The Defining Attributes of a Successful CFO: Accounting

Do your Recording and Reporting systems lend transparency to your business? Is your corporate structure and governance process in line with your size, goals and culture. In this first segment on our Series: The Defining Attributes of a Successful CFO, we explain the importance of Accounting, as a key pillar in the house of the Chief Financial Officer.

1. Recording: Record keeping and closing the books are the foundation for creating useful internal information about your business. The architecture behind excellent recording systems and processes prevents errors, minimizes inputs and is time sensitive. Over the years I have learned when employees in the recording process have a sense of urgency other areas of CFO responsibility can thrive. This is because CFO operations starts with good record keeping.

In the recent past this area has been cast in a dark light. The term “transaction processing” and the misconception that this admin work is not value added has been interpreted by many to mean this area isn’t important or doesn’t deserve our attention. That thinking couldn’t be further from the truth. To readers outside Canada and the United States, I apologize for the following American Football analogy. The employees responsible for recording at your company are like linemen in the Canadian or National Football Leagues. Without them, we’d never get off a snap. To be a successful CFO highly effective people, processes and systems in your recording area are a must.

2. Reporting: Financial and managerial reporting should result in information you can trust and create transparency into business operations. It should also help you make great choices. Efficient, timely and accurate reporting systems lead to better and quicker decisions. This clarity is crucial for each of your stakeholders – shareholders, creditors, customers and employees. Timely, accurate business information is more important for decision making today than ever. Globalization and big strides in technology continue to put pressure on companies to make faster and better decisions. Here are some tips on how to improve your recording and reporting process:

- Record transactions when the activity occurs
- Simplify entry
- Eliminate systems
- Enter only what you need and what you will use
- Monitor and correct entries immediately after input, not during the month end close
- Reconcile accounts when you can, not just during the close
- Innovate your closing process – ask “Is there a better way to do this?” often
- Ask what information your team needs to make the best decisions… and act on the answers
- Include key non-financial information in your management reports to give context to the financial statements and vice versa.
- Historical (think last month) financial information is a decaying asset with a very short half-life. Challenge to CFOs and Controllers: Have your reports ready for management review within a week of the close of the business period.

- When it comes to managerial reporting it's better to be almost right quickly than to be perfectly right slowly. (if you are a practicing Chartered Accountant or CPA, I expect your heart rate just went off the charts). Remember - these reports have a short half-life.

3. Governance: In addition to recording and reporting the Governance aspect of operating a business is a defining Accounting attribute. Governance includes the initial and ongoing legal documents that give structure and rules to an entity as well as internal controls to protect corporate assets and reduce the risk of incurring unanticipated liabilities.

Unless we happen to form the business, we inherit the governance rules and governance culture for the company's we go to work for. This may lead us to overlook the value in understanding the framework the company was built on, including the current rules of governance. I encourage any senior financial officer to read the documents that formed the company and the current rules of governance. It's possible you'll find outdated rules, expired schedules and conflicting items that have arisen of time. Better yet, you'll have a good understanding of the rules of engagement.

Internal controls are the policies and related principles that a company uses to strengthen its internal guidance system. A comprehensive framework for internal controls has been developed by The Committee of Sponsoring Organizations (COSO) of the Treadway Commission. It is a very good tool to benchmark your internal control framework against.

Like many of the Defining Attributes, Governance is tightly linked to another attribute. In this case it is Treasury - Risk Management. To read about Risk Management see the 3rd article in our series, Treasury.

I have received some very insightful feedback and have had some great learning moments from your responses to our previous articles. Thank you for staying engaged in this discussion.

Catch up on the other 3 articles in the series - The Defining Attributes of a Successful CFO:

If you missed Attribute #2: Finance? Catch up here.

If you missed Attribute #3: Treasury? Catch up here.

If you missed Attribute #4: Leadership? Catch up here.

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