Succeeding as the OFO (Only Financial Officer)

Four Tips for the Accountant Who Must Do it All

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The Role of the OFO

While many accountants in the corporate world have a business card reading "Chief Financial Officer" (CFO), this title is not necessarily an accurate description of their job. The word "Chief" implies that there is more than one. However, many of us are the only degreed accountant working in small and medium-sized businesses. In such cases, the title ***Only*** Financial Officer (OFO) seems a lot more appropriate.

Many OFOs get their jobs fresh out of public accounting under circumstances that throw them into a top financial role at a relatively young age. The skills an OFO needs are very different from those of their contemporaries working in public practice or for a large corporation. Smaller company CEOs care less about your ability to prepare GAAP-compliance financial statements than your ability to provide relevant information for decision-making.

When you become OFO, you may wish you had reallocated some of the time you spent studying FASB pronouncements to learning about cost accounting, information systems, and even process engineering. Your understanding of GAAP allows you to *report* the bottom line accurately. However, your boss would much rather employ someone who can *move* the bottom line in a positive direction.

When I first began leading seminars, I looked at the list of companies represented in the room at the beginning of each day. If I saw a big public company listed, such as General Electric, General Motors, or General Mills, I might be apprehensive about how the day would go. I would wonder if I had adequate knowledge to expand the skills of these big company people. After all, when I went to business school, the "best and the brightest" went to work for such companies[1]. I quickly learned that I had no reason to worry. After all, if you do cash management at a big company, you probably have little exposure to other areas of financial management.

While a big company accountant may have a deep understanding in one or two areas, an OFO may have real world experience in dozens of areas.

A discussion of everything that would be helpful to know in an OFO role could easily fill a two-year master's degree program. You do not have that kind of time right now. However, I will give you four tips that will help you in your OFO role.

4 Tips for Success

1. Get Out of Your Comfort Zone

Most accountants' comfort zone is financial accounting. Thus, many new OFOs spend their first few years hiding in the accounting office making sure that the financial statements are in tip-top shape. In our role as financial accountants, we are more like the scorekeeper in the press box than someone actually involved in the competition. To make the transition, an OFO has to get out of the comforts of the accounting office and learn the needs of his or her customers.

An OFO must understand the needs of two different types of customers. We need to understand the needs of the accounting department's ***internal*** customers who use the information you produce as well as the company's ***external*** customers whom your internal customers serve. Begin by talking to your internal customers about their needs. Are they getting the right information? Is the information timely? Eventually you will learn that all customers, both internal and external, want the same thing. They want what they want right now! This means focusing on business processes to make them happen quickly and reliably. To accomplish this will require the OFO to think more like a process engineer than an accountant!

[1] Today the "best and the brightest" are more apt to become entrepreneurs.

2. Develop Good Cost Information

Your management team spends its day focusing on a multitude of little decisions that determine whether you will have a positive or negative bottom line. These include how to use the organization's scarce resources and how to price the company's product. While cost should not determine prices, it should determine the floor. The worst accountant in town can calculate the average cost of an average product in an average situation. Averages do the company little good. If a company president uses bad cost information to make pricing decisions, there are three possible outcomes, and two of them are bad.

If the calculated costs are higher than the real cost, price is set too high and the customer buys the product from someone else. An underpriced product is even worse, because the company loses money when it makes a sale. Only when pricing decision-makers have accurate cost information can the company both make a sale and make a profit.

3. Train Your Staff to Do All Routine Tasks

A great lesson I learned early in my career was that the most important resource you have as a manager is the people who work for you. If you fail to be a good people manager, your career will plateau very early. Our advancement depends on our ability to train other people to do the majority of the work under our scope of control.

The excuse that many poor managers give for not delegating routine tasks to their staff is that it takes three times as long to teach someone else how to do the work than it would take to do it themselves. Since an OFO may earn three times (or more) what a good clerk earns, there is a quick repayment on any training investment. The math tells us that it makes sense to teach someone else how to do any daily task, any weekly task, any monthly task, any quarterly task, and many yearly tasks, if you expect a person's tenure to be more than four years.

What does that leave for us? It leaves us to develop new processes, improve existing processes, and to train people how to make the business flow effectively. It also leaves us to work on the high-level tasks that only a degreed accountant has the knowledge to do. It leaves us the fun stuff!

4. Making Your Department Continuously Improve

We will only be an average OFO if our focus is on what happened in the past. The most effective financial managers are not problem solvers. They are problem preventers. We cannot fulfill this role if we focus on just doing routine accounting tasks. We must proactively drive for improving every aspect of our business.

How can we make continuous improvement part of our culture? One good approach is to hold quarterly performance management meetings with each staff member. The scheduled topics of conversation are:

a) **Review Accomplishments** – Each person who works for you should prepare a self-evaluation of how they performed against their quarterly plan. While your observations about performance may come into the discussion, top-down performance feedback is most effective when given immediately, instead of waiting until the end of the quarter. ***The One Minute Manager***[2] (a management classic) provides insights on giving such feedback.

   A team member's self-evaluation can be easy to write. You should have provided timely feedback to your team members when they finished each project on the previous quarter's plan. By the time of the quarterly evaluation, the results of the self-evaluation should be "old news". In fact, I say that the self-evaluation can be as little as seven words. What is the minimum that I want on the piece of paper?: Their first name, last name and the word "Done" written five times.

   Plan for Next Quarter - Each person should also prepare a quarterly plan. This is the most important part of the quarterly meeting. The quarterly plan typically consists of five items. For managers, the five items are usually projects to improve their immediate area, the whole department or the company. For clerical staff, the plan often consists of three projects plus two metrics measuring the quality and quantity of their work.

   The focus of the quarterly meeting should be on the future, not on the past. Each team member should come with a draft of his or her plan for the next quarter and perhaps some notes for discussion on future quarters beyond the next three months. The OFO should also have notes about what they want each person to accomplish making the quarterly meeting very future focused. The final quarterly plan that each team member writes should reflect their commitment to implement agreed upon improvements, not their aspiration for projects that they will never complete. This process drives each person to improve continuously.

b) **Get Bottom-up Feedback** - Each person's upward feedback on how, and what, you can do better as his or her supervisor. You want to develop a strong enough relationship with each of your people so that they feel they are able to discuss issues with you openly and honestly.

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[2] ***The One-Minute Manager*** by Kenneth Blanchard and Spencer Johnson, William Morrow and Company, 1982.

In one company, every manager used this method. How did we make sure that the quarterly meeting happened? We did it by tying the quarterly planning process to the bonus program. You were not bonus eligible unless the manager forwarded a copy of the self-evaluation to the human resources department, proving that the quarterly meeting occurred.

The most important resource you have as an OFO is the people who work for you. Continually use this resource to drive your department forward!

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