By now you should have some general ideas about typical characteristics of your environment, your own role and purpose, the expectations of others, and primary routes for channeling your talents and efforts. It is time to study the specific aspects of your surroundings and draw a detailed map that will help you on your journey.

This is a mandatory activity for a recently hired head of finance, new to a company. It is also a good idea for someone who has been with a company for a while in a lower position and has just been promoted—a new vantage point may provide you with the better vision of your company. Even if you’ve held the top post for a few years, but never got around to doing this and feel that the incomplete picture prevents you from excelling, maybe now is a good time to go back to the drawing board.

This is your R&D stage, necessary for the proper functional design of your job. Your research will help you to improve future performance. Every CFO and controller must acquire an exhaustive understanding of their employer’s business. There is no doubt that compiling what I call *the big picture* is the
key element in your strategic responsibilities. However, it is just as important for day-to-day hands-on management. In the absence of thorough knowledge of all operational and organizational features, it is impossible to construct budgets, define tasks, or determine reporting requirements.

At the very least, your information-gathering activities should be focused on the following four areas.

**Study of Corporate Structure**

Economic complexity pushes businesses into multiple levels of diversification—wider product ranges, additional services, new geographical and demographic markets, related industries, outsourcing, foreign productions, and so on. As companies pave new ways to conduct business, their corporate structures adapt accordingly: branches are created, subsidiaries are formed, and satellite offices are opened. Today, a $10 million service company may turn out to be a surprisingly complicated organism. These structural developments affect nearly every accounting and financial function: local taxation, intercompany transactions, principles of consolidation, financial statement disclosures, and banking facilities, just to name a few.

Let’s say you have taken a CFO position in New York. Through the interview process, web site information, and a couple of initial meetings, you have found out that, besides the New York City headquarters, the company has a presence in Houston, Texas; Buffalo, New York; Columbus, Ohio; Shanghai, China; Amsterdam, the Netherlands; and Istanbul, Turkey. Is this knowledge sufficient for you to define your actions with respect to each location? The answer is no because this geographical lineup can be translated into completely different scenarios. There are as many variations as there are companies.

In scenario 1 (Figure 5-1), for example, you have a New York corporation with three wholly owned subsidiaries, two of them overseas, plus 50% ownership in a Chinese manufacturer, and two satellite offices in different states. Four of these companies need to be consolidated into your financial statements. To highlight some other pressing issues, you have intercompany transitions in various currencies, import/export duty exposure, and an array of tax headaches, both domestic and international, including VAT (value-added tax, common in Europe).