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BUSINESS GUIDE

5 Habits of Top CFOs

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The days when the chief financial officer was mainly responsible for internal controls and compliance are long gone. While financial discipline remains critical, today's CFOs play key roles in developing strategy, fostering innovation, and driving growth.

As the role expands, CFOs face challenges their predecessors never encountered: labor shortages, social and environmental concerns, increased regulation, and global competition, to name just a few.

CFOs are also more visible, both internally and externally, than they were in the past. The green visor and insular persona of the bean counter stereotype doesn't apply today — if it ever did. To be effective, CFOs must be both personable and analytical. They need to be excellent communicators who exude credibility and are confident discussing any aspect of the business, not just the financials.

This business guide discusses habits that top CFOs cultivate to meet today's high expectations and demands.

1. Adhere to a code of ethics

After the financial scandals and deep recession of the 2000s, corporate boards turned to CFOs for better insight into the financial health of the businesses they oversaw. The turmoil brought on by the pandemic, and now recession worries, have once again put chief financial officers in the spotlight, with stakeholders looking for proof that companies have what it takes to sustain growth.

As a key spokesperson for the business, the CFO is just as responsible for managing expectations as the CEO, perhaps more so. Because confidence requires trust, effective CFOs understand that to succeed, they must be completely transparent when discussing financial results with board members, investors, and other stakeholders. They avoid the temptation to make results seem better than they are, either by over-emphasizing positives or glossing over negatives.

They also recognize the importance of promoting and maintaining the highest ethical standards across the organization, working with their controllers to insist on full compliance with government regulations and accounting rules.

Adherence to high ethical standards is particularly critical because the finance chief's purview is now much broader and often includes oversight of functions like human resources and information technology. CFOs play a pivotal role in developing and implementing corporate strategy, sales plans, even development of new products. The most effective CFOs understand the importance of taking the long view and resist the temptation to improve short-term financial results at the expense of long-term growth initiatives.

In short, the most effective CFOs provide a moral compass for the business. And that gives them credibility for the next step.

2. Build and maintain relationships inside and outside the company

First and foremost, the chief financial officer must have a solid working relationship with the CEO. Good relationships with other C-suite executives and direct reports are also important, of course. Without them, it's difficult for CFOs to accomplish anything. The most effective CFOs don't limit their interactions to the people they work with most. Rather, they strive to build relationships at all levels within the organization and across all departments because they realize a strong internal network will give them insights into company performance they can't get from financial data alone.

Top CFOs extend this action to their teams.

Dave Damond, CFO of national nonprofit March of Dimes, actually embeds finance personnel in different units.

"We try to integrate with the department itself," Damond said. "So have a person who supports that department and is part of that department every day, [participates in] weekly meetings and everyday operations. So they get to know that person as part of their team."

Each embedded person then reports back to Damond, and together they determine how finance can best help those other functions. The long-time leader also sees it as his role to build a finance department that's customer-service-focused, meaning his team tries to say "yes" to as many requests as possible. This helps reframe the finance team as a valued business partner rather than a source of convoluted processes and roadblocks.

A chief financial officer must also build relationships with board members and key stakeholders outside of the company. In the past, boards tended to rely on the CEO as their primary source of information about business performance. In the wake of the 2007–2008 financial crisis, however, board members demand greater transparency and look to CFOs for insights into financial performance. As discussed, that trend was accelerated by the pandemic and recession fears.

Today, directors expect the CFO to provide a rational perspective on the state of the business and act as a counterpoint to the unbridled optimism CEOs often exhibit.

> Effective CFOs create a direct, open line of communication with each board member and build relationships based on mutual trust. This is the only way to establish and maintain the credibility needed to meet directors' expectations.

Finally, the most effective CFOs also engage with customers, vendors, community leaders, and other external stakeholders. No company is an island; each exists within a larger ecosystem. Building relationships within this ecosystem helps ensure the business succeeds — while also building the CFO's visibility and providing career advancement opportunities.

3. Spot and advocate for opportunities, not just against risks

Controlling costs is always important, and chief financial officers are ultimately responsible for the financial health of their organizations. CFOs see it as their job to protect the company by preventing money from being misspent, leading some to refer to their CFO derisively as the "CFNo." Consistent negativity makes it difficult to build positive working relationships.

Top CFOs are just as focused on long-term growth as they are on financial controls, and they evaluate opportunities based on potential revenue as well as costs. When discussing a new initiative, they assess the possible benefits first and, if feasible, attempt to quantify the value with the goal of ultimately funding projects that will grow the company.

That doesn't mean they don't point out risks. But instead of defaulting to "no," they propose ways to offset or minimize downsides where possible. And if they ultimately must object to a deal, smart CFOs use data to support their positions. It's not always possible to avoid heated discussions, but a logically sound argument backed up by solid data can mitigate the effects of emotion and intuition that so often lead to bad decisions.

4. Develop, nurture, and trust your team

Great leaders surround themselves with great people. Top CFOs look for team members with not only the right skills and experience — they also prioritize intangible qualities like passion and work ethic. And with the growing importance of data analytics, many CFOs seek out candidates who display intellectual curiosity as an essential characteristic.

Given that demand for finance and accounting talent always seems to outpace supply, it's also critical to keep good people. Chief financial officers who understand the importance of engaging with all team members do better at retaining talent and treat voluntary turnover as a negative indicator of performance.

