

# SPEAK YOUR CFO'S LANGUAGE

by Michael Gunderson

**D**o you ever feel a bit like Charlie Brown listening to his teacher when your chief financial officer is talking?

CFOs often rise to the position through the accounting function of the business. At times, it can feel like they have their own language. Depending on the CFO, it might feel like they know the cost of everything and the value of nothing. At worst, it might feel like the CFO is an impediment to collaborating with customers to co-create value.

It does not have to be this way!

A little time investment in learning a CFO's language and thought processes could allow you to create an ally in leading the firm.

## FOCUS ON FINANCIALS

Many CFOs focus on five key financial performance areas: profitability, capital structure and debt service, size and growth, risk and financial documentation, and creating shareholder or owner value.

Historically, the fourth item, documentation, has been the focus of CFO energies. As the role has evolved, the shift has been to think more carefully about growth and growth in shareholder value.

If you are in sales or marketing, you already know that you need to speak your customers' language. If the CFO is the person you are trying to sell an idea to, you should ensure that you couch your pitch in the right terms.

Focusing on items such as market share or customer retention rates will only resonate if translated into CFO speak. Growing market share means growth in revenues. Here, helping the CFO think about improvements in asset turnover would be a valuable translation step.

When taking steps to improve customer retention rates, the CFO is going to want to understand the cost and benefits. Specifically, will customer retention programs eat into



margins? How will they improve long-term shareholder value creation?

## ACCOUNTING ALLIES

For the record, I hate accounting, but I love accountants. Accounting is the tedious work of tracking revenues, expenses, assets, and financial leverage.

Accountants have the patience for such tedium, and thank heavens for them. If we partner with them to create reports that are useful for decision making, then they can focus on the tedium while we focus on creating customer value.

One of the best ways to begin understanding CFO speak is to spend a little time with your financial reports. Consider scheduling some time with your CFO to discuss what each line item means and how that influences the CFO's thinking.

With a solid foundation of understanding the financial statements, you can begin thinking about the ratio analysis that is likely to drive your CFO's decision-making. Profit margins, asset turnover, and return on assets are all likely to be high on the priority list.

As you put together a plan to sell a key account, promote a new product with an ad blitz, or design a new incentive program for your sales force, can you create a version

of the future tied to these ratios?

## AGRIBUSINESS FINANCE FOR NON-FINANCIAL MANAGERS

Not sure where to begin to speak your CFO's language? **Purdue University's Center for Food and Agricultural Business** is here to help. July 18-21, 2017, we will host the Agribusiness Finance for Non-Financial Managers program to guide you to think like a CFO, interpret financial documents, evaluate financial decisions, and examine profitability you will use case studies and team-based assignments to apply financial concepts to real-world situations.

Learn more and register at <http://agribusiness.purdue.edu/speak-CFO>. **AM**

*Michael Gunderson is an associate professor and associate director of Purdue's Center for Food and Agricultural Business. He can be reached at [mgunders@purdue.edu](mailto:mgunders@purdue.edu).*

