



The Changing Role of the CFO

FINANCIAL EXECUTIVES
(ONTARIO) DINNER

September, 2008

Agrium



growing across the value chain

Role of the CFO

Is It

- **Second in command**
- **Business strategist**
- **A partner with Operations**
- **The financial advisor/banker for the business**
- **Ensuring the numbers reflect the underlying economic reality**
- **Effective communicator to the capital markets**
- **Understanding company advantages to capitalize on**
- **Being financially innovative**



Role of the CFO

Is It

- **Mr. “Control”**
- **Understanding the numbers**
- **Risk Manager**
- **Determining the metrics the organization should focus on**
- **Capital allocation**
- **Honesty and consistency**
- **Provide transparency to the markets**



Role of the CFO

- **Is the CFO a partner/advisor/strategic visionary to the business**

OR

- **Is the CFO the regulator/manager of the internal control processes and the financial measurement and disclosure processes**



Role of the CFO

- It has to be both, but the emphasis has changed
- A quote from a CFO colleague –

“IT’S JUST NOT AS MUCH FUN ANYMORE.”



Role of the CFO

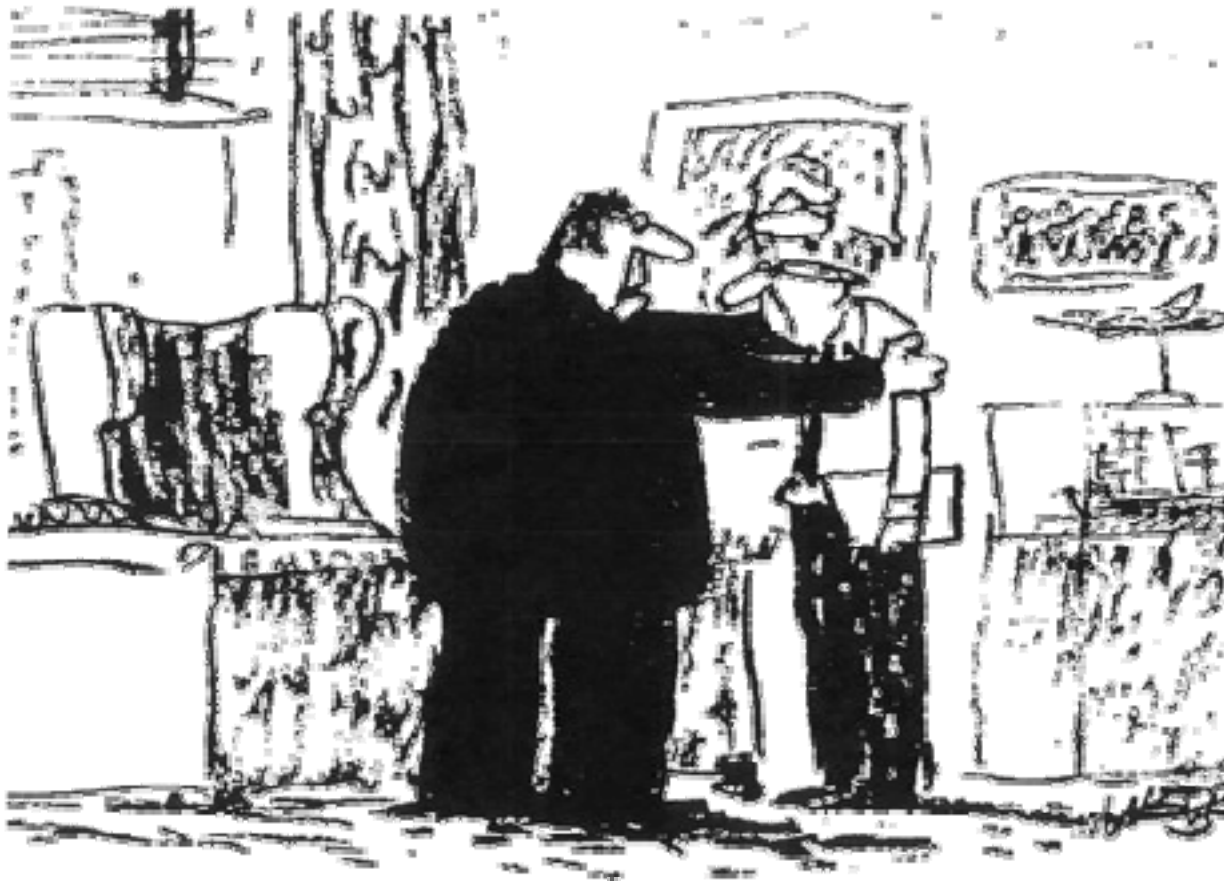
- **The pendulum swings back and forth between the innovator/consultant role and the control/internal regulator role**
- **Both are needed, they are just different expressions of the same role**





You have just the skills we need
in our financial area.



