



# HOW TO BE THE CFO THAT THE CEO EXPECTS?

***Strategies Group***  
***2008 Business Building Symposium***

***Renaissance Atlanta Hotel***  
***Atlanta, GA***



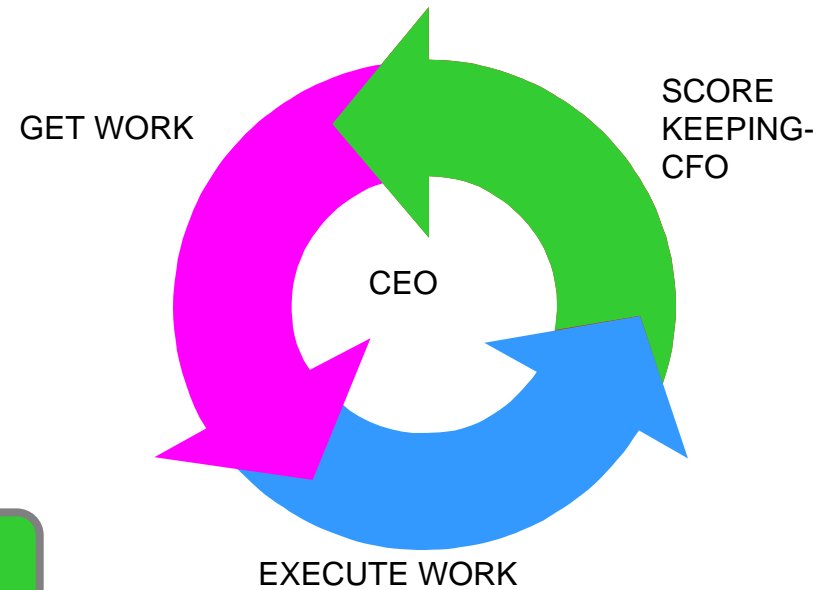
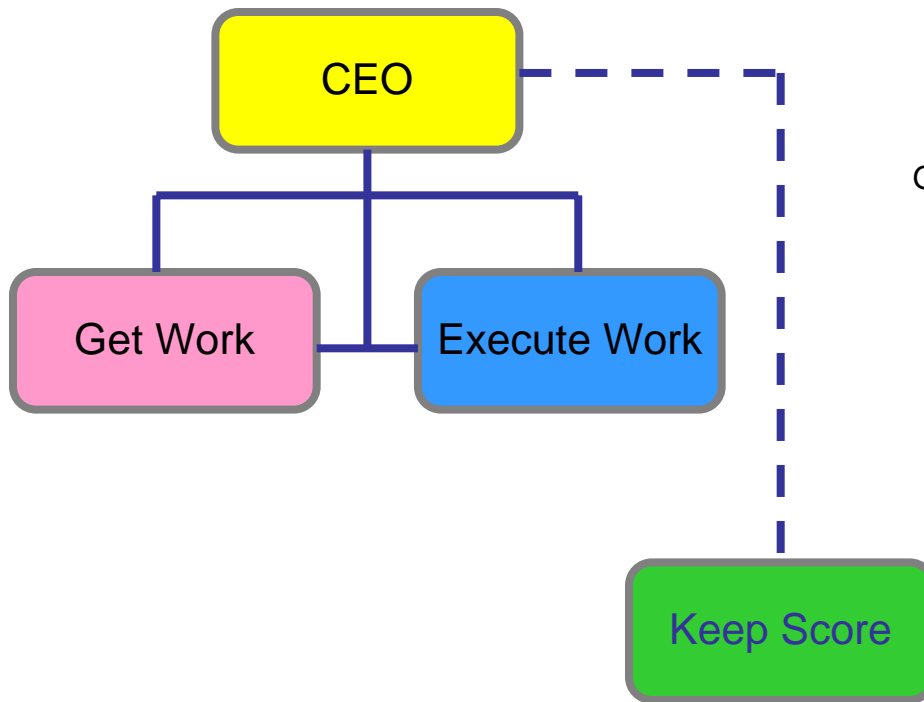
“Would You Like Some Value With Your Numbers This Month?”



# PREMISE

- The CFO's role in today's dynamic construction environment is changing daily and the skill set required for success reaches across an ever broadening spectrum.
- CEO's are demanding even higher levels of performance in the traditional deliverables of the position and greater participation by the CFO in both management and leadership roles.

