7 Core Competencies of a Strategic CFO

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1. The ability to do something successfully or efficiently

Financial institutions of all shapes and sizes are witnessing historic changes in the environment as they struggle to embrace a world that is becoming more and more digital. Credit unions, specifically, are facing increasing pressure to remain relevant in an environment that is fraught with uncertainty on many fronts, whether it's threats from regulatory bodies that challenge their business model or disruptive innovation that chips away at their core business and value proposition.

The questions of relevancy and sustainability have never been more important.

To remain relevant and sustainable going forward, credit unions need Chief Financial Officers (CFOs) who think to differentiate and drive better decisions by helping key stakeholders link strategy and asset/liability management with the credit union's desired measures of success. In the past, it was okay for CFOs to be masters of their silo, responsible solely for the integrity of financials and providing reports to key stakeholders. Most CFOs were groomed throughout their careers to focus on numbers, analyze data, and provide profit and revenue reports.

As financial and regulatory complexity has mushroomed over the past couple of decades, and as a rapidly changing marketplace has increased both the volume and quality of today's competition, the CFO's role is being redefined in ways that challenge even the most astute CFO. Though public perception still holds to the belief that the CFO is a numbers-only role, today's CFO must be a diligent forward-thinker, constantly striving to anticipate problems before they arise and responding to opportunities before they are missed. Today's hypercompetitive environment, in which traditional and non-traditional competition is counting the right business every day, demands that CFOs are able to quickly translate consumer and financial data into actionable business intelligence.

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There is no doubt that a high-functioning, strategic CFO is better equipped to respond effectively to the ever-changing forces a credit union faces. This enables the credit union to more easily remain relevant to their target markets and be more nimble in their response to changing landscapes. As the needs of the credit union change, the core competencies that today's strategic CFO must have include the following:

1. Masters of the "so what" of the numbers and data to strategically drive the credit union forward, so much so that departments want to be cohesively linked versus siloed
2. Proficient at aligning the credit union's desired business model with short- and long-term qualitative and quantitative measures of success and aggregate risk tolerances
3. Multidimensional thinker who moves fluidly between creative problem-solving, critical thinking, and strategic thinking
4. Navigates quickly in the gray and regularly demonstrates sound decision-making in the face of ambiguity
5. Demonstrates consistent and successful execution of the things that really matter to the credit union
6. Adept at choosing, developing, and engaging supporting talent, so there is appropriate time to think
7. Skilled communicator who can deliver reliable and relevant communication at various levels, ensuring that stakeholders with diverse backgrounds want to listen with an open mind to the good, the bad, and the ugly

A CFO who lacks these competencies can unwittingly hinder progress by focusing on the wrong issues, getting caught in the weeds, and being unable to see or recognize strategic opportunities. Without a high-functioning strategic CFO, a credit union could be sacrificing the best interests of its member-owners.

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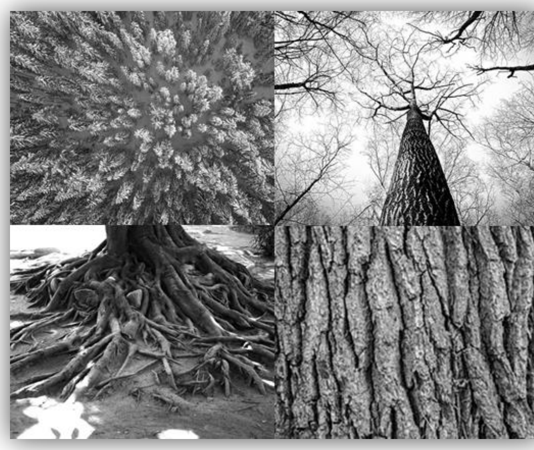
This competency has much in common with the CFO of decades past, but incorporates an evolutionary leap forward. The strategic CFO is not simply a master of the data and the numbers, but is also able to distill them into easily understandable decision information and effectively communicate their meaning throughout the organization. The strategic CFO, especially when armed with a thorough understanding of the credit union's business model, will use the numbers and data to help guide the organization to financial relevancy and sustainability while simultaneously navigating the economic environment.