The best CFOs emphasize transparency here, too. They make sure staff understand corporate strategy and provide as much information as feasible during periods of disruption or uncertainty.

They actively solicit input on departmental policies and decisions and ask for feedback on their own performance. And while not every company can provide skills training, effective CFOs look for ways to help staff members develop professionally.

5. Always be attuned to what's next

In the name of continuous improvement, top CFOs regularly poll colleagues and clients, whether formally or informally, about how the company can better serve customers. They also pay attention to both the competitive and political landscapes, preparing their organizations to respond effectively to market threats or pending legislation.

Top CFOs also stay up-to-date on the latest technology. Once relegated to the IT department, technology decisions increasingly fall under the CFO's purview, especially in organizations that lack a chief information officer. While blockchain, artificial intelligence, and edge computing get much of the press coverage, finding ways to make better use of existing data is a higher priority for most CFOs.

Delegation Win/Win

Executives always need to strike a balance when it comes to handing off tasks. Damond always keeps an eye on big-picture KPIs, like cash flow, and knows who to ask for additional context if something catches his eye.

But he leaves the details to staff, and that pays off for him, his team, and the organization.

"I try to delegate almost everything down because I want an expert and someone who gets up in the morning thinking about that specific function," Damond said.

Trust makes for a desirable boss, aiding retention and adding to good reputational buzz. To succeed, realize that hiring people more knowledgeable than you in certain areas is the key to effective delegation.

New, sophisticated software, in particular, requires a champion, because not everyone is excited about learning a new way to do what they've done for years. Take the example of customer relationship management (CRM) software. Every minute your salespeople spend learning a new CRM is a minute they aren't interacting with customers. But eventually, it pays off. Same for replacing spreadsheets. "I can quickly get a sense of something by combing through several complex Excel sheets," said no one ever. Adopting enterprise resource planning (ERP) and other enterprise software may be uncomfortable. It's also crucial to growth. Top CFOs know this and are champions for tech and process investments.

As a trusted adviser both to the chief executive officer and board of directors, today's CFO must also stay involved in scenario planning and M&A activities. With stakeholders increasingly concerned about the social and environmental impact of companies they invest in, for instance, CFOs must look for ways to monitor and improve performance in these areas.

How data shows the way

That final habit is incredibly time-consuming without smart use of data. In fact, business intelligence and advanced analytics underpin many of the habits top CFOs exhibit. Though underutilized, organizational data is an important asset that, when fully leveraged, can be a source of competitive advantage. With the right data, the modern CFO is better equipped to perform the kind of cost/benefit analyses required to make smart investments, including acquisitions. It also helps neutralize, or at least make visible, biases that may impact both C-level and line-of-business outlooks.

Good data lessens the risks of intuitive or emotion-based decisions.

Top CFOs make data and analytics a priority for themselves and their teams. They prioritize new skill sets, from data science to designing analysis procedures that enhance traditional accounting roles. They also advocate for and adopt digital platforms, like those ERP and CRM systems, which not only provide them with real-time business-wide data but also simplify and optimize the operations from which data flows.

"Long, linear paper presentations are designed to keep things opaque," observed one CFO. "Digital sets the truth free."

For data to drive organizational improvement, CFOs must make a habit of using it to improve processes and drive innovation — even if that means, again, causing some discomfort among their peers. Data-driven improvements often require fundamentally changing how departments operate. To get there, CFOs need to hire people with the right skills, provide operational support, and adopt technology that can enable this data-driven vision.

The bottom line

In an era where transformation and innovation are being mandated from all corners, the CFO role has changed.

> One trait that sets top CFOs apart from their peers is a relentless focus on innovation. They are constantly looking for ways to improve operational efficiency, increase workforce productivity, forge lasting customer relationships, and accelerate growth.

Developing habits that enable them to meet disruption head-on requires a commitment to conversations with customers and constant analysis of the organization's data, identifying the real challenges based on those insights, formulating a plan, and investing in technology platforms that solve those challenges at scale.

Highly effective CFOs succeed not just because they embrace innovation, but because they use it to achieve the organization's financial and business goals.

With the right data and technology platforms at their disposal, top CFOs can navigate future risks with foresight that few other C-suite members possess.

Learn More

- **How 3 CFOs Are Growing Their Careers and Companies**
  What do finance chiefs from an eco-conscious apparel brand, a healthcare services provider, and a high-growth startup focused on critical energy infrastructure have in common? More than you may expect. In this guide, these three CFOs share insights into how they got where they are and how they've stayed at the top of their games through some challenging times.

- **Got Goals? This Metrics Framework Gets You There**
  An objectives and key results — OKR — framework breaks big, hairy company goals into concrete, achievable steps. It gives employees, managers, and teams the tools and KPIs they need to know they're moving in the right direction. In this guide, we lay out a roadmap to OKR success that can move your culture from top-down to employee empowerment.

- **Chief Financial Officer Defined: Role, Responsibilities and Skills**
  Big public companies may have defined the CFO role, but the chief financial officer position is becoming increasingly common in midsize and even small firms. Let's look at the role, responsibilities, and skills finance chiefs need to serve their companies well. Knowing how to spot slow-moving products, find the underlying cause, and address the problem is an important skill when selling physical products.

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