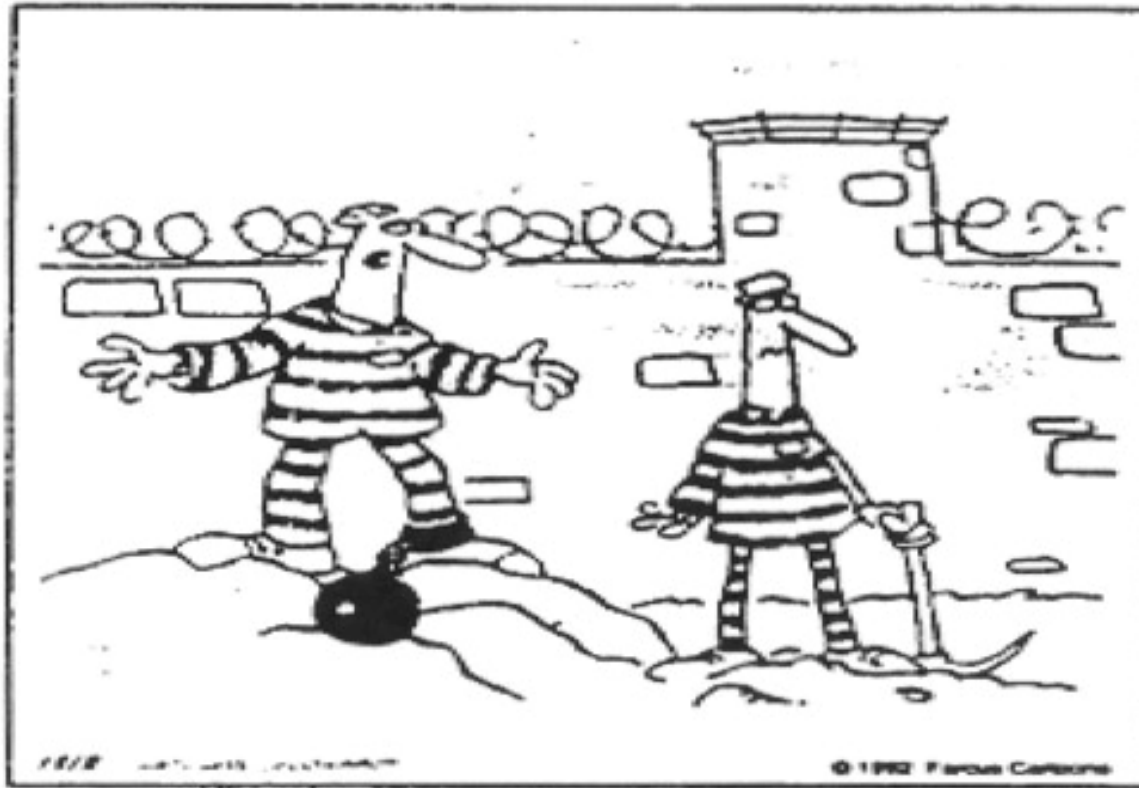


“It’s up to you now, Smedley. The only thing that can save us now is an accounting breakthrough.”



Farcus

by David Weisglass
Gordon Couthart



I thought 'good accounting practices'
was just a suggestion!





DILBERT

By Scott Adams



Remaining U.S. CEOs Make a Break For It Band of Roving Chief Executives Spotted Miles from Mexican Border

San Antonio, Texas (Reuters) – Unwilling to wait for their eventual indictments, the 10,000 remaining CEOs of public U.S. companies made a break for it yesterday, heading for the Mexican border, plundering towns and villages along the way, and writing the entire rampage off as a marketing expense.

