Board Governance Requires Mission-Critical Information

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Many mid-sized firms in the U.S. have invested heavily in finance, treasury and risk management systems to enable the finance department to provide directors and CEOs with mission-critical information. It appears, however, that finance departments — and CFOs, specifically — are not consistently delivering the kinds of information and decision-support that directors say they need to manage corporate risk.

This was the finding of a survey recently conducted by CFO Research and treasury management software provider Kyriba, which was published recently on CFO.com.[1] The survey identified six key areas where executives believe CFOs can do a better job of communicating more effectively and acting more decisively to help boards of directors protect shareholder value.

Areas for Improvement

Fraud monitoring and mitigation was the main area where executives believe CFOs could do a better job of providing accurate, timely and critical information. It was cited by 43 percent of the finance executives surveyed. Performance risk management, strategic and operational risk management, growth strategy support, cost control and reduction, and strategic decision-making were the other areas specifically mentioned in the survey by finance executives.

The executives surveyed cited several reasons why they think CFOs are falling short in this area. At the top of the list is suboptimal organizational structures in which different functions and units all operate within their own silos. Corporate cultures where a strong relationship between the CFO and board is not cultivated, a lack of CFO time, communication issues, and the composition of boards themselves were other reasons listed by executives.

The good news from the survey is that executives overwhelmingly believe that CFOs are seeking better ways and technologies to meet the information demands of directors and CEOs. After all, CFOs jeopardize their ability to influence the business when they fail to deliver the mission-critical information that boards and CEOs need to improve decision-making.

Potential Impacts and Solutions

There are many potential negative impacts to your company if mission-critical information is not delivered to your directors and CEO, including the following:

- Missteps in strategic planning,
- Limited cost control,
- Limited data control,
- Limited cybersecurity protections, and
- Exposure to fraud

To address this problem, finance departments and CFOs need to determine what information directors want to receive and then tailor their reporting accordingly. Other solution steps include the following:

- Use advanced analytics that provide consistent information.
- Include IT leadership in management meetings, especially planning meetings.
- Bring a high-level IT expert (such as a CIO) onto the board of directors.
- Use technology innovations, such as authentication processes to electronic payments.
- Perform oversight audits and reconciliations on a regular basis.

Taking steps like these can lead to a number of positive outcomes for your business, including the following:

- Improved results and support of growth strategy.
- More effective planning, forecasting and strategic decision-making.
- Risk mitigation and minimized exposure to crises and fraud.
- Improved management of cash and liquidity.
- More secure information flow.

Concluding Thoughts

A recent survey revealed that many executives believe CFOs are not consistently delivering the kinds of information and decision-support that directors and CEOs need to manage corporate risk. To address this problem, CFOs need to determine what information directors want to receive and then tailor their reporting accordingly. An outsourced CFO services provider can help you accomplish this, as well as implement other solutions that can result in positive outcomes for your business.

1 Meeting Directors' Demands for Information; Chris Schmidt; CFO.com; November 8, 2017 http://ww2.cfo.com/governance/2017/11/meeting-directors-demands-information/

About CFO Edge

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