CFO STUDIO®

2nd Quarter 2017
Vol. 7, No. 1

rust...a CFO!

Invest in Finance: Supply New Tools, Training for Your Team
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5 Questions to Ask Your CIO
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Rob Falzon,
Executive Vice President and
Chief Financial Officer,
Prudential

MAVERICK

For Rob Falzon, Finance's potential to enhance value for the entire organization is clear, and he has proved it to stakeholders

SPECIAL FEATURE
Once dogged by GAO audits, Ken Johnson, CFO of the SEC, is finally out of the penalty box 10

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Rob Falzon,
Executive Vice President & CFO,
Prudential

May 24, 2017

at the CFO Innovation Conference & Awards

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Need new copy

Congratulations….I think! The U.S. has a new president in the White House. Irrespective of which candidate we leaned toward, during the election process many were reminded of the opening verse in Frank Sinatra's old standard, *My Way:…"And now, the end is near…"* Sending good thoughts to the White House in the hopes that our great country will rise above the mess of the last eight years and will achieve greatness during the next four.

The CFO Innovation Awards nomination deadline is rapidly approaching…December 15, 2016. There is no better way to promote a CFO's insights and experiences and his/her company, at the same time. An independent panel of judges will select 12 Award Recipients, who along with Finalists, will participate in the CFO Innovation Dinner and Awards Ceremony at the 2017 CFO Innovation Conference on May 24, 2017, at the New Jersey Performing Arts Center, an elegant venue in Newark, New Jersey. If you are a CFO, get nominated, nominate yourself, or contact us to arrange to be nominated. If you know a CFO, cast your nomination and have a positive effect on his/her career and company. Visit www.CFOstudio.com.

In this quarterly issue of CFO Studio, our cover story is about an extremely accomplished finance executive, Alison Cornell. Alison's career has been a case study of strategy, preparation, and drive. I know you will enjoy reading Alison's story. Continuing our focus on sports franchise CFOs, you will enjoy "Tackling Systems Head-on" a dynamic story about Dan Crumb, Kansas City Chiefs' CFO, and his focus on planning and constructing the systems needed to achieve the team's goals. We highlight recommendations for 2017 by three highly respected CFOs from Atlantic Health System, Kepner-Tregoe, and Vonage, in Budgets: What's on the Table. For CFOs interested in the tax-exempt sector, read the article about Anna DeJesus, and then, visit www.CFOstudio.com to watch her On-Camera Interview. This issue spotlights exciting discussions that took place at Executive Dinner Series events in Business As Usual – No Matter What, All Together Now, and in Cyber Vigilant. If you haven't attended a CFO Studio Executive Dinner, you are missing out on a great way to share insights, learn from CFO peers, and forge relationships with colleagues and a select group of best-in-class service providers like CFGI, Bank of America Merrill Lynch, JLL, PwC, Yorktel, and others. Read Principles for Growth, to learn about how Dominic Caruso, CFO of powerhouse Johnson & Johnson links ethical decision-making with strong returns

The CFO Breakfast Learning Series, CFO Studio's newest series, having achieved positive results in New Jersey, this past quarter launched in Manhattan, North Texas, Philadelphia, and Stamford, with additional markets scheduled for 2017. Reserve your seat at www.CFOstudio.com...no cost to CFOs and senior finance executives. CFO Studio continues to expand into multiple markets around the U.S. Remember, at all CFO Studio conferences and events, CFOs are welcome to attend as guests of CFO Studio, and just as important, are encouraged to Invite CFO Friends to Attend!

If you have ideas for an article in which your CFO peers might be interested, please contact me, as CFO Studio is always seeking great insights into the role and trends of CFOs.

I hope that your holidays were full of fun, friendship, family, and love. May you and yours be blessed and enjoy peace, prosperity, and greater profits!

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BY JULIE BARKER
Photography by David Yellen

ORIGINAL THINKER

ROB FALZON, A 33-YEAR PRUDENTIAL MAN, CONTINUES TO LEVERAGE HIS DIVERSE EXPERIENCE AND OUTSIDER'S EYE TO PUSH FINANCE TO ITS TRUE POTENTIAL

From his office on the 23rd floor of Prudential Plaza, Rob Falzon looks out at the cityscape of Newark and reflects that an executive office is a very pleasant perk. But it's not everything.

Reorganized out of a managing director's job and the corner office that went with it in 1992, Falzon went to work in a cubicle, where he learned real estate investment banking, an area of Prudential's business that was entirely new to him. "It was something that I had limited qualifications for and no experience in," he says. He figured, though, that he'd gain skills and know-how. Ten years out of grad school at the time, he gambled that he'd make up ground. He threw himself into the new job, and, in less than five years, was again a managing director. From banking, he jumped to another new field: real estate investment management. Falzon spent a decade or so traveling extensively, with dual offices in Parsippany, NJ, and London, U.K., ultimately becoming CEO of Prudential's European real estate business.

Twice, then, Falzon climbed to success before having to reboot, though the skills he'd developed in real estate investment banking positioned him for the role he took in Parsippany. He calls this career path "nonlinear," counting "four very different jobs," including his current one as CFO of Prudential, "in the time that I've been here."

Others might say he took unnecessary detours, but he insists he accrued significant benefits from his professional journey: He learned to think about a whole range of external constituents, whether they were shareholders, debt investors, analysts, rating agencies, or other outside stakeholders. Falzon also picked up "knowledge and sophistication around a broad variety of capital markets, everything from debt to equity and the hybrids that exist in between, and U.S. and international markets, and how those markets function." He says he uses this knowledge of a variety of constituents and capital markets in his job today.

The New Jersey native returned

Rob Falzon, Executive Vice President and Chief Financial Officer of Prudential, encourages newer members of his team to "collect a host of experiences" that will enhance their careers

THE **COOLEST** PART

What's really cool about being the CFO of Prudential?

Robert Falzon, who has held that position since 2013, answers that it's the "ability to make a difference in people's lives through developing them and helping them reach their potential." When he goes to bed at night, that impact is what he thinks about.

Sure, there are other parts of the job that make him feel good – particularly the strong reputation of the company he works for. He also takes pride in the complexity of financial services, and insurance in particular: "There's a mastery associated with that."

But he makes a point to allocate time on a day-to-day basis to support "the talent equation." As each class of new college hires arrive, he meets all the individuals, whether at luncheons, small group meetings, discussions, or while providing an instructional segment. At the end of their three-year rotational program, Falzon wants to "look up on the stage at the people completing the program and make sure I know all those people."

Falzon serves in mentoring relationships with about 20 individuals. He views the time he spends on talent development as essential to ensuring a successful enterprise.

to Prudential's Newark headquarters as Treasurer in 2009; three and a half years later he was named executive vice president and chief financial officer, watching over one of the world's largest financial services institutions, with over $1 trillion in assets under management as of Sept. 30, 2016. His vision as he builds his own high-performing Finance team is based in part on his own experience, which has been marked by fascinating opportunities but no set path. He believes the unusual direction he took has not just broadened his skill set, but has sharpened it, too. It's no surprise, then, that he advocates individual mobility in career development.

But beyond that, something else has resulted from his peripatetic years: He tends to view the Finance organization as a new frontier. He sees enormous possibility in what Finance does, saying its complexity and potential for impact is underappreciated. He looks at this function — and those who know its language and are fond of its clarity — as a means to enhance value for the entire organization.

Financial Role in Driving Performance

Falzon, 57, is particularly proud of an initiative his department undertook to ensure, as he puts it, that there's "a good line of sight between operating performance of the businesses and the reported results that we provide, whether to shareholders, bond investors, or to regulators." The Finance team looked back over five years at adjusted operating income, the main business earnings performance measure, and GAAP reported income, noting the "breakage" between the two.

The analysis identified that 85 percent of that breakage came from two areas: 1) the treatment of currency exchange rates in Prudential's international business, and 2) the way guaranteed lifetime income living benefit features were treated in the company's retirement business. Falzon viewed "breakage" in the retirement product line as having no small importance, as guaranteed lifetime income solutions offer growth potential for Prudential, given the demographics of the U.S. and the paucity of Americans' nest eggs.

In the case of currency exchange rates, Prudential revamped the Japan organizational structure to alleviate the problem, where solid business trends were sometimes obscured due to non-economic volatility included in GAAP net income. In the case of the retirement product, says Falzon, "where market developments created volatility in our hedged risk, we revised the asset-liability management strategy and combined the management of risks essentially into a single entity." This approach helped improve stability while contributing to higher free cash flow.

The exercise set out to make sure the operating performance of the businesses and the reported results were reasonably aligned. "Reducing complexity and volatility, and improving predictability and clarity, can have a significant impact on … how investors value the company," says Falzon. "That's an important issue for the company, not just for Finance." According to public disclosures, the company's book value per share grew nearly 14 percent in 2015, the year Prudential took steps to mitigate the effects of foreign exchange rate re-measurement on reported results.

Skill Sets for the Future

In order for the Finance organization to enhance value in that way, Falzon says his team members needed a mix of skills. Those skills fall into two areas: the traditional, technically oriented skills, like accounting and reporting of results; and business performance and growth skills, such as strategy and analysis. "Our best people are the ones who can do both of those really well," he notes.

Continuing on this skills categorization tack, he says technical accounting and corporate finance skills are table stakes — everyone in Finance needs those. Interpersonal skills are what will help individuals "rise in the organization and lead — leadership and creative problem-solving require the development of soft skills."

Falzon considers developing talent to be so important that he devotes a significant part of his time to it (see sidebar at left). Because the talent needs of his and all businesses are under constant pressure from disruptive forces requiring new proficiencies, he is a strong believer in taking a long-term view of needed competencies, and serves on the advisory board for Rutgers Business School. Falzon distinguished himself at

Rutgers as an undergrad, winning Phi Beta Kappa membership while earning a B.A. in Economics. (He also has an MBA in Finance and Accounting from Columbia University.)