The strategic CFO is able to see the forest, the trees, the bark, and the roots. This requires thinking and analysis at various levels. Equally important, a strategic CFO is integral in building cooperative relationships across departments, where what happens in one area of the organization is supported and enhanced by what happens in another area. In fact, this expectation applies to all C-level executives. The antiquated method of siloed departments and siloed projects across departments slows progress, hinders change, and imperils the health of the whole organization. In stark contrast to prior expectations of a CFO, the strategic CFO engages departments across the organization and helps everyone see a clear, big picture through a blend of collaboration, communication, and teamwork.

As an example, if issuance of credit cards is up 10% over the previous year, but interchange income hasn't increased, the strategic CFO will begin asking deeper questions to bring relevancy to the data:

- Do the cards issued over the past year show different usage statistics than those issued previously?
  - Are they used at different merchants?
  - Are they not used as often or for smaller dollar transactions?
- Has card usage overall declined?

Depending on the answers, the strategic CFO will bring other departments, like marketing and lending, into the discussion in order to gather information such as how credit cards were sold by lending, or a demographic analysis of those members who accepted the card. From this, leadership may be able to draw useful conclusions about larger strategic issues and opportunities.

2. PROFICIENT AT ALIGNING THE CREDIT UNION'S DESIRED BUSINESS MODEL WITH SHORT- AND LONG-TERM QUALITATIVE AND QUANTITATIVE MEASURES OF SUCCESS AND AGGREGATE RISK TOLERANCES

Establishing short-term financial goals is the norm. Strategic CFOs take measures of success to a new level. They recognize that what the credit union decides to strive for in the short term can help or hinder their credit union in the long term. So, they go big first. Along with their C-level counterparts, they actively wrestle with, and answer, tough questions such as:

- Where do we want to take our business over the next 3-5 years? Why?
- What changes do we need to make to our business model to be successful?

- How do we align where we need to go in the long term with what we believe we need to do in the short term?
- What, if anything, are we willing to sacrifice in the short term to achieve our long-term strategic objectives?

The answers to these critical questions then drive what needs to be done in the short term to arrive at the desired future. This approach is very different from stopping at 1-year goals for traditional measures such as ROA, net worth, membership, and asset growth.

All along the way, strategic CFOs are assessing internal and external risks, weighing and weighting those risks, and ultimately aggregating key risks to help balance safety and soundness with what the institution needs to accomplish to remain relevant. They acknowledge that risks typically don't materialize in isolation; rather risks often materialize in combinations.

3. MULTIDIMENSIONAL THINKER WHO MOVES FLUIDLY BETWEEN CREATIVE PROBLEM-SOLVING, CRITICAL THINKING, AND STRATEGIC THINKING

In a world where everyone is looking to Siri and Alexa for immediate answers, the art of multidimensional thinking can quickly atrophy, paving the way for linear thought processes that ultimately erode the bottom line. The ability to solve problems and employ critical and strategic thinking skills is a challenge many organizations face.

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Consider the differences between creative problem-solvers, critical thinkers, and strategic thinkers:

> **Creative problem-solver:** This is step 1 of becoming a critical thinker. A creative problem-solver approaches problems with the mindset that there is always a solution. This yields very different results than thinking, "It can't be solved." And a creative problem-solver looks for the opportunity within the problem.
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> **Critical thinker:** When dealing with a current issue or a future opportunity, a critical thinker does not immediately accept conventional wisdom. Rather, he or she sees, debates, and evaluates opportunities and issues from multiple perspectives. A critical thinker is very curious, asks and seeks answers to thought-provoking questions.
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> A critical thinker is willing to peel away many layers with the objective of creating the best solutions, and, if appropriate, "solves it forever"—meaning the solution is not meant for just one specific occurrence.
>
> And, a critical thinker can do all of this at a speed necessary to solve the issue timely. Some issues require quick decisions and actions, while others warrant a more methodical approach. A critical thinker can tell when to move quickly and when to take more time.
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> **Strategic thinker:** A strategic thinker has many of the same characteristics as a critical thinker. The key difference is that a strategic thinker deliberately and proactively takes the long view with the entire business in mind.

Strategic thinking is the ability to synthesize problem-solving skills and critical thinking into a larger, all-inclusive perspective that encompasses several dimensions and integrates the future (e.g. strategy) into the decision-making processes.

MULTI DIMENSIONAL THINKING

Multidimensional thinking, therefore, is the product of combining problem-solving and critical thinking with strategic thinking. It represents an imaginative view that considers alternatives and perspectives—a view that peels back the layers of a problem and discovers solutions that aren't obvious.

