



## CHAPTER ONE

# Chief Financial Officer

**T**HERE ARE MANY ACCOUNTANTS and few Chief Financial Officers (CFOs). The accounting track is a popular starting point for many of today's CFOs, but accounting is certainly not the only road to the CFO role. Other popular starting points on the road to the CFO chair include investment banking and consulting.

Regardless of how they get there, CFOs' job descriptions depend a great deal on the companies they work for. A day in the life of a CFO at a large Fortune 500 company is most certainly different from that of a CFO at a small, entrepreneurial company. Yet they are both called the Chief Financial Officer.

In large companies, it is easy to define the difference between a CFO and a controller. At a smaller company, the most senior financial person may be called a CFO, but is he or she really the "Chief Financial Officer"?

The title "Chief Financial Officer" is well known in the business world. However, when you ask business people to define what a CFO is and what they do, they often find it difficult to describe.

## WHAT IS A CHIEF FINANCIAL OFFICER?

In preparing to write this book, I felt it important to define what a CFO is—and is not.

Most of the books I have seen targeting the Chief Financial Officer are technical in nature and not leadership oriented. In these books, the definitions of the role of the CFO and the people who work for them read like a job description, defined by responsibilities and tasks performed by the CFO. I have found most of these definitions to be lacking. In my years of experience in executive search, I have seen that in reality, unlike the rigid descriptions provided in some texts, the tasks of Chief Financial Officers will vary by company size, industry, and growth stages of their businesses.

To gain a perspective on what a CFO is, I asked my 87 CFO advisors two open-ended questions on this topic. My CFO advisors were a key resource for me in the creation of this book. Coming from different backgrounds, industries, company sizes, and growth stages, they shared opinions, points of view, and personal experiences, all with the goal of assisting their peers.

Table 1.1 lists the most popular keywords my advisors used to respond to two questions.

My CFO advisors found that it was easier to define what a CFO is *not* than what a CFO is. In answer to the “not” question, most said CFOs were not accountants, bean counters, or number crunchers.

These words are essentially synonyms. My interpretation of what my CFO advisors were saying is, “Being CFO is not about being technical.” I agree with them.

As I said previously, accounting is a popular way to begin the journey to becoming a Chief Financial Officer. While I come across many people who have the title CFO, not all of them are real CFOs. Why is that? Because the job they do is mostly technical in nature.

So what defines a real CFO? My CFO advisors say that Chief Financial Officers need to be strategists, leaders, and advisors.

**TABLE 1.1** What Is and What Is Not a CFO?

What a CFO is not	What a CFO is
Accountant	Strategic
Bean counter	Leader
Number cruncher	Advisor

## **CFO as Strategist**

My interest isn't sports. My interest is business. I follow business like many people follow sports. As an executive search consultant, I like to know the teams, the players, the strategies, and the score. While a sports fan can talk about strategy, it is the head coach of a sports team who makes decisions and plans based on a strategy. She or he works with all internal leaders to identify and execute strategy.

CFOs act as strategists when they make business decisions and prepare plans of action based on their companies' strategies. A strategic CFO is also a key contributor to and participant in the development and redefining of a company's strategy.

CFOs may have many responsibilities as they perform their functions, but if they are not acting and planning strategically for their businesses, they may not be real CFOs.

## **CFO as Leader**

We can all think back through our careers and remember those people we worked with who were true leaders. During our formative career years, these people set examples for those of us who wanted to become leaders in our field.

Leaders set the pace, inspire, and act as an example for others.

CFOs are not only perceived as leaders for the people who work under their authority in finance but for other executives in the company, as well. The Chief Financial Officer may be a follower of the Chief Executive Officer who leads their company, but a successful CFO is looked at by the CEO as a fellow leader within the company.

## **CFO as Advisor**

In my early days in recruitment, I helped a CFO hire a key person for his team. When it was time to make the person an offer, the CFO told me that one of the most important reasons this person should join his team was because he was able to offer the individual an opportunity to "add to the bag of tricks he will need as CFO."

CFOs have Solomon-like wisdom that comes from a combination of business smarts, experience gained from successes and failures, and an inherent understanding of the numerical logic that supports the making of sound business decisions combined with knowledge of profitable business operations.

The wisdom acquired by the CFO allows him or her to act as an advisor to the CEO and other executives in the business. CFOs who are considered advisors by other senior executives in the business and are sought out for their input and guidance in major business decisions are truly valued by the companies they work for.



