



# What is the First Step on the Road to CFO Success? And How Do We Get There?

We all know the answer to the first question. Believe in yourself.

So, the follow-up question is how do you come to believe in yourself?

I am a firm believer that preparation to perform a task or role is what builds the belief in our ability to successfully accomplish the task or role. I'll bet you believe that too.

Ok, how can you plan the preparation and execute the plan to ensure you feel prepared?

Bingo! This is where the rubber meets the road.

1. Fundamentals.
2. Practice, Practice, Practice.
3. Go a little farther and/or a little faster down your path each day.

Oh, I almost forgot. Yellow Caution sign. Make sure you are on the right path.

For CFO's, the path is made up of 4 superhighways. These are Accounting, Finance, Treasury and Leadership. For most of us the path has also included pretty sizable roadways that don't neatly fit onto the CFO's superhighway map. Examples include; Human Resources, Information Technology, Legal, Procurement, even Plant Operations. These are equally important functions for an organization - superhighways in their own right – but not superhighways on the CFO's roadmap. If that has your blood boiling please let me hear from you.

The CFO's Superhighways. (Those who are familiar with me know I normally refer to these as Pillars but let's call this the horizontal, rather than vertical, version of CFO Success.)

Each Superhighway is made up of 3 critical arterial roadways as defined below.

## **ACCOUNTING**

1. Governance: Setting up and administering the legal and operating structure of an entity is a key responsibility of the CFO role. Creating a sound foundation for internal controls to protect corporate assets and reduce the risk of incurring unanticipated liabilities is also part of this Core Competency.
2. Recording: Record keeping and closing the books are the foundation for creating useful internal and compliance information about your business. The architecture behind excellent recording systems and processes prevents errors, minimizes inputs and is time sensitive.
3. Reporting: Financial and managerial reporting must result in information you can trust and create transparency into business operations. It must 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. This artery includes tax and regulatory reporting.

## **FINANCE**

1. **Business Planning:** Business planning, which includes strategy development and budgeting, is a main responsibility of the finance function. The development, communication and execution of plans requires discipline and processes that provide measures.
2. **Financial Forecasting:** As important as the budgeting process is to bringing the team to a common focus, the financial forecast helps the team course correct as the environment changes. It helps leaders bridge the day to day company needs with longer term decisions. The forecast is our “canary in the coal mine” and our “make hay while the sun shines” all wrapped up in one. It’s a powerful tool to keep you in tune with what is changing in your business environment.
3. **Investment Analysis:** This discipline guides the company in where to invest and divest its resources. Corporate culture and finance principles applied to well-designed models assist companies in determining where to invest their capital and human resources.

## **TREASURY**

1. **Cash Management:** How can something so obvious create so many headaches. Cash management is all about, well, you guessed it, managing cash: bank balances, receipts and disbursements. Effective cash management is aggressive and mindful of risk at the same time. It involves having the people, processes and systems in place to prevent cash shortages while highlighting cash excesses that can be reinvested or returned to shareholders.
2. **Funding:** Know your options. Funding can come in many different forms; operating cash flows, terms with suppliers or customers, loans or lines of credit, and raising equity. Each form has different costs and risks but the objective is the same – provide the company with enough liquidity to execute your plan with some cushion for variability. Having cash, either on hand or available, will not only help to avoid bankruptcy, but also position your business with adequate resources to capitalize on growth opportunities as they come about.
3. **Risk Management:** The importance of capital and readily available cash drives companies to implement risk mitigation measures to protect their capital base. This is why the risk management function is a natural fit for the Treasury Pillar. Many internal controls are designed to protect against cash shortfalls. These controls include; preventing cash from being misappropriated, monitoring bank covenant compliance to preserve liquidity and executing an effective capital policy to maintain a reasonable cost of capital. The demands and rigor associated with effective cash management are a natural extension to solid risk management practices.

## **LEADERSHIP**



1. **Self-Awareness:** The way we see ourselves is going to be different than the way others view us. Narrowing that gap is a huge step to improving relationships and expanding your influence. Think about all the time that could be saved resolving issues if we could perfectly describe them, have all parties perfectly understand them and resolve them in perfect harmony. We are individuals seeing the world and ourselves through our lens. If we aren't capable of seeing part of it through the lens of others, we are going to live in a pretty small space.
2. **Team Building:** Building trust and creating a safe space for members of a group to practice and refine their discipline is foundational to developing a well-functioning team. That doesn't mean all is harmonious. In fact, contention is a requirement for real learning and growth. An effective leader helps the team debate and learn in a respectful, benign atmosphere.
3. **Strategy & Culture:** Corporate executives have many ways to motivate their workforce. To truly inspire an organization requires a vision and communication that rallies folks behind a common cause. We may not be called on to be the leader of creating the cause at the companies and organization we serve but to reach the Strategic level of leadership, we must understand our purpose and champion it. Know why your company exists. And use that knowledge to lead.

Having enough exposure to each of these Superhighways and Arteries is what prepares a professional to get behind the wheel of the CFO role and navigate along the CFO map.

To take the CFO challenge and identify your path to a CFO role take CFO.University's [CFO Readiness Assessment??](#).

If you are embarking on a new CFO role you may find [The First 100 Days of a Successful CFO](#) especially useful. It includes a tool to help you assess where your energy needs to be focused.