Qualities of a High Performance Finance Executive:
An Aggregation of Skills

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In tough times, Finance executives of all ranks (Controllers, Assistant Treasurers, Chief Financial Officers, etc.) are primarily regarded as cost cutters and administrators of financial controls, rules and regulations. This is a misconception as it ignores the vast changes that have taken place within the Finance function since the last recession in 1991. Top Finance executives have expanded their skill sets in many ways that are valuable now and in the subsequent economic recovery. These new qualities make for a more high performance Finance executive who is heavily influencing the direction of many companies.

Financial positions are demanding—and rewarding as well. Finance executives have to maintain a balance between control and creativity. A control orientation is essential in order to establish accountability. Even companies with strong product/service offerings and dynamic marketing organizations require accountability to achieve their potential. Yet, it is almost impossible for a company to succeed simply because they have strong controls. High performing organizations flow seamlessly from one activity to the next because they focus on the business, which, in turn, drives every aspect of the company, including controls, creativity, etc. These companies generate the energy and resources for growth as well as financial strength. Finance executives can lead and model creativity, energy and resourcefulness by the way they do their jobs.

In M. Wood Company's process of recruiting candidates for various roles and functions, amongst them, CFO's, Controllers, Treasurers, Tax, Internal Audit, and Business Development (M&A), we have identified the qualities necessary to be a high performance Finance executive. Besides technical proficiency, a comprehensive mosaic of skills, attitude and orientation must be present in order for a Finance executive to succeed splendidly. The qualities present in high performing Finance executives include the following:

1. **LEADERSHIP**
2. **THINKING & ACTING STRATEGICALLY**
3. **PROMOTING & PROTECTING THE BUSINESS MODEL**
4. **CREATING VALUE**
5. **DIRECTING & MANAGING CHANGE**
6. **BUSINESS PROCESSING RE-ENGINEERING**
7. **ASSET MANAGEMENT**
8. **SERVICE PROVIDER APPROACH**
9. **MANAGING HUMAN CAPITAL**

1 LEADERSHIP

A leader develops a vision, enrolls others to buy into the vision, consistently communicates the vision, executes according to the vision and holds oneself, and everyone else, accountable for achieving the results envisioned. A leader leads by example—openly discusses issues, experiments with new ideas, acts cross-functionally and celebrates successes. A leader communicates and interacts effectively with other key players in order to establish his authority and create results.

The Finance function crosses all lines of business and functions within a company. An effective Finance executive generates results by leveraging cross-organizational opportunities. In passionately reaching for important outcomes they learn to effectively enroll other key executives in their mission. They are regarded as partners and collaborators with other members of the management team. They build consensus around the business strategy. They actively communicate the business and financial strategy inside and outside the organization in order to assure alignment between the Finance function, the business strategy, the allocation of capital, key business processes and human resources within the organization. The Financial Executives Institute, one of the country's leading financial associations agrees with this view by stating, "Senior financial officers hold an important and elevated role in corporate governance. While members of the management team, they are uniquely capable of and empowered to ensure that all stakeholders' interests are appropriately balanced, protected and preserved."[1] In short, high performing Finance executives are strong cross-functional leaders.

2 THINKING & ACTING STRATEGICALLY

Finance is not about bookkeeping, although good records and financial reporting have their role to play. Finance encompasses finding and funding the dreams of the company, its employees and its shareholders. High performance Finance executives have a good sense of direction because they develop and operate from a plan to guide their efforts. They know what is important and therefore prioritize their efforts accordingly. A good Finance executive is like a cat that always lands on its feet when it is thrown. They do not get derailed and therefore they have an uncanny ability to find a path in any environment. They plan for the most reasonable situations that can be encountered by the business.

Further, Finance executives are capable of translating the business strategy into action with the understanding that a good strategy is one that can be implemented to meet or exceed the goals and objectives of the strategy. Bad strategies, on the other hand, either cannot be implemented or do not achieve the desired results. Implementing an effective strategy requires a unique combination of thinking global and acting local. A global view means the ability to look at the business from an overall perspective – seeing the big picture. Acting local means developing customized solutions that are responsive, relevant and related to overall business objectives yet capable of being successfully implemented.