In helping people to progress in their careers, Falzon encourages them to recognize that they need a mix of skills. Careers spent in a silo aren't going to develop that breadth of skills, he points out. Young people "ought to be looking at lots of lateral movement" as they build those proficiencies, "as opposed to thinking that every change is going to be a change where they're moving up the corporate ladder," he says.

Falzon describes the Prudential as being "maniacally focused on talent." Finance has a requirement that all employees get 48 hours of formal training per year. Leadership programs for new college graduates, new MBA graduates, and seasoned executives are available, as well as specialized training.

"We're about a culture focused on our talent, diversity, and inclusion and high levels of collaboration," he says.

"If you have a sense of belonging to the global Finance community, you have a shared construct in terms of what's important."

Creating a Global Community

On Falzon's team of approximately 2,000, roughly one third work outside the United States. He travels regularly to Japan, where Prudential's single-largest international office is found, and is taking steps since becoming CFO to create a more connected global Finance community. This begins with defining elements that are common to finance, "so no matter where in the world they sit, they know what it means to be part of the global Finance community."

Understanding, for example, that everyone on the team deals with the month-end close develops cohesion, a sense of mission, and a common experience, says Falzon. In meetings to discover common ground, something else becomes clear: "Whether you're in the U.S. or Tokyo or Seoul, you know we're making investments in your professional development and that you have opportunities to progress as a professional, both in terms of the types of experiences you'll have and career opportunities," he says.

And there's another layer to this. With a sense of community and common culture, you get a stronger team and financial processes, Falzon notes. "If you have a sense of belonging to the global Finance community, you have a shared construct in terms of what's important — if that's common, you're going to find that individuals will rally around our objectives, conduct themselves ethically, and treat each other in such a way that's consistent with our company values."

Falzon, the Jersey boy who discovered his own pathway, is not a lone wolf. Rather, he is a big believer in community. In 2016, Falzon launched "Finance Forward," the vision for creating the Finance organization of the future. And to make this vision tangible, going into 2017 and beyond, he's kicked off a virtual global road trip to even further engage employees everywhere. In addition, he hosts meetings with 60 top leaders, U.S.-based town halls where people live-stream from satellite locations and the replays are made available to global offices. Falzon also takes time to visit offices from Shelton, CT, to Seoul in person.

He says these efforts to enhance connection across the globe are intended to enhance business outcomes and build stronger talent by focusing on collaboration, sharing of best practices, and professional development. It's one of the most important and enjoyable things he undertakes each day. ✣

MULTIDIMENSIONAL MAN

In addition to his job as executive vice president for Prudential Financial, Inc., and running the Finance function, Rob Falzon is active in numerous volunteer positions. He is the executive sponsor of Prudential's Black Leadership Forum (BLF), an employee resource group that is over 1,000 strong and is a cross-business network that "offers employees opportunities to demonstrate and strengthen their leadership ability, advance Prudential's business strategy, and improve the communities in which we work and live," he says.

Falzon chairs the New Jersey State advisory board for the Salvation Army as well as the advisory board of the Salvation Army Boys and Girls Club of Newark Ironbound. He serves on the advisory board for Rutgers Business School and the board of overseers for Rutgers University, and serves on a local community board for the YMCA.

In addition to his own rigorous fitness routine, Rob also volunteers time to help coach Special Olympics athletes in their weekly practices.

Empty nesters married for over 30 years, Rob and his wife, Nancye, moved to Morristown five years ago, buying a 100-year-old home in a historic district. Fixing it up provides an "interesting and satisfying distraction," says Falzon.

All His Ducks in a Row

KENNETH A. JOHNSON, THE CFO OF THE SEC WILL NEVER OUTGROW HIS CONCERNS ABOUT AUDIT REPORTS

BY JULIE BARKER

Looking back, 2010 was a watershed year inside the U.S. Securities and Exchange Commission, when multiple shifts occurred that etched a fault line and established a new era. In the aftermath of the financial crisis where some $9 trillion was lost by U.S. homeowners alone, the SEC was on the hot seat to make sure nothing of the sort happened again. To aid in its role of protecting investors from fraud, the agency reorganized its inspection unit. In addition, the SEC geared up to implement and enforce the many provisions of a bill enacted that July, the Dodd-Frank Wall Street Reform and Consumer Protection Act. And its Office of Financial Management named a new chief financial officer: Kenneth A. Johnson.

With a weighty mandate — to protect investors; maintain fair, orderly, and efficient markets;

and facilitate capital formation — and a rapidly evolving financial world of split-second trades and complex investment vehicles to oversee, the SEC needed strong internal controls so its probity would be unquestionable and distractions from its mission minimal. The CFO's office constructs those controls and monitors their effectiveness. The effort Johnson, 43, puts into this area is similar to the pains a private sector CFO takes to manage risk and ensure the company's continued impact and integrity. However, Johnson cannot ever lose sight of the fact that the SEC operates for the good of the public and it is entirely the public's money that is being risked. So while every company and federal agency needs to follow relevant laws and regulations, "It's perfectly appropriate for the public to expect that we would have strong internal controls, given our role," says Johnson.

In 2010, the SEC was performing less than spectacularly in this regard. The Government Accounting Office (GAO), which conducts annual audits of the SEC's financial statements, had found six "significant deficiencies that collectively represent a material weakness" in its 2008-2009 audit. Small wonder that on taking office, Johnson focused on the need to beef up internal controls.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. — *Public Company Accounting Oversight Board*

"We're not looking to hide things, not looking to hope they'll go away, but really trying to deal with things forthrightly," says Johnson in an interview with *CFO Studio* magazine from his office in Washington, D.C.

In 2011, there were no material weaknesses discovered. Johnson remembers his elation. "We were working hard to try to remediate [two material weaknesses from the year before]," he says.

One of those GAO-cited faults regarded the agency's financial reporting and accounting processes, reflecting the need for tightened controls in areas such as fees collected and enforcement penalties. The other material weakness related to the design and operation of the SEC's information security and other system controls.

> "It's perfectly appropriate for the public to expect that we would have strong internal controls, given our role."
>
> — Ken Johnson, CFO, SEC

"I remember the day when we heard from our auditors that we had no material weaknesses. That was more than we dared hope for in 2011, and to have reached it was a big milestone," says Johnson. However, four "significant deficiencies" were detailed in that FY2011 report — including information security, which the SEC tackled with stronger staffing and a series of key investments.

Johnson and his team focused on continually improving controls. The SEC has been investing in its financial systems, and sometimes adjusting a policy or procedure, or introducing a less onerous series of steps to reach the same objective. A branch inside the SEC's Office of Financial Management was created and tasked with assessing whether the internal controls operate as designed, and whether they operate effectively.

The work has paid off: In FY2015, the GAO found no significant issues at all.

That said, Johnson notes that a couple of big fixes are still needed. Money is in the FY2017 budget request for technology to digitize the process when the agency collects

Money in the Budget

When Ken Johnson, CFO of the SEC, prepares a budget, he must present it to 535 people, not counting the internal SEC leadership and the person who ultimately signs off on the document, the president of the United States. (The 535 are the senators and members of the House of Representatives.)

The initial presentation, the authorization request, includes a description in broad-brush terms of the main projects the SEC will be focusing on in the coming two years, and the budgetary support for these initiatives. Next, a revised request is made to the Office of Management and Budget.

Johnson's office then puts together a Congressional Justification, or CJ, running about 140 pages. This includes strategic goals, performance data against those goals in prior years, and estimates of the agency's progress toward achievement of those goals in upcoming fiscal years.

Finally, the SEC chair is invited by the House and Senate subcommittees that oversee the SEC's budget to testify about the agency's needs. Congress makes its decisions and the president signs the budget allocation.

The SEC is then required to adjust its fees on securities transactions to generate the actual amount it needs to cover that budget. Thus, the SEC, in the language of government, is deficit neutral.

"The appropriation and those fee collections offset each other," says Johnson. "So Congress can decide the best level of funding for the SEC, without facing trade-offs with other agencies or with any deficit-reduction goals."

Working with the SEC

CFOs obviously play a key role in promoting strong controls in their companies, says Ken Johnson, CFO of the SEC's Office of Financial Management. "And that's critically important for us" — helping the SEC in its roles of protecting investors and facilitating capital formation.

Asked how a public company CFO can most effectively work with the SEC, Johnson mentioned the rulemaking process. "The SEC seeks public input whenever we're thinking about rulemaking," he says. "Many of our rules affect the work that CFOs do or are responsible for."

When the SEC posts its proposed rules on its website, CFOs can "help us ensure that the rules are really carefully crafted to protect investors, promote fair and efficient markets, facilitate capital formation — and meet our mission in a way that is most cost-effective for them and for the economy."

In addition, comments already received from all other interested parties can be read at the Proposed Rules section of the SEC website.

The SEC monitors 9,000 companies, reviewing their disclosures and financial statements. The responsibility to ensure that the companies in which the public buys stock are performing in accordance with U.S. laws and SEC regulations is a heavy one. "It's critically important that we get those kinds of comments from CFOs," Johnson says.

fees from the registration of new securities — such as in conjunction with an IPO — and must track them. An even more time-consuming process ensues when the Enforcement division wins a judgment and the SEC collects payments. "We have to track that [penalty] money as a receivable. Maybe that money's going to Treasury, maybe it's going to investors, but we have to make sure we're recording that receivable on a timely basis, … apply payments to the right receivable, and help manage the distributions," says Johnson. "There's a very involved process and we've started developing a new system to manage that more efficiently."

Mr. Johnson Goes to Washington

In October 2016, the Office of the Inspector General reported to SEC Chair Mary Jo White that financial management was no longer one of the agency's key challenge areas. The office's CFO, however, can't stop fixating on internal controls; nor can most CFOs. But Johnson is not an accountant by training and "never envisioned" that he was "aiming to be a chief financial officer."

