

A Job in Corporate Finance



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I've recently talked to various Wall Street professionals that are considering a career move into corporate finance. These capital markets savvy people asked for input. How should they approach their search? What jobs should they target? Where would they fit best?

These are interesting questions. I know a lot of smart bankers, and corporate finance teams are always in search of good talent. Such cross-pollination could prove advantageous.

I usually ask, "what is your value proposition?" to clarify expectations. Responses vary but always involve modeling skill. These financial professionals declare that, once they land their new corporate finance role, the work will revolve on financial models. I admit this theory is kind of true. But it lacks perspective, and that leads me to this blog topic.

Corporate finance is not limited to modeling.

I'm not suggesting that a Wall Street type can't break into the corporate mystique. I am instead suggesting that a capital markets practitioner will have a difficult time getting hired (into a corporate role) if they only have modeling skills to offer.

In my opinion, a management role in corporate finance requires five categories of expertise. The list includes technical finance knowledge and analytical abilities, which are competencies my Wall Street friends have. But the technical and analytical ability must be bolstered by proficiency in financial data, control environments, and collaboration. Let's review these five categories below.

Technical Financial Knowledge

Financial aptitude most often rests on education, including degrees in accounting or finance. The collegial education is then typically supplemented by some financial certification such as the Certified Public Accountant (CPA) or Certified Management Accountant (CMA) designations. Those basics ensure fundamental competency in accounting, reporting, analysis, internal controls, and ethics.

Education is only a foundation.

Some corporate finance work is very technical, though, and requires further study through specialized programs. The most prevalent specialty certifications (in the United States) are AFP's Certified Treasury Professional (CTP) and Certified Corporate FP&A Professional (FP&A), IIA's Certified Internal Auditor (CIA), and CFI's Financial Modeling & Valuation Analyst Program (FMVA) credentials, among others.

Technical knowledge, including competency in generally accepted accounting principles ("GAAP") and financial reporting, ensures a job searcher gets their foot in the door. But opportunity remains limited without experience in the other categories.

Financial Data

Certainly, every financial professional must understand the basics of GAAP. But when working in corporate finance, it is also important to understand the systemic organization of accounting records.

In this, financial education extends to the comprehension of system hierarchies for managing accounting data. System hierarchies include the data architectures for the general ledger and related sub-ledgers (e.g., accounts receivable, accounts payable, purchasing, etc.), all of which typically reside in an enterprise resource planning ("ERP") environment.

Some companies will have streamlined data strategies that accommodate a singular ERP environment, ensuring a single instance of the general ledger and various sub-ledgers. Many companies, though, will have multiple ERP environments, disconnected versions of the chart of accounts, and isolated sub-ledger systems. Lucky finance professionals need only access one system instance to perform their work. But corporate teams are not often so lucky.

Understanding the ERP platform, moreover, will not sustain an extended corporate finance career. In my opinion, knowledge of the ERP system will only support work in the junior management ranks. When aspiring to an executive role, it is also important to understand the data infrastructure inherent to consolidation, tax, treasury, and management reporting. These technical, corporate perspectives involve a dimension of financial information that is material to financial strategy, forcing financial executives to comprehend the related data.

Control Environments

An astute corporate finance professional doesn't only understand financial data but also data governance. Corporate infrastructures involve layers of back-office processes, system controls, and overarching policies that facilitate orderly maintenance of the financial data. Effective financial professionals must comprehensively navigate and design such processes and controls.

A company's policy infrastructure supports a matrix of static controls, designed to govern the infrastructure of data processing and decision making, as well as dynamic rules, which may shift to support an evolving corporate strategy. The trick in effective corporate management is to design financial policies that are strict enough to ensure approved behaviors and accurate reporting yet flexible enough to shift in response to evolving operations. An example of this trick involves the development of employee goals.

Financial Policy includes effective goal setting.

Goal setting is an instance of control that, when effectively written, can support the achievement of near-term strategy. Tracking the results of those goals, then, must be supported by realities of the financial data infrastructure and managed through execution of business processes in line with overarching policy.

Analytics

The importance of business analytics is not limited to corporate finance, but advanced analytical prowess will help anyone land a corporate finance job. The ability to translate complex reporting and market data into informative and actionable presentations is paramount to advancing a financial career. In this, my Wall Street friends are right. Their modeling skill is valuable to a corporate environment.

But certain differences should not be overlooked. The contents and style of corporate financial analysis are different from what an external analyst would enlist.

Internal financial analysis involves more than models.

One differentiator is the need to extract the appropriate data from the correct financial system(s) while ensuring that data's accuracy within the control environment. In other words, the corporate practitioner must know where and how to get the right data, and they need to know how to reconcile it.

A further distinction is substance. While the external financial professional has limited data to analyze, the internal corporate specialist will often review activity in minutia. For example, while an external analyst may review aggregate margins across annual periods, the internal analyst will analyze pricing and costs by product and customer, sometimes across daily periods.

Collaboration

Distinctions in financial analysis are compounded by complexity in audience as the corporate finance professional has many audiences to consider. Primary audiences are internal, ranging from financially literate executives to process-focused operating teams. Separately, there are audiences outside the company, including shareholders, unions, and government bodies, to consider. Each audience is diverse in need and requires unique consideration from the corporate finance team.

It is in serving those audiences, moreover, that the corporate finance professional assimilates their skillsets. Advanced financial managers partner with each audience, particularly their internal colleagues, to be successful. Through collaboration, finance teams guide data strategy and system designs that support appropriate controls and expert analytics. The financial output, in turn, ensures accurate forecasts, highlights risk, and contributes to business planning. It is this cross-functional leadership that ultimately ensures strategic decision making.

Overall, corporate finance professionals work in a holistic environment. The adept financial professional structures and analyzes data to strengthen relationships and guide strategy. Although technical knowledge and modeling ability provide a solid foundation for the corporate finance career, competency in financial data, control environments, and collaboration ensure success.

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