

BUSINESS GUIDE

Good to Great: CFO's Guide to Closing the Skills Gap

New data and advice from four top finance chiefs show how leaders can refine their expertise





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New data and advice from four top finance chiefs show how leaders can refine their expertise

CFOs have a tough job in any economy. But now, and for the foreseeable future, their skills must be particularly on point.

First, they need to be extremely attuned to macroeconomic headwinds, says Chris Caprio, a three-time CFO who's currently with IT services provider Focus Technology and who also serves as co-chair of the Boston chapter of the CFO Leadership Council.

"I learned after the 2008 crisis: Learn about the macro," said Caprio. "It's important to understand what's going on ... from an economic perspective, globally. Even if you just have a business in one town or one region, the impact of the global economy really does matter. We're so intertwined."

Today it's record inflation and the possibility of recession or even stagflation. Next year, who knows?



CFOs say they're looking to manage their organizations' cash positions to maximize liquidity and profitability without damaging their ability to grab new opportunities or serve customers at a high level. To pull off that tightrope walk, they need to intimately understand the business, both through the eyes of customers and employees and through operational data. Meanwhile, they need to collaborate with and coach peer executives to identify challenges and opportunities while also managing their own teams to ensure that the finance function is executed flawlessly.

Skills checklist: Expert at the art of finance. Empathetic people manager and coach. Deep industry knowledge. Technology-oriented executive. Collaborative communicator. Skilled at internal politics. Can translate raw data into business insights. Ability to parse and prognosticate macro trends.

That's a lot to ask of one person. So much so that many have tried to analyze CFOs traits and construct skills-oriented personas to predict strengths and weaknesses. Are technology-inclined CFOs bad communicators? Are great data analysts lousy managers?

We decided to drill into our own data for hints, using the lens of affinity, or lack thereof, for certain tasks as well as expertise in particular disciplines. Our goal in presenting this data is not to say CFOs, and those aspiring to that role, need to be great at everything. That's simply unrealistic.

Our intent is to show what CFOs with certain expertise typically enjoy and thus are likely skilled at — everyone tends to relish the work at which they excel.

In a job that's this demanding, it takes a team to be great at everything the finance team must do to help the business succeed. Top CFOs we spoke with generally keep the tasks they like and are good at and delegate others. They may also work on skills that they alone should own.

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CHAPTER 1

Data Download

For this report, we asked about 100 CFOs at midsize companies — up to \$250 million in annual revenue, with a median of just over \$25 million — to assess their proficiency in 10 functions.

Respondents could choose “expert,” “highly proficient,” “getting the job done” or “could use work.” We also asked about what job tasks they personally enjoy. We then collated those numbers and grouped tasks into four areas: finance management, coaching and collaboration, communications and presentations and strategy.

Overall, our CFOs are least likely to say they’re expert at driving adoption of new technology. Assuring accounting excellence and data analysis are more

familiar turf. That second trait shows that the conversation around finance chiefs becoming more “strategic” is not just a popular talking point.

“The chief financial officer, with the right skill set and with the right people, could also be the chief data officer,” said Glenn Hopper, CFO of eDiscovery software company Sandline. “I think the analytical skills that make you good at finance also make you good at data, but you can’t just be the finance guy anymore.”

As to the time split on core accounting and finance versus management and leadership tasks versus strategic projects, the CFO Leadership Council’s Caprio said he spends 10% to 15% of his week on traditional accounting and finance.



“That’s really left up to my controller and her team,” Caprio said.

