

# The CFO's Expanding Role - Reality or Delusion?

Gary Cokin's

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Management

By

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At some risk but to be true to myself as a blogger, I am wondering if the many references and articles of the CFO's emerging role as a "trusted advisor" is more hype than reality.

In recent months I have read several articles and research studies alleging this emerging CFO role is actually happening. In an article written by Gianni Giacomelli, senior vice-president at Genpact, titled "Can a CFO Innovate?" he states:

"Modern financial executives are moving toward a more central and expanded role as stewards of the company's longevity, using the finance function to enable growth, especially in new markets and in response to market changes. For those who are ready for change, the new finance is an exciting and rewarding way to help shape a more intelligent enterprise that is better connected to the market and its customers."

To be a devil's advocate, what proof do we have that Gianni's observation is true? When we cut to the chase, are CFOs far more concerned with compliance in regulatory financial accounting than with organizational performance improvement? Certainly CFOs do report on performance by monitoring balanced scorecard and dashboard dials. But do they actively participate in assisting functional line managers to move those dials. As examples, do they assist sales and marketing managers with identifying which types of customers to retain, grow, win back, and acquire? Do they assist operations managers to determine which productivity actions and projects will realize gains in efficiency, effectiveness, quality, and cost reduction? Or do they simply serve as gatekeepers or keep score?

## Bean counter or bean grower?

In an article by Myles Corson, a consultant with the Financial Accounting Advisory Services of Ernst & Young LLP, titled "The Evolving Role of Today's CFO", he writes:

"In addition to overseeing the company's financial health, CFOs are increasingly involved in setting operational and commercial strategy, navigating their companies safely through tighter credit markets, more complex regulation and unstable trading conditions. ... As organizations continue to adjust to market volatility and economic uncertainty, CFOs must increasingly provide expert advice to support boardroom decisions. In fact, many CFOs feel that they are in an exceptional position to offer this level of strategic counsel because of their ability to gather information from disparate parts of the company."

But is this evolving role one of just better reporting or one creating a greater impact on analysis and decisions?

In a survey conducted by my fellow Big Fat Blogger Mary Driscoll of the America Productivity and Quality Center, titled, "A New CFO Priority," she writes:

“Surprisingly, only five percent of survey respondents believe that finance is currently delivering game-changing value to their enterprises. Is this cause for concern? ... Finance organizations that are seen as a partner to the business generate thoughtful, clear, and authoritative analyses. However, the biggest barrier preventing business partnership is the lack of time to perform this same work.”

My intent is not to be a naysayer and deny there is truly an evolving and expanding role of the CFO. In fact, my intent is just the opposite. I am a believer that the CFO's finance and accounting function is well positioned to accelerate the adoption rate of planning and analysis as well as the emerging area of business analytics to gain insights and foresight from Big Data. Finance and accounting professionals were born with a quantitative aptitude.

## Delusion or reality?

But do we know or just think we know? Delusion or reality? I and others, especially in LinkedIn discussion groups, bemoan the slow progress in adopting activity-based costing (ABC) principles or if done stopping at only product and service-line gross profit margin reporting and not continuing below that line to report and analyze channel and costs-to-serve for the arguably more critical customer profitability reporting and analysis. And what about marginal / incremental expense analysis that involves classifying the behavior of resource capacity adjustability as sunk, fixed, step-fixed, semi-variable, or variable. That is managerial economics, not just managerial accounting. How many CFOs have competency there?

My opinion is the CFO function is about to enter a golden age of business analytics and managerial accounting. But we need more evidence. Are CFOs taxiing on the runway, or have they begun lift-off?