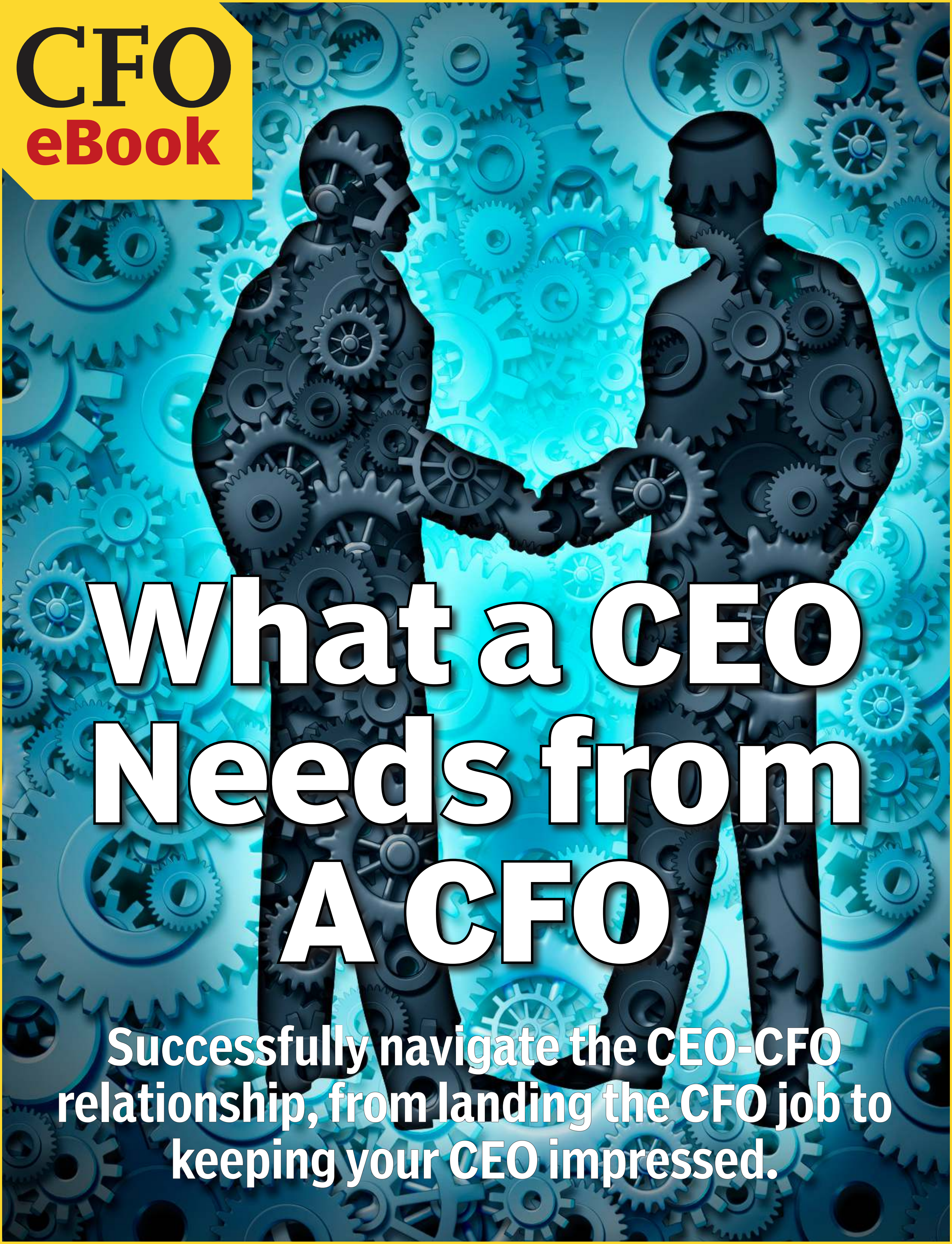
CFO
eBook



What a CEO Needs from A CFO

Successfully navigate the CEO-CFO relationship, from landing the CFO job to keeping your CEO impressed.

What a CEO Needs from a CFO is published by CFO Publishing LLC, 51 Sleeper Street, Boston, MA 02210. Mary Beth Findlay edited this collection, with assistance from Caitlin Hegarty and June Rockefeller.