Finance executives use this think global, act local philosophy to set appropriate targets and goals so that strategy is realistic and performance can be measured. Tools like the Balanced Scorecard are being used with increasing frequency not only for measurement purposes but also to make strategy realistic and responsive. Financial discipline can support the links that hold together all of the pieces: strategy, implementation, measurement and accountability. These links can and must be employed as support for strategy execution.

3 PROMOTING & PROTECTING THE BUSINESS MODEL

It has been said that every company stands for something but no company can stand for everything. One of the biggest mistakes a company can make is to try to be all things to all people. Think of all the mergers and acquisitions (M&A) that have either failed or have not reached their intended potential. How many M&A transactions were merely hype and should have been killed? A vigorous review of the business model would have flushed out the strategic, operational and integration issues associated with a corporate marriage.

There is both a discipline and simplicity to the notion of a business model. Consistently working and adjusting a well conceived business model creates a more viable business entity. A business model has to make economic sense. Finance is responsible for testing and challenging the business model. Where the business model is unclear then Finance, with the cooperation and support of all company executives, has the added responsibility of taking it apart and putting it back together.

It is the task of the Finance executive to promote and adhere to a business model that is viable because it is consistent with the core competencies of the company. Because of the rapid pace of change, we know that the business models of many companies are under attack. Armed with appropriate risk measurement and performance metrics, Finance executives should constantly challenge the business model internally while at the same time get feedback on the model from the financial community as they meet with investment analysts, rating agencies and commercial bankers.

4 CREATING VALUE

Finance executives know the game—value sells. Because they are disciplined, they are driven to add value to the organization. As leaders, they drive change, are focused on results, analyze process, manage assets and measure results. Financial executives actively look for value and they measure it using a variety of techniques—EVA, SVA, discounted cash flow, etc.

As part of their jobs, Finance executives must also engage in specific activities that add value such as lowering the effective tax rate; engaging in activities that reduce the cost of capital; minimizing working capital and other assets employed in the business in order to enhance return on investment; and using technology to lower transaction costs. In short, high performance Finance executives spend time on projects that add value rather than merely crunching numbers in order to prepare financial statements or simply close the books.

5 DIRECTING & MANAGING CHANGE

Directing change is an essential part of the Finance executive's responsibilities. Who is better qualified than the person who measures the results of operations and understands complex business processes? Who better appreciates the key players necessary to enroll in order to affect change? Finance executives manage change with a disciplined approach so that change proceeds with a clearly defined end goal in mind. Due to the discipline of their profession, Finance executives are very competent and skilled in ways that can aid in evaluating and presenting the business case for change. Generally, the Finance executive at most companies is the likely choice to assemble and/or evaluate the business case for change.

6 BUSINESS PROCESSING RE-ENGINEERING

Benchmarking, best practices, re-engineering, outsourcing, shared services and TQM are some of the key tools that have become commonplace in evaluating and changing business processes. They will become more pervasive and embedded over time, especially in the Finance function. Enhancing process is the key to greater efficiency and effectiveness. Finance executives must run sound financial processes that are inherently cross functional. Work completed in one department has repercussions in other departments. Finance executives should also look for ways to change business processes with the objectives of reducing costs and minimizing work performed yet enhancing customer service. This means that Finance executives understand activity based costing and target costing because every activity that is part of a business process has costs and should add value.

Evaluating business processes based on their contribution to the bottom line should be a standard business procedure. For example, Finance executives consistently seek the benefits of improving back-end Finance and Accounting processes such as closing the books, preparing financial statements, processing check requests and applying cash to outstanding receivables. Such improvements in back-end processes are most likely to occur when Finance and Accounting are seen as part of longer process chains that tie directly to the stakeholders in the business. There are many back-end processes that have a direct impact on customer service and how the public perceives the company.