Ken Johnson grew up in Houston, did his undergrad work in American Studies at Stanford University, and then, in 1995, went to work for the mayor of San Jose, CA, in the budget office. "That was a great education in the importance of budgets: There's very little that a government does that doesn't cost money. So, if you understand the money, you can understand how a government works or how an organization works. It's also a good lesson in [how] you have to make a budget work. Numbers are not forgiving. You have to make some difficult and practical decisions."

In 1998, Johnson left the West Coast to get his public policy degree at Harvard University's John F. Kennedy School of Government. Hired by the Congressional Budget Office (CBO) in Washington, D.C., he analyzed the impact that a given bill would have on the federal budget, producing pages of dissection to support the advice CBO delivers to Congress. From there he moved to the SEC and worked on its budget. He became a Chief Management Analyst for the SEC in 2006, and helped develop the agency's long-range strategic plan. In that role he also spent time on HR and Information Technology. "A theme through that [career trajectory] was a real interest in budgeting and following the money," he says. "But I don't think I actually ever once thought about the idea of landing a CFO position. I was really just hopping from one lily pad to the next, looking for the next opportunity that interested me."

Furthering the SEC's Effectiveness

Under Johnson, investment in technology has grown. In FY2011, the SEC's budget requested $57 million for IT enhancements. For FY2017, the agency has requested $106 million. He says technology, and particularly data

Cyber Risk Management

In preparing for a data breach, companies place responsibility for assuring compliance with privacy laws on individuals in a half-dozen offices.

analytics, is a "force multiplier for us." He ticks off three main uses: to uncover fraud, to inform policy making, and to "make sure we know what's going on in the industry." The industry includes the 28,000 or so key participants in the securities world.

Data analytics boosts the SEC's investigative capabilities, helping in an insider trading case "to figure out who called whom when, and to follow the chain of who might have tipped whomever off. That used to take weeks and it was a manual staff effort," says Johnson.

Like many agencies — and indeed many companies — the SEC tried to engineer case-by-case technology solutions to meet its needs over the years. Today, big-picture thinking is more the norm. The agency has been putting in place common platforms for many of the two dozen divisions and offices. "Those systems can talk to each other much more easily, so it makes us much less stovepiped," he says.

The SEC is now embracing data analytics technology and has improved its market oversight in the years since Johnson came aboard.

"You need to understand numbers deeply, but you also need to be able to make cogent arguments... You need to be able to lead in poetry and in prose, work collaboratively with people across a lot of different topic areas. I really like that variety."

— Ken Johnson, CFO, SEC

What Johnson calls his biggest challenge, however, is not tamable: the fact that the agency goes "two, three, four months into the year before we know how much money is available to support our operations. That is a very difficult thing to manage around," he says.

He enjoys working with Congress and answering legislators' questions on budget priorities. Part of what he likes about his job is that it exercises both "the liberal arts and the numbers side" of his brain. "You need to understand numbers deeply, but you also need to be able to make cogent arguments... You need to be able to lead in poetry and in prose, work collaboratively with people across a lot of different topic areas. I really like that variety," he says. And when he finds a problem and can do something about it, "I feel like I can make a difference, and that's pretty cool," Johnson says.

Two current initiatives include improving the systems for the enforcement and examination programs and redesigning the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system for automatic forms submission. Another item the SEC has tackled involves rulemaking to implement financial and securities-related legislation. The agency's goal is to think more holistically about how a given rule might affect the various participants in the markets. More so than in the past, "we have our economists at the ground floor of a rulemaking," he says, "at the stage when we're just thinking through the ideas of how to proceed." With this change, the likelier result is "policies that make economic sense as well as meeting whatever other objectives we have in mind."

He adds, "Certainly investing in data, and in better tools to analyze that data, help [with that goal], but that story is much more than just a technology story."

And Johnson is surely smiling. Writing economically sound rules helps maintain fair markets and thus enhances the SEC's position as a servant of the people. Getting the resources to focus on these areas became possible because the SEC had demonstrated it had the necessary controls in place to successfully manage its resources. ✣

Q In the event of a data breach, which department in your organization is primarily responsible for assuring compliance with all applicable federal, state, or local privacy laws, including breach notification laws?

- General Counsel 24%
- Information Technology 23%
- Chief Information Security Officer/Chief Privacy Officer 17%
- Risk Management/Insurance 14%
- Compliance 11%
- Other 11%

SOURCE: Zurich North America and Advisen survey to which 345 risk managers, insurance buyers, and other risk professionals responded. Many industries were represented; 53 percent of respondent companies have revenues of $1 billion or less.

Tending to Growth

Malls are facing challenges, but General Growth Properties CFO Michael Berman can't stop seeing the potential

BY MARTIN DAKS

Every morning, when Michael Berman gets up, the 58-year-old CFO of Chicago-based General Growth Properties, Inc. (GGP) is eager to get to the office.

"There are an unbelievable variety of issues," says Berman, who oversees the capital markets, finance, accounting, tax, and external communications functions of GGP. He joined the publicly traded real estate investment trust — which owns, develops, and operates mostly high-end regional shopping centers across the United States — in December 2011. Routinely ranked as one of the largest REITs in the world, with a market capitalization of more than $20 billion, GGP has a portfolio that includes high-end shopping destinations like Honolulu's Ala Moana Center and Las Vegas' Fashion Show.

Of course, Berman deals with the usual frustrations and challenges that publicly held companies face — costly and increasingly complex SEC reporting and Sarbanes-Oxley (SOX) requirements among them — and there are marketplace challenges also, including millennials' online shopping habits. Retail real estate is capital-intensive, so CFOs like Berman are particularly sensitive to interest rates. But he brings an investor's eye and deep experience to all these concerns.

Regarding interest rates and the potential for an increase, he says, "We approach each property's financing issues separately. If it's a new property that's being financed, we may look for a floating rate with some rate protection. If it's a mature, stable one, we may seek financing with a 10-year maturity, so our total debt rollover — and interest rate exposure — is about 10 percent a year."

Berman's educational

background gives him a unique perspective on the intricacies of shopping center investing and operations: He received his Bachelor's degree from the State University of New York at Binghamton and a JD from Boston University School of Law, after which he worked as an attorney for two years before going back to school to earn an MBA from Columbia University.

His 30 years of experience in the legal, real estate, and financial industries also carry plenty of clout. Prior to joining GGP, Berman served as Executive Vice President and Chief Financial Officer of Equity LifeStyle Properties, a Chicago-based REIT owned by legendary investor Sam Zell. From 1989 through 2002, Berman was in the investment banking department at Merrill Lynch & Co. (now part of Bank of America). During his time there, Berman was involved in numerous capital market and advisory transactions, including the IPOs of Equity Residential Properties; Vornado, Inc.; and Equity Office Properties.

Berman seems to have taken elements from each of his previous incarnations — the attention to detail of an attorney, the nerve of an investment banker, and the strategic abilities of a finance pro — and marinated them until he achieved just the right balance.

An Unusual Deal

"There's a different rhythm to investment banking," Berman observes. "At the end of each year, you close the books and start the next one with a blank slate. But working for a REIT is like rafting down a river: The river never ends. Sometimes it's calm, and at other times it's white-water turbulent, but either way, you've got to be flexible, rethinking and re-strategizing on the go. The energy required to succeed is enormous because the only way to stay ahead of your competition is by continually improving."

That can mean freshening the product by investing in mall design and other improvements. Berman and his team work closely with GGP's operational and other departments to uncover opportunities, tracking and responding to consumer and other trends. GGP also takes innovative steps, like the September announcement that the company has joined a consortium that includes Authentic Brands Group and Simon Property Group in acquiring the global trend-focused apparel and accessories retail brand, Aéropostale, whose primary market is millennials. The move saved Aéropostale, a tenant of GGP and Simon, from liquidation and will likely preserve approximately 500 of the brand's stores.

The partners in the consortium are an interesting mix. Simon Property Group is a global company involved in retail real estate ownership, management, and development, and thus is a direct competitor of GGP. Authentic Brands Group owns intellectual property associated with well-known fashion, sports, celebrity, and entertainment brands, Marilyn Monroe, Elvis Presley, Muhammad Ali, Shaquille O'Neal, and Prince; as well as established menswear names Hart Schaffner Marx and Hickey Freeman. But an innovative approach is particularly important in the retail segment, where traditional department stores still make up about two-thirds of mall anchors but "are not the traffic drivers" they used to be, according to a report by Green Street Advisors, a real estate research firm.

For example, retailers like Macy's, Nordstrom, Kohl's, and Sears are anchor tenants at some General Growth Properties malls, but Macy's has announced that it plans to close about 100 stores in 2017; while the other three retailers have all suffered some sales slumps and/or closed a number of stores. The Green Street report notes, though, that "high-end malls" have some positive redevelopment options.

Curating Malls

Berman says that GGP is on top of things.

"Our approach is to curate our mall, ensuring that we've got the right mix of retailers," Berman says. "Of course there'll be changes — retailing is dynamic and some anchors and others will come in, while some will rotate out. But we keep a close watch on things, and when we get space back, we're nimble about replacing it." That's reflected in the REIT's total mall occupancy figures, which rose from an already impressive 94.9 percent in 2012 to 96.5 percent at the end of 2015.

"As CFO, I don't often get directly involved in leasing negotiations," he explains. "We have more than 100 experts in that, and more than 50 involved in developing our properties. But my team and I understand the operations and we support them with resources and discussions."

Looking ahead, Berman explains that while technology is greatly impacting the way people shop, it is actually a misconception to think that e-commerce is a threat to regional shopping center owners and operators like GGP.

"Successful retailers need an omni-channel distribution system, which is why we're seeing e-commerce companies, like Warby Parker and ModCloth, open physical stores," he reports. "Remember, there is a total of $4.6 trillion in retail sales per year, and less than 4 percent is attributed to pure e-commerce retailers. GGP is positioned very well, and we're confident in our ability to deliver results for shoppers, retailers, and investors."

He's also up to the challenges. "My job is not just numbers and accounting," Berman explains. "The people I work with and otherwise deal with make it fun and challenging, because this job is a mix of finance, coaching, encouragement, and management skills. The thing is, it's really a team effort, on many levels." ✣

Michael Berman, CFO
General Growth Properties, Inc.

