

The Inferno of the Finance Director

By Sam Vaknin, Ph.D.

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Sometimes, I harbour a suspicion that Dante was a Financial Director. His famous work, "The Inferno", is such an accurate description of the job that it cannot be otherwise. He is fervently hated by the workers. He is thoroughly despised by the other managers ("mean bastard" is his common nickname among them, mostly for scrutinizing their expense accounts). He is dreaded by the owners of the firm because the powers that he has often outweigh theirs. Shareholders hold him responsible in annual meetings. When the financial results are good – they are attributed to the talented General Manager. When they are bad – the Financial Director gets blamed for not enforcing budgetary discipline. It is a no-win, thankless job. Very few make it to the top and the rest retire, eroded and embittered.

The job of the Financial Director is composed of 10 elements. Here is a universal job description which is common throughout the West. Macedonia, as usual, is a special case and so I added my own, humble observations.

In the USA there is a function called the Chief Financial Officer. This is the most senior financial manager in the firm and henceforth we will use this title in our article.

Organizational Affiliation

The Chief Financial Manager (CFO) is subordinated to the Chief Executive Officer, answers to him and regularly reports to him.

The CFO is in charge of: The Finance Director The Financing Department The Accounting Department which answer to him and regularly report to him.

Despite the above said, the CFO can report directly to the Board of Directors through the person of the Chairman of the Board of Directors or by direct summons from the Board of Directors.

In Macedonia this would be considered treason – but, in the West every function holder in the company can – and regularly is – summoned by the (active) Board. A grilling session then ensues: debriefing the officer and trying to spot contradictions between his testimony and others. The structure of business firms in the USA reflects the political structure. The Board of Directors resembles Congress, the Management is the Executive Arm (President and Administration), the shareholders are the people. The

usual checks and balances are applied: the authorities are supposedly separated and the Board criticizes the Management.

The same procedures are applied: the Board can summon a worker to testify – the same way that the Senate holds hearings and cross-questions workers in the administration. Lately, however, the delineation became fuzzier with managers serving on the Board or, worse, colluding with it. Ironically, Europe, where such incestuous practices were common hitherto – is reforming itself with zeal (see Britain and Germany).

Macedonia is still after the cosy, very old European model: Boards of Directors are rubber stamps, devoid of any will to exercise their powers. They are staffed with cronies and friends and family members of the senior management and they do and decide what the General Managers tell them to do and to decide. General Managers – unchecked and unbalanced – get themselves involved in colossal blunders (not to mention worse things). The concept of corporate governance is alien to most Macedonian firms and the companies are regarded by most general managers as milking cows – fast paths to personal enrichment.

Functions of the Chief Financial Officer (CFO):

(1) To regulate, supervise and implement a timely, full and accurate set of accounting books of the firm reflecting all its activities in a manner commensurate with the relevant legislation and regulation in the territories of operations of the firm and with internal guidelines set from time to time by the Board of Directors of the firm.

This is somewhat difficult in Macedonia. The books do not reflect reality because they are "tax driven" (i.e., intended to cheat the tax authorities out of tax revenues). Two sets of books are maintained: the real ones which incorporates all the income – and another one which is presented to the tax authorities. This gives the CFO an inordinate power. First, he is in a position to blackmail the management and the shareholders of the firm. Secondly, he becomes the information junction of the firm, the only one who has the whole picture. If he is dishonest, he can easily enrich himself. But he cannot be honest: he has to constantly lie and he does so as a life long habit. He (or she) develop a cognitive dissonance: I am honest with my superiors – I only lie to the State.

(2) To implement continuous financial audit and control systems to monitor the performance of the firm, its flow of funds, the adherence to the budget, the expenditures, the income, the cost of sales and other budgetary items.

In Macedonia, this is often confused with central planning. Financial control does not mean the waste of precious management resources on verifying petty expenses. Nor does it mean a budget which goes to such details as how many tea bags will be consumed by whom and where. Managers in Macedonia are still under the feeling that they are supervised and followed, that they have quotas to complete, that they have to act as though they are working (even if they are, in reality, most of the time, idle). So, they engage in the old time central planning and they do it through the budget. This is wrong.

A budget in a firm is no different than the budget of the State. It has exactly the same functions. It is a statement of policy, a beacon showing the way to a better (=more profitable future). It sets the strategic (and not the tactical) goals of the firm: new products to develop, new markets to penetrate, new management techniques to implement, possible collaborations, identification of the competition, of the relative competitive advantages. Above all, a budget must allocate the scarce resources of the firm in order to obtain a maximum impact (=efficiently). All this, unfortunately, is missing from budgets of firms in Macedonia (that I have seen).