“They came into my home, made me pay for my own TV, then double-booked the revenues,” said Rachel Sanchez of Las Cruces, just north of El Paso.
“Right in front of my daughters.”

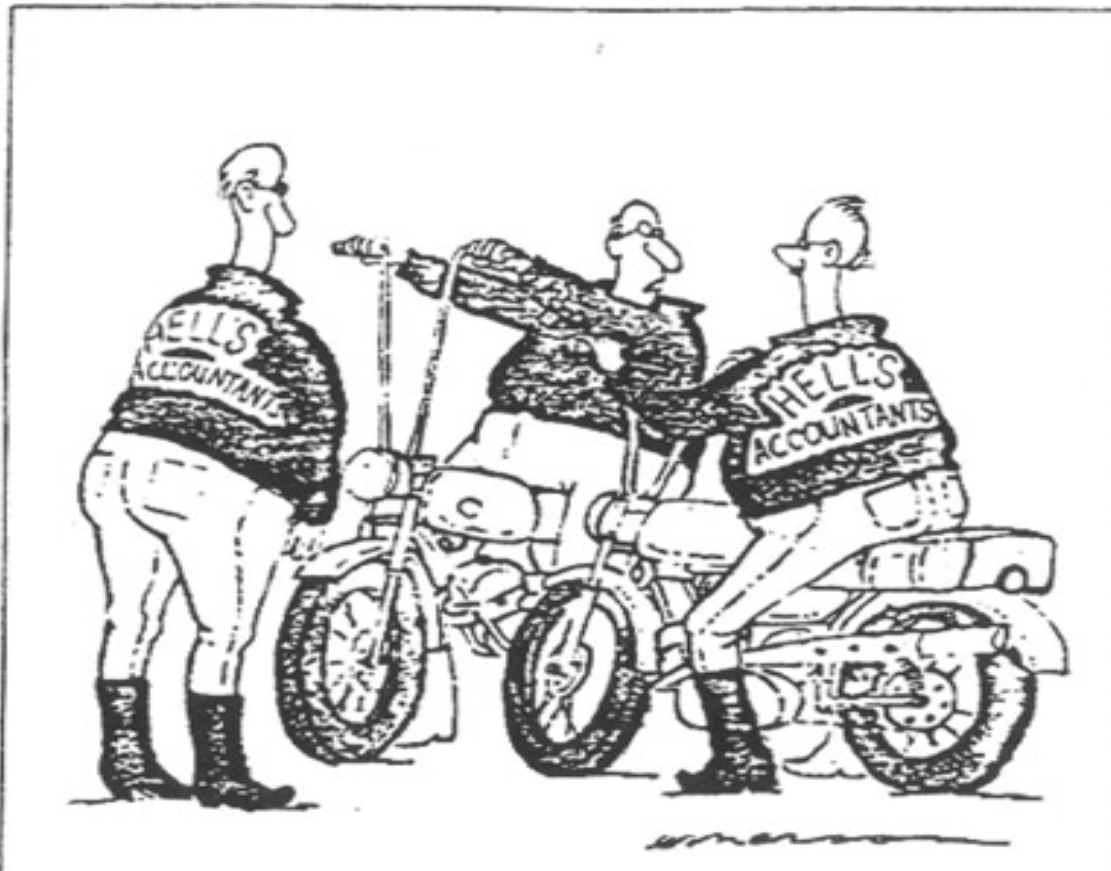
Calling themselves the CEOnistas, the chief Executives were first spotted last night along the Rio Grande River near Quemado, where they bought each of the town’s 320 residents by borrowing against pension fund gains. By late this morning, the CEOnistas had arbitrarily inflated Quemado’s population to 960, and declared a 200 percent profit for the fiscal second quarter.



“The New Accounting World?”

