

A photograph of two men in business suits standing in a brightly lit hallway. The man on the left is in the foreground, slightly out of focus, wearing a light grey suit and a dark tie. The man on the right is in the background, in focus, wearing a dark blue suit, a light blue shirt, and a red tie. The word "Are" is printed in large, bold, red letters in the upper right corner.

# Are

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# You CFO Material?

By Carolyn Tang

## **So, you're headed down the road to CFO stardom.**

Or, at least, you hope you are. To have any kind of guarantee of success, though, you have to have a clear vision—of not only where you'll be 10 or 20 years from now, but what it will take to make you optimal “CFO material.”

Marc Pfefferle, a partner at Carl Marks Advisory Group LLC, easily rattles off the basic qualities of a competent CFO: integrity, ethics, financial competence, effective communication and reliability. “However,” he says, “in today's world, a successful CFO needs to have more than these qualities. Today's CFO must be more strategic than tactical, more effective than efficient, more leader than follower.



**What does the CFO do?** Only a decade ago, the CFO's responsibilities were mostly financial in nature—monthly consolidations, financial reporting and day-to-day treasury functions. “Today, while financial reporting is still generally the primary responsibility, a CFO devotes much more time to IT, human resources, compliance, risk management and business strategy than before,” Pfefferle explains. “An effective CFO must have a fundamental understanding of the drivers of business performance and be able to provide business leaders with sound counsel and insightful analysis.”

Steven Ehrenhalt, a Deloitte Consulting principal and leader of the finance transformation and strategy service group, says that the most successful CFOs are “catalysts,” or officers who “stimulate behaviors across the organization to achieve strategic and financial objectives.”

Ehrenhalt suggests that, as the focus of the finance office has shifted away from traditional accounting and reporting, and toward strategy and leadership, the role of the CFO also has evolved from steward to strategist. As a steward, the CFO is expected to protect and preserve company assets. As a strategist, however, the CFO is more value-focused. “Strategists provide financial leadership in determining business direction and aligning financial strategies,” he explains.

With these new responsibilities in hand, CFOs must be able to clearly communicate with multiple stakeholders. “When you are presenting to the board of directors, the bankers or the investors, you will be the one person who really understands the numbers, and who explains the significance of them to your audience,” explains Michael Gonnerman, a Boston-based consultant with more than 40 years of CFO experience. “The financial information should be well summarized and readily understood by non-accountants. The best CFOs make it look easy.”

**The route to the top** True enough, the role of the CFO has evolved. But so has the typical career path to the top spot.

“A young professional aspiring to become a CFO needs to plan a professional career progression,” says Pfefferle. He explains that many CFOs start in the public accounting area, advancing from entry level to manager/supervisor or partner, before leaving to take over a senior financial or CFO position at a client firm. Others might start off in an accounting department, advancing to controller and/or treasurer before progressing to the CFO position.” He also notes that, according to current statistics, more than 60 percent of Fortune 500 CFOs were promoted from an internal finance or treasury function.

While there is no single path that ambitious financial talent necessarily should take, there are specific experiences and competencies that should be developed in order to become a successful CFO candidate. According to a spring 2007 Deloitte Consulting survey of CFOs and finance leaders, young professionals with CFO ambitions need to develop strong leadership skills, spending time in a strategic role with decision-making responsibilities. They also should gain diverse experience, perhaps through internships, rotational finance development programs and international assignments.

“Regardless of the track that you take, varied experience is the most important factor. You need a critical balance of internal and external exposure to the business world; internal so that you know how an organization works, and external so that you know how those outside the company, i.e. creditors and analysts, view their company and their industry,” Pfefferle explains.

“CFOs need to have rounded experiences, in controllership, business-line finance, treasury and even line operations. Internships and rotations are an important avenue to gain these experiences,” Ehrenhalt adds.

## Ready to Be a CFO?

Develop these seven traits to be recognized as the financial leader of tomorrow:

1. On the most basic level, focus on integrity and financial competence in everything you do.
2. Hone your financial reporting skills—protecting and preserving company assets is a critical function.
3. Become a strategic thinker—be the “catalyst” that carries the team to its objectives.
4. Develop your leadership and decision-making abilities.
5. Gain a broad ground of knowledge—in IT, HR, compliance, risk management and strategy, for example.
6. Communicate with multiple stakeholders with ease, making financial information understandable to non-financial audiences.
7. Understand the outer workings of your industry as well as the inner workings of your company.

Internships have a dual function. Ideally, they'll be your “foot in the door,” leading to a permanent position; and they'll give you the opportunity to evaluate the pros/cons of your chosen career path.

“Not only does an internship give students and recent graduates credible résumé-building experience, but it also gives them exposure to potential careers and environments,” says Christine Corral, director of the Business Career Center at Loyola University's School of Business Administration in Chicago. “Interns gain hands-on experience in a particular career field, learn various aspects of the company culture and climate, and hopefully determine if their intended career path is a good fit for them,” she explains.

Generally, firms bring in interns during busy season to work on larger engagements. “This is a terrific way to get introduced to accounting,” says Gonnerman. “But you have to remember that this is just an introduction—you may find yourself preparing income tax returns, when you really enjoy financial statement analysis or auditing or systems work.” Nevertheless, this experience will provide you with a broader understanding of the company's inner workings.

Corral recommends that students who have strong ambitions for a future as CFO ask their internship supervisors:

- o for additional assignments;
- o to meet with representatives from other divisions/departments within the company;
- o to be paired with a mentor;
- o to attend division/departmental or board meetings to observe the company's business in action;
- o for feedback on their work.

“Ultimately, students taking advantage of internships should strive to deliver high-quality work and build their professional network,” says Corral.

In seeking out a mentor, Gonnerman advises young professionals to, “Identify the person in the area who is the renowned expert

in the field, meet the person and ask who could serve as an informal mentor. This is aggressive, but a mentor can keep you headed in the right direction, and if you are lucky, help open doors once your skills have developed.”

A strong and extensive professional network is a key career-building tool. Corral recommends that students and recent graduates get involved with their college or university alumni associations as a first step towards building this network.

“In addition, there are numerous professional organizations that individuals can join for professional development and networking opportunities in their field of expertise. These organizations also can be a source for job leads and/or clients,” she says.

**Take the lead** In today's environment, many people look to the CFO as the CEO's successor. “CFOs who desire to advance must develop and exhibit strong leadership skills and business acumen in addition to excellence in performing the CFO function,” says Pfefferle. “What many CFOs don't realize is that 95 percent of the qualities that make them an effective CFO are the same qualities that would make them a good CEO.”

“As a core member of the company's leadership team, often the de facto #2 to the CEO, the CFO needs exceptional leadership qualities not only of his finance function, but beyond its borders as well,” Ehrenhalt stresses.

Ultimately, it takes conscious effort to develop key CFO qualities. “Practice, practice, practice!” Gonnerman quips. “Get yourself heavily involved in details at an early stage, master them, and then work on the financial statement processes. You get better at financial accounting by doing financial accounting, not just studying it or talking about it.” □