Stepping Up

How the CFOs of professional service firms are moving beyond traditional finance roles to support business strategy, execution and growth.

Executive Summary

This IndustryWeek management briefing examines how a growing number of CFOs and finance departments are taking business partnership roles in professional service firms. To discover exactly how CFOs are supporting business strategy and revenue growth, we talked to a cross-section of finance leaders from the sector. We found that they are accomplishing much with limited resources at their disposal. In addition to overseeing regulatory compliance and communicating current financial performance, they are building strong internal teams, driving culture change, and working collaboratively with key customers.
Cindy Milrany’s passion is infectious. She is chief financial officer and chief administrative officer of Freese and Nichols, Inc. (FNI). The 120-year-old engineering, architecture and environmental services firm based in Fort Worth, Texas, won the Malcolm Baldrige National Quality Award in 2010. She championed that effort, and guides the company’s ongoing improvement activities.

“CFOs need to be doing more than just running the financial side of the business,” she says. “I always wanted to be a CFO who was a partner with operations, not the CFO who was always pointing out what operations is doing wrong.”

Milrany’s knowledge and enthusiasm for the Baldrige took root when the responsibility for data reporting and analysis required of program participants first fell on her shoulders. She credits Baldrige’s core tenets with guiding FNI’s focus on operational improvement and its record of steady revenue growth, which the company maintained even during the 2008-2009 economic downturn.

Milrany is just one of many CFOs at professional service firms who are passionate about the value they’re able to bring to their organizations beyond reporting the numbers. Indeed, the leadership role seems to attract finance professionals who relish a broad range of challenges and a dynamic job description.

The CFO job, as this IndustryWeek management briefing explores, is being transformed by a number of internal and external factors. Those factors are driving demands for the CFO and the finance department to take a partnership role in supporting business goals and growth. That comes with a wide array of new responsibilities.

**Expanding CFO Responsibilities**

In addition to finance leadership, CFOs in all types and sizes of companies today are taking responsibility for information technology, operations and risk management. Other duties (if not job titles) include **chief opportunity officer** in charge of rooting out sources of potential profit growth, **chief investment officer** in charge of acquisition targeting and evaluation, and **chief metrics officer** providing the daily performance measures necessary for optimizing management decisions.¹

Because of their connection to the financial side of the business, CFOs are in a unique position to provide pragmatic support for realizing the business strategy. This includes:

- Making sure capital is available and allocated to new opportunities
- Identifying and removing growth restraints
- Using data analysis to reduce uncertainty and enable decision making
- Identifying and tracking potential market disruptions
- And providing the intelligence to evaluate underperforming operations.²

Evolving priorities require a CFO with a well-honed ability to communicate, build trust and maintain collaborative relationships with other department heads, business unit leaders and the investment community. This is in addition to being in charge of preparing financial statements and regulatory compliance.

All of that is a tall order even for the CFOs of multi-billion-dollar corporations with sizeable budgets and support staff. In contrast, the vast majority of professional service firms tend to be small and medium-sized companies with limited finance departments. To find out how they are supporting business strategy and growth, we talked to a cross-section of finance leaders at such firms. As it turns out, they’re managing to accomplish much with limited resources and time at their disposal.

**Building a Strong Bench**

Across the board the CFOs we interviewed reported that they rely on top-notch controllers and strong finance and accounting teams. Delegating some responsibilities for accounting, compliance and treasury functions creates some leeway to dedicate more attention to supporting the management team’s growth initiatives.

In any professional service business, whether it’s consulting, accounting or engineering, having a competent and effective team is the only way to accomplish the organization’s growth goals, says John Vaglica. He is CFO and executive VP of finance for Risk Strategies Company, a mid-sized insurance brokerage headquartered in Boston. When he’s hiring new people, Vaglica looks for business-minded finance professionals. The audit backgrounds of many job candidates can cause them to think more like compliance officers than solutions providers, he says.

Risk Strategies has freed up capacity by outsourcing routine transaction processing, such as billing and reconciliation, to overseas service providers. Today his finance team spends most of their time doing financial analysis. “I want to know how we did last month and the month before that, etc.”

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but I also want to know what that means for the next two to three months. Is there a trend? Is there something going on that we need to focus in on?” he explains.

Like most finance leaders, Vaglica is deeply involved in annual planning and budgeting. He says that closely aligning the bonuses of department heads and branch leaders with the firm’s financial goals helps create a culture of cooperation with the finance department.

“It creates a better partnership because they will call me or my controller or one of our analysts with a challenge, and ask for help figuring it out,” says Vaglica. “The leaders in each of our branches trust that we’re going to help them find creative solutions, as opposed to hindering them from solving problems.”

Maintaining that trust is a core element of finance efforts to provide additional value and support to the rest of the organization. The information that finance needs to do its job comes from other areas of the company, explains Gregory Wank, an accounting and advisory partner at Anchin, Block & Anchin LLP, based in New York. “Communication is key to gaining people’s trust,” he adds. “They need to trust that the CFO is putting the business first, and that all of the information they’re providing is for that purpose.”