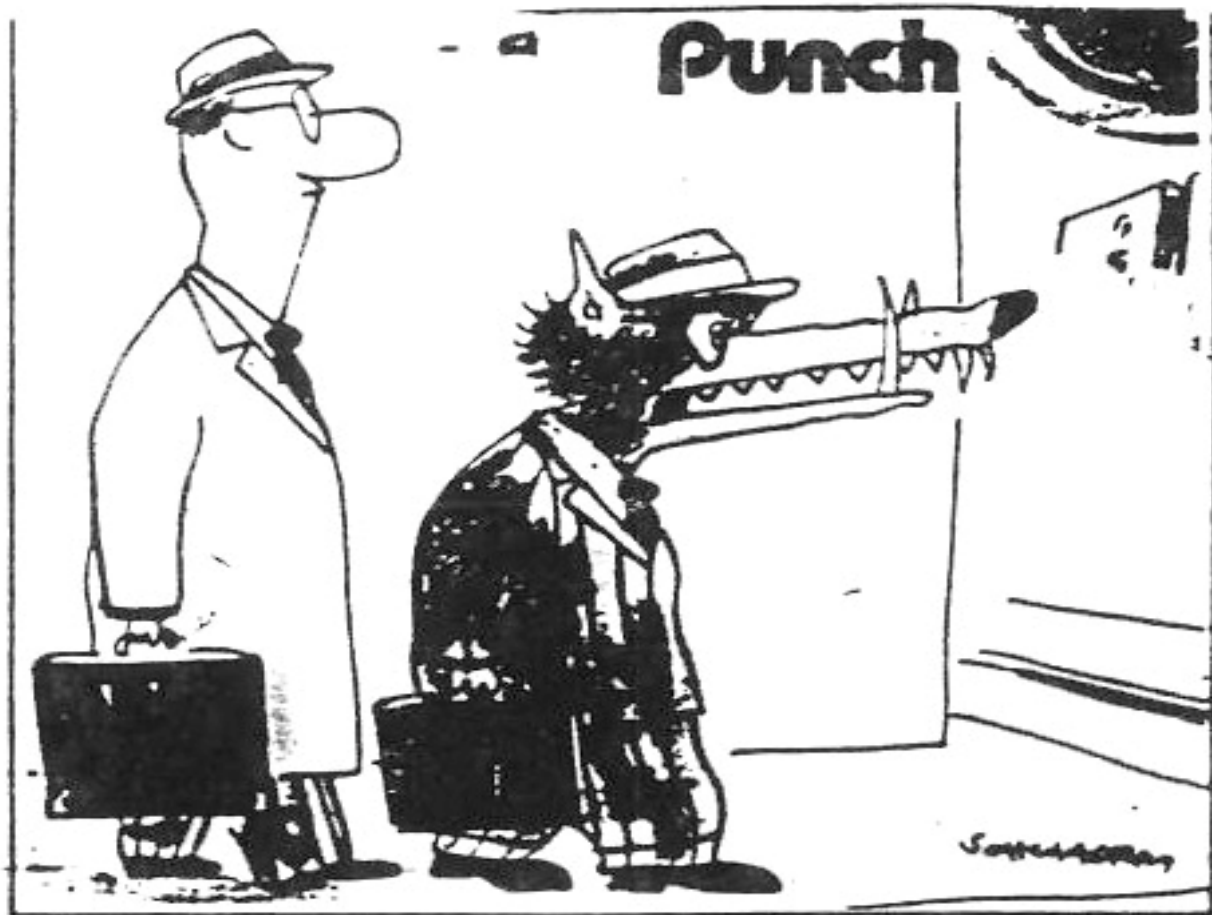
Graves, Inc.





Want to ride downtown and gang-audit somebody?



