Five Questions to Ask Your CFO to Manage Your Business Better

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As the CEO of a business or nonprofit organization, it is important to balance your views of the company by gaining perspectives from other executive staff, such as your CFO. The following questions can prompt informative discussions with the company's CFO about both strategic and tactical issues.

1. When you consider our business model, is there anything that keeps you awake at night?

This question should start a discussion of the CFO's perspective of the company's greatest risks. These can range from strategic direction to banking options to sales. Your CFO has a perspective on the financial drivers that could have an impact on every other area of the business. His department should be more than one that just produces historical results; it should be an integral part of the business, helping all other departments understand how their decisions affect financial results.

2. What are the three or four most critical items on which the business needs to focus to ensure that we reach our budgeted revenue and profit goals this year? Is our earned revenue a good predictor of cash flow?

This question will get the CFO of your company talking about the most important things for your company's bottom line. Are you hitting sales targets? Are expenses in line? Is your investment in capital improvements on budget? Conversely, are you discounting more than expected, having to rework jobs or writing off too much in bad debt?

3. Are the company's obligations fully reflected on the balance sheet?

Payment commitments include accrued liabilities, such as employee leave liability, and contingent liabilities, which are known but unsettled issues such as accounts receivable that are becoming old and may become uncollectable. Review the balance sheet with the CFO of your company to determine whether there are any accounts that have underlying weaknesses – for example, inventory that can no longer be sold.

As the CEO, you have a good idea of the company's cash expenditures, but you will want to make sure that you are not missing something that is not a current cash flow item. For instance, you might know that the company leave policy allows accumulation of leave, but you might not know if the company has a significant payout liability if long-time employees terminate. Ask the CFO if there are similar contingencies that are likely to drain cash that the company has not yet recorded.

4. Which of our products or services is the most profitable? Which is the least profitable? How can we keep the company lean and efficient?

Revenues may be growing, but what's happening to gross margins? Could gross margins grow even more if the company discontinues an unprofitable product line? Start a discussion with the CFO about whether the profits are growing company-wide, or in just one or two departments, and gain an understanding of how your business is performing compared to others in your market segment.

It's also important to prepare the company to adjust to market realities—get the CFO's thoughts on what items he or she would cut first if company expenses had to be cut by five to ten percent. Rather than making apocalyptic changes to respond to hard times (such as numerous layoffs), stay on top of trends and cut waste whenever you and the CFO can identify it.

Another important thing to include in this discussion is the CFO's thoughts on how the company can streamline processes via automation and/or process reorganization and keep processes current with available technology. The CFO should be one of your company's leading resources for ongoing process development, which ultimately affects the company's efficiency and effectiveness.

5. What are projections for sales and gross margins by product line over the next three to five years?

Have the CFO help you determine whether the company's offerings best serve current market demands. This question will give the CFO a chance to point out trends in sales that suggest the company is missing product or service opportunities or that the company is carrying products and services beyond their useful lives. Discuss whether gross margin trends suggest that the company should shift its focus (e.g., to higher margin products or services and away from lower margin products or services). When considering sales or development team costs, get the CFO's thoughts on whether the company is compensating sales employees in a way that will encourage them to become high-performers. This is a great time for the CFO to collaborate with the sales manager to reach joint recommendations.

CEOs need all of the valuable information they can gather to be able to make informed business decisions. Ultimately, financial statements are essential tools for managing your business, so learn everything possible from the person who understands how the numbers work the best.