# TRADITIONAL STRUCTURE VS. NEW REALITY





# CONSTRUCTION FINANCIAL MANAGEMENT

The Issues Today Are:

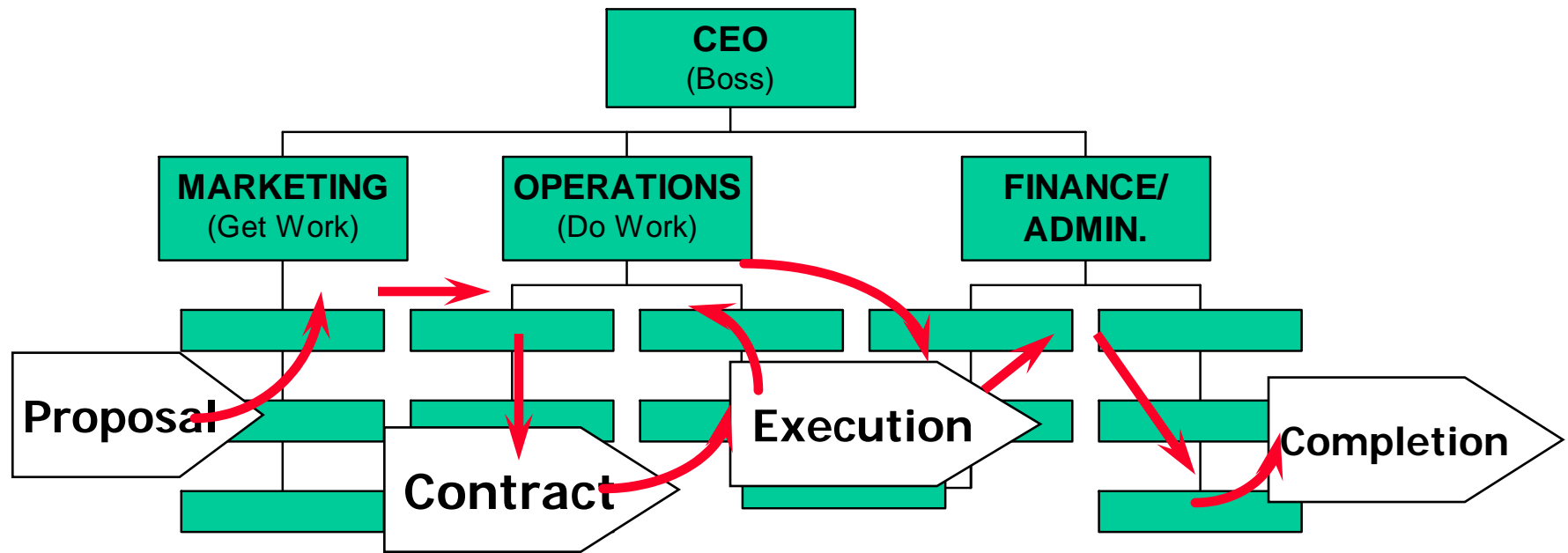
- complex
- fragmented
- difficult
- stressful, particularly the people issues
- technically challenging
- time sensitive
- boundary-less and,
- changing

*The Job Today Is:*

- *complex*
- *fragmented*
- *difficult*
- *stressful, particularly the people issues*
- *technically challenging*
- *time sensitive*
- *boundary-less and,*
- *changing*

# FINANCIAL PROCESSES FLOW

Nearly all processes interact with finance and accounting.



*The CFM is the centerfielder--  
 all plays happen in front of him/her*



# REMEMBER...

the primary reason construction companies exist is for-  
**ALL craftspeople at the jobsite to perform their  
trades daily,  
putting work in place** —

- safely,
- on or ahead of time,
- on or under budget,
- without change,
- at acceptable quality levels,
- in a relentless pursuit to meet customer expectations



# SO—WHAT SHOULD WE MEASURE?

- Work In Place, and
  - Safety
  - Schedule,
  - Costs (Gross Margin),
  - Scope & Contract Changes
  - Quality
  - Customer Satisfaction



## OUR JOB IS...

- ...overcome yesterday's mistakes / mis-judgments / mis-understandings / mis-perceptions
- ...solve today's problems
- ...anticipate tomorrow's issues
  - *To effect beneficial change within our organizations resulting in added value to the people, processes and products with which we are involved...with a focus of facilitating craftspersons putting work in place AND accounting for the results*

