The DNA of The New Age CFO

With the business paradigms of the modern-day business changing at a brisk pace, the role of the new age CFO is getting revolutionised. The traditional traits of the CFO are of little use and they are being fast replaced by the skill sets that expect the CFOs to be more business oriented than before. During the last few decades of the last millennial, the role of CFO changed from 'accounting to reporting', from 'controlling to facilitating' and from 'function oriented to strategy oriented'. The academic and professional courses manifested these and the curriculum of the new courses was aligned to incorporate them.

However, this transformation proved only to be short lived as the first decade witnessed one of the worst financial crisis that pervaded the financial world as never before! ‘Disruptions’ became imperative and the CFOs were caught unaware by events that were radical, impactful and even disastrous. The disruptive events questioned the adequacy of the contemporary skillsets and also paved the way for evolution of innovations in the field of finance. The new age CFO is expected to bring the finance function very close to business as a whole.
The DNA of the CFO now embodies the thorough understanding of the business, the strategies and also its competencies and capabilities. The financial strategies need to be coupled with the business strategies to ensure congruence. Given the global canvass and boundary-less flow of trade across the world; the DNA of the new age CFO must include skill sets that will redefine their role. The following are some of the most trending areas for which the CFOs need to acquire new skills.

**Thrust on non-financial KPIs**

There needs to be a shift from historical financial reporting to the predictive feed-forward system. The financial ratios have their limitations and they are always inconclusive. The CFOs need to understand and use non-financial KPIs that indicate how is the business performing and likely to do in future. The CFOs will need to comprehend the cause and effect relationship between the non-financial KPIs and the financial results. The non-financial KPIs help to evaluate multiple aspects of the business. There are different approaches like Balanced Scorecard, Performance Pyramid and Building Blocks which look at these KPIs as a crucial part of the entity's performance management ecosystem.

**Ethical dimension**

The last decade witnessed a slew of corporate failures that can be attributed to lack to ethical business practices. The financial frauds were reminiscent of the failure of corporate governance and compromised ethics. CFOs of organisations worldwide are facing ethical dilemmas to the core, but unfortunately, they are not equipped to handle the situations professionally. The ‘code of conduct’ of the professional accounting bodies if often found to contradict the requirement of reflecting the 'loyalty to the business entity'. The modern CFOs will need to be equipped with the tools and mechanism that will help them to deal with such situations. Many international professional accounting bodies have revamped their curriculum to include the molecules of the ethical dimension in their accounting and finance courses.

**Increased dependence on technology**
The CFOs need to be fully aware of the technological revolution in the field of financial services. FinTech entities have led the new era of technology that redefine financial services. The reduced costs and higher speed of financial transactions has revolutionised the financial services industry. CFOs need to be fully aware of the implications of these changes on their role. Additionally, the CFOs need to understand the big data management tools that will help them to analyse the impact of various exogeneous variables.

**New sources of financing**

The financial markets continue to engineer new products to suit different needs of business entities. The use of Islamic financing products has increased considerably in the last few years. The Peer-to-Peer (P2P) funding and Crowd-funding are fast replacing traditional financing products, especially for the start-ups. The CFOs will need to make themselves aware of these sources and also the risks, security and costs of these sources. Moreover, the traditional forms of equity and debt funding are being innovated and hybrid funding products are being brought to the markets.

**Behavioural finance**

The investment decisions are not driven only by the economic feasibility (apart from strategic suitability), but also by the behavioural traits of the decision maker. Most of the economic theories of the past have been based on the fundamental assumption of
'rationality'. In practice, though, managers tend to take risky decisions! This is influenced by the 'agency problem' that exists in the business ecosystem. CFOs must understand the existence of the so-called 'biased' decision making.

Integrated reporting

The traditional shareholder objective of wealth maximization has been the backbone of all the financial reporting so far. The shareholder approach is being replaced by the 'stakeholder' approach. This introduced reporting on the 'returns' not only on financial capital but also other types of capitals such as human resource capital, intellectual capital, physical capital, social & relationship capital and natural capital. The CFOs need to get a grip on the multi-level reporting that brings stakeholders closer to the ground zero reality of the business. The International Integrated Reporting Council (IIRC) provides a global framework for integrated reporting.

Use of IFRS

The International Financial Reporting Standards (IFRS) are being adopted or converged in the most part of the world. IFRS has become the global language of the business. CFOs should
not only understand the principles of IFRS, but also the business ramifications they could cast on the business both in terms of reporting and valuations.

**Managing risks**

CFOs of modern organisations are at centre stage when it comes to enterprise risk management. They must appreciate how to identify different types of risks, their sources and the way their organisation would deal with the risks. Risk management tools are getting developed and new derivative products keep getting introduced in the financial markets. Many international professional accounting bodies train the budding CFOs on this rather important area of financial management.

**Managing business valuations**

Corporates are increasingly preferring inorganic growth. M & A waves throughout the world reflect this fact and CFOs are looked upon as experts when it comes to valuing the business entities. Mergers, demergers and corporate restructuring are the strategic tools that companies resort to either to grow or to consolidate in their thrust of enhancing shareholder value. CFOs need to be conversant with various valuation approaches and techniques.

The areas discussed above clearly spell out the expanse of the DNA of the new age CFO. Continuous updating of the knowledge, acquisition of new skills, learning how to apply them to a business situation are the requirements that put the CFOs on their toes. It is desirable for them to get their academic as well as professional platform strengthened.

The International Skills Development Corporation (ISDC), UK brings many international educational programs with the purpose of building capacity to bridge the supply side gaps. Through its partnerships with international institutions, it brings professional educational programs that are futuristic and industry oriented. These are the qualifications that are globally recognized. The programs adopt a business case study approach that helps the aspirants to face real life scenarios and simulate solutions.
The information about these partnerships is available on

- http://www.isc.edu.in
- https://www.uws.ac.uk
- http://isdcglobal.org

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