

Strategic Growth Amid Increasing Complexity – The New CFO Playbook

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The role of the Chief Financial Officer (CFO) is changing. CFOs face a new mandate to drive strategic growth across increasingly complex organizations. Today's CFOs must be innovative thinkers, detail-oriented practitioners, and inspiring leaders, often all at the same time. It's a pivotal role that requires every tool and resource at a leader's disposal to become more effective and more impactful.

To succeed in this rapidly expanding position, today's CFOs need to be proactive about honing their own skills and navigating new realities for their organizations. In helping hundreds of clients navigate the evolving financial and operational realities of today's business world, the team at PKF O'Connor Davies has developed this series of best practices for CFOs and leaders. It's a new playbook for the modern CFO – a guide to streamlining operations and growing the bottom line.

Expanded Responsibilities

As CFOs are pressed to take on more responsibilities and business operations are trending toward globalization (especially with e-commerce), automation and effective delegation are essential. A CFO should consider:

- **Conducting periodic process reviews** which is often an overlooked technique. Find out more about the inner workings of your back office operations and functions. Many companies we serve conduct these exercises on an ad-hoc basis. As operations change and businesses evolve, what were once “best practices” may have become outmoded or suboptimal. In addition, internal controls may have become ineffective. Make the “process review” a required semi-annual or quarterly exercise where participation is mandated.
- **Reviewing reporting and report timing** to assess whether or not the reports you generate are timely and serve to enable and improve actionable decisions. Eliminate or change reports so that they are timely and most effective.
- **Reviewing your reporting calendar and task list** to determine whether the reporting calendar enables the company to make timely decisions. Evaluate whether the people handling the tasks are best suited to perform them and be on time. Determine if you can eliminate, consolidate or automate any tasks. Poll the users of your reporting for information that is achievable and most useful to them.
- **Surveying customer and business units** as to what they need. One of our clients was producing a report every month for the CEO; but it turned out that the CEO wanted that report only one time. With respect to assessing your external customers' and internal stakeholder needs, tools, such as Survey Monkey can help facilitate your analysis.
- **Assessing software functionality** to determine effective use and that it meets your current needs. Consider automating account reconciliations and creating exception reports instead of manually reconciling financial accounts. The expense report and bill payment functions can be streamlined; although it's essential that internal controls be maintained, especially in light of cybercrime. For one client, to accelerate cash collections, we recommended a second post office box – one for business mail; the other for client payments. Also, software and banking tools are available to automate bill or cash movements via ACH and wires. Utilize workflows and these software programs to improve authorization and payment throughput process.

- **Streamlining data entry and robotic process automation (RPA)** by creating macros or code programs. Professionals in our Outsourced Accounting and [Fund Administration](#) Practices who serve private equity, venture and hedge funds have found that the banks and prime brokerages change their data feeds periodically. So, we developed several macros and templates which have streamlined transaction processing and data entry and improved accuracy significantly.
- **Considering establishing a data library** which assembles key financial and market data and “BI” (business intelligence) interfaces and which you can automate, realign or eliminate. Often, conducting a simple survey, for example with Survey Monkey, can reveal interesting insights.
- **Revising and creating template forms and input sheets** that can ideally be online. You can increase the likelihood you will receive all the information you need to streamline data entry into the general ledger and enhance the quality of your reporting. Require completion and department sign-off before submission to your department.
- **Redesigning your invoices with a bar code** or enlarging the font size with the client account number to improve the application of funds and accounts receivable. Be sure to look at your internal controls and procedures surrounding cash collections to ensure that funds are applied correctly.

Leading the Business’ Evolving Strategy

As CFO, strategizing for the business can be facilitated by:

- **Crystalizing your business strategies** to respond to customers and processes. Businesses may need to pivot either fundamentally or tactically. Consider COVID-19, which instantaneously upended many a sound business strategy. Evaluate whether your business’ strategy is aligned with your existing and target customer base or should be modified in the current and evolving operating environment.
- **Reviewing your strategy implementation plan** and how senior management and the Board of Directors want to implement the company’s vision.
- **Coordinating and assigning the tasks in your strategy implementation plan** to the key leaders in your organization. Key stakeholders typically include management, operations, manufacturing and distribution, marketing, sales, finance, IT, cybersecurity and human resources.
- **Communicating your business vision and strategy to all constituents regularly.** Depending on the size of your organization and the number of locations, this could be a series of “all hands-on deck” companywide or departmental meetings. Video conferencing software is a cost-effective way to do this, thus delivering a consistent message to all. At our firm, senior management hosts “Town Hall” meetings at least two to four times a year to update team members on company strategy, state of affairs and direction.
- **Prioritizing the tasks that will enable material progress** against the organization’s goals and objectives. Sometimes accomplishing small tasks primes the pump. Other times, broader tasks are required to steer the ship. Compare cost of the tasks against your budget.
- **Assigning specific tasks and responsibilities to managers** for their direct reports. In addition, set milestones and deadlines, which tend to increase action. Align pay and performance, and amend job descriptions and annual performance goals to communicate the importance of strategy implementation.
- **Benchmarking your organization’s progress against your plan.** Hold weekly, monthly or quarterly status meetings to ensure that everyone is on track to implement the strategy. This helps identify opportunities, pitfalls and blockages. Take steps to modify tasks and the responsible parties to ensure you achieve your stated strategy.

Data-Gathering and Analytics

The key to sound decision-making is robust, accurate and timely data. This is the hardest process to create and implement, especially at organizations with multiple divisions, data silos and legacy systems.

The organization's overall success is dependent on gathering the right, quality data and related analyses for all products and services the company provides.

- **Revisit your system internal controls and accounting department design.** Examine your organization's Enterprise Risk Management Concept. Assess whether the risks you identified as material continue to be relevant today and for going forward. Evaluate whether your systems and controls are meeting your control objectives especially with the uptick of remote working. Internal controls that may have been robust or state-of-the art previously may be inadequate now.
- **Review your organization's Key Performance Indicators (KPIs).** How do you measure your results? How do you benchmark performance against your stated goals and objectives? Are the KPIs still relevant today? What are the trends telling you? Are employees held accountable for the KPIs? Are the KPIs part of the yearly performance appraisals? Gain insights on which to base decision making.
- **Review all data feeds one by one.** Verify that you are receiving all important data on a timely basis, that your accounting and reporting team is receiving the data in an efficient and effective manner, and that the data is accurate. Address any differences periodically. We have a number of clients who manage fund-of-funds investment portfolios; sometimes they receive quarterly asset values from funds they invest in after their reporting deadlines.
- **Review your processes surrounding the monthly closing** to maintain quality and consistency. Modify your processes and procedures to enhance your reporting and analytics.
- **Consider moving your data to the Cloud** in order to improve data collection, timeliness and cybersecurity. We offer a Shared Accounting Resource service where we developed specialized software so an entire client service team and client personnel can work on accounting and reporting in the Cloud simultaneously.

Technology Infrastructure

As CFO you need to analyze your current technology infrastructure against your organization's needs. Your organization may benefit from:

- **Creating a software and hardware capital budget.**
- **Considering moving hardware, software and data to the Cloud.** Services like Amazon Web Services (AWS) and Microsoft Azure could benefit your organization and upgrade your technology at a relatively reasonable cost. These vendors can often spread IT development costs over multiple users. They also invest significant sums in cybersecurity, which is essential today.

Handling Cybersecurity and Threats

Today, it goes without saying that cybersecurity should be top of mind for the CFO.

- **Analyze your computer environment and identify vulnerabilities.** Cyber criminals and hackers seem to find new and more creative ways to penetrate your systems and seize your data. Accordingly, protecting your organization's data and your customers' privacy has become more and more important. Develop an analytical review program and conduct reviews regularly – some scheduled and some “surprise” reviews.
- **Appoint a qualified individual to lead your cybersecurity program.** Consider a [Virtual Chief Information Security Officer](#) (vCISO) if your organization's size and budget don't justify a full-time resource. PKF O'Connor Davies can help you with this.
- **Collaborate with independent consultants** who can test your IT infrastructure and assess the effectiveness of your defenses.
- **Establish an effective cybersecurity awareness program.** Hold regular, continuing education programs to increase your employees' vigilance. Also, consider sending shill (fake) phishing emails to your employees to test their focus on checking emails before clicking URLs.