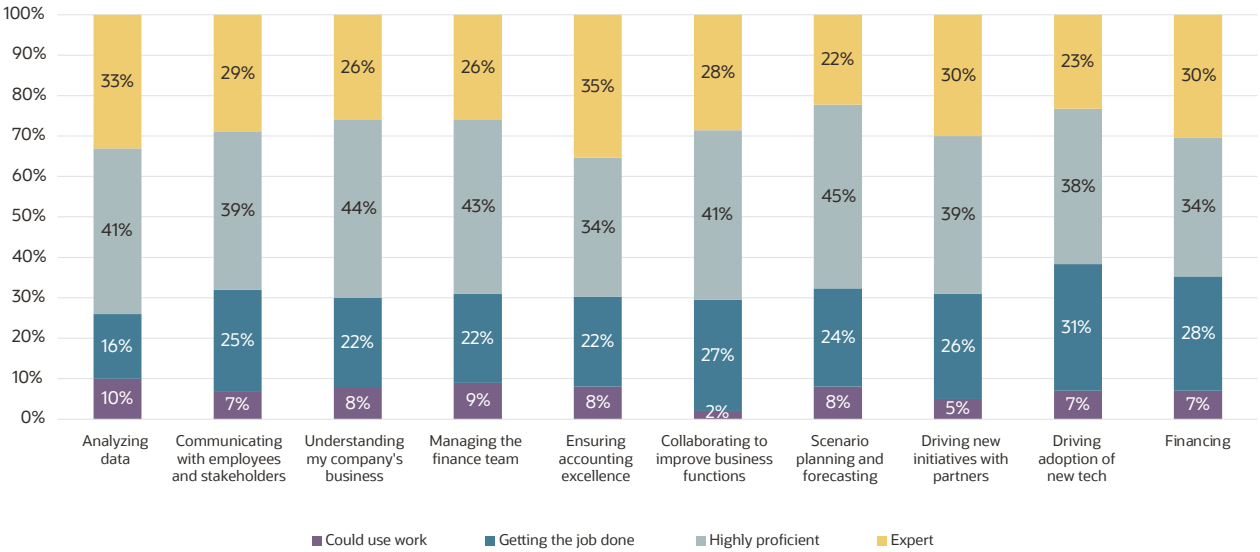
That was a common theme. All the CFOs we spoke to trust their accounting teams to report accurate numbers they can then use as the basis for models, forecasts and big decisions.

The rest of his time is split 60/30 on various levels of strategy and leadership.

“It could be high-level strategy on the direction of the company, or it could be just simply reviewing, whether it’s insurance, property and casualty benefit insurance, things like that,” he said. “And then the other 30% or 35% is on management and leadership.”

Let’s dig into our four general areas for insights into where there may be a skills gap, and how to compensate.

CFO Self-Assessment: Proficiency



Finance Management

Of our four areas, one might think CFOs would most enjoy tasks related to finance management — after all, it's right there in the job title. And that would indeed be the case ... if it weren't for the need to review month-end close accuracy, a task only 31% of CFOs said they enjoy. It's also the most delegated job, with 36% handing it off, most likely [to their controllers](#).

"A controller is more accounting-focused," Caprio said. "Understanding GAAP, understanding your monthly close, processes around that, how to speed up the close."

When he worked as a controller, Caprio was responsible for the month-end close, and that helped him develop both hard and soft skills, notably including patience. So in some sense, managing the close is a bit of dues-paying.

"I always had my monthly close checklist — engineers are going to get their time sheets in by this date, project managers are going to approve invoices, I'm going to close fixed assets, and the AP person is going to close AP," he said.

Of course, things rarely went to plan, so he learned to be flexible and says that has paid off in his career.

Interestingly, CFO respondents who say they're experts in driving technology adoption are the least likely to enjoy reviewing the monthly close. That stands to reason, because finding and adopting new technology is all about being forward-looking, imagining improvements that could come through the use of new tools and systems, while closing the books is about accurately stating what happened in the past.

The Art of Delegation

Executives always need to strike a balance when it comes to handing off tasks.

Dave Damond, CFO of March of Dimes, 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.

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

Caprio doesn't delegate tasks pivotal to being able to make acquisitions, a strategic goal for Focus Technology.

"Knowing what level of access we have to capital, what price we can pay for our target," Caprio said, "all around our covenant compliance and our banking relationships is definitely the biggest area that really, today, pretty much only I deal with."

Those who consider themselves experts on managing and motivating the finance team are also the most likely to like finance management tasks (57%). Data analysis experts were the least likely (43%).

As with closing the books, much of the work that falls under finance management is retrospective. That tends to be of less interest to CFOs with FP&A backgrounds, like March of Dimes CFO

Dave Damond. In general, Damond thinks most stakeholders are more interested in forward-looking numbers and those macros Caprio mentioned.

“I think they’re interested in how we’re doing, because that drives their performance goals and such,” he said. “But I think they’re more concerned about, ‘What do we think of the outlook going forward, and how can they help?’”

