The CFO as an Organizational Leader

Presenters:
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Date: May 19, 2014
Agenda

- Introductions
- CFOs as Organizational Leaders (3 Panelists)
- Topic 1: Traditional and Non-traditional Skills
- Topic 2: Understanding the Systems View
- Topic 3: Strategic Thinking/Leadership
- Closing/Questions
Survey of Participants

- Current CFOs?
  - Years of Experience: 5 or less, 5-10, over 10

- Senior or Line Staff?
  - Years of Experience
Panelist Discussion

CFOs as Organizational Leaders

- How did you get here?
- What are challenges faced by CFOs?
- What is an effective CFO?
- What does the future hold for CFOs?
Challenges facing CFOs

- Erratic fiscal conditions
  - Revenue instabilities, fluctuations, reserve levels

- Increasing long-term obligations
  - Pensions, OPEB, debt

- Significant capital expenditure needs
  - Infrastructure needs, facility rehabilitation

- Balancing operational priorities
  - Police, fire, recreation, etc.

- Lack of “balcony time” – 30,000’ perspective
Effective CFO

An effective CFO combines a broad base of traditional and non-traditional skills with an understanding of the systems view for operations and with sensitivity to the external environment and a focus on strategic thinking.
Future for CFOs

- Increased strategic role in organization
- Increased participation in cross-functional activity
- Increasing trust in financial health of organization
- Leading key initiatives for organization
Theme 1
Traditional and Non-traditional Skills

The skills needed for a new CFO include both the traditional (accounting, budgeting, etc.) as well as non-traditional (interpersonal, mediator, etc.) skills. The proper balance of these skills is necessary for any CFO to successfully become more than just a numbers person.
A Study of Traditional and Nontraditional Skillsets for the CFO

Traditional Skillsets
- Long and Short Term Planning
- Issue Preparedness
- Conducting Effective Meetings
- Managing Follow Up

Nontraditional Skillsets
- Creativity
- Problem solving
- Fostering loyalty and commitment
- Commanding respect
Traditional Skillsets: Long and Short Term Planning

- Who is on your team?
  - Be comfortable surrounding yourself with talent and brains
  - What are your personal weaknesses?
  - What are your team weaknesses?
- What are your financial resources?
- What is your “transformative” goal?
- What are your weekly, monthly, quarterly, and annual goals?
  - How are you tracking them? Is your team accountable on a regular basis?
    - Meetings
    - Updates
    - Interim drafts
Traditional Skillsets: Issue Preparedness

Quiz: What makes Batman the baddest Superhero of them all?
Great spontaneous moments are usually well-prepared

- The off-the cuff remark
- The right answer
- The split-second decision
Traditional Skillsets: Issue Preparedness
THE MYTH OF SPONTANEOUS BRILLIANCE

- Control the information
  - You prepare the agenda
  - You write the first draft
  - Never ask a question to which you don’t know the answer
  - Have a plan for any response: where will you go if....

- Know how you will handle the press – do not be ambushed
  - Prepare your remarks
Traditional Skillsets: Conducting Effective Meetings

- **Always...**
  - Have an agenda AND Set the agenda
  - Prepare effective materials
  - Listen
  - Give where it doesn’t matter
  - Control the discussion – we’re not just chatting
  - Recap, confirm, assign follow up

- **Never...**
  - Put people in a position where they have to say “no”
  - Devalue your position through your behavior
    - Don’t be rude
    - Don’t denigrate
  - Give up something for nothing
  - Leave without knowing what was accomplished
Traditional Skillsets: Conducting Effective Meetings

- Who’s the audience?
  - Nervous, sensitive, smart, technical
    - The toolkits are different
  - In-house stakeholders. To whom are they answering and what do they need to bring back?
    - Tailor your strategy to allow them to look like winners
    - Have a plan for making it clear that they refused the olive branch
  - The public
    - Your language has to be different
Traditional Skillsets: Managing Follow Up

- Every meeting or strategy discussion should be memorialized
- Specific follow up tasks should be identified
- Specific team members should be accountable for performing tasks
- Identify the outside resources necessary to succeed immediately. Plan for acquiring or deploying them
- Specific deadlines should be established for interim and ultimate results
- When dependent on outside players, put them on notice
  - When they fail, be discrete in your initial effort at compliance
  - Memorialize your next one
Nontraditional Skillsets: Creativity

- Are you maximizing your role?
  - Can you influence institutional infrastructure change?
  - Develop strategies for upping your game in the “real” power structure
- Innovative Staffing
- Innovative training
- External Consultants
- Be proactive not reactive
Nontraditional Skillsets: Problem solving

- Be a problem solver
  - What’s your problem?
    - Honest Assessment
    - Are you the problem?
  
  - What’s their problem?
    - Their problem is real
      - Understand what they cannot give in on
      - Come up with a solution for THEM
  
  Rejecting the argument is NOT a technique for winning it
  - Can you change their minds?