But the budget is only an amalgamation of the intentions. No less important are the control and audit mechanisms which go with it. Audit could be external but must be complemented by internal procedures. It is the job of the CFO to provide the management with a real time tool which will inform them what is happening in the firm and where are the problematic, potential inflammatory areas of activity and performance.

Additional functions of the CFO include:

(3) To timely, regularly and duly prepare and present to the Board of Directors financial statements and reports as required by all pertinent laws and regulations in the territories of the operations of the firm and as deemed necessary and demanded from time to time by the Board of Directors of the Firm.

The warning signs and barbed wire which separate the various organs of the Western firm (management from Board of Directors and both from the shareholders) – have yet to reach Macedonia. As I said: the Board is full with the cronies of the management. In many companies, the General Manager uses the Board as a way to secure the loyalty of his cronies, friends and family members by paying them hefty fees for their participation (and presumed contribution) in the meetings of the Board. The poor CFO is loyal to the management – not to the firm. The firm is nothing but a vehicle for self enrichment and does not exist in the Western sense, as a separate functional entity which demands the undivided loyalty of its officers. A weak CFO will become a pawn in the get-rich-quick schemes – a stronger one will become a partner in them. In both cases, he will be forced to collaborate, from time to time, with things which conflict with his conscience.

It is important to emphasize that not all Macedonian companies are like that. In some of them, the situation is much better and closer to the West. But there are prevailing senses of geopolitical insecurity (what will be the future of Macedonia), political insecurity (will my party remain in power), corporate insecurity (will my company continue to exist in this horrible economic situation) and personal insecurity (will I continue to be the General Manager). These insecurities combine to breed short-sightedness, speculative streaks, a drive to get rich while the going is good (and thus to rob the company) – and up to criminal tendencies.

(4) To comply with all reporting, accounting and audit requirements imposed by the capital markets or regulatory bodies of capital markets in which the securities of the firm are traded or are about to be traded or otherwise listed.

The absence of a functioning capital market in Macedonia and the inability of

Macedonian firms to access foreign capital markets – make the life of the CFO harder and easier at the same time. Harder – because there is nothing like a stock exchange listing to impose discipline, transparency and long-term, management-independent strategic thinking on a firm traded in it. Discipline and transparency require an enormous amount of investment by the financial structures of the firm: quarterly reports, audited annual financial statements, disclosure of important business developments, interaction with regulators (a tedious affair) – all fall within the realm of the CFO. Why, therefore, should his life become more agreeable by it? Because discipline and transparency make the life of a CFO easier in the long run. Just think how much easier it is to maintain one set of books instead of two or to avoid conflicts with tax authorities on the one hand and the management on the other.

(5) To prepare and present for the approval of the Board of Directors an annual budget, other budgets, financial plans, business plans, feasibility studies, investment memoranda and all other financial and business documents as may be required from time to time by the Board of Directors of the Firm.

The primal sin in Macedonia was the so called Privatization. The law was flawed. To mix the functions of management, workers and ownership is detrimental to a firm, yet this is exactly the path that was chosen in Macedonia. Management takeovers and Employee takeovers forced the new, impoverished, owners to rob the firm in order to pay for the shares. Thus, they were unable to inject new capital, new expertise, new management, anything new. The companies are dying slowly.

One of the problems thus wrought was the total confusion regarding the organic structure of the firm. The Board was composed of friends of the Management because they were also the owners – but they could be easily fired by their own workers, who were also the owners and so on. his introduced an incredible amount of insecurity among the management ranks (see previous point).

(6) To alert the Board of Directors and to warn it regarding any irregularity, lack of compliance, lack of adherence, lacunas and problems whether actual or potential concerning the financial systems, the financial operations, the financing plans, the accounting, the audits, the budgets and any other matter of a financial nature or which could or does have a financial implication.

No chance – see my previous points and the previous article. The CFO is absolutely aligned and identified with the management. The Board is meaningless. The concept of ownership is meaningless because everyone owns everything and there is no identifiable owners (except in a few companies). Absurdly, Communism (the common ownership of means of production) has returned in full vengeance, though in disguise, precisely because of the ostensibly most capitalist act of all, privatization.

(7) To collaborate and coordinate the activities of outside suppliers of financial services hired or contracted by the firm, including accountants, auditors, financial consultants, underwriters and brokers, the banking system and other financial venues.

