



Role of a CFO in an Organization

(A Controller & Value Creator)

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Seminar on Value Addition through Management
Accounting

J.S. Lodha Auditorium, ICAI Bhavan, Cuffe Parade,
Mumbai

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Traditional Role of CFO's office as a Controller :

Accounting, Policies and Procedures

- General Accounting & Booking Policies
- Co-ordination with various external agencies
- Establishing Internal Control

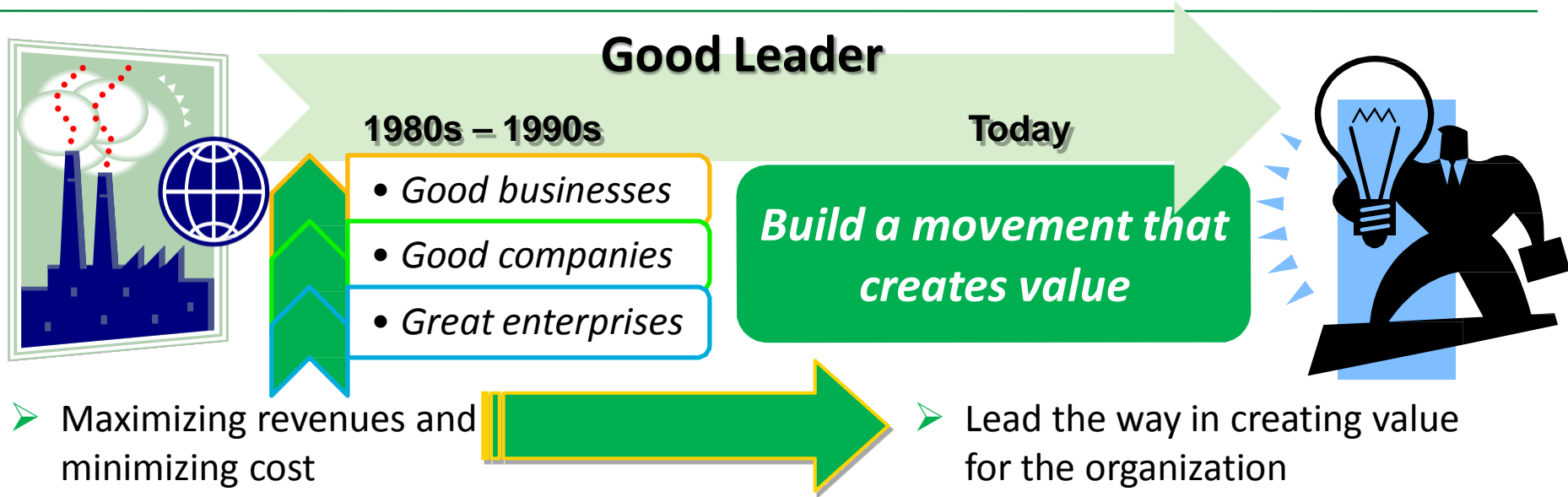
Disclosures and Reporting

- Financial interpretation
- Financial reporting to the Stakeholders

Budgeting and Compliance

- Preparing, Implementing and Monitoring Budgets
- Compliance and Tax

CFO A Value Creator (The new dimension of Leadership)



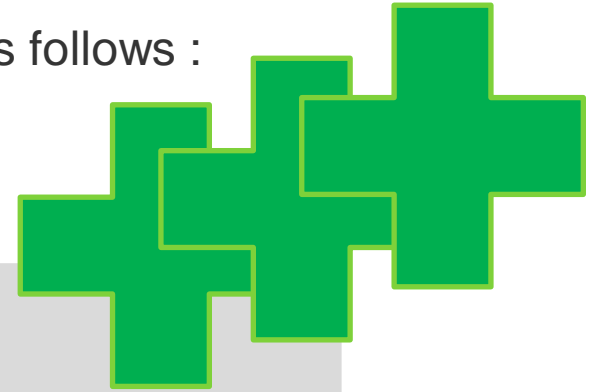
- CFO's are best positioned to help their companies succeed by actively providing input about the development of corporate strategy and making the organizations vision and strategies measurable and accountable.
- CFO's should have the fortitude to use their financial acumen and insights to drive new value and elevated levels of business transformation and performance

A new perspective to the role of CFO

CFO's should devote more time to strategic activities as follows :



External Financial Reporting
General Accounting
Compliance and Tax
Funding Management
Financial Planning



Financial Risk Management
Cash flow maximization
Intelligent Management
Reporting
Mergers, Acquisitions and
Joint Ventures
Revenue Assurance
Investor Relations