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FOREWORD: A POSITION OF POWER

It's your first day on the job as the new CFO of a company. You're feeling confident about your financial expertise, operations experience, and leadership ability, but you're still somewhat queasy as you approach the executive suite. Why? Perhaps because as David Johnson, CFO of the Hartford Financial Services Group, has said: "The CEO connection is the single most important thing a CFO must understand and maintain."

As CFO, your relationship with the chief executive can make or break your job. And with so many facets to the CFO position, it can be difficult to tell what qualities the CEO is really looking for in his or her right hand man. More likely than not, CEOs are looking for financial experts who know how to do more than read Excel spreadsheets; they need strategists, communicators, and innovators. They need a person with experience, but also someone who is able to take risks when the time is right.

CEO and CFO relationships can be some of the most delicate, but also most groundbreaking kind. A CFO who is able to execute a CEO's strategy successfully, and back him or her up at a tense board meeting, is likely to earn the boss's stamp of approval, and possibly even the CEO spot someday.

Most importantly, CEOs need a CFO with a backbone — one who isn't afraid to say "No" to IT or HR when needed, but who is also willing to put his or her neck out for a worthwhile investment.

Whatever your financial ability or leadership experience, we hope that this CFO eBook provides you with useful instruction on how best to use your skills to the CEO's (and your own) advantage.

LANDING THE JOB (AND KEEPING IT)

"A new CFO should establish a strong controllership function early on, whether that means adding positions, hiring people, or reorganizing. 'You want to have a team and processes in place that make you extremely confident. That's not going to happen in 90 days, but you have to have the commitment in place to support you going forward.'"

ROLE-REVERSAL: INTERVIEWING YOUR FUTURE CEO

How to find that great next CFO job? Here is one tactic that you might overlook but should not: Interview your future boss, the CEO, as if he or she were the job applicant, not you.

Because when it comes to your career, knowing as much as possible up front about the company and person you might work for is probably more important than dazzling them with your résumé, presentation skills, and personal charm. Showing enough courage and concern to ask your interviewer some of the toughest questions about the business might be just what the CEO is looking for. And nobody, most of all you, wants that supposed dream job to turn into a nightmare, and one that ends with a rude awakening—another job search, and a lot sooner than you'd thought.

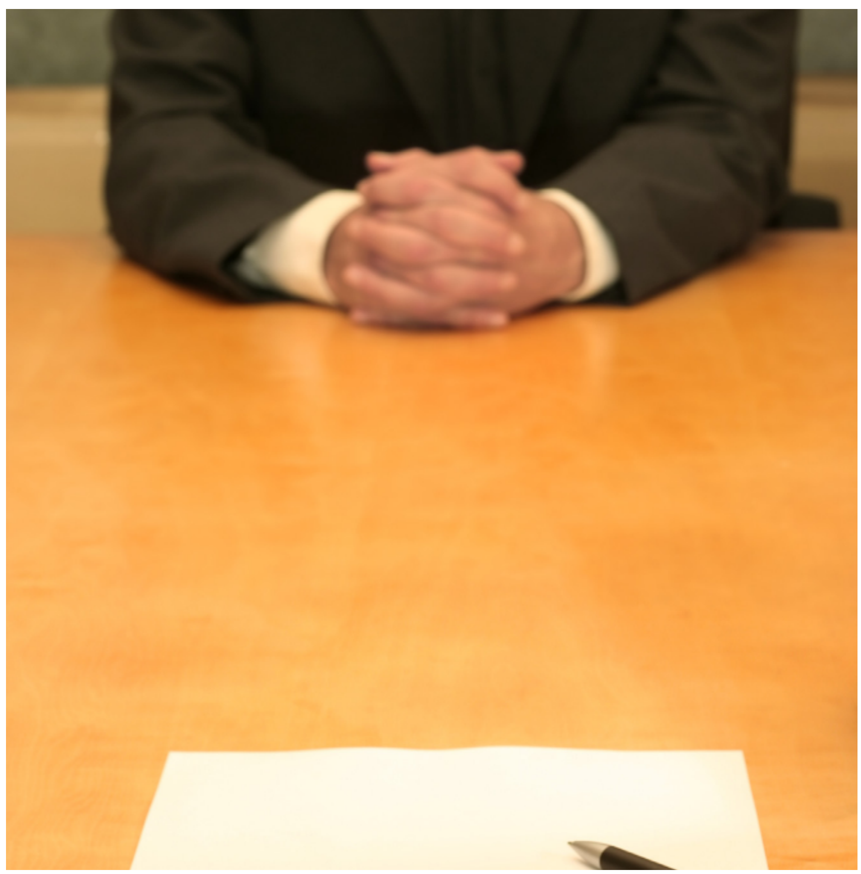
Besides, CFOs can rightly feel emboldened to question the CEO, who probably needs you as much as or more than you need the job, according to Eric Rehmann, co-managing director of the financial officers practice for recruiting firm Korn/Ferry International. (Rigorous due diligence, albeit on your own behalf, should impress any savvy CEO, anyway.)

