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Managing a Company and a Career during a Recession

By Joanne Sammer

With the economic downturn in full swing, CFOs certainly have their work cut out for them as they closely monitor cash flow and accounts receivable, negotiate with banking partners, and generally try to keep their companies moving forward during a period of great uncertainty.

While CFOs are focusing on cash management, negotiating with bankers and securing credit facilities, they shouldn't lose track of the bigger picture. "CFOs are walking a tightrope," says Nick Araco, executive director of the CFO Alliance, a peer organization in Philadelphia. "They have to manage the risks of the current environment while also driving the growth of the company."

Of course, managing the ups and downs in the economic cycle is nothing new to most CFOs. What is different right now is the magnitude of what is happening. "The challenge is to take action to weather the downturn while continuing to focus on executing the company's long-term strategy," says Steve Hooker, senior vice president and CFO of Regence, a health insurer based in Portland, Ore. "This is always a struggle but even more so now when you have a near-term event that consumes your time."

Indeed, the strength of the finance organization and its processes will be a key weapon for many CFOs as they navigate the current environment. "The importance of the finance function is amplified under the current market conditions," says Mark Fehnel, senior vice president and CFO of Telerx Marketing Inc., a Horsham, Pa.-based customer care outsourcing provider. For example, companies that need to reduce costs to work through this downturn will rely on strong financial reporting, measurement, and analysis to determine the best way to do so without imperiling the company's future performance.

Fehnel notes that the role of the CFO is a challenging one during the best of times, but current conditions are likely to test the limits of even the best prepared executives, along with all levels of finance and accounting professionals. "The breadth of the job is significant even in good times," says Fehnel. "The CFO sits at the leadership table helping to formulate the strategy while also handling day-to-day financial management and building a strong decision support organization. While energizing, it can be difficult to wear all of those hats."

Communication is key

CFOs are also likely to face questions from nervous employees, customers, business partners, and shareholders seeking reassurance about the company's financial position and stability. In these situations, Hooker advocates for transparency. "It is important to be direct about where things stand, using terms that people can understand," he says. For example, Regence has faced queries from its members and health care providers about its ability to continue to pay health care claims incurred by members. Fortunately, because of the Regence's conservative investment approach, "we haven't seen as much of a shift in financial standing as other companies in the industry, it's an easy story to tell," says Hooker. Therefore, Hooker's main goal is to emphasize the organization's long-term strategy and its current financial standing.

In this environment, it becomes essential for CFOs to make sure they have the right organizational structure for the finance organization with the right people in the right positions. While companies may not be tracking and monitoring more metrics than before, the entire finance organization will be under greater scrutiny as senior executives and operations management track performance on a number of metrics more closely to find ways to drive the performance of the organization.

The capital markets, shareholders and other stakeholders will also be scrutinizing the company's operating assumptions and what is driving the numbers. In turn, that will put more pressure on the CFO and her staff to proactively manage the company's reporting process in order to report the company's numbers more quickly and more proactively, says Araco. From there, it will be up to the CFO and other senior executives to communicate that information effectively.

New demand for talent?

Hooker predicts that the demands of the current economic climate could actually create new demand for finance and accounting professionals. After years in which accounting and finance focused so heavily on compliance and internal controls in the wake of the Sarbanes-Oxley Act of 2002, the pendulum may start swinging the other way with CFOs and other finance and accounting professionals assuming the more traditional role of business advisor.

There should also be significant demand for all finance and accounting professionals who develop the skills that will be needed going forward. For example, financial analysis will be more important to companies as they look for ways to measure and drive productivity.

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