CFOs Who Like Finance Management Tasks

CFO Subject Area Expertise	Percent of CFOs claiming to be experts	Review departmental budget compliance	Produce KPIs to illustrate financial health	Review month-end close accuracy	Develop scenario plans and dashboards for execs	Review sales and supply contracts
Analyzing data	33%	45%	36%	33%	60%	42%
Communicating with employees and stakeholders	29%	62%	51%	31%	58%	45%
Understanding my company's business	26%	42%	58%	35%	61%	54%
Managing, motivating the finance team	26%	65%	50%	38%	61%	69%
Ensuring accounting and compliance excellence	35%	56%	59%	28%	59%	48%
Collaborating to improve business functions	28%	53%	50%	32%	57%	53%
Scenario planning and forecasting	22%	55%	37%	27%	55%	46%
Driving new initiatives with business partners	30%	53%	56%	36%	43%	50%
Understanding and driving adoption of new technology	23%	48%	39%	17%	57%	57%
Financing	30%	56%	60%	33%	53%	50%

CHAPTER 3

Coaching and Collaboration

Of the five task areas, coaching and collaboration was the least liked by CFOs overall; in particular, coaching finance team members (just 36% enjoy) and line-of-business managers (37%) were most likely to be tolerated or delegated.

John Cappadona, CFO of music educator School of Rock, says that could be a product of CFOs who grew up on the accounting rather than the FP&A side of the house. Those who've spent their careers managing the books often have less experience working with other departments, so collaboration and coaching of peers may not come naturally.

"If you come up on the accounting side, more likely than not, you have not had to embed yourself in the business," he said. "You're sort of in a stove pipe. I'm not saying that you don't understand the business, but you actually have not been embedded in a business where you're seeing the dynamics that go on."

In our data, the lowest ratings among individual tasks are often outliers. For example, coaching line-of-business managers is enjoyed by just 24% of data analysis experts. That's a shame because those managers could likely benefit from the data-driven insights that these leaders can provide.

Hopper, the kind of new-age CFO who's always deep in data, makes an effort to ensure the entire finance team has insights to share.

"Everyone on my team needs to understand this, and they need to have a basic understanding of data science so that I'm not the only one that's on my soapbox," he said. "I'm upskilling and reskilling some people on my team."

He's not alone. Just 16% of respondents delegate the job of coaching finance team managers. It appears CFOs accept that duty as one they need to own. Cappadona, for example, leaves finance presentations at board meetings to his VP of finance to help her get more comfortable in these settings before she becomes a CFO.

Final approval of financial plans, forecasts and major expenses are all things John Cappadona, CFO of music educator School of Rock, maintains control over.



CFOs Who Like Coaching/Collaboration Tasks

CFO Subject Area Expertise	Coaching finance team members	Coaching LOB managers on success metrics	Developing ROI projections on proposals with execs	Working with HR to add finance metrics to worker evals	Working with sales managers to create comp plans
Analyzing data	39%	24%	60%	39%	39%
Communicating with employees and stakeholders	27%	38%	55%	34%	58%
Understanding my company's business	27%	31%	46%	61%	61%
Managing, motivating the finance team	46%	35%	54%	42%	54%
Ensuring accounting and compliance excellence	28%	37%	62%	54%	54%
Collaborating to improve business functions	39%	39%	46%	46%	64%
Scenario planning and forecasting	32%	41%	55%	32%	64%
Driving new initiatives with business partners	36%	46%	46%	53%	46%
Understanding and driving adoption of new technology	35%	39%	35%	35%	52%
Financing	46%	36%	46%	53%	53%

Coaching finance team members, however, is more universally disliked — a phenomenon that hasn't gone unnoticed by other executives. In the same survey, we asked non-finance executives which skills they'd like to see their CFOs improve. Forty percent pointed to coaching of finance staff. That made it the top area to improve from the point of view of peers.

Damond and Cappadona both point to personality and past experience as reasons why some finance chiefs may not feel comfortable offering advice. Mentoring simply comes more naturally to some people than others, and it may be more of a challenge for those who earned their stripes in accounting.

Still, a tight talent market makes it imperative that finance leaders get over their hesitation. Workforce surveys show that Gen Zers want managers who will act as coaches, and that a work environment that promotes learning is a differentiator for employee retention. Whether or not CFOs do the coaching themselves, it's increasingly important that they create a culture that encourages it lest they find it even more difficult to retain staff.

