3 Drivers Transforming
The Role Of The CFO

CFOs are well placed to act as business advisors, because they are closest to the critical financial data that guides plans for optimizing profits and eliminating expenses. However, in today's global business environment, few CFOs have the chance to leverage this opportunity. Instead, they are relegated to a strict role of reporting information despite their ambition to contribute meaningfully to the conversation by deploying the data they collect and hold.

Historically, CFOs have been unable to maximize their in-depth knowledge of company finances because of the extraordinary amount of time needed to handle day-to-day accounting tasks. Cumbersome, decentralized processes consumed the division's full attention, making it difficult to carve out opportunities for contributing to long-term planning.

However, technological advances have resulted in streamlined platforms capable of moving responsibility for many of the organization's mundane transactions to an automated model. This same automation offers real-time insight into the company's financial standing. Automation, along with changes in business structures, the regulatory environment and the global economy, presents new opportunities for CFOs to contribute to strategic planning.

Phasing out the Chief Operating Officer

The increased focus on transforming the role of CFO from strict numbers analysis to business adviser and strategic partner is influenced by the phasing out of the COO position. In the 2014 Crist Kolder Associates Volatility Report, a survey of trends affecting 669 large American companies, researchers determined that many organizations have eliminated the COO position since 2000. In that year, 48 percent of the 669 companies surveyed had a COO. The total dropped to 36.5 percent in 2014.

Formerly the second in command, COOs were at one time indispensable partners to their CEOs, guiding strategy and moving the company forward. Although this role has always varied dramatically from company to company, and even between successive COOs in the same company, the primary responsibility--acting as the CEO's right hand--remained constant. Now, a majority of large organizations are phasing out their COOs, which alters the dynamic of the executive leadership team.

The changing structure of the leadership team has created a new career path for the Chief Executive Officer seat. Of the companies surveyed, 43.3 percent of CEOs that were hired from within the organization held the COO position immediately prior to becoming CEO. As the number of COOs declines, there is greater opportunity for CFOs to take a leadership role in strategic planning.

Changing Regulatory Environment

The global financial crisis of 2008 highlighted glaring deficiencies in the world's banking system, including loopholes through which large companies could defraud investors and financial institutions that were "too big to fail." National governments found themselves in the unexpected position of bailing out private companies at taxpayer expense in order to ensure as little damage to the global economy as possible.

The impact of this economic earthquake is still being felt today, as international coalitions work together to design regulations intended to prevent another such crisis. For example, the Financial Stability Board (FSB), an international organization formed during the 2009 G-20 London Summit, recently published new Total Loss Absorbing Capacity (TLAC) recommendations for the world's 30 largest banks. These recommendations ensure that banks maintain sufficient reserves to recover from future economic downturns so that taxpayers will not find themselves financially responsible.

Many countries have enacted their own series of protective measures, requiring far more accountability from large corporations' executive leaders. As a result, CEOs want deeper understanding of their company's inner financial workings, and shareholders require greater participation from CFOs to understand stock value and strategic plans. These changes place CFOs front and center where they are expected to offer more than just a list of numbers.

Shifting Global Business Landscape

Finally, the global business environment is changing rapidly. Urban populations are growing, technology is advancing at an unprecedented rate and emerging economies are transforming the worldwide marketplace. For companies to step up and meet these challenges, an "all hands on deck" approach is required. Greater participation from every area of expertise, particularly the financial side, is critical to overcoming competitive obstacles.

Holes in business strategy often show in financial reports first, and careful analysis offers a look at missed opportunities for profit and unnecessary expenditures. Most CFOs have the education, skills and experience to work through these gaps, creating effective proposals to solve problems and valuable recommendations for strategic growth. As the global business environment changes, CEOs are relying more heavily on CFOs to provide this essential counsel.

As companies phase out the role of COO and the regulatory environment and global business landscape change dramatically, CFOs find themselves on the brink of transformation. There is a hole in the leadership team, and CFOs have an opportunity to transition from primarily analyzing and reporting numbers to strategic partnership. Their unique insight into the inner workings of the organization offers an exclusive opportunity to identify operational gaps and recommend effective solutions.

Unit4 is in the business of developing solutions that empower CFOs and their teams to make a strategic difference to their organizations.

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