## PERSONAL ATTRIBUTES OF A SUCCESSFUL CFO

You bought this book because you would like to know how you can become a (more) successful CFO. We defined what a CFO is not and what a CFO is. Successful CFOs also demonstrate the following personal attributes:

- A positive, can-do attitude
- Respect for the people they work with
- Egos that are firmly in check
- Emphasis on maintaining excellent relationships
- A deep desire to make a difference
- The desire to have fun

### Positivity

A Chief Financial Officer faces challenges every day. Having a positive, can-do attitude gives the CFO the strength to deal with these challenges while being a positive role model for the people the CFO works for and with.

One CFO recently told me that people look to him internally to stay positive and move forward. As the CFO is the one with the firmest grasp of an organization's financial situation, people look to the CFO for an indication of how things are going. When the CFO is positive about the current situation and outlook, others inside and outside the business gain comfort from that attitude.

### Respect

When CFOs are respected, they are able to accomplish great things because people listen to them and seriously consider their point of view. The ability to convince others is the hallmark of a great CFO. Before others will listen to you, they must respect you. To gain the respect of others, you need to give respect to others.

CFOs who give respect to all the people they come across every day—not just those with whom they work directly—gain the respect of these same people.

Irv Lichtenwald, currently CEO at Medsphere Systems Corporation, was a successful Chief Financial Officer earlier in his career. Lichtenwald believes respect is a key attribute for a CFO's success. Showing respect and acknowledging all the people you come in contact with, whether they are CEOs or receptionists, fellow CFOs or clerical staff, investment bankers or bank tellers, executives within your business or maintenance people, earns the respect of others. Following this advice has been a key attribute to his career success, Lichtenwald said.

## Ego

As CFO, keeping your ego in check allows you to continue to be successful. It is easy for a successful CFO with a track record of making a significant difference for the companies for which he has worked to allow himself to begin believing all the positive reviews.

Realizing that there is always room to improve and become a better CFO will ensure you keep on improving and raising the bar.

One of my CFO advisors shared this pearl of wisdom. “As you climb the corporate ladder, fewer and fewer people give you honest feedback and this creates a leadership blindside.” Understand that not all the feedback you receive is complete. Realize that there is always room to learn, improve, and grow.

CFOs who are aware of their egos and keep them in check are successful CFOs.

## Relationships

A Chief Financial Officer cannot work alone. CFOs need to interact with other people to do their jobs. Those who place importance on maintaining and nurturing excellent relationships will increase their odds of success.

A large part of this book addresses CFO relationships (Chapters 8 through 12). In these chapters you will learn more about how you can improve your relationships with the various people with whom you must interact.

Bill Koefoed, previously CFO at Skype, believes that having strong relationships allows the CFO to accomplish and succeed. “Relationships,” says Bill, “are obviously very important to the success of a CFO.”

## Making a Difference

Successful CFOs are driven people. What motivates a successful CFO?

CFOs want to accomplish. CFOs have a deep desire to make a difference. They want to succeed. They want to do something significant with their careers. They want to contribute and be key players in making substantial things happen for the organizations they work for, the people who work for the business as well as the owners.

Irv Lichtenwald told me that he has enjoyed making a difference. He said that “when you believe in the cause of whatever firm you are with, and you believe there is real value to what you are doing, then it makes it easier for a CFO to go ahead and be successful.”

## Have Fun

When CFOs are having fun at work, they are at the top of their game. When they get bored and don't enjoy the game anymore, they cannot provide the best they have to offer to their employer.

When a CFO starts a new position with a new company, it is easy to have fun. As time goes on, a CFO is usually having less fun as he or she becomes more involved with the company and becomes a magnet for problems that need solving that can't be addressed anywhere else in the company.

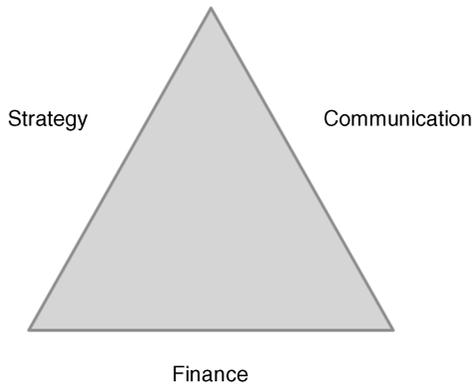
Lichtenwald said he believes that having fun is a key to success for a CFO. “If you're having fun, it makes it easier for you to be successful.”

