# CFOs deliver keys to competitiveness

## Today's chief financial officers play a critical role in making organizations effective and efficient

TIM FRASER

**Michael Conway (left), chief executive and national president of Financial Executives International Canada, and David King, Canadian director, Robert Half Management Resources.**

Canada's growing influence on the global economic stage has been fuelled in large part by the work of chief financial officers in corporations across the country. Whether firms want to establish an international foothold, increase their national presence or simply ramp their competitiveness to the next level, directors and chief executive officers rely heavily on the expertise of their CFOs.

"I think the fact that the world has gotten a lot smaller has made it more challenging for companies to stay competitive, and the role the CFO plays in supporting that mandate is critical," says Debbie Stein, CA, senior vice-president of finance and chief financial officer of Calgary-based AltaGas Ltd. "We have our finger on the pulse of the organization and understand its strengths and weaknesses," adds Ms. Stein, who is also a member of the board with Financial Executives International Canada.

The CFO functions as the nucleus of an organization, says Alison Glober, director, finance effectiveness, with PwC in Toronto. "They have a role in [executing] the strategy put forth by the CEO and the board. They also have a tactical role in making the organization effective and efficient, and delivering the results expected to keep it competitive."

A key role for all CFOs is the need to make critical financing decisions. "Having a good business strategy – along with a strong CFO who can develop a finance strategy around that and then communicate it to external parties – certainly does give a firm a competitive advantage," says Ms. Stein.

Another decision often faced by CFOs – particularly those from large public companies – involves weighing the merits of a potential merger, acquisition or alliance.

It's a complicated task. "M&A is fraught with challenges," says Michael Conway, CA, chief executive and national president of Financial Executives International Canada in Toronto. "Some of the statistics show that only, I would say, half of M&A deals hit the ideal objective presented to their board for approval. Oftentimes that's because synergies are not achieved as anticipated. So CFOs are key to assisting in that."

*CFOs should not just narrowly measure performance against local competition, but rather ensure the organization is making the adjustments needed to remain competitive on a global basis.*

**Laurie Tugman**,
Executive chair and corporate director, Nexterra Systems Corp.

Timing is another key issue for which CFOs need to weigh options. There can be significant financial pros and cons associated with a decision to move ahead with a project at a particular time, defer to a future period or perhaps even cancel.

"It goes back to looking at the strategy; the massive capital that we're willing to spend on opening new branches and new plants, versus doing other things with that capital, and remembering that we've tried to put financial parameters onto our strategies," explains Bob Elton, FCA, interim chief financial officer of Vancity Savings Credit Union in Vancouver.

Another key issue for a CFO is whether the firm should own its production capabilities or offshore them. "It doesn't mean the CFO should be the only person asking those questions," says Mr. Elton. Ideally, the CFO would have a strong relationship with each member of the management team and provide a good financial lens through which issues could be viewed.

The CFO also needs to keep everyone focused on both short- and longer-term goals, especially in the face of pressure on management and boards to zero in on the next quarter.

For example, the CFO can provide long-term strategic leadership in matters involving sustainability. Corporate social responsibility is much higher on the investor and customer radar than it has been in past years. Firms that perform well in this area can maintain a competitive advantage over their peers.

"The CFO, as part of the management team, is very much aware of those issues, and is going to be asking the organization the right questions and making sure it has the systems and processes in place to be able to respond to that properly," says Laurie Tugman, FCPA, FCA, executive chair and corporate director of Nexterra Systems Corp. in Vancouver.

There is some great work being done in areas such as sustainability and green practice, notes Mr. Elton, who in addition to his executive position at Vancity is also chair of the Canadian Institute of Chartered Accountants' Sustainability Advisory Committee.

"You're comparing the financial bottom line, which is well understood and clear, with an environmental and social bottom line, which is far less understood, and sometimes hard to put numbers to," he says. "It's vital that the CFO and the finance function understand sustainability and social bottom-line issues, and work hard to try and make them as clear in peoples' minds as the financial bottom line."

CFOs are often also responsible for producing sustainability reports as part of their company's package of annual reports, Ms. Stein notes. "I think tone at the top is very important, especially on this issue. If you can get someone who's a numbers person, the organization is much better off."

The CFO's role in assuring efficient procurement practices, supply chain management and production capability also enhances a firm's competitiveness on the international stage.

"This goes to ensuring there are no surprises when it comes to competitive pressures on a global basis, and making sure the organization is taking advantage of markets and making the necessary adjustments," Mr. Tugman says. "CFOs should not just narrowly measure performance against local competition, but rather ensure the organization is making the adjustments needed to remain competitive on a global basis."

# The CFO as corporate strategist

## Chief financial officers take their place at the C-suite table

Chief financial officers are edging ever closer to centre stage.

Indeed, the contemporary CFO has emerged as a full strategic business partner, often working in tandem with the chief executive officer in corporate decision-making and then articulating that strategy to investors and other stakeholders.