# EXPECTATIONS

- Responding to the CEO's Needs and Wants
  - Needs-Combination of what the CEO says and what you think
  - Wants-What he expects (not always stated)
    - Value is balancing these two—High Wire Act
- First-Expectations
  - Nothing is more important than defining and agreeing to the expectations (true understanding by both the CEO and the CFO)
  - It all begins with honest, explicit, straight forward dialogue about expectations
    - It takes more than one session
    - It takes preparation and should end with reciprocal commitments--a contract, if you will



# AGREEING ON THE TANGIBLE

## Scope

### – Keep:

- Cash In the Bank
- Jobs Overbilled
- Costs Under Control
- Vendors & Subs Happy
- Project Managers Honest
- Equipment Working
- Marketing Restrained
- Field Personnel Paid
- Employees At Work
- Management Focused
- Business Associates On Our Side &
- Statements Out On Time—
- Among Other Things—Full Spectrum Coverage of the Key Results Areas

# AGREEING ON THE TANGIBLE

- **Strategy**
  - Get in alignment with the CEO, Senior Management and the Company
- **Structure**
  - Complete agreement on the organizational structure, all players, all teams/departments/functions
  - Complete agreement on the rules of engagement-how the team will work together
- **Skills**
  - Continual Improvement Is Mandatory (CCIFP Will Soon Be A Requirement)
  - Get Them Anywhere You Can--Organizations CFMA is A Great Start



# AGREEING ON THE TANGIBLE

- **Staffing-Job Descriptions**
  - (Scope) Tightly Written Job Description, with Emphasis on the Key Results Areas
  - Manage your Team, Professionally
- **Systems**
  - The Processes and Procedures By Which You Operate/The Technology Tools
- **Sourcing**
  - All of the Business Associates and External Resources Utilized to Get The Job Done
- **Schedules**
  - Understanding All of the Schedules--Timelines, Deadlines Involved in the Job
  - Forecasts, Budgets, Statements, et. al.

# SENSING THE INTANGIBLE

- **Honesty & Integrity**
  - By & From the CFO--Keeping Everyone Honest, Including the CEO
  - A Willingness To Stand On Principle
- **Simplicity**
  - Reduce the Complexity--Simplify Processes, Simplify Reporting, Simplify Issues
- **Accuracy**
  - First, Get It Right--Data Integrity Throughout the System, Including Job Cost & Schedule Estimates and Financial Statements
  - “Rightness” is a Virtue
- **Timeliness**
  - Then, Get It Out On Time--Financial Statements, But More Importantly, Information Needed For Decision-Making

# SENSING THE INTANGIBLE

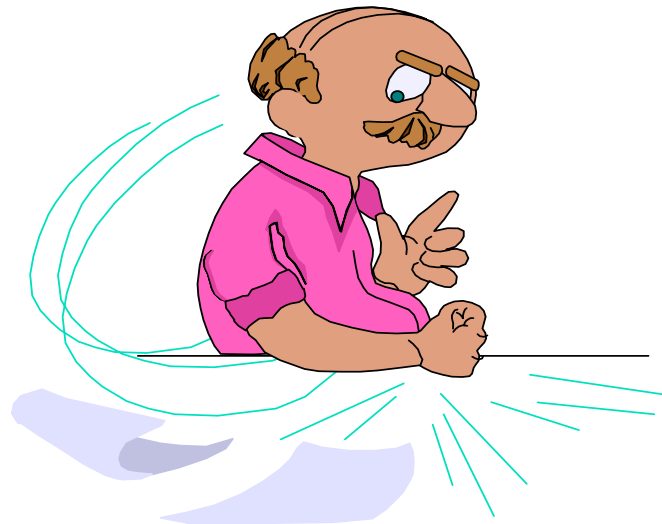
- **Replication**
  - Transactional Excellence: Make It Happen, First Time, On Time, Every Time—Over and Over
- **Anticipation**
  - Anticipate What Is Likely To Happen & Make Preparation For It
- **Control**
  - Perform the Control Function—Have Answers
  - Be Willing to Enforce the Rules—For and Against Everyone
- **Be A Positive Change Agent**
  - Learn How To Be Effective At Managing & Supporting Change and Implementing Process Improvements
  - Set People Up For Success
- **Run Interference When Necessary**
  - Sometimes You Have To Carry the Flag for Unpopular Initiatives