Multidimensional thinking takes an issue and naturally probes deeper, bringing many different thinking frameworks to the table and reveals the relationship between things that otherwise appear unrelated.

Consider the following example:

Credit Union A recognizes that their loan growth is declining. To grow loans, they decide they need to lower their rates to be more competitive in the marketplace.

Using this example as a lift off point, consider asking questions that get to the heart of the issue. Asking probing questions, a requirement of multidimensional thinking, necessitates thinking deeply about an issue and considering all the dimensions the issue presents. Questions spark curiosity, which creates ideas and, finally, can lead to innovation. Asking better quality questions posed in intentional ways, will lead to better answers.

What if, in the example above, the initial set of questions leads to the conclusion that the number of loan applications and the number of loans approved are comparable with history and show no trend of lower loan demand? What if, after exploring further, it is discovered that the funding of approved loans is the metric that is falling short of historical figures? Would lowering rates alleviate or solve this problem? What if the real reason for the issue was as simple as taking too long to say “yes” to the member? Imagine that consumers, in an age of immediacy, were going elsewhere with their business, not due to rates, but due to the inability of the credit union to decision applications and communicate the decisions in a timely manner.

From a strategic perspective, this leads to even more questions. How does this situation affect the credit union’s measures of success? Does the credit union consider a fast, easy experience to be part of the value proposition? If so, does the original issue of declining loan growth influence more than today’s profitability, and indicate a larger challenge to relevancy?

Pausing to ask – and answer – questions at each juncture of the process, instead of accepting solutions at face value (e.g. “we need to lower our rates”) can help peel back the layers of any particular problem to find a robust solution that supports the credit union’s unique business model. Learning to ask better quality questions will peel these layers back quicker and more effectively. Over time and with practice, this ability will take hold and fortify the ability to think multidimensionally, fine-tuning decision-making skills in the face of ambiguity. In doing so, the strategic CFO will also help train others in the organization to think critically, solve problems more efficiently, and help strategize in a more effective way.

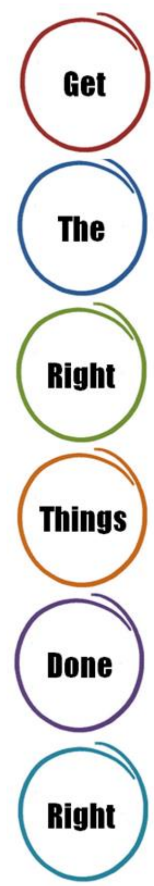
4. NAVIGATES QUICKLY IN THE GRAY AND REGULARLY DEMONSTRATES SOUND DECISION-MAKING IN THE FACE OF AMBIGUITY

The current business landscape is demanding faster decisions in response to more complex problems. For many executives, CFOs included, this creates a chasm that is difficult to understand and span. It is virtually impossible to have all the data, facts, and figures CFOs may want before making a decision. Strategic CFOs embrace the fact that strategy, by its very nature, is rooted in an uncertain future.

The inherent uncertainty of the future, especially as decisions need be made at a quicker pace, requires today's CFOs to appropriately see and understand the whys and relevance of the data, facts, and figures they have available; and effectively blend that information with sound decision-making capabilities in the absence of complete data. Navigating quickly in the gray can be learned by diligently practicing and perfecting critical and strategic thinking skills. Maintaining a deep understanding of and clarity around the credit union's business model will also help filter decisions and result in making better decisions in the face of ambiguity.

Don't be fooled. These skills will not develop overnight. It requires commitment and deliberate focus every day to practice thinking in a new way.

5. DEMONSTRATES CONSISTENT AND SUCCESSFUL EXECUTION OF THE THINGS THAT REALLY MATTER TO THE CREDIT UNION



When over 70% of all projects fail, demonstrating consistent and successful execution of the things that really matter to the credit union is the ultimate test of a strategic CFO. Being crystal clear on the strategic direction and business model is incredibly important; but by itself, only gets the credit union so far. With daily competing interests, the ability to get the right things done right is much easier said than done.

This is where the power of saying "no" comes in. Strategic CFOs recognize that precious resources, such as talent, brain power, time, and money, must be allocated strategically. They are instrumental in avoiding the habit far too many businesses have of spreading resources, including financial resources, too thin.