For those looking to improve in this area, Cappadona suggests seeking out colleagues who can provide a deeper perspective on different areas of your organization.

"Find a peer that is in a different department that you can sit down with, and say 'Help me understand how this works,' or 'This is what I'm seeing, and this is how I interpret it, help me understand how all this fits together,'" he said. "I think that that is a less intimidating situation than knocking on the door of the VP of sales or whoever and saying, 'I need you to explain this to me.'"

Working with sales managers to create comp plans rated the highest in the group, with nearly two-thirds of CFOs claiming cross-business collaboration or scenario planning and forecasting expertise saying it's something they enjoy. The exceptions are data analysis experts, who were least likely to like any of the tasks in this group, with the exception of developing ROI projections on proposals, where 60% find enjoyment.

Communications and Presentations

The stereotype of the CFO as a less-than-effective communicator is busted in our data. Not only is this category the favorite of our CFOs — 53% overall like the tasks listed here — it's an area where only 25% of peer executives think their CFOs should improve, putting it just behind “knowing the company's business” in terms of solid approval by peer executives.

“I think being able to effectively communicate, no matter what your role is, just adds so much value,” Hopper said. “Think about if you were an engineer or a physicist or whatever, half of what you do is so obscure and abstract that nobody understands it.

But if you can take it and make it applicable to the audience, you become like the Neil deGrasse Tyson of the industry.”

Still, there are some head-scratchers within this data. CFO respondents who report being experts at communicating with employees and stakeholders are the least likely to enjoy presenting data at company meetings and telling the company's story through financial data. Those who are experts at driving new initiatives with business partners are also least likely to enjoy presenting data at company meetings as well as managing relationships with creditors and investors.

CFOs Who Like Communications and Presentations

CFO Subject Area Expertise	Running finance team meetings	Presenting business strategy proposals to execs	Presenting finance data at company meetings	Presenting monthly or quarterly performance data to stakeholders	Managing relationships with creditors/investors	Telling the company's story through financial data
Analyzing data	66%	60%	57%	51%	72%	33%
Communicating with employees and stakeholders	65%	58%	45%	45%	69%	31%
Understanding my company's business	50%	54%	58%	46%	61%	46%
Managing, motivating the finance team	69%	58%	50%	58%	69%	42%
Ensuring accounting and compliance excellence	65%	62%	48%	51%	71%	34%
Collaborating to improve business functions	53%	50%	57%	53%	75%	28%
Scenario planning and forecasting	69%	41%	59%	41%	82%	46%
Driving new initiatives with business partners	60%	53%	46%	40%	53%	40%
Understanding and driving adoption of new technology	70%	57%	52%	31%	52%	31%
Financing	50%	50%	50%	50%	60%	43%

Some of those are likely the business partners CFOs would be working with. Still, deal-making and presenting are two different things.

Cappadona had the good fortune earlier in his career of becoming the de facto financial spokesperson for his company following an acquisition. Damond's consulting role at a Big Four firm meant he frequently presented to clients. For those who haven't had such opportunities, improvement comes down to on-the-job practice and repetition. But like with collaboration, it may be less daunting to start with trusted colleagues.

"I think they just need to start slowly, and kind of get out of their comfort zone," Damond said. "And then expand the network there to find some allies that they can latch on to, that they can communicate to well, and then you move from there to the people that are going to be tougher to communicate with."

Because we're largely dealing with private companies, there's usually no requirement for SEC filings or annual reports. But we were surprised that, as a group, very few respondents like telling the company story through data, as you'd do in those reports.

We were also a bit puzzled that running finance team meetings was the second most enjoyed activity on this list, and yet coaching finance team members was liked only by about half as many CFOs.

Caprio says good communication means getting out in the company, with some good old-fashioned MBWA — management by walking around. It helped that when he assumed the CFO role, his assistant controller was primed and trained to step up into that job, freeing him to visit offices around the country.

"I got into talking more with other members of the management team, what they needed, process changes they may want to put in place, dealing with

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other departments, talking, going out to the field," he said. "That gave me a better affinity for what we truly did as a business at the detailed, individual level."

He also made it a point to meet with customers and says that practice of getting out into the field has stayed with him through multiple CFO positions. His top advice: Catch up with employees at all levels and across all departments to fully understand the impact of new initiatives.