7 ASSET MANAGEMENT

The value of most companies vastly exceeds the value of the assets recorded on its books. The difference is due to intangible assets not recorded on the company's balance sheet. In some cases there are already substantial intangible assets that are recorded on the books. Recent changes in the accounting rules make asset valuation even more important. The Finance executive is the most logical person in the company to understand and explain asset valuation. Among other priorities, the executive is the party primarily responsible for understanding: how the business is reflected in shareholder value, measuring return on net assets, protecting corporate assets (risk management and internal controls), and in setting fair value pricing for the use of company assets.

Finance executives are key in providing guidance in mergers and acquisitions. Finance executives must insist that all executives ask if, for example, an acquisition is consistent with the business model, in line with the business strategy, capable of being successfully integrated into the company, meets stringent due diligence requirements and creates value. This is critical. Many an acquisition has killed or significantly wounded successful companies who bought other organizations without fully thinking the implications all the way through. A Finance executive's involvement in M&As is one of the most critical roles of the position. As an asset manager, Finance executives must assist the CEO, in the allocation of company capital using clear and objective criteria. This responsibility extends to the evaluation process of when to own assets and when to lease them. The ability to determine when outsourcing/leasing should apply and when assets should be owned and controlled in house relies, in part, on the active involvement of the Finance function.

The Finance executive is also an asset manager by developing policies and procedures to maximize the use of working capital employed in the business. Along with understanding key business processes, knowing the relationship between the company and its customers and suppliers is vital in managing working capital. Working capital management is a value added activity. It is intimately tied to the company's supply chain.

Finally, the application of information technology (IT) is a key asset of most companies. In some companies IT is regarded as a strategic or competitive weapon. The day has long since passed where IT can be regarded as a behind the doors clandestine activity. Finance must be well versed in the application of information technology to solve business problems, establish critical links with customers and suppliers, and provide timely and accurate information throughout the company. Like Finance, IT supports and holds together the entire company. It creates the opportunity for a strategic partnership between the two functions so that efficiency and effectiveness are met while creating asset value.

In summary, due to their focus on creating shareholder value, assisting in the allocation of company capital, direct involvement in managing working capital, participation in mergers and acquisitions, acting in partnership with IT in the development of information technology and their overall oversight role over the balance sheet, Finance executives must think and act as asset managers.

8 SERVICE MENTALITY

Finance executives are service providers. They touch every area of the company and, in many cases, provide service to company customers. Effective Finance executives think about customer satisfaction with cross-functional intention. As Finance executives become more attuned to providing service they are more closely aligned to the service components of their own company. This service mentality drives excellence throughout the company and, as a result, enhances company value.

9 MANAGING HUMAN CAPITAL

Human capital is an intangible asset of the organization that has value regardless of whether it appears on the balance sheet or not. This means that human capital must be viewed, and managed, like any other asset of the company. Several studies have found a link between highly valued companies and the value they place on human capital.

Focused Finance executives understand the importance of aligning the core competencies of the workforce with those of the business. This implies an intimate understanding and development of both sets of competencies. Managing human capital also requires both a global and local view; i.e. the company and the Finance function.

Finance employee satisfaction, motivation, retention, training and development, and mentoring are essential in building and creating a successful Finance function. Finance executives are the emissaries of the Finance function and they touch a great number of people within the company. What they project and manifest about Finance can set a standard of excellence and cooperation within the company. Highly motivated, principled, and trained Finance personnel establish credibility and, as a result, produce results with the cooperation of others.

CONCLUSION

There you have it. The picture presented is a mosaic with much overlap and connection but with one overall objective in mind—the Finance executive of today must create value. He or she is one of the top leaders in the company, the "go to" person that we are all looking to partner with to help deliver the return on our investment, both human and financial. *We should expect nothing less—all of the time. Think about it.*

Author Biography

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1 FEI Code of Ethics Page. Financial Executives International. 22 February 2002 <http://www.fei.org/info/code.cfm>

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