

Want to be a Great CFO? Improve Visibility.

The corporate scandals and passing of the Sarbanes-Oxley Act over the last few years has brought financial visibility into the forefront for media and investors. Leading CFOs have stressed financial visibility for years.

Understanding Financial Visibility

Financial visibility means to make it easier to understand the financial position, performance and prospects of a business. The CFO's goal is to achieve the appropriate level of visibility to meet the needs of the business, its stakeholders and the marketplace in which it operates.¹

One important component to improved financial visibility is heightening internal controls with the aid of technology. Leading CFOs utilize technology to improve processes around financial reporting, as well as to ensure accurate data input into the hands of business managers sooner – so they can run the business better. “Financial visibility” is comprised of two important concepts:

1. **Financial** – Financial means the information has financial content and context. This means data can originate not only in the General Ledger, but from other systems that can act as a source for, or in support of, financial information. CFOs are ultimately evaluated on their ability to drive business performance, which requires not only astute financial insight but also greater operational intimacy and influence. Leading CFOs understand they must provide a complete view, rather than a finance-centric view, to help drive the performance of the company.¹
2. **Visibility** – Visibility means information is presented in an easily understandable manner. Leading companies also deliver information internally in a timelier manner (daily/weekly, versus monthly/quarterly). Leading CFOs are twice as likely as average CFOs to meet weekly or bi-weekly with GMs to discuss performance. Leading CFOs focus on their visibility with General Managers to improve their strategic partnerships with CEOs.²

CFOs Must Improve Their Credibility

Most CFOs aspire to roles beyond finance, but few actually make the shift. According to a survey by the Working Council for Chief Financial Officers, two factors increase the CFOs chances of moving beyond finance:

1. Operational Experience – 80% of CFOs directly promoted to CEO or Chairman had an operational role as a senior executive.
2. Impact on Performance – On average, CFOs promoted to CEO or Chairman experienced a positive shareholder return during their tenure.

The survey by the Working Council for Chief Financial Officers identified that strong CEO-CFO partnerships rest as much on the CFO's credibility with and ability to influence General Managers as on the CFO's personal relationship with the CEO.

"The strength of the CEO-CFO relationship rests on the CFO's credibility with operating managers and the Board. Company performance depends on execution of long-term business strategy of which finance is only one piece. The CFO must understand the operational strategy, not merely the financial infrastructure of the strategy, in order to anticipate business needs, make recommendations, and identify warning signs." – Fortune 500 CEO.³ Being a CEO's strategic partner requires the CFO to have enough knowledge of, and visibility into, business operations to be an effective partner to the business unit managers.

Leading CFOs Make Better Use of Technology

Financial visibility is enhanced with analytical systems that enable business managers to better monitor and manage the business on a daily basis, usually through interactive scorecards on their desktops. By delivering more relevant information to business managers they can begin to manage by exception, which leads to better, more informed decisions.

Best practices research from the Hackett Group found leading companies use technology to reduce costs by freeing their finance managers from time-consuming manual transaction processing to higher-value forecasting and strategic planning activities. By utilizing powerful analytic systems, leading CFOs improve their visibility by becoming a valuable resource to help General Managers improve company performance.

How Leading CFOs Focus Their Efforts

Perhaps the most interesting finding from the Working Council of Chief Financial Officers survey was leading companies CFOs only oversee finance activities and new business development because focusing CFO time on these activities, in support of operations, yields a higher return for the company. Activities beyond finance only report to the CFO when undergoing centralization, process improvement, or cost reduction.

CFOs looking to drive performance should focus on improving operational intimacy. Operational intimacy provides numerous advantages:

1. Can leverage financial knowledge and tools to improve business performance
2. Able to calibrate, in real-time, line performance and investor expectations
3. Opportunity to build deep company alliances and strengthen influence

CFOs who focus on becoming a better resource to business unit managers, and make better use of technology to understand business drivers, will be in a better position to help drive business performance. Better communication and better technology adds up to improved visibility for the CFO and the company.

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1. "Empowering Financial Visibility Through Improved Financial Analytics", FRx Software Corporation, www.frxsoft.com
2. "Strategies for Inflecting CFO Performance", Corporate Executive Board, 2004
3. "Strategies for Inflecting CFO Performance", Corporate Executive Board, 2004