To continue having fun, CFOs need to know what they enjoy doing as well as what they don't. Being responsible for something doesn't mean you have to do it yourself; it just means you have to ensure it gets done. Structuring your finance team so as to allow you to handle those things you enjoy lets you ensure you deliver what you've committed to while still having fun. We discuss this more in Chapter 12, *Building and Developing Your Finance Team*.

## SKILLS REQUIRED FOR CFO SUCCESS

While personal attributes are important to the success of a CFO, she or he also needs strong skills.

Current CFO at Puppet Labs, Inc., Bill Koefoed (CFO of Skype at time of interview), said there are three things needed to succeed as a CFO: finance skills, strategic thinking, and the ability to communicate. His perspective is represented in Figure 1.1.



**FIGURE 1.1** Skills Required for CFO Success

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## Finance Skills

“First, you obviously need to have really good finance skills, but there are a lot of people who have those,” Koefoed said. Strong finance skills are a key part of the foundation to becoming a CFO. Over the years, finance professionals need to continue adding to their bags of tricks. However, without investing time and energy in building these key skills, a finance professional cannot become a good CFO. As Koefoed says, strong skills in finance are necessary, but they do not differentiate you from others.

## Strategic Thinker

The second skill a good CFO needs is to be a strategic thinker, Koefoed says. “CFOs who come from banking or consulting backgrounds have generally been trained well in this area,” he noted. The ability to think strategically is one area that can help CFOs differentiate themselves. Generally, CFOs who come from an investment banking or consulting background have training and experience that gives them an edge in this area over those with accounting backgrounds. For those with an accounting background, gaining hands-on strategic experience can help set them apart from the pure finance-trained CFOs.

## Communication Skills

Koefoed told me that “CFOs need good communication skills. You need to be a really good salesman, whether it’s selling your ideas or selling the company to investors. You need to be able to sell your ideas.” Unless CFOs are trained to

improve their communication skills, they are working with their natural, unpolished communication talents. In my experience, CFOs who can effectively communicate their positions and convince others of their points of view truly have an advantage on their road to success.

## CFOs ARE DIFFERENT

Some people who are looking to hire a CFO for their business believe that there is little to differentiate one CFO from another. They want to hire a “numbers person” who can help their business be “more successful.”

Some CFOs who are looking for their next career opportunity also believe there is little difference between CFOs. CFOs who find themselves between opportunities and looking for their next role often have an “I can do anything” attitude. This attitude can lead them to accept job offers that they will regret, because the role they were hired for will not take advantage of the value they can bring to the table.

The reality is that CFOs are different—they have different skills, knowledge, and experience. The companies that hire CFOs need to hire the best CFOs for their businesses. Because businesses are different, the CFOs they hire need to be different, as well.

### What Kind of CFO Is Right for My Company?

Before a company can choose the right CFO for its needs, it needs to understand what its needs are. The type of CFO a particular company needs is based on where it is on the growth spectrum. Companies fall into the following phases:

- **Start-up.** This company is in the organization stage of putting its business together. The founders focus on building their business based on an idea built around a need a potential customer might have. It might be pre-revenue or in the early stages of revenue, and the founders are looking to find the right formula to grow this business.
- **Growth.** Companies in growth mode are going through rapid change and are exciting companies to work for. Their growth can be organic, which comes from natural revenue increases based on increased customer demand, or it can derive from acquisition of another business or from a mixture of organic and acquisition growth.
- **Status quo.** Many companies maintain their business over a period of time. They do what they do well enough to stay in business but are not

innovating and focusing on growing the business, nor are they failing and declining. Companies in this category can have varying degrees of profitability, but many CFOs may not find them an exciting place to work.

- **Restructure.** When owners (or creditors) choose to make radical changes to a company to ensure survival of the company or at least that the company can pay what it owes, the company is in the restructuring phase. This phase can be very stressful on the people who are involved with the company. Decisions are made in this situation that can be quick and painful. Many times a company ends up in this situation because of mismanagement, but economic headwinds can be a key reason, as well.

Companies in each of these phases require their own types of CFO. CFOs with experience in one type of company are less likely to be successful with another type of company.

