The changing role of the CFO

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The Chief Financial Officer (CFO) has been mistakenly stereotyped as a back-office miser, worried about only one thing: the company's bottom-line. CFOs have often been frugal, protecting the company's wallet with an unwavering vow to be prepared for the proverbial rainy day. At least, that is the old-school notion.

The evolving role

The role of the CFO has evolved to include casting a protective eye over security, regulations, and compliance, all critical issues with high stakes attached. Now, as the digital evolution sweeps through manufacturing, the role of the CFO must evolve again. Today, the manufacturing industry needs the CFO to be less concerned about finances and more engaged in strategy.

It is a new hat to wear for some CFOs, but one that is a good fit for individuals who understand the value of investing capital back into the facilities, expanding market presence, and growing through modernization. Many CFOs certainly have the background, insight, and understanding of the market landscape needed to advise the company as it moves forward through new terrain.

Grounded without putting on the brakes

It makes sense that the CEO is often labelled as the visionary who imagines new revenue streams, products, and innovative ways to serve the customer, and the CFO as the one who keeps the company grounded. However, the two do not need to be opposing forces. A CFO can embrace the vision of other C-level officers, or can get in the way. When optimistic, bullish investors clash head-on with the bears of the company who have their hearts set on hibernating, often, no one wins. Stalemates and dissension cause inaction, until it is too late to seize opportunities that may have appeared in the narrowly open window. Indecision is another form of saying no.

CFOs must be on the same track as the other leaders of the organization; willing to invest in ideas, even if the ideas are still in nebulous stages. Some of the old prerequisites for investing no longer apply. As digital initiatives and disruptive technologies change the meaning of innovation, the CFO cannot insist on the same level of benchmark reports, proven return on investment (ROI), or guaranteed savings from new concepts.

A leap of faith may be necessary. The CFO must be able to make well-informed predictions of the likely outcome from investment in new technology. There are no guarantees, and few results-driven surveys that point to clearly defined tactics.

Some of today's new technologies simply have not been in market long enough to have a solid history. Change is happening too quickly and it will not pause while we document proven strategies. The rule books are being written while the game is being played.

Ten tips for playing the role of strategic shepherd

So, how does the CFO perform his due diligence and ensure the company is not taking careless risks that result in financial losses, damage to the brand, or lost customers? Here are ten tips to help the CFO feel comfortable in this evolving role as a strategic shepherd for the company.

- **Partner with experienced companies**. You cannot boil the ocean by yourself. Turn to companies, consultants, and technology providers who are serious innovators, committed to new technologies.
- **Be well informed.** Do your research. Collaborate and network with colleagues who are also figuring it out as they go. Attend conferences. Be a voracious researcher.
- **Control risk.** Do not bet the whole farm. Understand risk and set limits. Protect critical assets, equipment, or intellectual property. Be smart. Think of backups, safety nets, and the ever-important Plan B.
- **Define goals and how to measure success**. You must be able to articulate what you are trying to achieve. Be sure the entire team is on the same page. Define terms that may be unclear. You will be talking about new technologies, innovative concepts, or unexplored terrain. It is understandable that some team members may feel lost. Train as needed.
- **Monitor progress**. You must track what steps you are taking, even when you detour or must backtrack. Collect data. Document milestones, even if you are not sure you will repeat the process. Share progress with team members.
- **Involve teams**. One person or department cannot be expected the carry the compete burden of large scale projects like digitalization. Involve multi-disciplinary teams for a variety of ideas and input from a well-rounded group of stakeholders.
- **Stretch**. Be willing to move out of your comfort-zone. Go out on a limb.
- **Think long-term**. Do not panic if your idea is slow to generate firm results. Be patient. Be willing to finesse your plan and tweak tactics. Adapt as you start to collect early results. Break projects into phases; tackle bite-size portions of larger initiatives to achieve early successes and build momentum. Think big, but keep in mind the steps needed to reach the summit.
- **Be willing to change lanes**. Do not drag a poorly performing idea longer than needed. If the demise is inevitable, be willing to make a change. Move on. Do not dwell on the disappointment; learn from it.
- **Celebrate victories, no matter what they look like**. You may not achieve what you set out to do, but will still learn other skills or tactics along the way. Be open-minded to accepting victories wherever you find them. Celebrate the achievements, no matter how small.

Key takeaways

By following these basic principles, the CFO can be a valuable, strategic leader in the company, one who partners with the other officers on innovation, while still protecting the mission-critical essentials. Today's CFO plays an important role in helping the company manage risk, make confident investments in technology, and keep a results-driven eye on performance. It is a fine line to walk, between protecting the capital reserves and boldly supporting innovation. But, by being well-informed and partnering with industry experts, the CFO can play both parts of this new role: the bold explorer and protective shepherd.

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