CFO : Value Creator for the Organization



- Controlling
- Monitoring
- Reporting
- Cash management

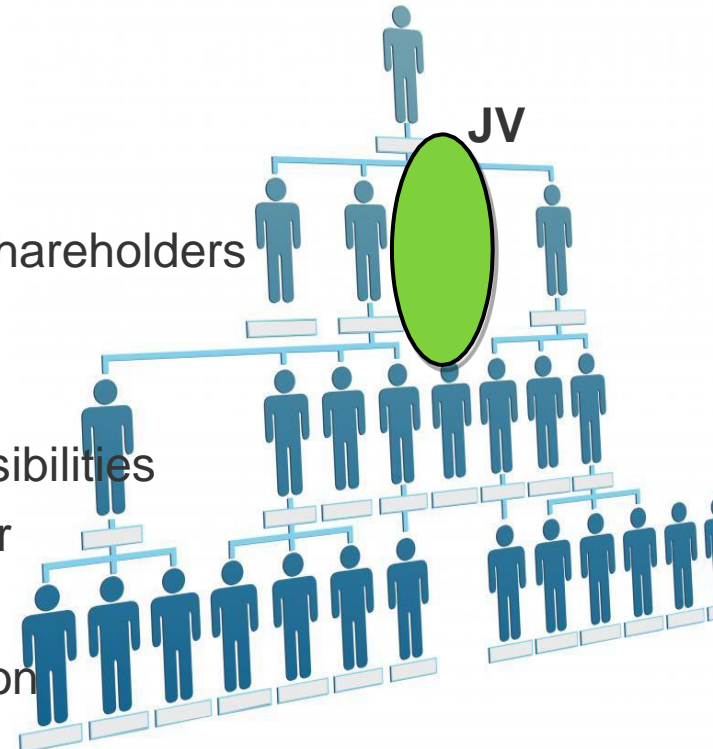
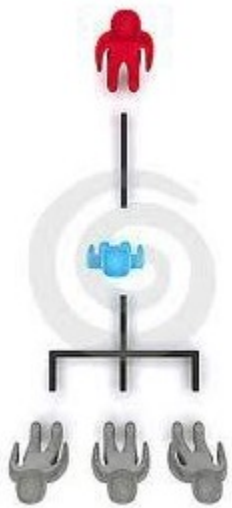
- ✓ Group Structuring
- ✓ Inputs to Business Development and Sales Teams
- ✓ Project Planning
- ✓ Strategic Partnerships or Joint Ventures
- ✓ Planning Entry and Exits
- ✓ Maximizing, Planning Resources



a) Group Structuring

- Most vital element of business cycle that focus on growing the business and ensuring shareholder value.
- **Tax efficient Structure with smooth repatriation and flexible financing structures** options will create long term value for shareholders.
- Ingredients that affect an Optimal Structure are:

- a) Different Business Activities
- b) Banking and Lending Facilities
- c) Long, Medium & Short Term Goals of Shareholders
- d) Shareholder Mix and Objectives
- e) Multiple Layers within each Jurisdiction
- f) Partnerships Exit Jurisdictions and Possibilities
- g) Tax Jurisdiction of Principal Shareholder
- h) Availability of Tax Treaties or other Arrangements with Operating Jurisdiction



b) Initial Inputs to Business Development (BD) and Sales Team



New Business

- Business Case Analysis
- Cost of Entry Barriers



Risk Analysis

- Customer Credit Risk
- Currency Risk
- Country Risk

The Revenues of a business is a material characteristic of its growth & value and highly anticipated by many stakeholders.

CFO's role is vital Lead Generation and Sales Development process.

Systems and Compliances

- Facilitate legal and financial clearances
- Performance Trackers & Reporting systems
- Liaise with Financial Institutions to understand laws of the land



- ✓ Assist the Sales Team in creating a Risk Mitigation or Filtering Process for Target customers.
- ✓ Provide Financial input on Contracts
- ✓ Provide Basic Target Client information to the Sales Team

Contracting

- Efficient Tax management
- Advice regarding financial commitments
- Inputs on termination clauses and effects on rating risk.



This can save the organization from deploying large resources to thinly profitable contracts or place safe guards for highly risky contracts.

c) Project Planning – Long Term Infrastructure Projects

The CFO's office can play a very important role in Project planning for long term infrastructure Projects by requesting certain actions be taken in advance of making large investments :



Location of the Project

Terrain of Land Site, topography and technical studies



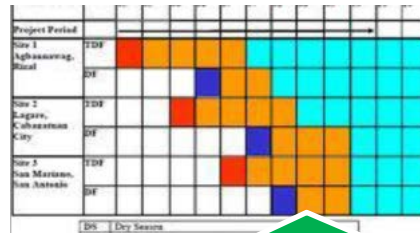
Project Amenities.