A Data-driven Mall Company

"We don't shy away from new rules, or from gathering useful market and other information that can impact our competitive advantage," says General Growth Properties Inc. CFO Michael Berman. "We're open to recognizing and investigating new issues and data, examining and researching it. There's a constant dialogue within our organization, and between us and our outside advisors."

But it's also a balancing act, he adds. Thanks in part to the digital revolution, information is constantly flowing in to Berman's team, "however, we have to know what to weed out, to prevent information overload," he cautions. "You use your experience and business judgment to prioritize matters and quickly recognize what's substantive and needs to be addressed immediately, what can be put aside for further analysis, and what can be discarded."

That sounds like a formula for continued success.

BY DAN CRUMB, CFO, KANSAS CITY CHIEFS

Simplifying Planning

BUSINESS PLANNING WAS CUMBERSOME BEFORE WE BUILT OUR OWN SYSTEM ON A MICROSOFT PLATFORM

Business planning is at the foundation of executing our corporate strategy. Each department in our organization prepares an annual business plan outlining their objectives and what resources will be needed to accomplish these objectives. Traditionally, the business planning process has been very manual, paper-intensive, and lacked a consistent format across departments. Each department produced a report and delivered it in a three-ring binder. The review process, of approximately 25 binders, was inefficient and time-consuming. To remedy this, we started investigating ways we could improve the process and developed a vision for what our business planning process should become. At the heart of our vision was a conversion to a completely electronic process that utilized a standard platform, eliminating the need to merge information from multiple programs into one document, and then assemble and print copies.

As opposed to most companies' budgeting and forecasting process, a key difference here is that we have no control over "results," that is, what happens on the field and how it will impact our actual financial results versus budget. Moreover, we have 25 departments with approximately 200 employees responsible for executing our business strategy. Therefore, we have to have a quick, efficient way to review and gain visibility into each business plan and how we are tracking against accomplishing objectives — something our previous system for business planning made difficult to do.

Executing on the Vision

Equipped with a vision for our new business planning system, we began to evaluate business planning software systems that were available on the market. Within 30 days, we found out that there were not as many options as we'd initially envisioned, and of the options available, none could deliver what we needed without significant modifications.

If an off-the-shelf business planning system wasn't available, we decided to look within and discuss the problems we were encountering externally with our Information Technology department. We had a programmer in our IT department who was proficient in SharePoint and had experience working with our financial systems. After a few brainstorming sessions and a thorough scoping of the project, we were on our way to developing and implementing a business planning system that would be built on the SharePoint platform, which was already utilized in our organization, and would be customizable to our specifications. We held two group training sessions and a number of individual training sessions with each department head to ensure that everyone involved in the business planning process was comfortable with how the system operates and how to use it most effectively.

We unveiled the business planning system prototype to all department representatives at our annual Business Planning Colloquium. It was well received and seen as a tool that would increase efficiency and consistency across the organization as well as replace a paper-intensive process with a fully automated electronic process. The leaders of the business planning process now had a fully electronic system, complete with dashboards showing progress toward completion of business plans, which strategic goals were being supported by departmental objectives, and ultimate progress toward accomplishing business plan objectives.

The new system increased accountability and provided instant feedback in a consistent and uniform manner across the organization.

It took approximately four months to design and develop the system, and it has been in place for a year. We have benefited from the ease and efficiency of viewing information from each department's plan to ensure that our strategic goals are being supported by departmental objectives and that there is no duplication of objectives. So, the key takeaway here is not to be afraid of developing your own system internally if you can't find one that satisfies your needs.

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Proposed New Rules

William Craig, CEO and CFO, Tarantin Industries, is a financial executive who has been on both sides of the street, as a lender and an investor, with companies such as GE Capital and Fifth Street Finance. He also has considerable experience in operations in diverse manufacturing and distribution firms, in the medical device, consumer products, industrial gases, and other industries.

■ **(ANDREW ZEZAS)** *You have a pretty interesting background.*

CRAIG: Yes, I had a funny start in the finance business. I started as a field representative for what is now known as the Motors Acceptance Corporation. Field representative is a euphemism for a repo man. This was in central Texas where the law was that you could shoot the repo man after sundown.

■ *As an adjunct professor at the Rothman Institute of Entrepreneurial Studies at Fairleigh Dickinson University, what are your thoughts on the state of accounting and finance education?*

CRAIG: What frustrates me is this: In the good old days you could be just a CPA and understand the rules because your accounting system was sort of batch processing. Now it's all ERP. So you have to understand the business dynamics of how this information is flowing through the whole system.


William Craig

■ *Is the educational system teaching that?*

CRAIG: I think not. I think what accountants have started to do in order to get people to pass the exam is they compartmentalize and they sort of create a lot of rules. So if you want to pass the exam today, you really have to understand your FAS statements, which is useful, but there are a lot of people out there that don't necessarily need to understand the nuances of lease accounting to be able to tell somebody are we making money on this or not. Everybody in the organization should understand are we making money here and if not, why not, or how? [But in the classroom, finance is] too rules based.

■ *Talk to me about the SEC in that vein: rules and the SEC and insider trading.*

CRAIG: I have a somewhat off-the-wall thought on the insider trading stuff. When [the SEC was] started in the 1930s … it was a noble premise that we want to have information and be sure it's fairly and properly disseminated to the public. Well, it's 80 years later and we now have Twitter, we have LinkedIn, we have Facebook ….

■ *Everybody has a video camera in their pocket.*

CRAIG: So, now we have information everywhere. I would almost push that in the other direction, which is to say … get less concerned about trying to keep a lid on the information and let it flow. Let it flow and then evaluate the companies on the basis of how well they disseminate their information. So, you and I can have the same business and investors might think I am … not only better at [disseminating information] but also I am clearer. My stock would trade at a premium to yours because they don't trust your numbers. The SEC can promulgate a "restaurant model," and become like the public health office: They rate you an A or I'm a B, or you're a B and I'm an A, and the investor can see that. And then you have the Yelp or the Zagat view, which is the public information that's saying "Zezas does a really good job of communicating the information," or "There is no information." So, it changes the whole dynamic of it.

■ *The world is all about communication. You know, I like the idea. But we are out of time. You have shared some great ideas with us.* ✣

Kudos, Congratulations, and Reasons to Celebrate
Join us in congratulating CFOs:

- **Glenn David** - Zoetis, Inc.
- **Michael Kandell** - Wireless Telecom Group, Inc.
- **Fred Powell** - Antares Pharma, Inc.
- **Mark Wilcox** - Selective Insurance Group, Inc.

Email new CFO info to Christopher.Borgese@CFOstudio.com

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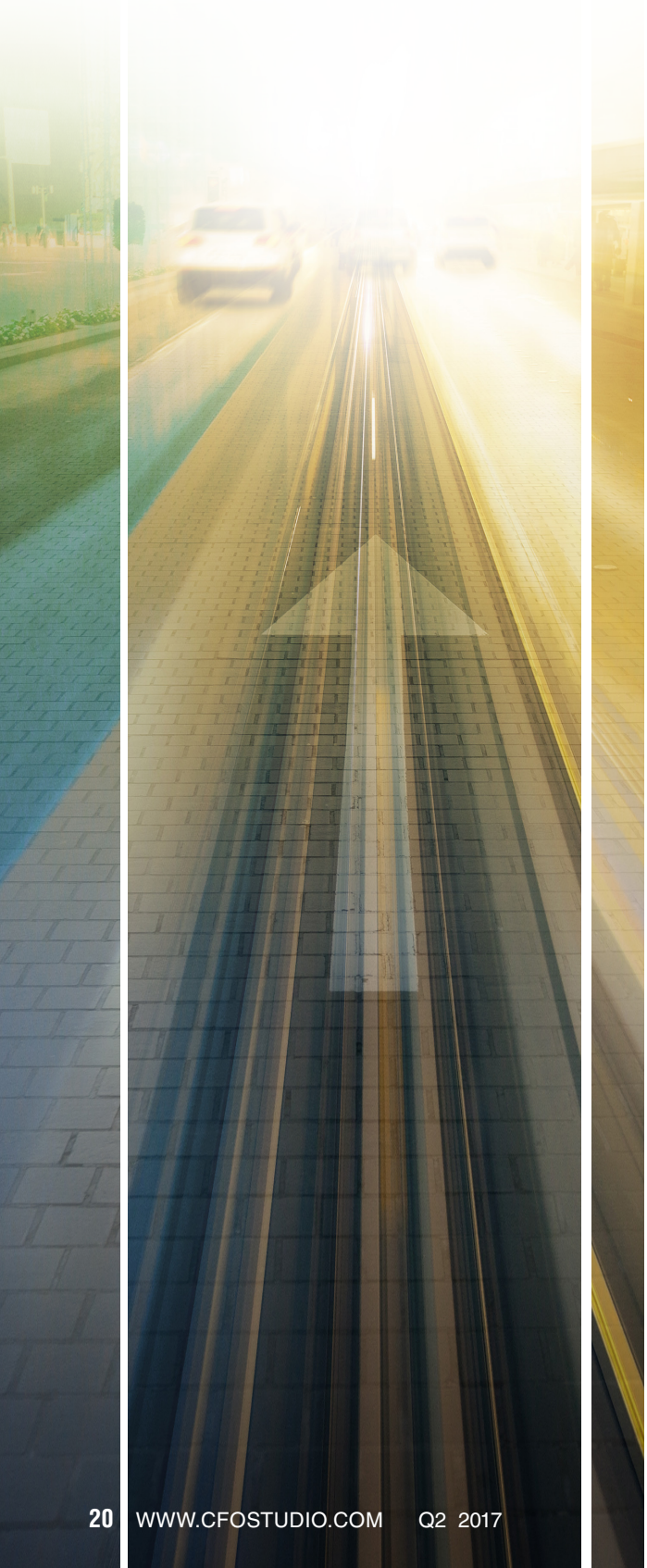

PERFORMANCE BOOSTS

AN INCENTIVE PLAN THAT REWARDS ALL EMPLOYEES IS PAIRED WITH BROAD TRANSPARENCY

Morale is high, people work hard and seem content, and every employee knows what's going on behind the scenes at Kepner-Tregoe in Princeton, NJ. The multinational management consulting and training services firm implemented an incentive program as the market started to rebound after the global financial crisis of 2008 – 2009, and, at the same time, took the opportunity to offer employees greater transparency into its financial performance. As a result, "People are motivated in their roles, responsibilities, and decision-making; they're educated about the business, and all that adds up to a sense of empowerment among the staff," said Bill Baldwin, CFO and a Kepner-Tregoe Principal.

