, as such, this is an area that needs to be closely overseen by the CFO.

This requires not only a comprehensive understanding of the various roles and responsibilities within the organisation, but also the implementation of effective performance management systems, incorporating targets and measurement standards, that accurately assess productivity levels.

Operational accounting

Whilst traditional financial accounting duties remain under the CFO's jurisdiction, the scope of the role is being progressively broadened to incorporate elements of operational accountancy.

So while CFOs remain responsible for the enforcement of compliance and control mechanisms, they are now being relied upon as valued contributors to strategic discussions, with their specific brand of expertise helping to drive savvy financial decision making at an executive level.

Long-term scenario planning

Short-term budgeting and forecasting also remain integral to the CFO's current role, but emphasis is steadily shifting to long-term scenario planning, incorporating contingency plans based on market conditions and potential long-term risk factors.

A CFO's success in implementing a long-term vision lies in his ability to recognise changing trends, and to understand the impact that these might have on all levels of the business. Today's CFO needs to be both flexible and adaptable, so as to be able to anticipate factors that might compromise a business' long-term financial sustainability.

Business ethics and financial transparency

In light of the financial scandals of the past decade, the importance of business ethics and financial transparency has also been brought to the forefront of public consciousness. A CFO's ability to enforce compliance measures effectively is becoming increasingly vital, as is his ability to drive integration of ethical values into senior management's decision-making processes.

The implementation of a strong ethical culture is not only critical in terms of building a company's reputation, but can also prove invaluable in the creation and maintenance of relationships with suppliers and investors.

Today's CFO is no longer simply a "bean counter", but rather a Jack-of-all-trades, performing an essential management function across all levels of a business. CFOs now need to ensure that they are integrally involved in all functions of a business, as it is their ability proactively to drive strategy and promote operational efficiency that can mean the difference between financial prosperity and ruin.

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