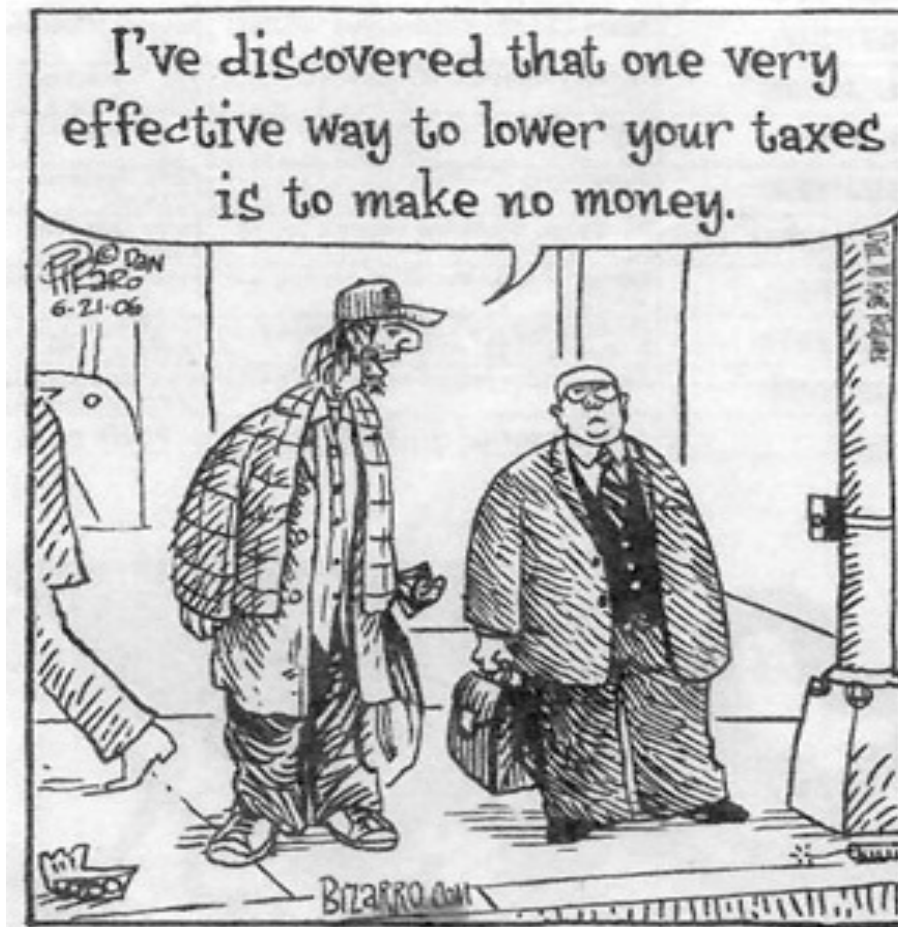


"It's the family curse. Every full moon, I turn into an accountant."



Role of the CFO

**Challenge is to integrate the internal control role with the
advisor/consultant/strategist role to maintain credibility
internally and externally that you are integral to the business
success and add value**



Role of the CFO

- **Ensure financial statements reflect the underlying economic reality**
 - Challenging since “Enron/Worldcom” effect has:
 - Generated rules based accounting developments (i.e. hedging) which distort economic reality
 - Legalistic approach impedes ‘plain language’ disclosure
 - Distrust in current markets enhances probability of misinterpretation
 - MD&A wording and note disclosure can mitigate ‘rules based’ accounting distortions
 - IFRS will help





"Sometimes, instead of trying to fix the problem, it's better just to step back and issue a press release."



Role of the CFO

- **Understand/contribute to the strategic vision and communicate business strategy and tactics to the market**
 - Legal concerns may result in pressure to limit disclosure but essential to provide information so analysts/investors understand:
 - The strategy and how company actions are implementing the strategy
 - The drivers of business results
 - The factors which are affecting current results
 - Guidance on business elements which are difficult to analyze



Role of the CFO

- **Communicate the investor/analyst concerns and issues internally**
 - Operations by definition is focused on internal issues so CFO needs to communicate information requirements and advantages to meeting them
 - Interpreting investor/analyst and capital market view provides internal credibility and avoids distraction from operational issues



Role of the CFO

- **Majority of managements concentrate too much on fixing what is broken versus growing what is working well**
 - Aligning financial measures used for performance evaluation with capital allocation priorities aligns internal and external performance indicators
 - Ensure organization is focusing on the financial metrics that support corporate strategy and focus on corporate advantages



Role of the CFO

- **Ensuring mandated internal control processes (i.e. Sox) are integrated into the day-to-day business monitoring process**
 - Can't be a regulatory process on top of how the business is managed – it is the new management process
 - If the business can't understand and agree it is important control – eliminate it
 - Sox controls are high level – most control processes are more detailed than Sox requires





Role of the CFO

Conclusion

- **The role of the CFO has always had elements of communicator/interpreter, teacher, regulator, consultant, strategist, risk manager and innovator**
- **The new regulatory oversight role provided the opportunity to take mandated, internally unpopular control processes and implement them in a business friendly way with only temporary disruption to the business**



Role of the CFO

Conclusion

- **Managing both an internal control role and a consultant/advisor role has always been about managing expectations and then meeting/exceeding them**
- **The CFO's role has not changed, it is evolving and different elements are taking priority over time, but all the elements are still important**

