

Think like a CFO: Financial Management
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What is a CFO? A CFO manages the financial operations of a business. Typically in large scaled businesses, a CFO functions as the head of accounting, finance, and other financially strategic departments to ensure a business is profitable, efficient and compliant.

Why would a veterinary hospital manager or owner want to adopt a CFO mindset? Well, if you are consulting with your banker, accountant, etc, they are the experts in that subset of finance, but you must be able to interpret and action the data. Additionally, your business operates within the macroeconomy and competitive landscape, so you must understand what risks your business faces. The CFO mindset skills can help you achieve your financial goals for your practice.

CFO skills include:

Budgeting/Forecasting: Slightly different but both essential. Budgeting involves taking historical trends and developing next year targets. This includes top line, expenses and margins as targets to achieve. Forecasting involves taking historical (and near term performance) and projecting potential future performance to understand what is reasonably achievable. Budgeting is a skill that will be discussed in the lecture.

Economic analysis: CFOs are macroeconomic students. They may not be PhD economists, but they have a working knowledge of macroeconomics and can find information about the macroeconomic environment. These types of data points include pricing (inflation), employment trends, leading and lagging indicators, GDP, or gross domestic product, interest rates, personal savings rates and retail sales (to name a few). Understanding the data and putting it in the broader context of what business cycle the economy is in is a crucial skill when running a business.

Microeconomics: In addition to macro principles, understanding your businesses economics is also key. Microeconomic principles, such as price elasticity of demand are important to pair up against macroeconomic principles in understanding the performance of your business in the context of the broader economy.

Business investments: What do you do with excess capital? Businesses sometimes generate excess cash. This can be used for investments, such as new equipment or expansions. Hopefully these investments yield returns on that investment (ROI). Understanding the concept of ROI is important so that you make a data-driven information led choice, versus an emotional strategy. Is that expansion truly the right next step for the practice? ROI analysis will help uncover the answers to this. Opportunity cost factors into this.

Financial analysis: Financial analysis is an essential skill for a CFO. CFOs must have a competent understanding of accounting and finance to analyze the hospital's cash flow and profitability positions. PnL analysis and other techniques are quintessential tools in the CFOs arsenal. Tools in financial analysis include: PnL analysis, revenue center analysis, margin analysis, benchmarking, incremental revenue, pricing analysis and strategy.

CFO mindset is an upskilling to a practice manager or owners' current approach to the financial management of the veterinary hospital. Utilizing big business mindsets can level up your management of the practice finances and drive more profitability.