5 Ways CFOs
Make The Best Advisers

The CFO has historically been an accounting specialist. But, many successful companies have transformed the CFO into equal parts analyst and advisor as well. These CFOs “have become trusted and indispensable members of the business development team, people who can add real value through incisive analysis and experienced interpretation of historic and emerging knowledge,” writes Jeremy Hope in Reinventing the CFO. “They are seen as business generalists first and accountants second.”

According to the CEB 2014 CFO Business Partnership Survey, just 19% of CFOs act as strategic business advisors. This is a huge missed opportunity. CFOs handle the numbers behind every department, initiative and venture that a business undertakes. CFOs have to forecast performance, analyze resource management, identify process improvements, evaluate effectiveness and more. With such a range of responsibilities, it’s crazy that 81% only check decisions after they’ve been made? CFOs can bring that knowledge and expertise to bear on all sorts of business planning. Here are some of the top ways in which CFOs make the best advisers.

Decision Making

CFOs are uniquely positioned to be the skeptic in the room, and this works two ways. On one hand, CFOs already quantify their observations. For instance, when a CFO evaluates a potential merger, there can present a quantified reason why a project or venture should continue or not.

On the other hand, CFOs are used to managing targets. They know how to adjust the company's financing structure to it is aligned with business strategy. This process can be equally useful in determining whether a series of decisions will lead to the desired outcome, and identifying where things could go wrong.

A Singular Vision

CFOs make great advisers because they have a singular long-term goal for the company as an enterprise to be sustainable and, where appropriate, make money. This objective may conflict with performance goals set within a department. For instance, Marketing may see a bonus incentive when a social media campaign reaches 10,000 shares, but hitting that performance goal may not necessarily impact the bottom line. The CFO in an advisory role looks at that initiative and asks what the click-through rate is, how many people actually purchased something, how many of those buyers were already regular customers and the size of the transaction. In other words, they should check is that campaign actually provided measurable value. The number of shares may have very little effect on how much business comes in. The CFO as an adviser unifies the vision for the company.

Analyzing Projects

The same advisory focus can be applied to analyzing projects. By developing a detailed forecast, CFOs can draw conclusions about a project's value based on how much it will cost and how much it will likely bring in for the company. Also, these calculations are timed so that it is apparent when the project pays for itself – but that isn't all. CFOs can take that analysis a step further, comparing it to other options, evaluating the project based on how it might affect capacity and develop several scenarios for the outcome of that project. No other department or role in the company has such an informed placement, making the CFO uniquely situated to act as an adviser.

Company Reinvestment

CFOs can provide a similar analysis on issues of company reinvestment. Assets need to be replaced, real estate can be outgrown and IT systems may need to be upgraded. Rather than trying to explain those issues as needs, CFOs can examine when the company can best afford to make those changes, analyze how long it will take for those reinvestments to pay off and look at whether making those reinvestments will increase capacity or output.

Reducing Costs

The type of analysis a CFO provides is invaluable for reducing costs throughout an organization. When a CEO or an operations manager makes decisions about where to cut costs, sometimes he or she can hit the quick. The best belt tightening is in areas that will not affect the company's profitability. "It was the poor understanding of cost drivers, cost profiles and what leads to margin contribution that left many organizations arbitrarily cutting costs," explains Ernst & Young. "Either this happened at a rate that was too slow to protect the company's underlying profitability, or the cuts were too indiscriminate and risked compromising future growth; or, worst of all, it may have done both." Without the detailed information a CFO holds and the analysis he or she can do on those figures, some of those cuts may hurt.

CFOs are in a unique position to collect and analyze "the numbers" throughout the organization. In turn, the advice and counsel they provide take on a much more holistic and informed view than most other positions in a company can provide. This enhanced vantage point makes CFOs indispensable as advisers.

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