"Talk with people that know more than you on all the areas that impact your business to educate yourself," Caprio said. "Not just your CEO, not just your C-level executives. Talk to sales reps: What are they struggling with? What's working? You implement a new process out there, how's it going?"

All that networking informs our final tasks bucket.

CHAPTER 5

Strategy

There's no doubt that the unstable business environment of the past two years has made CFOs more strategic partners to their C-suite colleagues. But that strategic partnership takes more than one form. There's the short-term, ongoing strategy that involves scenario planning, cash flow and demand projections and continual analysis of new margin pressures. That's all gotten both more difficult and more important since the start of 2020.

Then there's the longer-term strategy that involves understanding customer needs, monitoring competitors and planning for growth — both organic and through M&A. Executive peers are particularly interested in the CFO's help planning for long-term growth, but it's an area where finance chiefs often feel unsure of their skills.

For one thing, there's little repetitive exercise: You communicate all the time with colleagues, but you evaluate M&A targets likely just a few times a year.



CFOs Who Like Strategic Tasks

CFO Subject Area Expertise	Creating competitive analyses of closest competitors	Finding and evaluating M&A targets	Monitoring advances in technology for the business	Managing / finding financing for expansion	Watching our market for new service or product opportunities
Analyzing data	48%	57%	60%	33%	36%
Communicating with employees and stakeholders	45%	51%	62%	41%	41%
Understanding my company's business	50%	46%	54%	35%	31%
Managing, motivating the finance team	58%	42%	50%	46%	46%
Ensuring accounting and compliance excellence	48%	51%	68%	45%	34%
Collaborating to improve business functions	64%	50%	53%	43%	39%
Scenario planning and forecasting	41%	59%	59%	46%	27%
Driving new initiatives with business partners	40%	53%	43%	50%	40%
Understanding and driving adoption of new technology	39%	44%	61%	52%	35%
Financing	43%	53%	50%	40%	36%

One task CFOs have become good at over the past few years is evaluating technology. It's one area where most companies increased spending during the work-from-home migration, and that investment proved important to longer-term success. Now, well over half of CFOs say they like the process of monitoring technology advances for their businesses.

Watching the market for new product opportunities is the least-liked function listed here. While there are likely many contributing factors, we've seen throughout our CFO surveys that organic expansion tends to be something that finance chiefs don't favor.

Organic expansion is risky, time-consuming and expensive — three things CFOs never like. It's telling that those respondents who consider themselves experts at forecasting are by far the least likely to enjoy scouting out new product opportunities. One possible reason is the difficulty in developing a positive forecast, which takes into account current economic uncertainty.

But while there's no doubt that's a challenge, smart bets taken during downturns are often the biggest winners.

Business Outlook and Job Difficulty

The data above came from a more extensive survey that included questions about revenue and earnings expectations as well as overall business optimism. Below are several of those charts with data cut by CFO expertise.

The most optimistic CFOs tend to be those who are experts in forward-looking disciplines, like forecasting and technology adoption.

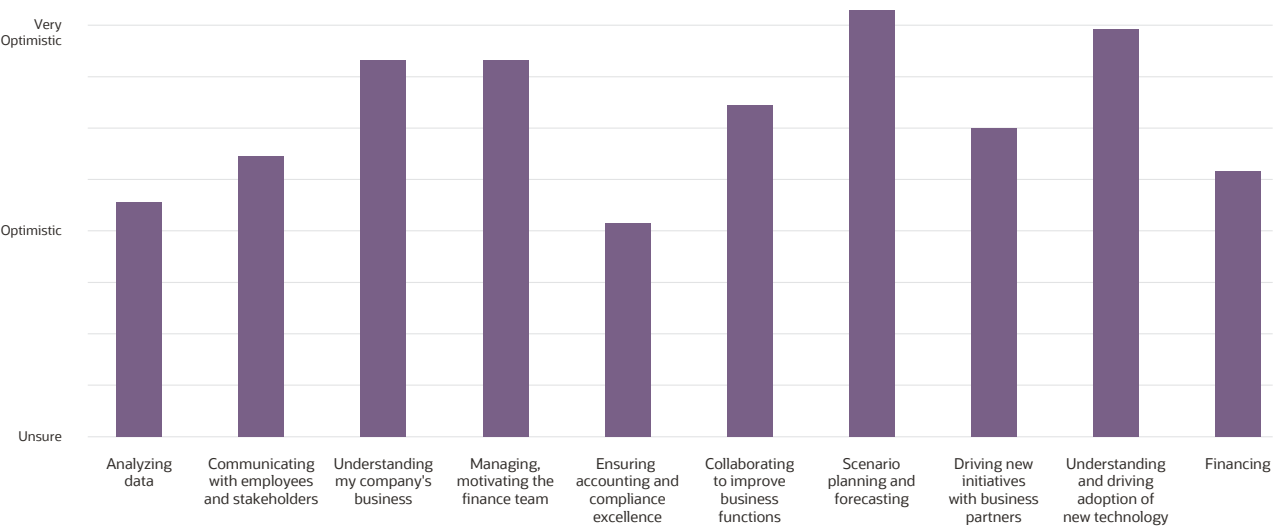
This makes sense — a scenario planner who lacks the ability to visualize a good outcome probably won't be effective.