- **Define an Incident Response Strategy** in the event your organization becomes the victim of a cyberattack. Often, readiness provides a roadmap and range of action steps which can help you protect your organization.

Cash Management and Budgeting

Your cash and budgeting forecasts should be:

- **Leveraged against PowerBI and Reporting Tools** to produce the necessary reports for robust analysis and sound decision-making. When helpful, download your company's accounting data and reports into Excel or other forecasting program.
- **Aligned with your forecasted company strategy** and the related sources and uses of funds.
- **Compared with taxable receipts (revenues) and tax-deductible expenses.**
- **Compared against your financing sources**; for example, a bank revolving line of credit. Analyze your loan covenants against your loan projections.

Financing Operations

Financing operations typically includes working capital or day-to-day liquidity management, including foreign exchange (FX) and capital structure, including raising debt and equity capital. Therefore,

- **Consolidate vendors**, both on supplies and inputs as well as other service providers. Negotiate volume discounts and favorable payment terms and discounts.
- **Consolidate demand deposit accounts** to streamline your accounting and banking administration and reconciliations. Gravitate more toward ACH and wire transfers if your organization still uses paper checks.
- **Implement an online Payment Gateway** to streamline and accelerate receivables collections and processing. Encourage customers to use non-fee based payment platforms.
- **Create a perpetual financing calendar** noting when you need to renew lines of credit, term loans, etc. to achieve optimal terms and conditions.
- **Revisit your capital budget** in light of changes to strategy and approved spend. Compare this to your liquidity budget and reassess your capital needs.
- **Collaborate with your financial advisors** who can assist with capital raising. Every year, our firm advises a number of clients who are seeking bank loans.
- **Where beneficial, consider entering into longer term financing arrangements.** This reduces the time you have to spend negotiating deals. Match-fund your assets and liabilities to achieve a balanced capital structure.

Control Costs to Increase Margins

Implement technology to streamline operations and reduce costs. The CFO can:

- **Continually review your organization's spend** and look to cut expenses and accelerate cash collections of accounts receivable to improve your working capital. Direct invoices and statements to the correct customer contacts timely and every month. Analyze your Cash Conversion Cycle which takes into account days inventory outstanding, days sales outstanding and days payable outstanding.
- **Review your costs and expenses.** Over time, an organization's spending becomes inefficient and wasteful. One example is software licenses; make sure you terminate software licenses for people who don't use the software anymore. Review your spend for relevancy and eliminate waste.

- **Review your organization’s purchasing authority** to revisit who can make particular purchases and dollar limits.
- **Update your policy and procedures manual.**
- **Coordinate with your product development and marketing teams to expand your product offering.** For example, create bundles where customers can purchase more of your products at greater frequency. Shift your product mix to grow your business and increase your profitability.

Attracting and Retaining Talent

Attracting and retaining top talent is a continuous quest. One of the secrets is to continually look for talent, including:

- **When you promote “Open Positions” online**, even if you post positions on your website only, you show growth. By continually meeting new candidates, you are more likely to find new professionals that will enhance your organization.
- **Offer a variety of compensation packages and programs** to meet prospective employees’ different needs and motivations. Create an attractive work-life balance.
- **Allow partial work-at-home options**, even after COVID-19 ends. Work-at-home creates employee goodwill, adds more family and personal time and is often a welcome break from commuting. Put some requirements around the required work output.
- **Provide continuing education and career development** to improve your team’s skill base and knowledge and increase employee retention.
- **Consider “Outsourcing” and “Insourcing”** where you leverage your service providers’ infrastructure and professionals. For example, in our Outsourced Accounting Practice, we create dedicated client service teams. Our professionals possess a wide range of talents and skills at a variety of seniority and fee levels. Outsourcing creates flexibility and shifts the HR burden to your service providers.

By taking a step back and taking time to crystalize your organization’s strategy and implementation plan, you can streamline your operations, increase your effectiveness and grow your bottom line.

Contact Us

PKF O’Connor Davies is a leader in providing outsourced and insourced accounting, back-office and CFO services. In fact, on many engagements we report to our client’s CFO. For more information and to start a dialogue, contact your client Engagement Partner or:

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About PKF O’Connor Davies

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