Strategic CFOs help create a culture and environment that is intentional about aligning what is done daily with the strategic direction of the organization. In doing so, strategic CFOs help the credit union save precious time and resources that would otherwise be lost on misguided projects, which often result in a lot of motion but no strategic progress. We have also observed that this mindset is directly related to stronger financial performance and greater opportunity for member giveback.

6. ADEPT AT CHOOSING, DEVELOPING, AND ENGAGING SUPPORTING TALENT SO THERE IS APPROPRIATE TIME TO THINK

Strategic CFOs are proficient at getting the details right while getting and driving the big picture.

One of the greatest keys to success is that strategic CFOs surround themselves with talent they know will get the details right, so that their minds can be cleared to consistently think strategically about the business. And equally important, they take action as appropriate.

Strategic CFOs lack hubris. They don't feel the need to be the smartest person in the room. Therefore, they are laser-focused on developing and mentoring the right talent. This mindset alone has proven to be a critical step in engaging talent. They also expect that their team members lack hubris and act in the best interest of the team and the credit union.

Developing the right talent gets a lot of air time in many businesses, yet far too often action is not taken. Why? Because it is difficult and personal. One common reason—some team members who have served the credit union well for many years may not be keeping up with the new competencies and pace of change the credit union needs. Strategic CFOs make the gut-wrenching decisions to trade out players, timely and with respect. They recognize that by keeping players on the team who can't fulfill their roles, they jeopardize the entire team and risk losing the talent that is really needed. Facing these brutal facts is especially important when the job market heats up.

7. SKILLED COMMUNICATOR WHO CAN DELIVER RELIABLE AND RELEVANT COMMUNICATION AT VARIOUS LEVELS, ENSURING THAT STAKEHOLDERS WITH DIVERSE BACKGROUNDS WANT TO LISTEN WITH AN OPEN MIND TO THE GOOD, THE BAD, AND THE UGLY

Today's strategic CFO is able to skillfully communicate technical data and reports to non-financial decision-makers and influencers so they can quickly grasp their meaning and understand their relevance to the credit union's short- and long-term goals. Instead of reporting numbers, the strategic CFO is a good storyteller who can make points with concise, engaging content. Analogies are used effectively to help with understanding and the strategic CFO always keeps the "so what" in mind so the information is pertinent and compelling.

There are also more unspoken communication challenges to overcome. It's no secret that many organizations, and a majority of executives, are afraid to voice and raise concerns.

There are many reasons why this happens, but chief among them is an almost instinctive fear of conflict; a fear that their concerns will be viewed as a personal attack, or worse. This fear of conflict all too often leads to an echo chamber of false consensus where debate, discussion, and productive disagreement are absent.

It's likewise no secret that this tendency can exist in non-strategic CFOs, such that they only want to discuss certain subjects and shy away from uncomfortable realities or topics. Doing so, ultimately, does a huge disservice to the entire organization, depriving it of valuable insight and an opportunity to think multidimensionally about those realities or topics. High-functioning organizations and leaders understand that a vital part of organizational and interpersonal communication is the inherent value of productive conflict and dissenting opinions, including listening to what is not being said and considering different perspectives.

As a skilled communicator, today's strategic CFO will recognize something that c. myers' founding CEO made a point to emphasize: There is a difference between communicating to be understood and communicating to not be misunderstood. These abilities are the keys that facilitate the exchange of the good, the bad, and the ugly in such a way that stakeholders are engaged at all levels of the organization.

The world is replete with examples of companies and organizations that failed in the face of change. The role of a strategic CFO is to position the organization for success both today and in the long term. Becoming a strategic CFO requires commitment, consistent and deliberate practice, both structured and unstructured, and just a touch of patience.

Because many of these competencies represent a different way of thinking and creating new habits, we recommend developing and implementing a learning plan soon.

By focusing on being proficient in these core competencies, the strategic CFO will be an invaluable asset to the organization and better able to respond to an ever-changing environment.

7 The role of a strategic CFO is to position the organization for success both today and in the long term

About c. myers

We have partnered with credit unions since 1991. Our philosophy is based on helping clients ask the right, and often tough, questions in order to create a solid foundation that links strategy with desired financial performance.

We have worked with over 550 credit unions, including 50% of those over $1 billion in assets and about 25% over $100 million, facilitating more than 130 Strategic Planning, Strategic Leadership Development, Process Improvement and Project Management sessions each year, and providing A/LM and Liquidity Analysis.

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