What Does A CFO Actually Do?

The Chief Financial Officer: a glorified accountant, or a key power-player in your business? We explore what they do...

Whether your organisation is a private company, a multinational corporation or a non-profit, if you have a finance or accounts department then you will have a Chief Financial Officer. The CFO's role is to oversee your company's financial activities and operations, from day-to-day needs such as cash flow, purchase authorisation and deposit tracking, to longer-term concerns such as risks and opportunities for the business.

Once upon a time, this was a world of physical spreadsheets, book-balancing, invoices, manual data entry and counting machines. But now with developments in data-sharing technology, automatic updates and cloud-based solutions, the CFO's department now represents a vital collection of key data that a business can analyse and learn from.

The role of the CFO has evolved significantly in recent years. Once a financial gatekeeper with their hands on the keys to the safe, the CFO is now directly involved with business strategy and shaping the direction the company is taking.

There are the three main sides to a CFO's role:

Accountant

The traditional, front line of the job. Ensuring that the company maintains accurate bookkeeping, protecting the business assets, ensuring compliance with legal and commercial obligations, closing the books accurately, filing accounts and paying taxes.

Service-provider

Making sure that the finance department provides effective and efficient service to the business. A company needs smooth provision of treasury functions, payroll, management of day-to-day issues, and communicating value and risk issues. And, of course, drawing up of budgets, compiling and presenting financial data, and organising the analysis to inform decisions.

Consultant

This is where the CFO can really come into their own and provide value to the company. From interpreting data, the CFO can provide forecasting, strategy and advice to the CEO and the board. The role can drive positive change using the power of the purse strings to encourage improvements to cost reduction, procurement and pricing policies. The CFO can also play a role in sourcing outside investment for their company.

Despite this evolution and greater responsibility, some CFOs can still get bogged down by traditional accounting practices - transaction reporting, etc. - and unable to find time to be more actively involved in the business.

The only way for a CFO to become a big-picture thinker is through delegation and effective team management to handle the day-to-day tasks and compilation of data for assessment. In larger corporations this is done by divisions, or in smaller companies by accountants staff with responsibilities for the purchase ledger, sales ledger, payroll, procurement, management accounts and insurance.

So, what does a CFO deal with in the course of a day?

Most CFOs start early, around 8:00 a.m. They might take the initial 15 minutes to review their priorities for the day and then look over the key metrics to put themselves in the picture over their first cup of coffee. From then on, their attention is segmented into several key tasks, sometimes in a specific order, or in other cases at varying points spread throughout the day:

Overseeing the accounting staff - getting up-to-date on their workload and solving problems. Keeping the bigger picture in mind helps when putting an issue into perspective, and it works well to remove the burden of sole responsibility from an individual member of staff to improve their stress level and performance.

Emails and phone calls regarding company matters - reviewing key metrics, identifying how the company's activities and phases of business need to be helped or influenced by the finance department, monitoring changes in the company's staff and needs, and simply keeping senior staff in the loop.

Cash flow planning and cash management - reviewing and approving commissions and payables, lining up financing for purchases, and also reviewing the adequacy of accruals and reserves. Keeping a steady hand on the tiller.

Account analysis and reconciliations - likely in collaboration with a team or individuals from the department.

Recommending and documenting changes in procedures and processes - there may well be room for improvement, especially in light of advances in cloud technology, shared data and the growing evolution of safe, automated online systems. Automation can free up time, help a finance team take control of their tasks and give them the means to improve quality. It's all about optimisation of ROI, which is always popular with C-suite personnel.

Strategy and planning sessions with the CEO/COO - identifying additional or new revenue opportunities, and recommending new strategies and goals to drive the company's efforts.

Accounts receivable management and collection calls - reviewing the status of collections and delinquent receivables. It's dangerous to let problems in this department slide; a few small deficits can add up to much larger ones.

Helping the accounts staff - if someone is ill, or if one or two people have a very heavy workload at that point in time, a good CFO can show leadership and build team relations by jumping in to fill the gap and make sure the department is not falling behind on their duties or letting the company down.

Resolving accounting reporting questions and disputes - even in the most well-run department, issues will arise. It takes someone with an experienced hand, an eye on the bigger picture and a decisive nature to create solutions to any problems.

All the above might occur simply in the course of a normal day. Other less-frequent key activities include monthly closings; monthly, quarterly and annual regulatory responses; filings and taxes; and annual budgets.

The CFO might also have to draw up a weekly financial report with detailed metrics to show where the company stands compared to their current goals and the previous year. This may be prepared for him by his team, or if at a smaller company, they might have to spend 2-3 hours working on it themselves.

If the CFO is independent - a self-employed virtual, consulting or interim CFO - then they also need to make time to run their own business, as well as the company's. This can involve reading, networking, seminars and early meetings, as well as doing their own accounts.

And, after all this, a CFO might still visit the gym, pursue personal interests and spend time with partners and children!

In conclusion:

The best CFO is not simply a presenter of balance sheets, income statements and cash-flow sheets. A great Chief Financial Officer makes their role the basis for financial decisions, business forecasting and strategy - identifying ways for the company to optimise and grow. While the board may have the ideas, the CFO has the practical information to keep the company going.

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