

# What is the Role of a Modern Financial Manager?



In today's modern business landscape, the financial manager is a crucial position for businesses large and small. Why?

Because any company, regardless of size, has to make money to survive. They don't always have to turn a profit, but at the least need to generate the revenue required to maintain operations.

Though the financial manager may also be involved with accounting and bookkeeping, their role is strategic and should be primarily focused on management only.

Financial management is both an art and a science. It requires someone to manage an organization's money so that it can meet its goals but that isn't just a responsibility of the finance department.

The thing that makes a financial manager's job difficult is that every business decision can have financial consequences so managers across all departments have to work closely with the financial personnel. Sales representatives for instance are affected by the company's credit and collection policies.

The IT department manager has to be able to justify any request for new

equipment or services...and so on.

Revenue from sales of products or services should always be the primary source of funding. But, money from sales doesn't always come in when it's time to pay the bills.

That's why financial managers have to track how much money is coming into and out of the business.

They work together with the other department heads to determine how available money will be used and how much money is required. Then, they choose the best sources to obtain the necessary funding.

The financial manager is the one who tracks the day-to-day operational data to make sure the business has enough money to meet its obligations. Over a longer period of time, the manager thoroughly studies weather and wind the company should open new facilities.

The manager also suggests the most appropriate way to finance new projects, raise the funds, and then monitor the project's implementation.

In most companies, financial management is closely related to accounting. Both areas are typically the responsibility of the Chief Financial Officer or Vice President of Finance.

However, the accountant's main function is to collect and present the financial data. Financial managers are the ones who use the statements and other information the accountants gather to make their financial decisions. As such, the managers focus on cash flows, implanted monitor the cash flows to ensure that money is available when it is needed.

There are a lot of external factors with an increasing impact on the financial managers such as increased corporate competition, volatility in interest rates and inflation, global economic uncertainty, fluctuating exchange rates, technological change, tax law changes, changing market trends, and ethical concerns that have to be dealt with daily.

Because of this, a company's financial manager must play a more strategic role within the organization, which may mean a constantly evolving job description. The finance manager has to be a team player in the overall effort to build value.

Doing things the old way isn't good enough in today's world where the old way quickly becomes obsolete.

## **Types of Financial Managers**

### **Insurance Managers**

In this position, the manager decides how to best to limit the company's losses by obtaining insurance against risks. These risks include things like needing to make disability payments for an employee hurt on the clock or the costs associated with lawsuits against the company.

### **Risk Managers**

Risk Managers are those who control Financial Risk with strategies to offset the probability or limit the probability of a financial loss or exposure to any kind of financial uncertainty.

Some of the risks they try to limit include those that come from commodity price changes or currency exchange rate fluctuations.

### **Cash Managers**

As a cash manager, the financial manager monitors and controls the cash flow in and out of the company in a way that needs both business and investment needs.

They have to project cash flow to determine whether the organization will have enough cash.

### **Credit Managers**

Managers are those who take care of an organization's credit business. They set the credit rating criteria, determine credit limits, and monitor the collections of past due accounts.

These managers work closely with the procurement department to ensure that a risky supplier doesn't receive more credit than necessary.

## Treasurers

Treasurers work to develop their organization's budget in a way that helps the company meet its financial goals.

They're the ones who oversee fund Investments and carry out strategies to raise money such as issuing stocks or bonds to support a company's growth. They're also the ones who developed the plans for mergers and acquisitions.

## Controllers

Controllers are directly involved in preparing financial reports to summarize and forecast the business' financial position including income statements, balance sheets, and financial analysis.

Controllers are also responsible for preparing any special reports required by the government if they are in an industry subject to regulations.

Controllers are the ones who generally oversee the accounting, audit, and budget departments of their company.

*To be an effective and successful financial manager, you must be flexible enough to adapt to the changing external environment if you expect the company you work for to survive.*

## What the Financial Manager Does

The financial manager has a challenging and complex job. They are responsible for analyzing financial data that's been prepared by accountants, monitoring the organization's financial status, and preparing and implementing any financial plans.

At the beginning of the week, they may be working on an improved way to automate the cash collection and by the end of the week they may be analyzing proposed acquisitions. The key activities are:

# **Financial Planning and Reporting**

In this responsibility, the manager prepares the financial plan that projects revenue, expenses and, and financing needs for the accounting period.

Good finance managers produce financial reports that show the business's financial position, cash flow, and performance over a period of time by using meaningful financial statements.

They should create management reports regularly relevant to decision-making processes.

These reports can help measure performance against measures and targets that were established during financial planning, against budget objectives, and against industry performance standards.

## **Financing AKA Raising Funds**

Here, the manager focuses on getting the necessary resources to handle the organization's operations and investment.

They have to balance between the company's debt (borrowed money) and equity (money raised by selling pieces of ownership in the company).

## **Investing AKA Spending Funds**

Here, the manager has to responsibly spend the company's money strategically across all the operations projects and securities to make sure the company gets a high return relative to its risks.

## **Supplying Money to Areas of the Organization as They Need it**

Each department in the company has different financial needs at any given time. It's the financial manager's job to ensure that departments get the funds they need when they need them. It's also important to make sure that the department is requesting only funds they need for operations.

That's where purchase requisitions, purchase orders, and automated approval

workflows come into play. This protects the company from fraud and embezzlement while ensuring that all employee and customer needs are met.

## Goals

The financial manager has the main goal to maximize the company's value to the owners. The value of a publicly owned company is measured by its share price. A private company's value is the price at which it could be sold.

To meet that goal, a Financial Manager needs to consider both short and long-term consequences of any action The Firm may take. Maximizing profits is one method, but it shouldn't be the only one anyone relies on. Using that approach favors making short-term gains over achieving long-term goals.

If a company is in a highly technical and competitive Industry but did no research and development, they are more likely to fail in the long run.

They would have profits over the short-term because research and development is expensive, but over the long term, the company may lose its ability to compete because it no longer has new products.

## Educational Requirements

Typically, financial managers have a bachelor's degree and at least five years of experience in another business or financial occupation. This may be anything from an accountant to a financial analyst, auditor, or risk manager.

According to the United States Bureau of Labor Statistics, or BLS, employment of financial managers is expected to grow by 15% over the next two years which is much faster than the average across all other occupations.

Specific areas including cash managers and risk managers are expected to be in the highest demand.

The most successful financial managers have strong communication skills, analytical skills, and a background in business administration or finance.

# Most Common Industries

Financial managers work in a variety of industries from financial institutions to insurance companies. The majority of them work full time but there are some who work more than 40 hours a week.

Many companies find themselves in need of an experienced finance manager to help guide them but can't necessarily afford to engage with them full time.

Sometimes the scope of work does not justify employing a finance manager full time. In this case, businesses can reach out to other companies that offer solutions for both of these challenges by outsourcing finance managers on either an interim or part-time basis.

PLANGERY can't replace a finance manager, but the information the software provides can certainly help make the job a bit easier. Our budgeting tools and financial reports make it easy to better understand an organization's financial position.

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