My CFO advisors were asked the following question: “What are the top three strengths needed by CFOs working for companies in these various phases?” Here is a summary of the most common answers given by my advisors.

### **Start-Up**

- Manage cash.
- Attract and maintain investors.
- Be a generalist.

### **Growth**

- Manage cash.
- Attract and maintain investors and bankers.
- Be a strategist.

### **Status Quo**

- Manage cash and costs.
- Focus on processes for efficiencies.
- Master communication skills.

### **Restructure**

- Manage cash and costs.
- Master communication skills.
- Attract and maintain investors and bankers.

### *When Companies Hire Their CFO*

If CFOs are different from one another, and companies are different, too, what should a company be looking for when hiring a CFO?

Companies need to be aware that hiring the wrong CFO can have a very negative impact on the company. Hiring the wrong CFO can lead to increased cost of capital, the inability to access capital when needed, not meeting corporate financial objectives, and losing key talent critical to the company.

Before a company hires its next (or first) CFO, it needs to ensure it understands what it needs from its CFO. Understanding the stage your business is in and what your business needs from your finance leader is critical. Companies must prioritize the importance of their needs, as well.

Companies also need to realize that they may not be able to hire the person who has everything they feel they need. For one, it may not be possible to find someone who has the ability to do everything you need. And even if you were able to find someone who can do everything himself, there may not be enough time for him to deliver on this.

The most effective CFO is the one who is able to ensure delivery in all areas needed by the company. CFOs don't need to be experts in everything; they just need to be experts in ensuring delivery for all the company needs.

### *When CFOs Get Hired*

CFOs need to take the time to really understand the needs of the company they are interviewing with. Not only do CFOs need to present themselves as the best solution based on what the company needs (as the company explains it), they also need to put on their consulting hats and ask probing questions to identify what it is that the company they are speaking with really needs. Only once the CFO candidate understands the company's real needs can she assess whether she is the best CFO to meet that company's needs, and sell herself accordingly. This is the clarity a CFO needs so that once she gets hired, she can meet and exceed the expectations of the people she will be working for.

Too many CFOs sell themselves for a role saying that they can do the job. Successful CFOs ensure that when they are hired for a role, they are the best fit for their new employer's needs.

CFOs should only want to be hired for a role that will match their knowledge, skills, and abilities as well as their career plans. Career planning for the CFO is further discussed in Chapter 2.



## WORK–LIFE BALANCE

One of the biggest challenges faced by senior finance professionals is one of balance. Work–life balance continues to be a challenge in corporate America today. In the era before mobile phones, only medical professionals, plumbers, and electricians had beepers and needed to be available at all times to respond to an emergency.

In the not-too-distant past, there was a border between a person’s personal life and work life. Today, this border is blurred. The proliferation of mobile devices contributes to an “always-on” lifestyle, where professionals are always on call.

Finance professionals are known to send and receive work-related messages on their smartphones or tablets at all hours of the day and evening, and sometimes in the middle of the night. Being connected and available is a requirement in today’s business environment. Compliance-related deadlines are shorter and stricter. More work must be done in less time. This requires finance professionals to work from mobile devices outside of work hours.

Weekends and vacations are no longer sacred personal time in corporate America, especially for corporate finance professionals. Finance people tell me that they are expected to be always available. Some CFOs have told me that when they want a real break, they travel to an area without cell phone coverage, even as such areas are more and more difficult to find.

Always-on does have advantages. It does give professionals the flexibility to take time for the personal and important nonwork moments in their life, while ensuring that the work gets done and that decisions are made. Being able to attend a child’s soccer game during work hours or attend a medical appointment with a loved one while being available and connected to your work colleagues does offer flexibility. Employees appreciate not being tied to their desks while still being able to make a difference at work.

The challenge is and continues to be, “How do I balance it all?”

CFOs are leaders for their finance team and for the company. How they act sets the standard for how others are expected to act. When a Chief Financial Officer stays late at the office on most nights, staff understand that they are expected to do the same. When a CFO sends emails at 2 A.M. expecting an answer by 9 A.M., the message that is being sent is not only the request in the email.

However, when a CFO attends his child’s soccer game and makes himself available to his employees and peers, or when a CFO takes a real vacation, he or she sets an example, as well.

Being aware that work–life balance is necessary and important, both for you as CFO, and your team, is of the utmost importance.