“If you're doing the scenario planning, if you're doing the forecasting, you're looking out in the future, and at that point you end up feeling more bullish, I suppose, because you can see [what's coming],” Cappadona said.

Those same CFOs are also most likely to say that the role has become more difficult since 2019. It's important to remember that we're looking at responses from CFOs who consider themselves experts in each discipline; in the case of scenario planning, it's just the top 22% who consider themselves highly skilled.

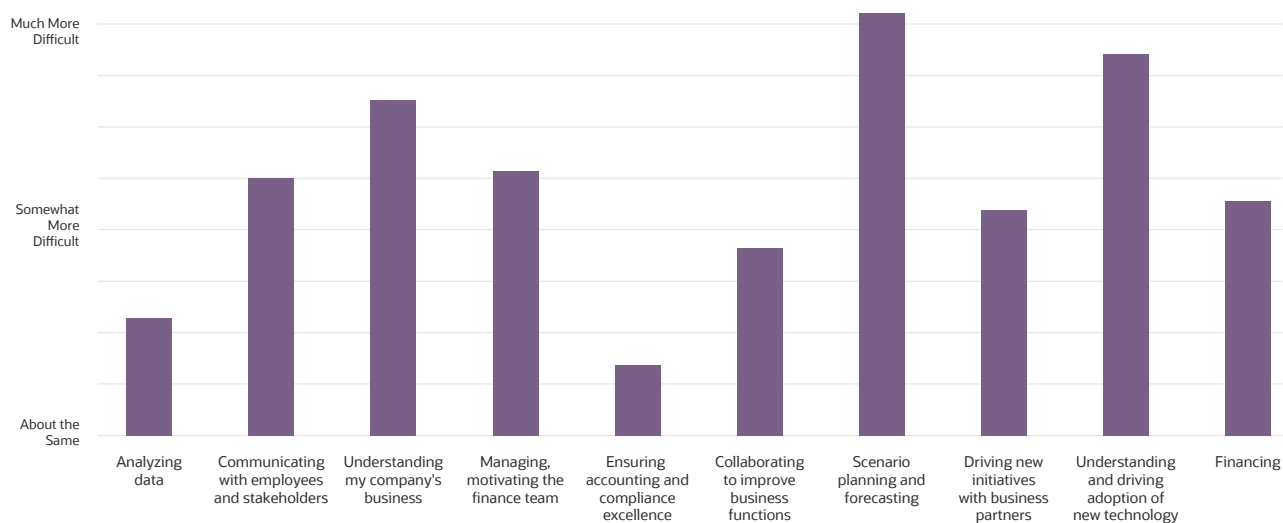
Business Outlook for Next Two Years

We correlated respondent CFOs' proficiency at tasks with their level of optimism about the business



Change In Job Difficulty

We correlated respondent CFOs' proficiency with their perceived change in job difficulty over the past two years



And of course, that 22% still had all the other responsibilities of a CFO. So, their deep knowledge of scenario planning combined with the obvious forecasting challenges since the early days of the pandemic mean their jobs likely did get tougher.

Revenue expectations show a similar response, with the most optimistic outlooks coming from CFOs who are experts on their company's broader business and forecasting. In the case of Focus Technology, contracts are signed weeks or months before the work actually starts, making future income more predictable.