Mr. Baldwin spoke on "Driving Employee Performance and Engagement – Sharing Financial Intelligence and Insight" at an invitation-only dinner discussion attended by CFOs from New Jersey–area middle market companies. The event was held recently at Agricola Eatery in Princeton and is part of CFO Studio's Executive Dinner Series.

Mr. Baldwin said the company instituted the incentive plan as a way of rewarding employees for their loyalty and sacrifice during a difficult time that, as at many organizations, included belt-tightening and cost-containment measures. And that naturally led to greater financial transparency. "It just seemed right to let people know if they're on track to making their goals."

A Pat on the Back

When the incentive program kicked off about seven years ago, every employee received a 10 percent bonus at the end of each quarter if the operating profit plan within their region was met. "This really registered with people," said Mr. Baldwin. "It was motivation for them, and it changed their behavior in the business."

While some incentive plans are based on revenue, "ours is centered around operating profit, and that has significantly altered the way employees view their decision-making when it comes to expenses," said Mr. Baldwin. "They may reconsider the type of hotel they stay at, or choose a different beverage while dining or meeting with a client." It's up to the employee, he noted, "and that's been empowering."

These quarterly incentives are now team-based, he noted, since an annual incentive program has been adopted as well, to reward employees according to their individual performance record at the end of the

year. "It's all paid off because people take more ownership and accountability in the overall success of the business."

Crystal-clear Reporting

With all employees striving to achieve personal and team-based incentives, "we thought it only fair to provide them with greater financial transparency" in an effort to eliminate what Mr. Baldwin called the "surprise factor." He explained: "We don't want to reach the end of a quarter or the year and have people surprised that the company or the region has not done as well as they might've thought."

So for the past several years, Mr. Baldwin has been issuing a weekly report to all employees detailing the bookings for the current and next quarter, and comparing that number to the quarterly plan and forecast by region for the entire company.

The report also highlights anyone who has sold a new piece of business over a certain dollar amount in the past week. "When people see their name in lights, so to speak, they love it," said Mr. Baldwin, who also calls or sends an email congratulating those high achievers. "That's been very motivational, and great for morale."

In addition to this weekly report, Mr. Baldwin and the CEO hold quarterly WebEx events (open to all employees) to provide an update on how the company is doing — both regionally and as a whole — what the future looks like, and how the incentives are shaping up. "We try to be as forward-looking as possible to give people an idea of what we expect the results to be for the year," all in an effort to keep everyone informed from a strategic, operational, and financial standpoint.

"We are as open and honest as we can be with our messaging, and we've learned that it has to be repetitive and in terms to which people can connect." To that end, employees are routinely educated on how to interpret the data contained in the reports, what the trends mean to them, and how the numbers are used by management. "We know we've been successful when folks start asking questions, and it becomes more of a two-way conversation. We've engaged them, and nobody has been kept in the dark," said Mr. Baldwin.

Joseph Tammaro, Sector President at TD Bank, North America, and a CFO Studio Business Development Partner, pointed out that one of the biggest challenges in any organization is an "us vs. them" mentality. "It's encouraging to hear the ultimate outcome of such transparency. A strong cultural foundation has been established, along with buy-in from the employee base who, as a result, will do what needs to be done to secure the viability of the company to move forward."

Too Much of a Good Thing?

Overall, dinner attendees responded positively to Kepner-Tregoe's methods, but a few questioned whether it was possible to be too transparent. Mr. Baldwin responded by acknowledging that there are, indeed, risks to transparency. "If a region is having a quarter where they don't think they'll make their results, but the next quarter is looking strong, we have to be careful that people don't manage earnings from a soft quarter into a good quarter, or from one year into the next year."

In addition, he said, there's a fine line between being open and honest, and not creating anxiety or panic when business is not as good as usual. "We have to be very careful about our delivery because the last thing we want is people worrying about possible cost-containment actions or that their jobs may be cut."

Mr. Baldwin believes the frequency of the messaging helps to quell any real fears. "We've been doing this for several years now, and people have matured in their thinking and do understand that there are cycles to any business and sometimes there are soft quarters." And it doesn't hurt, he added, that "in good quarters, every employee is recognized with a reward for a job well done." ✣

Discussion Leader

Bill Baldwin
Principal & CFO
Kepner-Tregoe, Inc.

BUSINESS DEVELOPMENT PARTNERS

Joseph Tammaro
Sector President,
TD Bank, North America

David Stifelman
Managing Director, JLL

CFO GUESTS

Alison Barger, SVP & CFO,
Mathematica Policy Research, Inc.

Joseph Budd, VP Finance,
Reagent Chemical & Research

Michael Corridon, CFO,
Strato Company

William Curnan, CFO & COO,
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David Eatwell, EVP & CFO,
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Elizabeth Miller, VP Finance & Treasurer,
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Peter Pfreundschuh, VP Finance & CFO,
Immunomedics, Inc.

Michael VanPatten, CFO,
Smart Tuition

Petros Xeinis, VP Finance &
Administration, & Treasurer,
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BUSINESS DEVELOPMENT PARTNERS

Financial Makeover 101

GETTING THESE GLITCHES FIXED CAN YIELD A HIGHLY EFFICIENT FINANCE OPERATION

They say "there's always room for improvement," and this holds true even in the case of successful businesses that begin and end every fiscal year in the black — large, brand-name companies among them. "While there are many tight ships in the sea, it's not uncommon to find some finance departments working with nonstandard and manual processes and controls, coupled with suboptimal systems and tools," according to Alison Cornell, a senior-level Financial Executive and experienced business leader.

Ms. Cornell spoke on "Driving Finance Transformation — Higher Performance, Better Intelligence, Greater Confidence" at an invitation-only dinner discussion attended by CFOs from New York–area world-class companies. The event was held recently at Maloney & Porcelli in New York City, and is part of

CFO Studio's Executive Dinner Series.

Calling on her time spent in the C-suite at several multibillion-dollar companies, Ms. Cornell developed a multifaceted finance transformation approach, and she shared its key points with dinner attendees.

The Long View

"Before you can transform a subpar working environment into a high-functioning financial engine, you need to envision what you want your future to look like," said Ms. Cornell. She suggested executives direct their focus to the most rudimentary — yet crucial — processes and controls that make up the backbone of their finance departments.

"I've seen a broad array of processes in my career," she said, "and they've ranged from those that were tight and automated to ones that were ill-defined, nonstandard, mostly manual, and local." In the case of the latter, "you often find calculations performed outside the system in Excel spreadsheets, with many of the controls also manual," and the associated systems and tools "suboptimal and incomplete."

Ms. Cornell said this often adds up to an unnecessarily high level of resources and complexity "with each region, and sometimes country, having their own staff, process, and code set."

As part of her transformation approach, Ms. Cornell recommends that processes be standardized, simplified, globalized, and automated. "Beyond that, these key processes should be performed by the fewest number of people in the fewest places," she added. Controls should also be automated instead of manual, thereby leveraging system capability. "If the system can do it, why not have the system do it?" she asked attendees.

Ms. Cornell said such basic and fundamental changes would result in a "consolidated, de-layered, and lower-cost organizational structure." Audit fees would go down and resources could be reduced or redeployed to more value-added work. "In the end, finance teams would have the freedom to spend more time on thoughtful and insightful analysis that's based on drivers." Plus, mechanizing processes and controls also takes a great deal of the potential for human error out of the equation, and "that's a huge positive," she said.

All Aboard

While Ms. Cornell's formula for finance transformation made sense to dinner attendees, many wondered how to broach the subject in cases where management is resistant to change. She said deciding whom to involve in the buy-in process tends to be closely tied to the culture of the organization. "Is it a command-and-control culture, or is it more relationship-based?" she asked, pointing out that "processes usually adapt to whatever the culture is at the company."

> "MANY OF THE CONTROLS ARE TOO MANUAL..."

Either way, it became abundantly clear from the dinner conversation that "today's CFOs are embracing finance transformation as a catalyst to drive change and add strategic value to their businesses," noted CFO Studio Business Development Partner Chris Nyers, a Partner at CFGI, a finance and accounting consulting firm with offices in Boston, New York, and Philadelphia.

He said it also was clear that there is no "one-size-fits-all" model to create a more effective and cost-efficient finance function. "Whether it be through the standardization of processes across geographies, integration of systems, leveraging of shared services, or the elimination of inefficient, manually intensive processes, each organization seemed prepared to approach their challenges in a different and unique way."

To that end, Ms. Cornell offered a recommendation: "Start with a clean sheet of paper, and build processes that are best-in-class, instead of trying to fix or tweak existing suboptimal processes." She said this approach results in the need for people to "think and act differently," which is the first step toward a true transformation, be it financial or otherwise. ✣

Discussion Leader

Alison Cornell
Senior Finance Executive & Business Leader

BUSINESS DEVELOPMENT PARTNERS

Michael Muccio
Partner, CFGI

Chris Nyers
Partner, CFGI

Amanda Bokman
Managing Director, JLL

CFO GUESTS

Kenneth Drummond, CFO, The Johnson Company

Andrew Einhorn, CFO, Edge Therapeutics

Igor Goldenberg, CFO, RCHN Community Health Foundation, Inc.

Brian Hart, CFO, Berje, Inc.