# SENSING THE INTANGIBLE

- **Be Willing To Tackle the Tough Jobs**
  - Follow Through—Persistence
  - Cover All The Bases (Or Make Sure They Are Covered)
- **Be A Voice of Realism**
  - Keep Everyone Grounded on Facts
  - **Absolutely No Surprises**
- **Provide Solutions or Alternatives That Will Work**
  - Continually Add To The Internal Dialogue By Seeking Solutions to Problems That Can and Will Work In Your Environment
- **Explain The Financials and Related Data**
  - Not Everyone Understands Your Information The Way You Do
- **Be A Counselor/Advisor/Confidante/Friend**
  - Someone For the CEO (and Others) To Talk To

# EXPECTATIONS OF MANAGEMENT

- “Independently and Professionally Serve the Company and the CEO, whenever possible, in all respects”
- **“MAXIMIZE SHAREHOLDER VALUE”**





# **CHIEF FINANCIAL OFFICER KEY RESULTS/FOCUS AREAS**

- **Financial Reporting, Budgeting, Measurements & Analysis**
- **Financial Resources-Asset Management/Billings-Accounts Receivable-Cash Flow/Treasury**
- **Financial Relationships/Surety-Bonding/ Banking-Investments**
- **Equipment Acquisition, Financing & Utilization Analysis**
- **Liability Management/Accounts Payable/Notes-Debt Management**
- **Cost Processing & Management-Job Cost-Systems**
- **Equity Management/Capital Preservation & Growth**



# **CHIEF FINANCIAL OFFICER KEY RESULTS/FOCUS AREAS**

- **Accounting, Audit & Compliance**
- **Taxes & Licensing**
- **Departmental & Company Management**
- **Internal Cross Discipline Relationships-Teaming**
- **Relentless Process Improvement**
- **Strategic Management-Strategic Planning Support**
- **Risk Management-Insurance/Safety Programs**
- **Management Information Systems-Technology Implementation**



# CHIEF FINANCIAL OFFICER KEY RESULTS/FOCUS AREAS

- **Human Resources-Personnel/Payroll-Employee Benefits**
- **Corporate and Legal Affairs/Contracts-Subcontracts-PO's Review-Documentation**
- **External Relationships-Image/ Clients, Subcontractors/Vendors, Business Associates**
- **Industry & Community Networking--Meaningful Participation**
- **Reduction of Uncertainty and Elimination of Ambiguity:**
  - **Clarity/Selectivity/Simplicity/ Consistency/ Predictability/ Standardization/Collaboration/ Sustainability/Closure**
- **Leadership By Example**
  - **Making and Keeping Intelligent, Responsible & Responsive Commitments**



# CFO MISSION

***I believe that the mission of the Chief Financial Officer is to be an integral part of the Management Team effort to succeed in a dynamic, complex and highly competitive world through an uncompromising commitment to superior quality in work products, relationship development and a relentless pursuit of personal improvement.***

***This mission will be achieved by:***

- > recruiting, selecting, training, mentoring, nurturing, and rewarding team members who respond to accountability and responsibility for performance, adherence to schedules and improving processes through teamwork and innovation;***
- > developing and maintaining mutually beneficial relationships with team members, subcontractors and suppliers who perform the work and provide resources to the company;***
- > developing and maintaining mutually beneficial relationships with business associates in financial, banking, insurance, surety, technology, legal, accounting, auditing and tax areas who provide the highest levels of services and products for the benefit of the company;***



2008 Business Building Symposium  
July 29th - August 1st 2008  
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# CFO MISSION

- > accepting and driving change, mastering complexity through simplicity, and managing time and risk through selectivity;**
- > pro-actively serving internal and external customers in a professional manner at all times;**
- > ensuring transactional excellence to provide accurate, concise and timely financial information, operating results, forecasts, projections and analysis;**
- > integrating effective technology tools throughout all levels of the organization facilitating the relentless pursuit and presentation of dynamic information for timely decision-making and monitoring results;**
- > providing quality risk management solutions to the continual risks faced by the company;**
- > anticipating and creatively providing for the company's management and cost accounting system needs and effectively and efficiently processing the financial and payroll transactions of the company;**