Proximity to Power, Road Access, Water availability



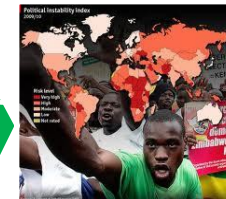
Land Acquisition

Title, Transfer, Local – National Laws, Applicability of Land Ceiling



Project Implementation Schedule

Political Stability and Rule of Law



Duties, Taxes Licenses, Permits applicable

d) Vision and Guidance - Strategic Partnership

- The office of the CFO can bring in Strategic partnership to enhance the business in different areas
- Strategic Partnerships can lead to:



Value addition to the Organization's supply chain.

Allow access to new geographical areas / uncharted markets.

Allow new technology be acquired / shared between Organizations to create synergy.

Partnerships allow inorganic growth to enhance market share in non-core Industry.

- Partnership is a broad term which includes :
 - Joint Ventures
 - Purchase of Companies
 - Mergers/Amalgamations
 - Strategic Technology or Platform sharing agreements.

- Revenue sharing agreements
- Non-compete agreements
- Delineation or Segregation of territories between Companies or Competitors

e) View on Exit Strategies

A CFO should be alert for exit opportunities depending on business conditions. This allows the Organization to remain competitive and alert at all times.

An Exit Strategy also provides visibility to existing / new investors of the current business.

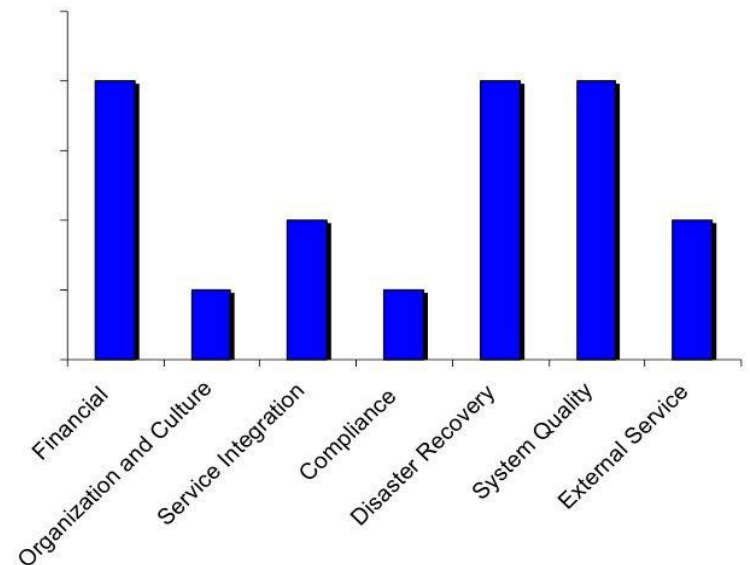
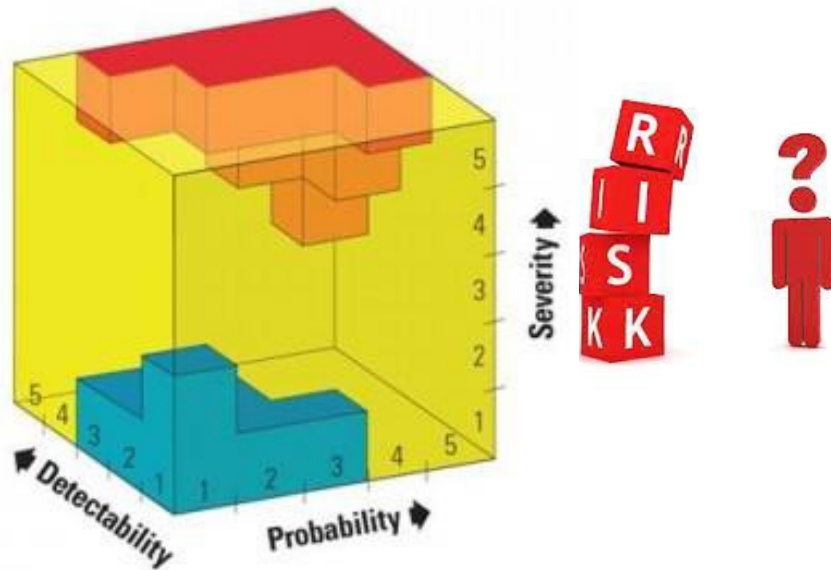
CFO should:

- Monitor market opportunities for strengths and weaknesses.
- Take calculated risks and to exit some businesses entirely
- Merge, sell or acquire business units
- Migrate some business processes offshore and /or to outsourcers to reduce costs
- Allow Flexibility within the Company to implement changing regulatory, control and reporting requirements
- Accept and adapt quickly to new financing strategies and regulatory requirements as a response to a more challenging credit environment



f) Risk Analysis

- Detect financial time bombs before they explode, and provide warnings of threats to enterprise's financial health.
- Periodic monitoring review and revision of credit policies based on customer profiles.
- Request Payment security mechanisms in risky or long term contracts
- Timely hedging of international exposures
- Periodic revision of dividend policy and capital structure as necessary to maintain their debt-to-equity ratio at controllable levels to avoid high leveraging.