## THE OTHER IMPORTANT THING TO BALANCE

When people talk about work–life balance, the work portion is generally thought of as the work they do for their employer.

When I think of work, I see it as two distinct yet inextricably related components: career and employment.

For senior finance professionals to become and continue to stay successful, they must focus on both their careers *and* their employment. I have never seen a successful CFO who is only successful in one or the other; they must be successful at both.

If you remember nothing else from reading this book, remember this: *You can be a successful CFO only if you focus on both your career and your employer.*

CFOs who focus solely on delivering the maximum value to their employers and do not focus on continuing to develop their careers will not continue to be successful CFOs. Chief Financial Officers cannot be successful if they focus on advancing their careers while not giving the best of themselves to their employers and the task at hand.

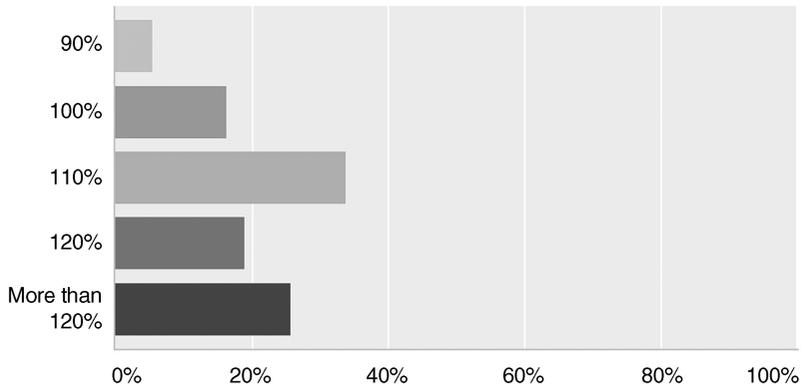
Most CFOs I speak with agree that they need to focus on their careers and their employers. The challenge many of them face is that they are very focused on giving their all to their employers.

It is my experience that CFOs and corporate finance professionals on the path to CFO are very hard workers. This experience led me to ask my CFO advisors the following question: “How much effort do you feel you put into your CFO role?” Their answers are graphically represented in Figure 1.2.

More than three-quarters of my CFO advisors told me that they put at least 110 percent effort into their CFO roles. When looking at this response, it seems that CFOs face an obvious challenge. How can they possibly find the time to focus on their careers when most say they are putting more than 110 percent effort into their responsibilities at their employers?

The answer is that CFOs and corporate finance professionals have no choice but to ensure they focus on their careers, even when they are giving all of their effort to their employers.

How is this possible? A popular saying is that if you want something done, give it to a busy person.



**FIGURE 1.2** How Much Effort Do You Feel You Put into Your CFO Role?

Busy people have the ability to get a lot of things done. Busy people who understand their priorities are able to manage them well. There are many successful executives who make their personal lives a priority in addition to their work lives. Being successful at work does not preclude having a successful personal life. It is a question of balancing priorities.

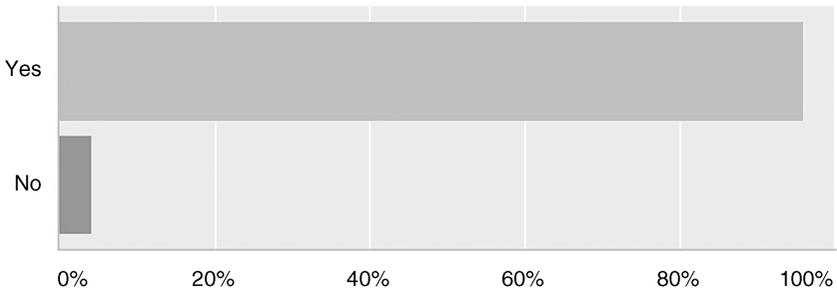
Just as work and life can be balanced, career and employment can be balanced, as well. It is a matter of understanding that career needs to be a priority in addition to focusing on employment.

CFO success requires a healthy balance between a focus on career and employer. That is why this book is divided in two parts, Successful Career Strategies for the CFO (Chapters 2 through 6) and Successful Employment Strategies for the CFO (Chapters 7 through 12). I have provided strategies for success in these two areas because CFOs need to focus on both to be successful.

## CAREER VERSUS EMPLOYER: A QUESTION OF ETHICS?

Stories of corrupt and crooked CFOs and other corporate finance professionals receive a lot of attention. It is hard for such stories not to attract attention.