# CFO MISSION

- > continually seeking prudent investment opportunities for corporate assets and monitoring asset utilization for maximum return on investment;**
- > managing the company's governmental and tax issues to maintain current regulatory compliance;**
- > coordinating the corporate and legal affairs of the company to mitigate contractual risk, identify and resolve current issues, preserve assets and provide the framework for the attainment of long-term goals;**
- > enhancing the company's image through meaningful participation within the industry and the community;**
- > engendering quality human relationships based upon integrity, honesty in communication and excellence in performance;**
- > all in a cost effective manner, resulting in the maximization of shareholder value and rewards to the team.**



# LIVE THE ZEBRA PATTERN

- Deliver **Personal Performance** to Ensure Process Competence, Schedule Validity & Data Integrity, Leading to Transactional Excellence--
  - Every Process Works First Time, On Time, Every Time Meeting Every Commitment



**It's all about COMMITMENT TO PERSONAL PERFORMANCE—MAKING AND KEEPING INTELLIGENT, RESPONSIBLE AND RESPONSIVE COMMITMENTS**

**ensuring accuracy, timeliness, consistency, dependability, teamwork, inter-personal integrity, trust & communication with a purpose so that WE CAN SUCCEED AS A TEAM**

# TIMELINESS-SCHEDULE

***Everything has to be done to be successful, why not do it on time?***

- Start the Job On Time
- Produce and Distribute Documents On Time
  - Estimates/Contracts/Subcontracts/Purchase Orders/Change Orders/Time Sheets/
  - Financial Statements
- Perform the Work On Time
- Bill the Customer On Time
- Collect the Invoice On Time
- Pay the Subs & Suppliers On Time
- Finish the Job On Time

# CHECKLIST BEFORE A CHECK GOES IN THE MAIL

- Owner Contract/All Change Orders Signed
- Architect Approvals Documented and Signed
- RFI's/Submittals Up To Date
- Subcontracts/Change Orders or Purchase Orders Signed
- All Documents in Order-Insurance, etc.
- Joint Check Agreements Reviewed
- Change Orders Processed
- All Backcharges or Potential Resolved
- Billed Work Actually Performed by Sub or Materials Actually Received In Good Order On Site and Quantities Matched
- Funds Collected from Owner
- Lien Releases In Order
  - (Releases should state there are no additional expectations of financial payment or schedule extensions not otherwise enumerated in this payment request)
- Subcontractor on Schedule
- Quality Work Being Performed
- Double Check All of the Above

## DRILL DOWN— MEASUREMENT UTILIZATION

- A look at what creative thinking about measurement can tell you---
- Cumulative Days to Issue All Subcontracts & Major Purchase Orders On A Project
  - If low--
    - Estimating has done a good job of determining the scope of work and getting accurate pricing from subs and vendors, plus identifying good subs and vendors who can follow through on their bids
    - Project managers have done a good job of getting on top of the project early and reviewing the project with an intent to get the project going as soon as possible
    - Contracts Administration function is able to facilitate quick processing of documents
    - Company has reduced the risk of price escalation from subs and vendors
    - Job by job analysis of the causes for delay will tell you where the issues are:
      - Estimator-Project Manager-Sub/Vendor Selection-Owner/Architect Delays  
(Changes-Incomplete Drawings)

## STATEMENTS, RATIOS, REPORTS AND SUPPORTING SCHEDULES REQUIRED FOR FINANCIAL KNOWLEDGE AND MANAGEMENT INFORMATION AND ANALYSIS

- Best of Class Contractors perform the following types of analysis on a monthly or, at least, quarterly basis:
  - Percentage of Completion Contract Schedules
  - Contract Risk Analysis Worksheets
  - Contact Cost Analysis Report
  - Contract Fade/Gain Analysis Report
  - Contract Cash Flow Analysis
  - Bid Spread Analysis Report
  - Equipment Cost/Utilization Report
  - Subcontract Analysis Report
  - Projected Year End Statements
- Analytical Graphical Presentations
  - Working Capital
  - Bonding Capacity
  - Debt Ratios
  - Gross Profit Ratios
  - G&A Ratios
  - Backlog Ratios
  - POC Ratios-Over/Under Billings
  - Job Borrow Ratios
  - Equipment Ratios
  - Fade/Gain Ratios

# USE THE TECHNIQUES AND TOOLS OF YOUR CUSTOMERS

TECHNIQUES: How does the job get done?