Anand Kini, CFO, NBCUniversal, Inc.

Jan Navatkoski, CFO, Food Bank for NYC

Gary Piscatelli, SVP & CFO, Hunter Douglas

Guillaume Tardif, CFO, Mane USA

David Ticker, EVP & CFO, American Liver Foundation

Glenn Turell, CFO, Elias Arts

Ron Wall, CFO, William Grant & Sons, Inc.

BUSINESS DEVELOPMENT PARTNERS

The Strategic CFO

CONNECTING THE CFO'S FOCUS ON STRATEGY AND RISK

As keeper of the numbers and the data, the CFO is the voice of reason and realism, but is often the challenger when it comes to a company's strategic planning. However, Ron Kasner, CFO of iCIMS, a provider of cloud-based talent acquisition solutions in Matawan, NJ, envisions an additional line in the job description: "It's the CFO's responsibility to help identify opportunities for growing the business."

Mr. Kasner spoke on "Strategy and Risk: The CFO's Role in Driving Opportunity and Protecting the Enterprise" at an invitation-only dinner discussion attended by CFOs from New Jersey–area middle market companies. The event was held recently at Community FoodBank of NJ in Hillsdale, and is part of CFO Studio's Executive Dinner Series.

"Because CFOs are indeed so data driven,"

he said, "we should be delivering information about not just our business, but about the market and whether or not it is ripe for realizing the company's goals and vision." He continued, "CFOs should have an understanding of the marketing opportunity and whether the projected results of the business are realistic."

Mr. Kasner shared his strategic focus on "Presence, Portfolio, Positioning, Pricing, and People" with dinner attendees. "For example, if the current opportunity isn't large enough, CFOs need to guide the organization to expand its presence — whether geographic, segment, or vertical." The company will then need to "assess the existing portfolio of products and services to ensure it can serve that newly defined presence."

Without question, Mr. Kasner added, it's the CFO's duty to challenge and "push back" on some parts of even the best strategic plans, "mainly because of our keen attention to risk." But this is where, he pointed out, strategy and risk go hand-in-hand, and "certain risk factors can and should be used by the CFO to create and help drive company strategy," thereby opening the doors to new and expanded business.

Use Risk Strategically

There are countless types of risk troubling organizations today, and any CFO worth his or her salt has set up myriad controls to guard against or mitigate these dangers. Whether the risk is in the area of finance, personnel, compliance, or data security (to name a few), "once you've assessed the likelihood of the risk occurring and the impact that the risk would have on your business, as well as the ongoing value of the business, you can then determine your risk tolerance," said Mr. Kasner.

He noted that while some business leaders are born risk-takers and others aren't, risk tolerance is often based on the size or value of the company: "A start-up with little or no revenue may take on a lot of risk because it has nothing to lose, while a larger, more established firm might err on the side of caution and play things safe." Alternatively, "larger organizations with a more established infrastructure may be better equipped to mitigate risks, thus lowering the likelihood of occurrence or impact, and thereby enabling the organization to take on what other organizations would otherwise deem a higher risk."

In either case, "it's now up to the CFO to 'manage' that risk," said Mr. Kasner. Assuming all the necessary mitigating safeguards are in place, "the CFO should look to use that risk strategically to the company's advantage."

Mr. Kasner explained: "If it's been decided that my company is going to have a greater risk tolerance, we may be willing to bring in certain types of customers that the competition might shy away from because they are viewed as too risky. On the flip side, if I have excellent controls around my risk, a customer might consider my company more secure, and decide to do business with me instead of my competitors."

> "Certain risk factors can be used by the CFO..."

CFO Studio Business Development Partner Steve Peckman, a Vice President at Yorktel, an Eatontown, NJ–based provider of unified communications & collaboration, cloud, and video managed services, found Mr. Kasner's take on the CFO as strategist enlightening. "As the only professional in the room who wasn't a CFO, I was inspired to hear that the strategy and risk-management tactics laid out over the course of the evening correlated with the ways my team and I manage our business unit — as a microcosm of the larger company."

Ultimately, it's the CEO who has the vision for the direction of the company, "but the CFO should be contributing data about both the business and the market to help make accurate and strategic decisions," Mr. Kasner pointed out.

"It's our job," he added, "to establish the framework for strategy and risk, and then use and contribute to that framework to help guide company strategy."

Discussion Leader

Ron Kasner
General Counsel & CFO
iCIMS, Inc.

BUSINESS DEVELOPMENT PARTNERS

Steve Peckman
VP, York Force & Customer Experience, Yorktel

CFO GUESTS

Ron Archer, CFO, Jolt Communications

Bob Barry. CFO. Community FoodBank of NJ, Inc.

Sandra Clarke, VP Finance, Daiichi Sankyo, Inc.

Neil Glasser, CFO, Michael J. Hennessy Associates

Ralf Hermkens, Principal, Hermkens Consulting, LLC

Rodger Lazoff, Controller, Dana Classic Fragrances

Michael Losch, Managing Director, YesCFO

Dina Masi, CFO, Integrated BioPharma, Inc.

Jan Navatkoski, CFO, Food Bank for NYC

Darrin Shamosh, EVP & CFO, Interport

Glenn Turell, CFO, Elias Arts

Michael VanPatten, CFO, Smart Tuition

BUSINESS DEVELOPMENT PARTNERS

Bank of America Merrill Lynch CFGI JLL

INSTINCT, FLEXIBILITY, AND PATIENCE ARE THE KEYS TO MANAGING HEAD-SPINNING GROWTH

When you're dealing with a company that's moving so fast you can't even gather enough data to make an informed decision, you need to get very comfortable with your gut, according to Anthony Conte, CFO of EPAM Systems, a global provider of product-development and software-engineering solutions. The Newtown, PA–based company has been in a state of "hypergrowth" for the past decade, having grown at an average rate of 35 percent per year over the last 10 years, said Mr. Conte. "And in some years we grew as much as 50 percent."

Mr. Conte spoke on "Re-engineering the Finance Function while Managing Hypergrowth" at an invitation-only dinner discussion attended by CFOs from Philadelphia and New Jersey–area middle market companies. The event was held recently at Morton's The Steakhouse in Philadelphia and is part of CFO Studio's Executive Dinner Series.

Mr. Conte explained that the term "hypergrowth" can be applied when "a company expands at an industry-exceeding rate — roughly 20-30 percent per year for an extended period of time." In the case of EPAM, "We were a $70 million firm with a presence in five countries when we were preparing to go public 10 years ago. Today, we're in 25 countries and generate $1.2 billion in annual revenue."

This kind of accelerated growth is "dizzying," he admitted, "not to mention incredibly stressful." And it creates a lot of extra work. "It basically forces us, on a regular basis, to rethink and redefine how we do things."

On the upside, there are many ways to not only "survive" this type of environment, but to excel at it, according to Mr. Conte, who then discussed what it takes to lead the finance team at a company that is growing like a weed.

Handling Hypergrowth

First and foremost, advised Mr. Conte, be very, very flexible. "As a company grows in scale, routine goes out the window. You have to accept that, and get used to working without a set procedure in place."

He said this calls for a comprehensive change in approach. "As an accountant, you're controlled and orderly, but in reality, when everything around you is moving so fast, you may need to think about different directions in which you might go to get the same result."

In addition, your decision-making skills need to become more clinical. "You have to learn to make decisions based on very little information, and without the transparency and normal financial reporting that most companies would have," Mr. Conte said.

This is particularly tough for "us finance types," he said with a laugh. "We prefer to make decisions with as much data as we can get our hands on," yet Mr. Conte pointed out that many of his moves are "gut reactions."

Finance executives at rapidly growing companies "need to get comfortable dealing with the repercussions" of those quick decisions. "You need to be prepared that you're going to be wrong a high percentage of the time," he cautioned, "because when things move too fast, things get broken."

Fix It Fast

Knowing that many decisions will be a bit off the mark, Mr. Conte continued, CFOs need to acquire an ability to take risks — and clean up after themselves. "You're making a decision, and you know there's a good chance you'll be wrong, but you need to go with your gut, and then scramble to fix whatever went wrong."

LEAPS AND BOUNDS

When something does go awry, "Don't focus too much on the wrong or the 'why.' Figure out how to fix it, and move on."

Mr. Conte said the emphasis must always be on propelling the business forward. "You want to learn from the past, but you don't want to harp on the past." He went on, "You want to understand why you made the wrong decision, and discover what you were missing so that you don't repeat history, but you need to look forward," because, as he pointed out, "the company is going to keep moving, regardless, so you need to patch things up and look ahead."

"To a certain extent, you need to be MacGyver," Mr. Conte said, recalling the 1980s television series about a secret agent who solved complex problems with the use of everyday objects. "You have to be able to take a rubber band, some duct tape, and a few pencils and build a support structure. And then continue to reinforce that structure as the company gets bigger and bigger."

Keeping It All Together

When it becomes clear that a wrong turn has been made, "It's critical to remain calm, cool, rational, and focused. And very, very patient with those around you.

"Everyone looks to the CFO to set the tone," noted Mr. Conte. "Others follow my lead and react the way I do."

That resonated with Matt Pantera, Partner at CFGI, a finance and accounting consulting firm with offices in Boston, New York, and Philadelphia, and a CFO Studio Business Development Partner. "So much falls to the CFO in terms of managing the challenges that come with hyper-expansion from both organic and inorganic growth." He went on: "In the case of inorganic growth from an acquisition, it makes sense that a company with little or no trial balance or financial information is preferable in this environment, since there is less structure and process to be amended during integration."

Mr. Conte acknowledged that his biggest challenge is controlling the company's global transactional liquidity. To which Elaine Cheong, Senior Vice President of Global Commercial Banking at Bank of America Merrill Lynch, and a CFO Studio Business Development Partner, pointed out: "The ability to manage global cash efficiently can substantially reduce working capital needs and funding costs. When you have global liquidity flows, centralizing FX [foreign exchange] management can further minimize foreign currency risk exposures."