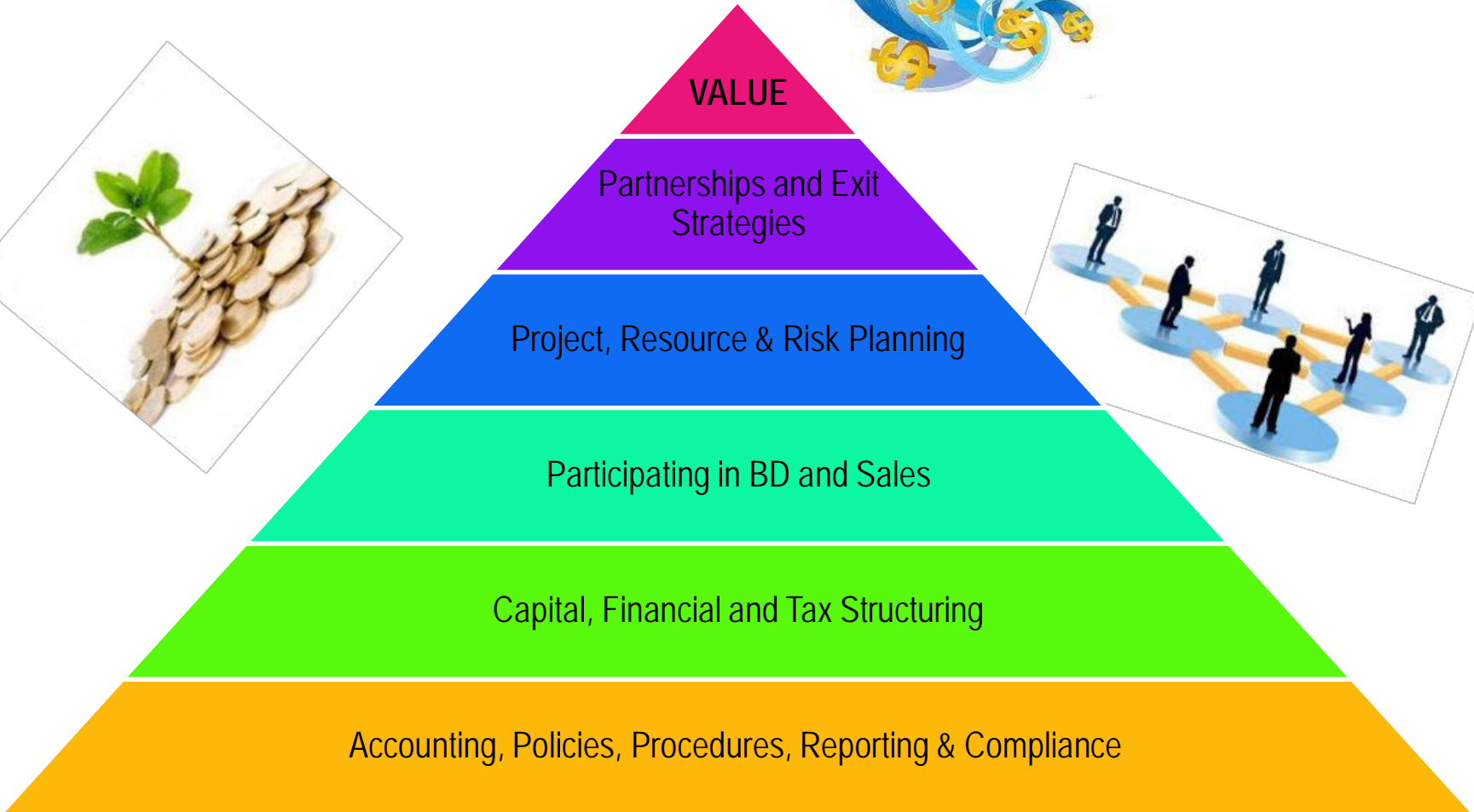


g) Resource management

- Assembling and retaining a staff for flexible talent mix.
- Assisting HR Department in structuring flexible remuneration structures that enhance productivity of employees, in turn adding value to the organization.
- Assist in developing Sales and Commission Policies
- CFOs should identify and define the value driver levers to guide cost cutting in ways that do not jeopardize value.
- Assist in designing Metrics that measure internal productivity rather than just revenue or costs
- Management should be made fully aware of these levers for maximizing value rather than simply maximizing revenues or minimizing costs



Value Creation Pyramid





Thank you

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