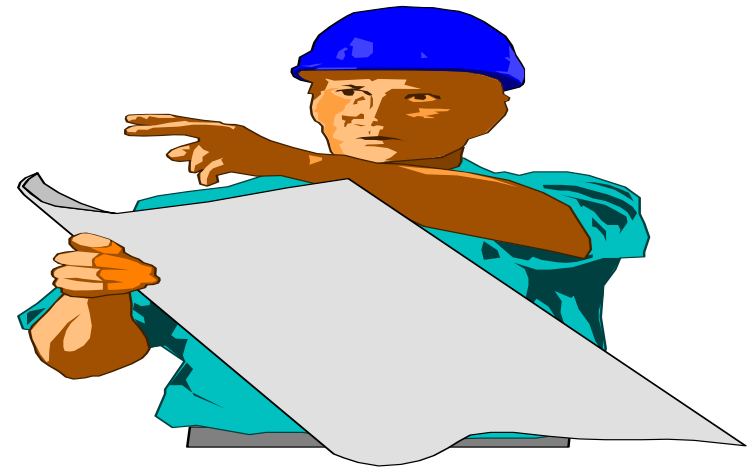
- EXAMPLE: General Contractor = Amalgamation of subcontractors
- Use your supplier chain
  - Business Associates
    - CPA
    - Software Provider (i.e. Strategies Group)
  - CFMA
    - Networking
      - Chapter Level
      - National Level



# USE THE TECHNIQUES AND TOOLS OF YOUR CUSTOMERS

TOOLS: What is used to get the job done?

- From the Do Work Area:
  - Scheduling
  - Bar Charts
  - Language
- From the Get Work Area:
  - Newsletters/Publish/Promote
  - Presentations
  - Graphics



# CFO-CHARACTERISTICS OF SUCCESS— MEETING EXPECTATIONS

- **The Strong CFO Masters the Technical Skills**
  - Finance, Accounting, Information Technology, Human Resources, Risk Management/Insurance, Legal & Contractual Issues
- **The Strong CFO Learns Management and People Skills**
  - Governance, Team Building, Departmental Activities
  - Good People Management Is A Priority
  - Relationship Skills Become Paramount
- **The Strong CFO Finds A Way to Develop Leadership Skills**
  - Knows When to Lead / When to Follow
  - Knows How to Lead / How to Follow
  - Makes Process Management A Passion
  - Excels at Change Management
- **The Strong CFO Exhibits Great Decision Making Skills**
  - Knows How and When to Decide / When to Defer

## CFO-CHARACTERISTICS OF SUCCESS— MEETING EXPECTATIONS

- **The Strong CFO Builds A Networked Team of Relationships**
  - The strong CFO knows that we are only as strong as the collective wisdom of all we bring to the table
  - The strong CFO builds a network—an umbrella of protection and a safety net of resources and utilizes all of those resources to meet expectations
- **The Strong CFO Makes Learning a Continual Process**
  - Continually studies, observes and renews
  - The strong CFO finds successful CFO's and others to emulate including finding success patterns and techniques to follow
- **The Strong CFO Climbs the Ladder of Success One Rung at a Time**
  - The strong CFO utilizes her/his talent and skills, studies the craft and learns new things from new people and shares insight, tools, tips and techniques with others

## THE CFO—MEETS EXPECTATIONS AND ADDS VALUE—BY...

- Ensuring Data Integrity, Schedule Validity & **Transactional Excellence**
  - *First Time, On Time, Every Time Performance*
- Gathering Data
- Assembling Facts
- Reporting Information
- Delivering Analysis
- Monitoring Compliance
- Illuminating the Possibilities & the Perils
- Challenging Assumptions
- Providing Historical Perspective
- Preparing Prospective Projections
- Maintaining Continuity through Updates

# RESPONSIBILITY OF THOSE WHO PROVIDE INFORMATION

Get the:

- ...RIGHT INFORMATION to the
- ....RIGHT PERSON(S) at the
- .....RIGHT TIME in the
- .....RIGHT PLACE using the
- .....RIGHT TECHNOLOGICAL TOOLS in the
- .....RIGHT FORMAT, resulting in the
- .....**RIGHT DECISION,**
  - .....Finding the RIGHT SOLUTIONS
  - .....Initiating the RIGHT ACTION(S) &
  - .....Establishing the RIGHT ACTIVITIES
- .....**(at the RIGHT cost)**