- Can you use their argument to win yours?
  - Your best argument is usually buried in their position. Dig deep.
  - Use their argument to box them in
Nontraditional Skillsets: Fostering Loyalty and Commitment

- Be loyal
  - protect your people
  - take the heat
  - If you’re not going to fire them, protect them
  - demand that they protect each other and you.
Nontraditional Skillsets: Fostering Loyalty and Commitment

- Be a listener
  - Don’t be over-sensitive
  - Don’t overreact
  - Encourage your team to speak freely

- Reward and credit your team

- Be discrete (within your team and with external players)
  - Did they make a mistake that would be embarrassing? Do you:
    - Let them make it, or
    - Go down the hall and tell them about it?
CHARACTER AS CAPITAL:
Nontraditional Skillsets: Commanding Respect

Quiz: what makes Superman the Greatest Superhero?
CHARACTER AS CAPITAL
Nontraditional Skillsets: Commanding Respect

- Be truthful
  - hard to come back from being a liar
- Be magnanimous
  - Don’t always ask for something
  - Don’t alienate people
  - Don’t be a bully
  - Create allies through good will
  - *Especially* when you have the upper hand
Theme 2
Understanding the Systems View

The CFO must fully understand the integrated, systems perspective of decisions and actions and the role of the CFO within them to maximize effectiveness and success. A CFO must understand root causes, the effects of actions, and the secondary effects – both intended and unintended – to lead and manage a team through complex issues.
Systems Philosophy

- The whole is more than the sum of its parts. (Aristotle)

- Parts exist in contemplation of the whole. (Drucker)

- Linkages and interactions between components that comprise the entirety of a defined system. (Senge)
Whole is More than Sum of Parts
Parts Exist for the Whole

Basic Photosynthesis

- Light Energy
- Carbon Dioxide
- Water
- Oxygen

Diagram of a sunflower showing the process of photosynthesis, where carbon dioxide and water are transformed into oxygen and plant sugars using light energy.
Linkages and Interactions for System
Elements of the System

- Input (Suppliers)
- Activity
- Output (Customers)
- Influencers
  - Sun, cloud, lightning
- Feedback
SIPOC Diagram – GL Close
Role of CFO in System

Understand

- Money Matters – get to know the system
- Spending defines organizational priorities
- You are the foundation for getting “the right” things done
- Expectations for the CFO are changing
Role of CFO in System

Roles

- **Managing** the fiscal affairs of the entity
- Identifying/Implementing opportunities for operational efficiency and effectiveness – process improvements
- **Leveraging** broader opportunities to align activities with strategic direction or benefit
Which System Matters?

- SPAR Elements
  - System, Process, Activity/Method, Result
- Mine
- theirs
- Others

How to find?
- Finding Method
System Focus

- Security of Assets
- Compliance with Laws, Rules, and Regulations
- Achievement of Objectives and Goals
- Reliability of Information
- Efficiency and Effectiveness
- Strategic Direction
Finding Model

- **Objective or Finding/Issue**
- **Condition** — What is?
- **Criteria** — What should be?
- **Cause** — What led to difference between condition and cause?
- **Effect** — What is the impact?
- **Recommendation** — Action to address cause?
Root Cause Analysis

○ 5 Whys Technique
  • Linear method to identify cause

○ Fishbone Diagraming
  • Category method for identifying causes
  • Useful supplement to 5 Whys
Action

- Secondary Effects/Alternatives
  - Intended and Unintended

- Train Staff: **Practice, Practice, Practice**
  - How a systems view and analysis can provide clarity to even a complex issue

- Put pen to paper
  - Diagram, Mind map, Debate, Seek others’ advice
Theme 3
Strategic Thinking

The new CFO must grow above the day-to-day operations and think/act more globally with external stakeholders, such as the governing body and public, to develop the overarching framework (policy objectives, service demands, etc.) that will define what will be important for the CFO to address through the internal system and traditional and non-traditional skills.
CFO Identify Crisis?

- Not just a “Finance Director” or “Controller”
- CFO is a key organizational executive
- CFO is a strategic leader!
Thinking beyond the numbers…

- CFO manages more than agency finances
  - Fiscal policies
  - Budget & forecasting
  - Business analysis
  - Information technology
  - Agency decisions

- Defends & communicates decisions
"The two priorities for me as a CFO are developing the strategy for the organization as a partner to and member of the executive leadership team, and then funding and executing that strategy through financial planning and performance management."

Andy Campion, CFO of The Nike Brand
Emerging Role of CFO

- Partner to the CEO

- Voice of the organization...
  - Voice of reality, accuracy, and impartiality
  - Communicates transparency
  - Represents Integrity and trust

- CFO role critical, not just for accounting, tracking, and reporting, but as a decision-maker and defender of the decisions

- CEO more dependent on creative, accurate analysis of alternatives from CFO
# The Role of a CFO

<table>
<thead>
<tr>
<th>Decisions grounded in financial criteria</th>
<th>Insight &amp; analysis to support organization</th>
<th>Lead key financial initiatives to support organizational goals</th>
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</thead>
<tbody>
<tr>
<td>Fund, enable, execute strategy of CEO</td>
<td>Develop and define organizational strategy</td>
<td>Represent organization to external stakeholders</td>
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Business/Process Analytics

- Not just an IT tool
- As demand for data grows - CFO as primary interpreter of DATA
- Interpretation of data increasingly critical to organizational goals and objectives than ever before
- Leverage technology to make data connections & implications
- Strategic decisions based on financial data and predictive analysis
Influencing Change

- Performance-based measures of success a basis for future funding allocations

- Critical nature of revenue projections and the expanding role of the CFO in gathering data, interpreting it, projecting, predicting, and forecasting
CFO as a Strategist

- Vision for finance function that cuts across organizational culture
- Manage political influences
- Gain trust of organization and community
- Be adaptable to change
As Service Delivery Models Evolve…

- Reliance on CFO for decisions based on financial data and predictive analysis

- Reliance on CFO for creative, accurate analysis of alternatives

- CFO proactively identify alternative service delivery models and process improvements, not just react to them and cost them out
“However beautiful the strategy, you should occasionally look at the results”

Winston Churchill
Closing

- Nobody is born or really prepared to be a CFO before they are a CFO.

- Push yourself to continuously learn new skills, understand different perspectives, and move out of your comfort zone.

- Reach out to your peers, seek out GFOA and other training, and do research.
Questions

Thank you

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