

# Not Your Grandfather's CFO

By [PCEO, Myra Thomas](#) 08/09/2011 04:28:00



The role of the CFO has rapidly changed in the past decade, propelled by M&A activity, quickly shifting economic sands, and heightened regulatory scrutiny. What was once considered a number-crunching role has morphed into a critical post, essential to the trajectory of a business. For CFOs at middle market companies, their job duties have expanded even more rapidly than most, given the growth in the sector. From the August issue. By Myra A. Thomas

Today, it is the CFO at the middle market company who serves as the sounding board for the CEO, working in tandem with the chief executive officer to advise on the next step, whether it be a strategic acquisition or capital raising initiative.



The expansion of a CFO's duties, while taxing, does allow for a greater level of job satisfaction. Bill Knese, CFO of Angus Industries, notes that he much prefers being on the "decision-making side of the desk". Angus Industries is a Watertown, South Dakota-based designer and manufacturer of original equipment manufacturer cabs, ROPS, and custom metal fabrications. While the financial accounting role is still very much front and center, the post of CFO has moved far beyond a perfunctory one. Knese adds, "I get to use my talents and apply it to what I like to call 'future state thinking'." That approach requires the CFO to work closely with the CEO and other corporate managers in the company.

This visionary role means that CFOs are clearly much more than stereotypical bean counters. Knese notes, "CFOs need an integrated approach to business and a broad understanding of the entire value chain." He serves on the board of directors of the Institute of Management Accountants (IMA), a global association for accountants and financial professionals working in business. As the job description of the CFO has grown, so too has the role of the IMA, he says. "We've increased our focus to reflect our members – looking to management accounting and enterprise risk management."

The wide-ranging CFO duties are critical to deal with the machinations common in a complex and rapidly changing business environment. Take, for example, the story of Primo Water, a Winston-Salem, North Carolina-based bottled water company. CFO Mark Castaneda came on board in 2008, and since that time he's helped shepherd the company through a number of critical stages, including an IPO and major acquisition in 2010. Now, post-IPO and acquisition of the vended water business owned and operated by their competitor Culligan Store Solutions, Primo Water has more than doubled in revenues. Communication between the CEO and CFO is essential when making such large-scale and sensitive business moves, says Castaneda. "CEOs tend to be the positive ones, and CFOs are skeptical by nature. It's the CFO's role to ground thinking in reality, pointing out the terrain along the way. It's a back and forth relationship that demands that both parties respect one another."



If it's not private equity offers, going public, or acquiring a competitor, it's the response to an economic downturn that tests the CFO's mettle and place on the executive team. Marie N. Hollein, president and CEO of Financial Executives International (FEI), a trade association representing senior-level corporate financial executives, notes that crisis situations can often unite corporate leadership. "Companies have oversight and risk management committees working across the organization," she says. "The recent liquidity crisis really brought senior level management together. In a situation like this, you can't work off on your own."



Whether CFOs place the blame on the tough business climate or credit the growth opportunities of today's marketplace, it's apparent that the changes in the position have pushed the role to the forefront of the C-suite. Mike McNamara, regional director of Accounting Principals, a Jacksonville, Florida-based executive recruiter, has certainly seen the job description of the CFO increase, evolve, and gain importance. "Smaller companies are much more entrepreneurial and driven," he says. "But when they get to a certain stage and want to really grow the company, they get smart and realize they need a CFO who's a solid business person."

And while the economic downturn did place constraints on business, McNamara believes the days of significant cost cutting measures and downsizing initiatives may be over. "We're seeing the beginning signs of a turnaround. Businesses are looking to the future and looking into acquisition and growth. Companies are charging us with finding CFO candidates who can become strategic partners and true members of the executive team."

The real-time nature of business is requiring a level of management cooperation and communication never before seen. Carol Scott, vice president for business, industry and government for the American Institute of Certified Public Accountants (AICPA), a national professional association for CPAs, notes, "There are no missteps today. CFOs have to think of enterprise risk management, and they need to have a wider lens. Their work can't be done in a silo."

Luckily, the lower level and transactional functions of accounting are increasingly computerized, she notes, freeing CFOs up to deal with the more critical financial, strategic and regulatory aspects of the business. The evolution of financial accounting, to a much more tech-based model, gives CFOs the ability to take a closer look at the "big picture." Says Scott, "The technology allows CFOs to be more strategic." The changes couldn't have come at a better time, as CFOs continue to grapple with the regulatory demands of Sarbanes-Oxley, Dodd-Frank, IFRS convergence, and a host of additional measures expected down the road.

Middle market CFOs are also dealing with the global reach of their companies and the need for an ever-increasing international presence. According to Jim Blake, partner-in-charge of the New Jersey practice of WeiserMazars, an accounting and consulting firm, middle market companies are dealing with multistate locations, foreign transactions, and international offices. "Companies are working on a global level, with vendors offshore and locations outside of the U.S." With increasing signs of an albeit tenuous business recovery, those opportunities are certainly expected to grow.

In a recent Deloitte survey titled "Mid-Market Perspectives: 2011 Report on America's Economic Engine," 93 percent of the middle market company CEOs and executives polled expect the United States economy to grow. The survey also noted that 81 percent of the respondents anticipate annual revenue increases in 2011, with two-thirds of the executives surveyed reporting lower debt ratios than prior to the recession and 54 percent with higher cash balances. Market expansion is also a priority going forward, with 56 percent focusing on the domestic side and 34 percent concentrating on global growth. With those predictions, it's expected that CFOs will be kept pretty busy.

## More From Us



Be prepared for new OSHA regulations with these 7 steps



The Five Golden Rules of Career Advancement.



Android Tablets Can't Compete With iPad 2, Let Alone New iPad: Analyst



Behringer unveils 8-foot iNuke Boom iPod dock, goes consumer with Eurosound brand



Platform as a service moves into the data center