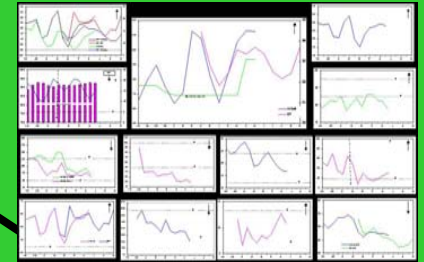


## THE IMPORTANCE OF CONSTRUCTION KNOWLEDGEABLE BUSINESS ASSOCIATES

- There is no substitute for “Construction Savvy” and experience working with contractors in the construction industry
  - First and foremost—CPA firms
  - Secondly, insurance agents
  - Obviously, surety agents
  - Legal firms must have construction experience
  - Financial/Accounting and other software must be industry specific & proven in the marketplace
- Direct experience working with construction clients—
  - Similar in size or larger to you
  - Similar types of work
  - In your geographic area
  - For an extended period of time

*It's All In The Game—  
And It's A Team Game*

Transactional  
Excellence Field



Consultants

CFO

Banker

Processes,  
Policies &  
Procedures

Insurance  
Agent

Accounting  
Team

Technology/  
Systems

Communications-  
Content & Style

Human  
Resources

CPA

Rules of  
Engagement

Customers

Marketing/  
Estimating

Legal

Relentless  
Process  
Improvement

Industry  
Associations  
/Network

Customers

Plan

Customers

CEO

Project  
Mgmt

Field  
Operations/  
Safety

Culture



# 10 RULES OF THE ROAD FROM A ROAD WARRIOR

1. Simple is Better. Simplicity Triumphs  
Complexity Every Time.
2. Ask Your Customer. Serve Your Customer.  
Identify Real Customer--Internal Or External.  
Ask What They Need.
3. Clearly Communicate The Results Expected.
4. Be Prepared (Anticipate).
5. Understand the Process--"Everyone's output is  
someone else's input."



## 10 RULES OF THE ROAD (continued )

6. Everyone Is Always Entitled To Their Personal Dignity.
7. Your Word Is Your Bond. Always Do What You Say Your Are Going To Do And When You Said You Were Going To. There Is Never, Ever A Substitute For Integrity And Honesty Especially In Personal Relationships.
8. Remember The Mission.
9. The Consequences Of Actions Based Upon Misperception Are As Real As If They Were Based On Reality.
10. When All Else Fails, Lead By Example.



# 10 LEADERSHIP SKILLS THE CEO EXPECTS FROM THE CFO

1. Set and Communicate a Vision
2. Develop Creative Strategies for Implementing the Vision
3. Build and Maintain Relationships
4. Empower Your People
5. Reinvent the Organization
6. Listen and Empathize
7. Leverage Teamwork
8. Motivate and Inspire Individuals
9. Coach for Superior Results

*Jerry Jackson, FMI*

## **10. When all else fails, lead by example**

*Direction is slightly more important than speed*

## 5 CHARACTERISTICS OF KEY PLAYERS

- A Sense of Mission.
- A Need To Be Challenged by New Experiences.
- An Ability to Stay Focused on Goals and Results.
- An Awareness That Consensus is Strength.
- An Underlying Faith in the Game and in Oneself as a Player.

Michele Jackman, *Star Teams-Key Players*



# WINNING ATTITUDES

1. I know what is expected of me at work
2. I have the materials and equipment I need to do my work
3. At work, I have the opportunity to do what I do best every day
4. In the past seven days, I have received recognition or praise for doing good work
5. My supervisor or someone at work seems to care about me as a person
6. Someone at work encourages my development
7. In the past six months, someone at work has talked to me about my progress
8. At work, my opinions seem to count
9. The mission/purpose of my company makes me feel my job is important
10. My fellow employees are committed to doing quality work
11. I have a best friend at work
12. This past year, I have had opportunities at work to learn and grow