Many Macedonian firms (again, not all) are interested in collusion – not in consultancy. By hiring the consultant or the accountant – they believe that they own him. They are

bitterly disappointed and enraged when they discover that an accountant has to comply with the rules of his trade or that a financial consultant will protect his reputation by refusing to collaborate with scams of the management.

(8) To maintain a working relationship and to develop additional relationships with banks, financial institutions and capital markets with the aim of securing the funds necessary for the operations of the firm, the attainment of its development plans and its investments.

One of the main functions of the Macedonian CFO is to be personally connected to the banks. The financial institutions which pass for banks in Macedonia lend money on the basis of personal acquaintance more than on the basis of analysis or rational decision making. This "old boy network" replaces the orderly collection of data and credit rating of borrowers. This also allows for favouritism and corruption in the banking sector. A CFO who is unable to participate in these games is deemed by the management to be "weak", "ineffective" or "no-good". The lack of non-bank financing options and the general squeeze on liquidity make matters even worse for the finance manager. He must collaborate with the skewed practices and decision making processes of the banks – or perish.

(9) To fully computerize all the above activities in a combined hardware-software and communications system which will integrate into the systems of other members of the group of companies.

(10) Otherwise, to initiate and engage in all manner of activities, whether financial or of other nature, conducive to the financial health, the growth prospects and the fulfilment of investment plans of the firm to the best of his ability and with the appropriate dedication of the time and efforts required.

And this, point 10, is what CFOs in the West are doing most of their working time. It is their brain that is valued – not their connections or cunning. Winning the game while acting legally is the foremost tribute and epitaph.

Sam Vaknin is the author of "Malignant Self Love - Narcissism Revisited" and "After the Rain - How the West Lost the East". He is a columnist in "Central Europe Review", United Press International (UPI) and ebookweb.org and the editor of mental health and Central East Europe categories in The Open Directory, Suite101 and searcheurope.com. Until recently, he served as the Economic Advisor to the Government of Macedonia.

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Flaming Guitars! Minarik fuels the excitement of a new generation of musicians.

By Scott G (The G-Man)

**Flaming Guitars! Minarik fuels the excitement of a new generation of musicians.
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Celebrating an endorsement between G-Man Music and the fiery axe-makers known as Minarik Guitars, Scott G (The G-Man) reviews the Minarik Inferno X-treme.

From the Telecaster to the Flying V to the Iceman to the Warlock, some guitar designs are forever branded on our consciousness, and now there's a new one: the Minarik Inferno X-treme. The body shape erupts in furious fingers of flame. If ever there was a guitar design destined to ignite the imagination of young players, especially boys and girls who want to rawk, this is it.

Not that the Inferno X-treme lacks subtlety. With scientifically placed tone chambers, this instrument can sing sweetly if that's what you desire. Or, it can live up to its appearance and enable you to carve sonic craters in the parking lot.

Although this guitar has a look that will inspire thousands of preteen statements along the lines of "Mom, that's the one I want," I suspect that tons of established players will find it useful in the studio or on the road because of its delicate balance, sleek feel, and stunning versatility. (And besides, the cunningly crafted guitar is also available in a more traditional body shape.)

"So, what's the story on Minarik Guitars?" I can hear you ask. As the designer of the B.C. Rich Goddess Warlock and several other noteworthy models, Marc Minarik already has a legacy in the business. Now heading up his own company, Minarik has the goal of fusing quality workmanship with visually exciting design concepts.

Actually, his plan is much more complex than "make it attractive and build it right." Marc Minarik is as eager to talk about the playability of his guitars as about their construction and appearance. And if you inquire about the light weight and the chambered body, he is just as pleased to demonstrate the superior nature of his firm's products.

The flame-shaped body isn't just flashy; the size and curve of the flames have been carefully calculated to positively affect the tone and balance of the instrument. The flame design is eye-candy, but it's the application of the physics of sound that makes the Minarik Inferno X-treme really hot.

With a wonderful combination of form and function, the Minarik guitar line may have some interesting side effects, like bringing vitality to retail sales, launching a new generation of guitar players, and saving music from passive pop.

Not bad for a guy with a dream about a flaming guitar.

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Scott G (The G-Man) proudly plays a Minarik Inferno. He creates radio commercials and composes music for songs and spots at G-Man Music & Radical Radio. A member of the National Association of Record Industry Professionals (www.narip.com) and The Recording Academy (www.grammy.com), he also writes about music for the Immedia Wire Service. He is on the Web at iTunes, www.delvianrecords.com, www.myspace.com/thegman, and www.gmanmusic.com.

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