Financial misbehavior and unethical finance people get such attention because of the high level of trust society places in finance professionals, and because such stories are few and far between.



**FIGURE 1.3** Is It Ethical to Look Out for Your Career When You Are Currently Employed?

There are millions of people working in finance roles at companies and organizations, yet there are only handfuls of stories of corruption and monkey business. There is a reason that there is a huge gap between the millions of honest financial professionals and the handful of those who are not honest.

Finance people consider themselves to be very ethical. I can think of many stories told to me in confidence by senior finance professionals about the ethical dilemmas they faced in their career. This led me to ask my CFO advisors: “Is it ethical to look out for your career when currently employed?” See Figure 1.3 for their answer.

I have to say that I was pleasantly surprised with this response. My experience has told me that not enough finance professionals give proper attention to their careers when they are employed. I’ve always wanted to know why most CFOs did not give enough attention to their careers.

I knew that the CFOs of today and tomorrow wanted to give attention to their careers, but for some reason did not. The answer to this question tells me that it is not their ethics getting in the way of focusing on their careers.

## What Is Getting in the Way?

So what is getting in the way of finance professionals focusing on their careers?

There are many reasons why CFOs do not focus on their careers as much as they should. Time, or the lack of it, is always a good excuse. Many CFOs

have told me that they have not needed to focus on their careers to be successful—they just had to work hard, and the fruits of promotions and new opportunities fell into their laps.

Focusing on work alone as a means to success for finance professionals can only work in the beginning of their careers. Once they reach the point in their careers where they need to focus on the strategic, advisory, and leadership aspects of being a senior finance professional, working hard alone is not enough.

My CFO advisors provided me with some excellent comments on the challenges of focusing on their careers. Here are some examples.

- I am completely focused on the success and well-being of my company, but it's important to be aware of the marketplace and the opportunities available to find a position that may be even a better match for my skills.
- It is ethical to look out for your career when employed. The problem for me is lack of time.
- You should always be focusing on your career. You never know when you may be looking again for a new job.
- As I look out for myself, I am still giving 110 percent to my employer.
- Looking out for your career takes many forms, and most are appropriate and beneficial to your current employer: ongoing education, networking with industry and technical peers, maintaining ethical standards of lines you will not cross, and being open and educational when communicating those standards to other executives.
- You have to always look out for your career. At the same time, when putting in 120 percent, it is very difficult to do so. I feel that this contributes to the time between positions.

## FOCUSING ON YOUR CAREER HELPS YOUR EMPLOYER

It is my premise that looking out for your career while employed not only helps your career, but your employer, as well.

How can that be?

### **Visibility**

When you take steps to take care of your career while employed, you are making yourself visible. Your employer gains when you are visible in your

community and industry. You are one of the top executives of the company. Representing your company while being visible makes your company look good.

## Skills

Learning new things that grow your knowledge, enhance your skills, and improve your abilities certainly adds value to you. They also add value to your employer. As the key stakeholder in getting the best out of you, your employer has most to gain when you increase your knowledge, skills, and abilities. You gain personally because these become part of you, and will continue with you in the future when you work for another company.

Think about the following. You were hired by your current employer because of the knowledge, skills, and abilities you have brought with you. Almost all of this was learned in a formal or informal setting at the previous employers you've had in your life.

Becoming a better CFO or corporate finance professional adds value to you and your employer. If your employer fears that improving yourself would be detrimental to its interests, maybe you shouldn't be working there.

## CONCLUSION

- We defined what a CFO is.
- We defined five personal attributes of a successful CFO.
- We identified three skills required for CFO success.
- We identified that individual CFOs are different, and that companies have different needs for CFOs.
- We discussed the importance of CFOs balancing all aspects of their lives, and that work should be defined as commitment to both employer and career.
- We discussed that when CFOs are loyal to their employers, this can work to their disadvantage.
- We saw that to be successful, CFOs need to focus on career strategies as well as employment strategies. CFOs are able to truly succeed by focusing on both at the same time. At minimum, if employed, CFOs who ignore their

career do so to their detriment, and it limits them from becoming or continuing to be successful CFOs.

In the coming chapters, *Guide to CFO Success* provides the reader with strategies to get the best out of their career and their employer. Part One speaks to Employment Strategies for CFO Success, while Part Two identifies how current or future CFOs can set themselves up for continued success at their employer.