The finance team uses such performance data to adjust quarterly budgets and expectations, raise a flag when anything starts to go off track, and help investigate the possible root causes. One of the major challenges for growing companies, according to Wank, is making sure the working capital is available to support the sales growth.

Depending on the type of business, Wank says that many business owners decide that they need a full-time finance person when they reach about $100 million in sales. Until then many rely on bookkeepers, controllers and outside accountants like his firm to help with budgets and monitor performance. Below that revenue point, if a company does have a CFO, the job responsibilities can be extremely fluid.

That’s certainly been the case for Jason Langston, CFO and managing partner of GPS Capital Markets, a foreign exchange brokerage with 80 employees in offices worldwide and headquarters in Salt Lake City. As one of the firm’s three co-founders, Langston has assumed a variety of responsibilities for growing the business.

For example, he is the engagement partner for some of the company’s top customers, resolving any issues and making sure they’re being well taken care of. In 2012 he opened their new office in London. That included everything from finding office space to hiring local managers, taking care of regulatory licensing requirements, setting up bank contacts, and making sales calls.

**CFO as Culture Steward**

This do-whatever-it-takes attitude is a key element of GPS Capital’s culture, according to Langston. “We try to instill, with all of our employees, the fact that this is an entrepreneurial organization,” he says.

Company leaders expect everyone to approach their work and responsibilities as if they were running their own company, giving them the freedom and independence to do so. Langston says that such a culture has been key to their success and growth. This type of cultural stewardship by setting an example and communicating company performance was a common theme among the professional service firm CFOs we interviewed.

“We have an amazing culture at Freese and Nichols,” says CFO Cindy Milrany. “As we’ve grown, we have been very careful to manage that culture. It’s become a big part of who we are.”

The company conducts a culture survey every two years to measure how they’re doing and develop action plans to move the culture in the direction the leadership team wants it to go. One area that they’ve been working on in recent years is increasing individual accountability. Milrany is part of that effort, which
involves meeting with group managers every other month to review key indicators, goals, and the root causes of any performance gaps.

The company’s engagement with the Baldrige Award has strengthened that culture, Milrany says. “We use Baldrige to manage our company,” she explains. “It is our management system.”

Process excellence and efficiency in finance can reinforce the department’s role as a business partner, according to Tom Van Der Moere, CFO and CIO of Chicago-based law firm Neal Gerber & Eisenberg. As CIO he looks for information technology that supports effective processes. That means tearing down business processes and optimizing them before implementing any automated solutions.

Van Der Moere offers the new client intake process as an example, which can be a thorn in the side of many legal firms. The immediate goal is to get an account open quickly so attorneys can start working for the client. Doing that requires some due diligence in the form of conflict-of-interest reviews, credit checks and signed engagement letters. His team has worked at analyzing those processes and workflows, then removing the redundancies and inefficiencies.

“We’re doing things to sharpen our cost management, which allows us to build flexibility into our pricing models and still meet the client’s need.”

— Tom Van Der Moere, CFO and CIO, Neal Gerber & Eisenberg

Analyzing pricing and fee structures, and providing that information to attorneys in a timely fashion, has been a major area of focus for Van Der Moere’s finance team. They have broken down litigation cases into their constituent parts, looked at the amount of time each step has taken in previous cases, how they’ve staffed them, and then developed a target cost range that the attorneys can use with potential clients.

“It’s a win-win for the firm and the client because it gives them some predictability and protection that fees won’t skyrocket, while allowing the firm to realize some revenue and protect itself,” he says. Such knowledge and analysis also underscores the firm’s experience at handling particular matters with potential clients.

The Changing Profile of the Successful CFO

As introduced above, today’s professional service firm CFOs have a broad range of responsibilities that extend far beyond the traditional financial reporting, planning and analysis. They include managing outsourcing partners, overseeing improvement efforts, and doing whatever is needed to support business growth.

That requires a different set of leadership skills that are more likely to be possessed by finance-trained MBAs than chartered accountants, says Edward Parsons, CFO of APCO Worldwide, a global communication firm. He describes the CFO role as part consigliore, a confidential advisor who senior leaders can bounce ideas off of, and part communicator extraordinaire who can explain finance issues to everyone from internal staff members to venture capitalists.

“The CFO is more of a people role now,” Parsons adds. “The number of stakeholders CFOs interact with has grown, so they need the ability to approach each stakeholder with the right style of communication.”

As the CFO’s partnership role and passion for the business intensifies, the more important industry knowledge is becoming to be successful. “I couldn’t work in a medical device manufacturing company, for instance, because I would need years to understand the business model properly,” Parsons explains. “But I know professional services, so I can work very effectively in a professional services firm.”