Theories of corporate governance have a tendency to overlook the role of the CFO. In real life, however, CFOs play a fundamental role in the governance of companies. The CFO function can be characterized as the interface between controls and strategic leadership, between analyzing the past and planning and supporting future business activities. The Hawkamah Corporate Governance Forum gathered prominent practitioners to discuss the role of the CFO, with a particular emphasis in the Gulf region.

Panelists:
Asim Al Abbasi, CFO Economic Zones World
Frank Dangeard, Board member of Telenor
Rajesh Pareek, CFO, Dubai International Financial Center
V.P. Nagarajan, Executive Director, ETA Ascon & ETA Star

Moderator:
Francois de Montaudouin, Founder, Orbite Middle East.

What are core competencies needed for a successful CFO?

Frank Dangeard “In my view, a CFO does not have to be a financial expert, but a good CFO needs to be a good manager to manage a large team of experts; have very good judgment... and be right on the orders of magnitude; and be capable of inspiring trust because of the number of stakeholders that he is involved with. As a shareholder, a board member, and a CEO, I need to trust him.”

Asim Al Abbasi “Post-2008, the environment has changed a lot. Prior to 2008, in FTSE 100 companies, less than 40% of CEOs or managing directors were from a financial background; but today it’s more than 51%. Now, more than 80% of board members come from a financial background, so in the eyes of shareholders and investors there is some merit to coming from a financial background.”

Rajesh Pareek “The landscape of the CFO has changed significantly in the past few years given that it is not business as usual. Today’s CFO needs to deal with new realities, the abnormal, if you will, and on a real time basis in everyday tasks. What comes out after the crisis is that the CFO needs to step up and make the organization aware that life is not normal and manage the process effectively for all stakeholders.”

V.P. Nagarajan “The perception of “what the CFO is” was not properly evaluated until after 2007. You’ve seen the financials that have taken place for the kind of projects; they were all financed at prices that today people cannot
imagine. Subsequent to 2007, after the crisis, the pricing of risk has become more realistic. So post-2008, people started evaluating risk in a more educated manner; and so the CFO’s role became much more important. The CFO plays his role even prior to 2008 in a similar fashion but in a market on a good run “people don’t listen to the voice that comes from within the company.”

“Four years prior to the crisis everybody looked at an opportunity and then they just jumped at it. The last four years of the crisis has also taught them what not to do. I think today in a scenario of what not to do, the CFO’s role has become much more critical and important.”

This has meant companies starting to take the governance position “quite seriously”. A company will now ask questions where they would not have before, and post-2008 there’s a “shift in how the CFO is being seen in the organization”.

The CEO – CFO axis is crucial for the governance. What is the ideal dynamic between the two?

The panelists agreed that the most important partner of the CEO is the CFO – “a good CFO supports the CEO in achieving the strategic plan”. A good CFO also complements a CEO “by having a different perspective on matters”.

The panelists also agreed that the CFO “should be a guardian of trust”. CFOs are often regarded as control freaks – “we are not anymore”. CFOs should provide the parameters for strategy, provide options, and generally strike a balance between controls and encouraging innovation.