Mr. Conte said that there are pros and cons to working at a company that is growing at the speed of sound, but he wouldn't trade it for anything — not even for MacGyver's prized Swiss Army knife. ✣

Discussion Leader

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CFO, EPAM Systems, Inc.

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CFO Studio hosts the Executive Dinner Series, including World-Class Companies CFO Dinners and Middle Market Companies CFO Dinners quarterly in New Jersey, Manhattan, Philadelphia, Chicago, San Francisco, and other markets around the U.S. CFO Studio hosts the CFO Breakfast Learning Series in multiple markets, as well, and hosts online Diginars, CFO Studio Receptions, the annual CFO Innovation Conference and the CFO Innovation Awards. The comments made by these guests are their own and may not reflect the opinions and/or policies of their companies or of CFO Studio and/or its promotional partners.

BUSINESS & MONEY

Millennials' Values for Business Success

The millennial generation puts people-centered values above values such as efficiency and "being the best business in our area of activity."

Q What are the most important values you think a business should follow if it is to have long-term success?

Millennials said:

- **Employee satisfaction, Loyalty, Fair treatment 26%**
- Ethics, Trust, Integrity, Honesty 25%
- **Customer care, Focus 19%**
- Quality, Reliability 13%
- **Environmental impact (tied with) Corporate social responsibility 8%**
- Good products (tied with) Efficiency, Adaptable, Moves with the times 7%
- **Innovation (tied with) Respect 6%**

SOURCE: 2016 Study by Deloitte where 7,700 employed millennials in 29 countries responded

BUSINESS DEVELOPMENT PARTNERS

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CULTURE SHIFT

UP-TO-DATE TOOLS AND WORK/LIFE BALANCE CAN RESULT IN A HIGH-PERFORMANCE TEAM

There are many ways to define and measure what constitutes a team that is lauded as "high performing," but when you get right down to it, "it's all about the people and the culture." That's according to Scott Settersten, CFO of Ulta Beauty, the largest beauty specialty retailer in the U.S., based in Bolingbrook, IL. "It's not just about hitting your financial targets. If you have a team that is unhappy, or doesn't interact well with business partners, simply making your numbers is not enough. It spans way beyond that."

Mr. Settersten spoke on "Building and Sustaining a High-performance Finance Team" at an invitation-only dinner discussion attended by CFOs from Chicago-area world-class companies. The event was held recently at Morton's The Steakhouse in Chicago, and is part of CFO Studio's Executive Dinner Series.

"People need a good environment to work in," said Mr. Settersten. "They need to feel empowered so that they develop good working relationships across the enterprise and can work effectively to help move the business forward.

"You are the leader," he said to his fellow CFOs in the room. "You own the culture. If you want a high-performance team, it's up to you to set the pace."

What Each One Values

The first pace-setting step in building a top-notch financial team is never forgetting that your employees have a life outside of the office. "Work/life balance is one of the hottest employment issues today," Mr. Settersten acknowledged. "It's very important to be open and adaptive to new and different circumstances, and provide your group with a decent chance to achieve the balance they crave and deserve."

He suggested "role-modeling" examples of work/life balance to demonstrate how "it can be achieved without sacrificing on-the-job duties and responsibilities." This could come in the form of flexible hours or telecommuting options, he noted.

In addition, be aware of the generational gaps in the workforce, and be sure to adapt your style when appropriate. "Different folks or groups value different things."

Invest in the tools that can help your team members blossom into high performers. "You owe it to them to provide best-in-class software tools" to help them become more efficient and effective. "Maybe it's the latest tax software that makes the process easier, giving folks more time to think about the outcome rather than compiling all the data," he offered. "This will go a long way toward making people feel like you're investing in them, that you're concerned about their

happiness and job satisfaction, and that you're providing an environment where they can make progress and excel in their roles."

Continue to show you care about the human side of your team by encouraging opportunities for career development. "Invest in training for your people to improve their skill set, whether it's a specific subject matter expertise, or just general communication or leadership skills," Mr. Settersten advised.

In some cases, however, you may need to reassess your talent. "If you have four high performers and one weak one, the high performers are going to look to you to address the situation." Mr. Settersten acknowledged these are tough calls and difficult discussions, but sometimes they're necessary to allow the team to move ahead.

The creation of a "road map" can help. "Talk with your team, acknowledge what the gaps are, and develop a plan on how you're going to ultimately reach your goal." But don't stop there. "Engage with them, be accessible, and become an active feedback loop for them."

"BECOME AN ACTIVE FEEDBACK LOOP..."

The notion of a "road map" resonated with CFO Studio Business Development Partner Marilyn Bird, District President at Robert Half, which provides specialized staffing services for temporary and permanent accounting, finance, and bookkeeping professionals. "Having a definition of what a high-performance team means to you can help determine your action items, as well as how you measure where you're trying to take the team."

Keep It Going

Once you've witnessed your team transformed into a well-oiled machine of high performers, "It's up to you, as the leader, to stay committed to sustaining the positive momentum." Mr. Settersten said it's a constant cycle of measuring and revisiting; and no news is not necessarily good news. "Go out there and proactively seek feedback to determine if you're still making progress and achieving success."

And don't be afraid to ask for help. "Financial leaders resist seeking assistance because we're the ones that are supposed to have all the answers," Mr. Settersten explained with a laugh. "We may just try working harder, but working harder at the same thing isn't going to solve the issue. You have to think about doing it a different way." He suggested looking into benchmarking avenues and peer-to-peer networking groups to generate ideas, see what others are doing, and to borrow any best-in-class practices that make sense for you. After all, "More brainpower naturally leads to better outcomes."

In addition, continue to invest in your team's success. "The finance function always tries to do more with less, striving to be the role model for fiscal prudence in the organization," Mr. Settersten pointed out. "We'll feed the rest of the business, but in our area of oversight, we'll just make it work somehow, because there's not enough to go around, and it's better to invest in sectors that are going to drive the top line and result in the biggest payoff." That mind-set will suck the life out of your high-performance team, he said. "Resist the inherent urge to pass over your department when it comes to investing in new tools, training, and career-development activities."

Worth the Effort

Mr. Settersten admitted there's a lot to consider when building and sustaining a high-performance team. "With so many areas of finance in the CFO's purview, and with tax laws and the like in flux, it's quite a challenge. You're always trying to get better while attacking a moving target." That said, "It keeps it very interesting!"

But at the end of the day, Mr. Settersten said that we are all looking for the same kinds of things: "We want good people who are motivated and care about the quality of their work. We want to be able to foster a positive working environment for our teams so that, together, we can focus on delivering great business outcomes." ✣

Discussion Leader

Scott Settersten
CFO, Ulta Beauty

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A


B


C


D


E


F

A L. to R.: Alison Cornell, Andrew Zezas **B** David Weissman **C** Gordon Bryant **D** Alison Cornell **E** L. to R.: George Annen, Matt Durkin **F** L. to R.: Art Lorenz, Walter Cirillo, Howard Halligan

A Career CFO

CHANGING INDUSTRIES CAN GIVE A CFO NEW PERSPECTIVE AND PROFESSIONAL GROWTH, SAYS ALISON CORNELL

The accepted wisdom is that CFOs tend to stay in one industry and build their success within that industry's bounds, but Alison Cornell, who has navigated a career through telecom, health care, and specialty chemicals/consumer products, believes that "there is value created by moving between industries, not only for the CFO role that we perform, but also in developing a broad-based perspective that will be valuable in future Board of Directors participation."

Ms. Cornell was the guest of honor at a recent CFO Studio Reception at the Governor Morris Hotel in Morristown, NJ. Andrew Zezas, publisher of CFO Studio magazine, introduced her to the assembled CFOs, noting that Cornell has shaped a nearly 30-year career in key global leadership roles in three different industries. She was profiled in the Q1 2017 cover story.

"We each set our own path," Ms. Cornell began. "Some see limitless possibilities, others see limited possibilities… I'm in the limitless possibilities camp, believing that our financial skill set is fungible." And so, she described five ingredients of a "winning formula" for a career path through successive industries, creating "a track record of consistently growing businesses, achieving sustainable results, attracting and developing talent, and taking businesses to new heights."

The ingredients are: Be open to change; learn the business soup to nuts; make a difference while you're there; be a positive and motivating force; and have the best team on the field. With regard to that last point, she said that when she arrived at Covance, a drug-development services organization where she worked from 2004–2015, she "changed about 75 percent of my direct-report team and built an awesome team that helped drive the business turnaround, sustainable growth, and the returns that we achieved."

"Don't pigeonhole yourself," she said. "Don't be afraid to fail." (She's not.) "Know what you're passionate about." (She does.) "And go there." (She will.) ✣

The CFO Studio Reception is an invitation-only event held quarterly at elegant venues in New Jersey in honor of the CFO whose cover story appears in *CFO Studio* magazine in that same quarter. Visit www.cfostudio.com to request an invitation.

JOHN MOSKONAS President,
The ARGroup of Search Companies

Expertise Has Value

Building an internal industry reputation helps in a job change

Sometimes we get two competing offers: one from an industry in which we have expertise; and another from a new industry in which, rather than experience, we have a transferable skill. The question becomes, should I take the offer from a new industry or do I take the one from the industry I know?

There are benefits to both, but I often walk someone through the thought process regarding accepting an offer from another industry.

Generalist or Specialist

I once wrote about positioning yourself as a generalist versus a specialist when looking for a job. Specialists know what they are good at doing and look to uncover those situations where they can apply what they know to a role. A specialist has a general reputation for getting a job done. A specialist also usually has an internal industry reputation.

The conclusion: It's better to position yourself as a specialist when looking for a job because you'll set yourself apart from the competitive landscape and you'll hear about more opportunities than you would if you were positioning yourself as a generalist who could do any job.

And this focus on being a specialist applies not only to a functional skill set but also to an industry. An internal industry reputation is the sum of accomplishments and relationships/touch points you have with all the players in that industry. You are usually active in that industry, you are usually well networked with your peers, and you have positioned yourself as a subject matter expert (SME) in your field. You don't just have a job; you have a strong internal industry reputation.