"CFOs are now viewed as organizational leaders. There has been an evolution for the CFO to have a big place at the C-suite table and even the board room table as other C-level [executives] and directors look to the CFO for credible oversight of the organization's financial structure," says Michael Conway, CA, chief executive and national president of Financial Executives International Canada in Toronto.

FEI Canada offers networking and professional development opportunities to help CFOs become corporate leaders and serve as key contributors to strategic decision-making.

"It's the go-to position on the management team when the CEO needs help," says Laurie Tugman, FCA, executive chair and corporate director of Nexterra Systems Corp. in Vancouver. Mr. Tugman is also chair of the Canadian Institute of Chartered Accountants' Members in Industry Advisory Board, and a member of FEI Canada's CFO Leadership Committee.

In full agreement is Gino Scapillati, FCA, national managing partner, markets, at PwC. "Particularly in the last three years, recovering from the economic downturn and also with increased globalization, we're certainly seeing a shift in the CFO's role," he says. "While controls and efficiencies are critical aspects of the role, there's much more emphasis now on the strategic side; the whole theme of looking forward rather than simply measuring past performance."

According to PwC's *Finance Effectiveness Benchmark Study 2012*: "... market instability has heightened the need for CFOs to maintain rigorous oversight over operational risk and develop a strategic view of market exposures. Effective risk evaluation is also crucial in identifying opportunities that other less informed businesses may miss or be reluctant to pursue."

**Gino Scapillati, national managing partner, markets, at PwC**

There was a period when concentration was on integrity of information and making sure internal controls were in place, says David King, Canadian director, Robert Half Management Resources in Toronto.

"Now I think reliance on accurate data is something most companies have good comfort with. The CFO's role has evolved to not just provide accurate data for decision-making, but to become very active in that decision-making," Mr. King adds.

For example, he notes, the CFO contributes due diligence on the financial soundness of decisions with respect to potential activities such as mergers, acquisitions, and expansion into new markets. The financial analysis undertaken in making those decisions is likely conducted at a much higher level than in the past, with various risk management scenarios analyzed.

Furthermore, the finance function has become integrated within corporations to cover areas such as procurement practices, supply chain and production capabilities, enabling CFOs to use their skills in improving efficiency and effectiveness, Mr. King says.

The CFO's role as a leader in applying information technology has also expanded.

"The first role of the CFO is to understand where the organization is going and evaluate whether it has the right tools to get there," said Debbie Stein, CA, senior vice-president of finance and chief financial officer of AltaGas Ltd. in Calgary, and a member of the board at Financial Executives International Canada.

Adds Mr. Conway: "Finance is key in ensuring that not only do IT projects arrive on time and on budget – which is sometimes a novelty – but that they also achieve the full objectives of the implementation."

The CFO also has a responsibility to keep stakeholders informed with regard to social responsibility and environmental practices.

"Corporate responsibility – whether it be a green impact, a charitable impact, etc., has become much more on the radar, certainly in the reporting of many companies' performance over the years," says Mr. King.

Notes Mr. Scapillati: "The area of corporate social responsibility is now often a differentiator. It's more than simply being in compliance. It often comes up in a tendering situation – bidding for new work and demonstrating your CSR mandate to procurement groups."

Expense management is also a key strategic imperative, particularly during difficult economic times.

For example, noted Paul Parisi, vice-president and general manager of global corporate payments at Amex Bank of Canada in Markham, "I've met with many CFOs recently who are more interested in some of the micro-level details around the payment process; around how frequently they are paying their suppliers, and whether both are meeting their terms. And there's a lot more interest in making sure the relationship is appropriate for the type of business they're in."

The CFO has also stepped to the forefront as a corporate spokesperson. "Shareholders really want to hear from both the CFO and CEO directly to make sure they're getting unfiltered information. So the CFO's got a very critical role," stresses Mr. Tugman.

## Sharpening the focus on accounts payable

Amex Bank of Canada's Buyer Initiated Payment (BIP) solution assists chief financial officers by providing them with greater visibility on how their companies are spending, as well as assisting with inventory management and control, says Paul Parisi, the company's vice-president and general manager of global corporate payments in Markham, Ont.

Through BIP, the purchaser tells Amex when its supplier would normally be paid, and Amex will pay those suppliers at an earlier date.

"We get really intimate with a customer's AP file. We can start changing the working capital a customer has by increasing the days' payable outstanding by upwards of about 15 days. More importantly, we can accelerate the payment to the supplier by about 25 days. The suppliers are happier that they're getting their money quicker. The company is happier they don't have to pay their bills quicker to their suppliers. We do that for them," Mr. Parisi explains.

"They become far less dependent on their treasury relationships because if they're in a line [of credit] with a bank, we essentially take over the unsecured credit aspect of that solution. Not only do they have 15 more days of working capital through American Express, but their line has been decreased with their treasury bank," says Mr. Parisi.