

CFO's expanding role coming to fore

By GUNDI JEFFREY

Today's chief financial officer contributes much more to corporate success than just accurate financial information, says a new study from the Canadian Financial Executives Research Foundation (CFERF) that aims to put a brand on the CFO role.

Branding the CFO builds on the 2011 CFERF research, *Beyond the Numbers: The evolving role of the CFO*, and confirms that the role of CFOs in interpreting and anticipating risk, being an objective advocate, and understanding the greater business context is increasingly being seen as critical to ensuring business success. The study is based on an online survey of senior financial executives, interviews with Canadian CEOs and comments from a round table of senior financial executives, CEOs and board members.

The idea behind the study, says Michael Conway, president and CEO of FEI Canada, "was to prove that the role of the CFO had evolved significantly over recent years. It is a more senior and more strategic role that goes far beyond the stereotypical financial reporting role. CFOs are no longer bean counters; they are moving towards being much more of a strategic advisor for the CEO and the board."

Louis Marcotte, senior vice-president and CFO of Intact Financial Corporation, Canada's largest provider of home, auto and business insurance, says "not only do CFOs need to have a good handle on the business and its financial information, we have to be good advisors to the CEO, boards and audit committees. The CFO is clearly seen as a key executive in the company more than ever before."

The research findings are supported by the recent IBM study "Accelerating performance: The evolving role of the CFO," which said that while CFOs offer the business insight and finance efficiency that push organizations toward smarter decisions and fuel better performance, they are now "being asked to do more — to advance a growth agenda and accelerate the performance of their organizations."

Indeed, the CFERF study found that nearly all respondents agreed that CFOs play a critical role in a growing number of C-Suite responsibilities, including strategic planning, cross-divisional key business decisions, spotting market opportunities and predicting changes in the business environment.

The CFO is probably the most knowledgeable person in the company, Paul Godfrey, president and CEO of Postmedia Network Inc., told the researchers. "A good CFO is not a number cruncher. A good CFO knows how the business is run."

CFOs play a very complex role, added Pierre Matuszewski, CEO, Société Générale Canada. "They both have to be the CEO's closest



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ally and yet be the guardian of the virtue of the organization."

Survey respondents also confirmed what senior financial executives already know: the traditional responsibilities of CFOs have not disappeared. In fact, the *Branding the CFO* study stressed that only when CFOs show that their basic duties — financial reporting and accounting, budgeting and forecasting, tax compliance and planning, treasury



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and risk management — are well handled will they be given the opportunity to undertake more leadership roles within their companies.

As well, the study offers insights on what steps senior financial executives need to take to enhance their career and how CFOs themselves can transform their current position to one that reflects their evolving value to organizations to finally become trusted strategic advisors.

"The biggest takeaway" from this latest study, says Conway, is "the development of what we have coined the CFO 'trust pyramid' which characterizes the stages a CFO goes through in any given company." The bottom layer — which Conway calls "understanding" — has CFOs building knowledge of the business and ensuring the reliability of its financial reporting. "The CFO is ultimately responsible for the reliability of the financial reporting of the organization and providing the unquestioned soundness of the numbers," he says.

From there, CFOs become facilitators that business unit heads rely on, providing them with solutions on many issues and ultimately helping their teams deliver on their business plans. Known as the "facilitation" phase, "this is where CFOs also promote ethical business practices — they are often seen as the conscience of the organization."

Once CFOs are trusted to deliver unquestioned soundness of the numbers and add value to their peers, they can ascend to the "leadership" level of the pyramid. Conway says this is where "CFOs, together with the CEOs and their C-level peers, map out the company's future strategy, building business plans, communicating strategic direction, aligning the organization's vision and ultimately being seen as the trusted partner of the CEO and the board."

Marcotte, currently also the president of FEI Canada's Quebec chapter, is a poster boy for today's CFO role. His career path started at KPMG Canada and from there he moved overseas to Europe and Japan, spanning public accounting and industry, working for large

public corporations as well as small, owner-run private companies. He even tried his hand at running his own business, an experiment that did not turn out as well as he had hoped. "But I sure learned a lot," he says. His learning continued when he joined Intact eight years ago.

"This has been the best experience of my life," he says. "The company has given me varied experience in the finance function and, three years ago, gave me the oppor-



MARCOTTE

tunity to move to the operational side for one-and-a-half years. That was a real eye-opener for me. I came to understand a lot more about what's going on in the business, the customers, the brokers, the products we sell and the community we sell to. The company made sure that I was able to learn about everything I needed to eventually take on the CFO role."

Now he's in that "partner to the CEO and trusted advisor" role the study describes. "I spend time with

the CEO to learn where he needs help and I can add value. I protect his back to some extent. I know that he is not focussed on the same areas as I am — he takes a longer-term approach and is not as focussed on the numbers part of it as much. I manage the financial performance of the company and make sure that all information is properly disclosed to whoever needs it."

Marcotte also acquired investor relations skills, deals with financing and capital structuring and makes sure the business meets its performance goals. Providing pertinent information to the board and audit committee "to make it easy for them to focus on issues of concern" is also part of the job description.

Conway describes the CFO role "as probably one of the positions with the broadest view of the total organization. As businesses have become more globalized and competitiveness has increased, there has been more pressure on profitability margins. Business got tougher. Someone who has a strong command of the numbers is required to help steer the company in the right direction."

Marcotte believes the CFO role has gone full circle in recent years. "We went from the traditional accounting and reporting role to a more transactional role where CFOs were expected to lead corporate growth through transactions. As such, there was less focus on the ability to manage finances but rather to be very good at transactions. Then the financial crisis hit and now there is a much more intense focus on control, reporting and having a good balance between managing transactions and managing the finance function as well."

There are more changes to come, he says, with technology being the next frontier. "We'll be expected to better understand technology and the impact it will have on business results and performance."

Chris Robinson, associate professor of finance at York University in Toronto, says future CFOs will feel the weight of greater expectations and that means "we need to get away from the division between finance and accounting in the education process. University finance academics will teach at least a reasonable amount about financial risk, albeit in a rather theoretical fashion. Accounting academics will teach about IFRS or U.S. GAAP. But CFOs cannot any longer be just accountants who have been promoted up the line, or finance specialists promoted to CFO. CFOs must have a really strong understanding of both areas."

Conway points out that there are still people who think of CFOs in the more traditional manner. "So, there is a need for CFOs to shape how they are perceived. The branding of the CFO is just a step in the evolutionary ladder of the job. Not everyone is on the top of the pyramid but there is pressure to move them up and do the broader roles described."