This industry focus gives you a powerful foundation from which you'll hear about relevant roles, from which you can be impactful in a company, and from which your speed of accomplishments isn't held up by any learning curve.

Is it possible to build an internal industry reputation in another industry in a reasonable amount of time? Yes, of course, but at the end of the day, assuming your industry isn't going downhill quickly, the expertise you've derived from going deep into an industry and that you bring to the table gives you an invaluable perspective that others don't have. It sets you apart, it positions you as an SME.

Sometimes, of course, we don't have the luxury of two competing offers and the situation dictates the decision. So, where we have an offer from a different industry, we take it. Taking an offer from a different industry, of course, isn't necessarily a bad thing because you can minimize your risk down the road by having a new industry under your belt.

Bottom line: Going deep into an industry is a smart way to go. ✣

John Moskonas is president of AExecutiveSearch, a search firm dedicated to accounting, finance, and audit search services for the insurance industry, helping clients identify executive talent for critical needs. John has over 20 years in the search business with the last 17 years heading up his own firm. He has helped countless finance executives through the thought process of making their next career move. John can be reached by email at jmoskonas@theargrp.com or by phone at (646) 688-2985 or through his website at www.theargrp.com.

ALDONNA R. AMBLER CMC,CSP
The Growth Strategist®

Listen to Your Cassandras

Get early warning of strategic inflection points

A company recently brought in my consultancy because the long-awaited risk management analysis was suddenly needed — right now! Media coverage about the spontaneous combustion of the lithium batteries inside Samsung's Galaxy Note7 smartphones woke that client up. (If your product line involved fancy lithium batteries, you would want to speed up your risk analysis, too.)

Of course, we were pleased to help them pick up speed to make informed strategic decisions more quickly. But frankly, nine times out of 10, when executives feel blindsided and urgently need outside help, one of the underlying causes is that those businesses lack real CFOs, or their CFOs are too buried in the generation of reports or in analyzing the past. And the result is that the company doesn't get early warnings of the need for a major directional shift ahead.

It seems to me that strategic inflection points no longer slowly sneak up on companies. Rapidly advancing technology, generational differences, the shrinking middle class, populism, and cyber attacks, among other factors, are pushing our clients to change.

A business is much more likely to achieve profitable accelerated growth when its CFO is expected to look and listen for symptoms of change, hints about new opportunity, warning signs of lost competitive advantage, etc. Much of the data first appears in the form of returns, product questions, or whining salespeople. And no, this reconnaissance is not just the purview of a Chief Marketing Officer (CMO). A CFO's education and training bring different questions and increase the objectivity of analysis.

Change Your Company's Fate

It was Intel's late Chairman and CEO Andrew Grove who described the people on the outer fringes of a business as Cassandras (a nod to the priestess who warned ancient Troy about an upcoming attack).

The Cassandras in your organization know about programs or products veering off-track — correctible things — but if you are staring at financial reports all day, the Cassandras may not bring early-warning signs to you.

As a CFO, are you available to learn from middle managers about what does and doesn't seem to be working the way it was expected to work? Is there any time in your schedule to interact with customers or suppliers? If you were Samsung's CFO, would you have picked up on some of the early-warning signs conveyed by Samsung's Cassandras? ✣

Known as The Growth Strategist®, Aldonna Ambler founded, built, and grew a global suite of companies to help midsized B2B companies to achieve accelerated growth with sustained profitability®. A Certified Speaking Professional (CSP), Ambler has addressed over 2,000 audiences and hosted a syndicated online talk show about growth strategies for 9 years. As a growth financing intermediary, Ambler has raised over $1 Bil for midsized companies. The winner of over two dozen prestigious national and statewide "entrepreneur of the year" awards, Ambler was inducted into the New Jersey Business Hall of Fame in April 2015. She is available to speak about "profitable resilient growth" and/or serve on the board of a growth-oriented B2B corporation (NACD Board Leadership FELLOW).

JEROME D. KERN
Vice President & CFO, Flexi-Van Leasing, Inc.

Learn more about the author
www.CFOstudio.com

A Strong Story

WHEN HANDLING INVESTOR RELATIONS, INFORMATION, NOT NUMBERS, IS IMPORTANT

You've just sat down in the big chair. You're a new CFO. Congratulations! If you grew up on the accounting side of the house, investor relations may be new to you. Here's what to keep in mind about this significant, new responsibility.

Investor relations is how a company communicates and interacts with external parties to ensure that your company's financial story is being told accurately. While it may be a department reporting directly to the CFO, it may also be part of a corporate communications department. In either case, however, the CFO plays arguably the most crucial role for the company's investor relations effort.

While investor relations is obviously important for public companies, it can be equally important for private companies, as even private companies may have to deal with equity owners and debt or credit analysts. Ensuring that external analysts have an up-to-date and solid understanding of the company allows the market system to work.

Timely and Fair

Remember that your goal in investor relations is not to prop up the stock price of your company. You're not a salesperson. Don't measure success in investor relations by stock price. Your goal is to ensure that information about the company — positive or negative — gets to outside parties when it is needed and in an appropriate way. Timely communications that follow the rules (the SEC's Regulation FD, for example) are crucial to controlling news about your organization.

How do you get information to outside parties effectively? Press releases, earnings calls, presentations at conferences, and one-on-one analyst meetings are your main tools. What you'll likely find is that there is a somewhat limited set of analysts that cover your industry or company size, allowing you to identify them and build a rapport. Remember, when developing these relationships, the kindergarten rule of "honesty is the best policy" holds true even here. You can be expected to present the company in a good light, but you must also present the company in a fair light. Don't hide negatives, but be sure to present them in the right context. You wouldn't be the CFO of a company you didn't believe in, so make sure the people you're talking to know the reasons your company will prosper — even in bad times.

When you're talking to outside parties, the main rule of communication is: Know your audience. Different people will be focused on different things. An equity analyst or a portfolio manager may be looking for a growth story. That will get them the capital appreciation they crave. A fixed-income analyst will be looking for cash flow, either through dividends or debt coupon payments. A credit analyst wants to make sure you can repay your obligations. Tailor your comments to the person to whom you're talking.

Overall, you should take on the persona of a professor. Teach people about your company. Be sure to not just be a numbers guy, though. Relate the numbers to nonfinancial metrics and build a story line. Stories are remembered. Numbers are forgotten. ✣

MICHAEL RIST
Chief Financial Officer, VIP Petcare

Learn more about the author
www.CFOstudio.com

Partnering with IT

ARE YOU ASKING YOUR CIO THE RIGHT QUESTIONS?

As the role of the CFO continues to evolve, finance executives must continually augment their knowledge of technology and how it impacts the continuing operation and strategic direction of the company. This starts with open and ongoing dialog. The CFO needs a good understanding of how the IT department is positioned in the context of the overall strategy of the company. Below are five key questions to ask your CIO regardless of industry or company size.

How is the IT strategy aligned with the corporate strategy?

Asking this question allows you to gauge where resources are being directed within IT and if they are yielding returns that exceed the hurdle rate. You need to make sure there is a viable business case for every material project in the IT portfolio that supports the corporate strategy. It's important to note that not every project will translate into an easy-to-calculate ROI, and qualitative measures must therefore be in place to ensure that shareholder value is created.

What risks are you already planning for?

The answer should include testing, firewalls, critical system failure, anti-virus, spyware, anti-malware, etc. If you are holding credit card information, you must comply with the Payment Card Industry Data Security Standard (PCI DSS) and keep that compliance up-to-date every day. Not doing so may expose you to hefty fines and the risk of losing the authorization to process payment card transactions. The goal here is not to eliminate or minimize risk but to manage the risk exposure to ensure the right level of risk, in order to effectively pursue the strategic goals of the company.

> "RUN A PROCESS REVIEW ANNUALLY."

What scares you? (If he says nothing, that's a problem!)

There are numerous things every CIO should be scared of, from zero-day vulnerability to social engineering or phishing, which has become more and more sophisticated over the last couple of years. Key here is that the CIO makes you aware of these without all the technical details.

What is the security around our data and systems?

Not all data is equally sensitive. A plan must ensure that the most critical data is safeguarded. This plan should be a collaboration between IT and the rest of senior management.

What is our response plan for an incident?

Not every organization has one of these, and that's OK, provided there is a clear plan of crisis response. Some organizations have generalized response plans for crises of varying types (critical system failure, natural disaster, power outages, weather, strike, etc.) with cyber incidents just another form of occurrence to be managed under such a plan. Senior management should run a process review on an annual basis.

Being a technology-savvy CFO doesn't mean simply having the latest and greatest technology or knowing the latest cyber fad. It means being able to advance your organization's growth or improve its competitive position by asking questions that identify key constraints holding back the organization from pursuing its goals.

COMING Q3 2017
COVER STORY:
Holly Hess,
Chief Financial Officer,
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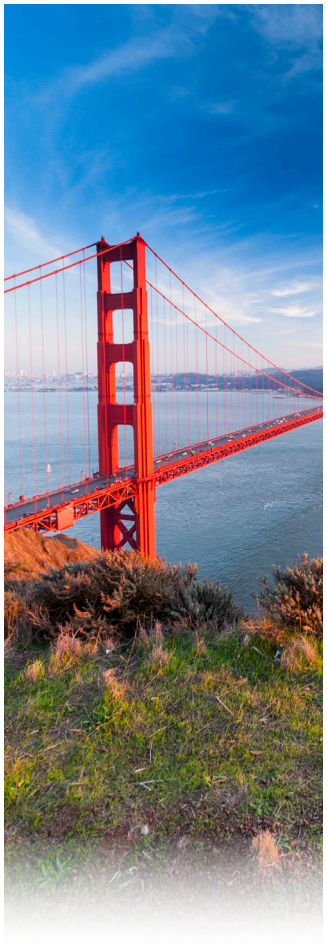


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