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The Many Roles of the CFO



Presenters



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Preparing people to lead extraordinary lives



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Based on NACUBO White Paper



"The Roles, Duties and Ethical Responsibilities of the Chief Financial Officer"

by Lawrence R. Ladd

Available for free at:

[http://www.nacubo.org/documents
/products/RolesDutiesCFO.pdf](http://www.nacubo.org/documents/products/RolesDutiesCFO.pdf)

Our goals

- To describe and illustrate the multiple roles, skills and ethical challenges faced by the CFO of a college or university today
- To have seasoned and successful CFOs comment on their own experiences and observations regarding the challenges they face in their work: leadership, professional skills and ethical challenges



Typical description in a job posting

"The CFO oversees and enhances the financial management of the college, which includes: resource allocations, financial strategy, capital plans, debt management, cash flow optimization, and financial information systems. The CFO's business responsibilities encompass treasury, investment, budgets, accounting systems, the audit, and accounting oversight of the endowment. These activities require that the CFO have a central role with senior administrators in allocating resources annually and strategically. The CFO is also a key advisor to the President on financial and non-financial strategic issues."

Seven Roles (each requiring a different skill set)



- Truth teller
- Exemplary manager
- Maximizer of resources
- Guardian of resources
- Sheriff
- Town crier
- Institutional strategist



Truth teller

- Chief role of the CFO is to provide facts, analyses and observations that are the unvarnished truth
- Most facts, analyses and observations will be financial, but should also include the institution's operational and strategic position.
- CFO has the institutional perspective, clout and access to represent the data effectively (*which the controller, budget director, or IR director don't have*)



Truth teller

- Demonstrate the depth (or lack) of resources to achieve the institution's mission
- Interpret the information; advise on what the information means in light of institutional strategies and plans
- When hearing a report from another officer, the CFO is most likely to ask "How do we know?" and "What are the metrics?"



Truth teller

- Presenting the facts so that the truth can be heard, but not resented, often proves a challenge; facts may run counter to what others believe or want to hear
- CFO must speak the truth about sound ethical practices and behavior, always insisting on policies that protect the institution's reputation and other assets



Exemplary manager

- CFO must model behavior that reflects the highest ethical and professional standards
- Lead by example
- Advocate good management practices throughout the institution, for fairness, accountability, compliance and customer service



Exemplary manager: questions to ask

- Are our objectives clear and measurable?
- Do our organizational structures and job descriptions align with our objectives
- Are we aware of our risks? Have we mitigated the important ones?
- Are we structured so that our practices comply with internal policies and with external laws and regulations?
- Are our decisions fiscally sound and prudent?



Maximizer of resources

97% of CFOs spend more time on budgeting than on any other function*

- CFO helps the institution focus its available resources on its most critical priorities
- Balancing operating revenue and operating expense budgets to attain and sustain long-term equilibrium
- Rooting out inefficiencies
- Questioning the allocation of resources to lower priority objectives, *and*

*According to NACUBO's 2010 Profile of Chief Business & Financial Officers,



Maximizer of resources

- Preserving the endowment's long-term purchasing power
- Maintaining the physical plant to avoid the hidden cost of deferred maintenance
- Ensuring the institution treats its employees fairly



Guardian of resources

- CFO protects the institution's human, financial and physical resources
- Risk assessment and mitigation
- Support for the audit committee
- Support for the various audits
- Support for good policies and monitoring of those policies – conflict of interest, whistleblower, etc.
- Support for environmental sustainability



Sheriff

- Ensuring that policies are followed and internal controls are effective
- The skeptic among senior administrators – asking hard questions



Town crier

CFOs cite communication as the second most important skill* (*after budgeting*) they need

- Explain complex technical issues in simple and understandable terms
- Raise difficult questions (while keeping attention on the question not the questioner)
- Convey a sense of urgency, when needed, without causing undue alarm
- Educate about the institution's financial condition and the benefits of good management practices

*According to NACUBO's 2010 Profile of Chief Business & Financial Officers,



Institutional strategist

- The CFO (hopefully in tandem with the CAO) often drives the strategic planning process
- Typically, numbers drive change.
- The CFO is the officer most likely to say – and prove with numbers – "if we do not change our strategy we will not be financially viable"
- It might be the CFO who first highlights significant financial challenges that cannot be solved by small incremental changes; or who shows whether a proposed strategy is viable



Words of advice (14 tips)

- Set the proper tone. Make a personal commitment to professional excellence and best practices built upon the highest ethical standards.
- Build relationships of trust and goodwill.
- Hire the best. Good people make all the difference. Compensate the top performers.
- Set personal priorities. The CFO can't do everything, and the choices you make will define your career.
- Know your strengths and weaknesses. Play to performance strengths and compensate for weaknesses by hiring good people.

Words of advice (14 tips)

- Think carefully about what direction to take, and choose the right objectives. If you choose the wrong objectives, successful implementation becomes irrelevant.
- Get out of the office often. Make sure you don't lose touch with the people doing the work and encountering operational problems.
- Set boundaries. The CFO should not serve as the chief operating officer (unless the president officially assigns that role).
- Listen to those you serve and with whom you work.

Words of advice (14 tips)

- Take risks. Improvement requires risk, carefully assessed and understood.
- Be skeptical of those who say an important issue is simple; it rarely is.
- Keep no secrets. Tell the board of any financial problems. Avoid surprises.
- Never overlook ethical lapses or an intolerance action.
- communicate frequently with groups throughout the institution. You can never communicate too much.

Questions, answers discussion

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