"We're fortunate enough that we have a lot of visibility into our next quarter, and that is minimally impacted by a volatile environment," said Caprio. "But certainly looking out further than a quarter, absolutely we continue to monitor that on a rolling 90-day basis."

Those focused on compliance and data analysis were less optimistic about revenue growth, but also expected earnings to grow slightly faster than revenue.

"I see a lot of promise, and I think that's part of it, there's a better understanding of how the business ticks," Cappadona said.

For those CFOs who shy away from understanding and driving new technology but crave more opportunities for data analysis, Caprio has a message: The automation that technology offers can be a life-saver.

And, as his company continuously works to automate lower-level jobs to save time and improve accuracy, he can more easily look at what's going well and make better, faster decisions.

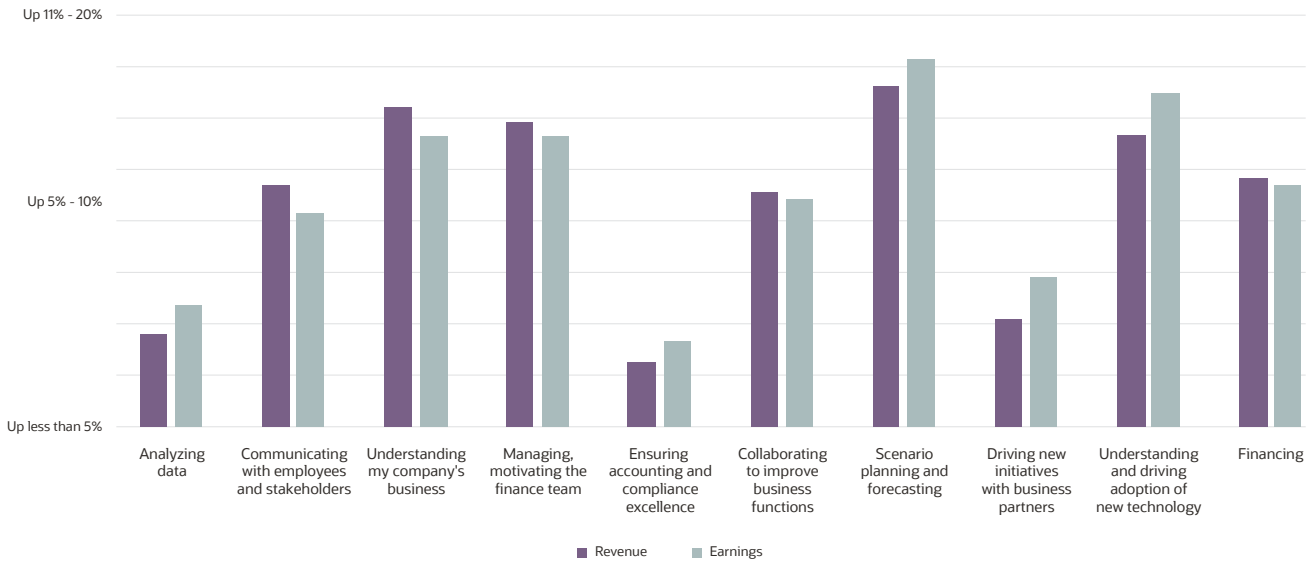
"We need to continue to focus on what's important to us," he said. "And now, hopefully, we have a little bit more time because we're doing less processing and more analyzing."

"We continue to look at ways to automate our processes around accounts payable, accounts receivable, invoicing collections, payment applications, things like that. As we automate, we're going to get even more data."

Chris Caprio, CFO, Focus Technology

Revenue and Earnings

We correlated respondent CFOs' proficiency with their companies' revenue and earnings growth between 2021 and 2022



The Bottom Line

In the name of continuous improvement, CFOs should always poll colleagues, whether formally or informally, about where their teams are exceeding expectations and where they could provide more value. Realize that hiring people more knowledgeable than you in certain areas is often the solution to these shortcomings. As noted at the top, no CFO has the time to master the vast area that the finance department covers.

One last relevant lesson from Caprio: Always be on the lookout for people who can step into roles with minimal training. During the 2008 downturn, even as his company looked at laying off 8% to 10% of its staff, he had his eye out for talent.

“Start that database of candidates,” he said. “We felt confident at some point, this economic downturn is going to turn around and we’re going to have to hire people. Let’s be ahead of it.”





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