Alex Aderton-Director of Marketing-  
Associated Builders and Contractors

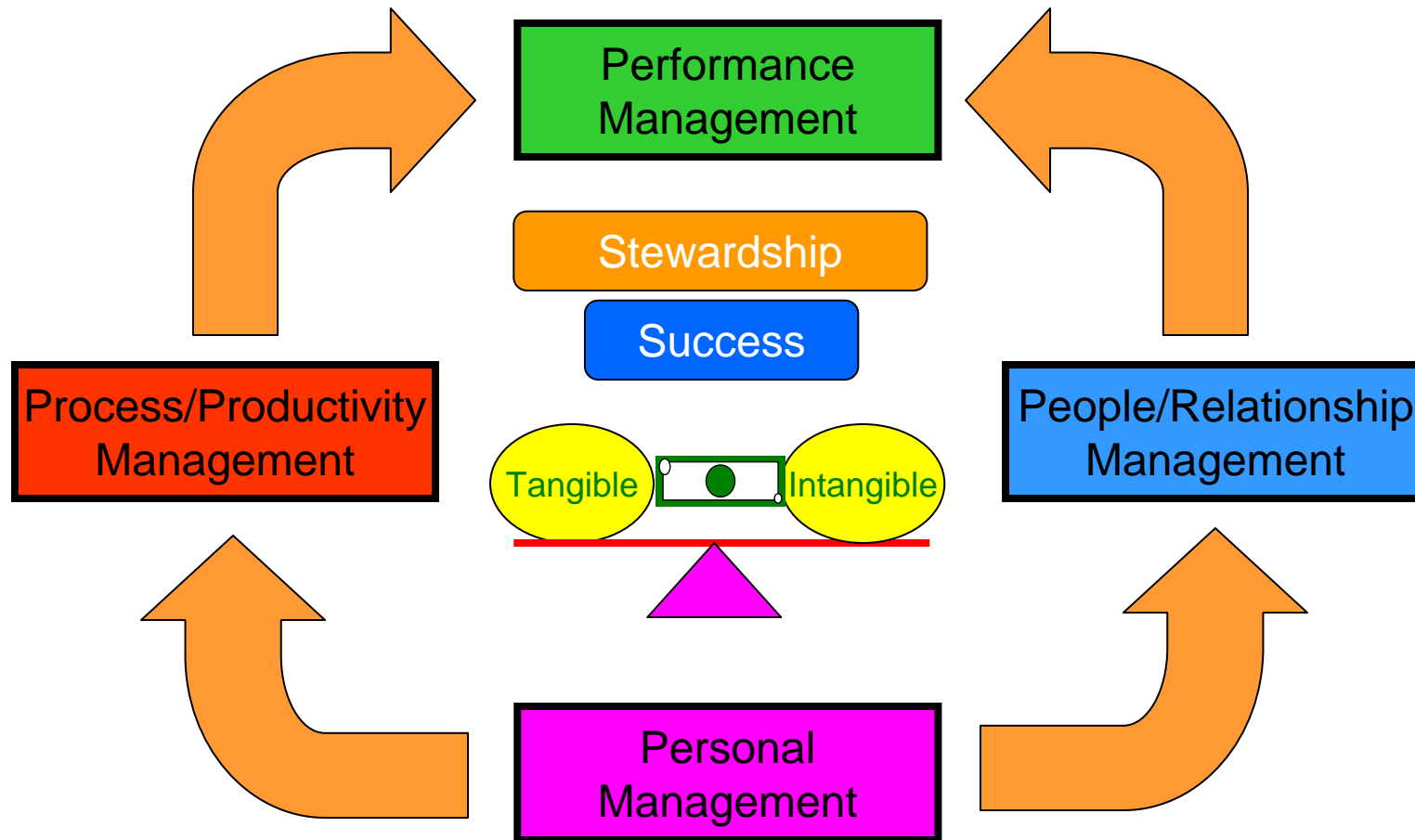




## EIGHT TRAITS FOR LIVING WELL AND LONG

- ✓ Have a basic optimism about life
- ✓ Have a willingness to adapt
- ✓ Have a sense of personal power
- ✓ Have a readiness to take responsibility
- ✓ Have resilience
- ✓ Be involved in meaningful relationships
- ✓ Be involved in meaningful projects
- ✓ Develop a healthy self-esteem

# LEADERSHIP IN FOUR QUADRANTS LEADS TO SURVIVAL & SUCCESS





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# DANNY B. PARRISH

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*A Spectrum of Services To Help Contractors Find Pathways to Business & Personal Success*



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