"There aren't enough good CFO candidates to go around," says Rehmann. "The best ones have multiple choices."

While a few straight-forward questions are obligatory and possibly useful, you'll probably discover the most revealing information about your prospective CEO and organization through indirect questions—that is, those that appear to be about one topic but really are meant to elicit information about another.

And rather than ask questions that invite abstract, non-specific answers, get down to cases. Whenever you can, ask for examples of how the CEO and organization dealt with real-life situations.

"When they tell stories, they tell you a lot," says executive coach C.J. Liu, principal of My Whole Life, and a former CFO herself.



For more interview advice read Best Interview Tactic?

To fully understand the meaning of those stories, and other answers, a CFO job candidate needs "two antennae: one to process the facts and the other to process feelings and impressions. Both are critical to get a complete picture," says Jonathan Schiff, a Fairleigh Dickinson University accounting professor and founder of the Finance Development and Training Institute, an alliance of 15 global companies dedicated to deepening the bench strength of their finance organizations.

In other words, listen carefully for the subtext, or unspoken message, in the CEO's responses.

And last but not least, a CEO's answers probably won't do you much good, Schiff points out, unless you first ask yourself a few tough questions. "The first step," he says, "is to know yourself; then find the right match. Sometimes that understanding of one's self is lacking."

To help find the best fit for that next job, here are nine questions to ask the CEO:

1. What were the strengths and weaknesses, or what did you like and not like, about the former CFO, both in your working and personal relationships, and what are you hoping to change with a new hire?

Some CEOs can't adequately articulate what attributes they're looking for in a new CFO or what kind of relationship they want with a new finance chief, according to Rehmann. This question probes that issue for details. "You're on more neutral ground talking about a third party, but you're still getting granular detail about the CEO's day-to-day relationship with the CFO," he says.

2. What critical business decision, or two, did you make over the past few years, and what role did finance and the CFO play?

The answer to this question will pointedly tell you whether the CEO considers the CFO a strategic partner or the head numbers-cruncher.

3. Which financial statements do you focus on and how often do you read financial reports?

The CEO's answer can reveal how much or little a driver of business decisions finance is and thus the CEO's view of finance's role in the organization. A CEO who reviews monthly reports and focuses on cash flow and profit margins is more likely to consider the CFO a strategic partner, because in such an organization, Liu says, "The CFO needs to deliver on shareholder value." A CEO who skims quarterly reports with an eye to potential illegalities probably depends on finance and the CFO mainly for compliance.

4. Tell me about a conflict within the organization and how you handled it.

The answer to this question can tell you a lot about a CEO's leadership style, whether the CEO's approach to conflict is competitive, collaborative, or avoidance, according to Liu. Whether the answer satisfies the CFO depends on the CFO's comfort level with any particular style. You may prefer a boss who makes decisions without too much discussion and moves on, or one who seeks buy-in from key participants, including the CFO. Collaboration can, of course, slip into avoidance, with no decision, or a poor one, ultimately being made.

5. Who are the key outside advisors influencing major decisions? And what's the role of any outside accounting firms—what functions do they perform?

Often CEOs rely on outside advisors such as a former company CEO, a management consultant, or maybe even a spouse. You'll want to know who else has the boss's ear, and the quality of that advice, before accepting the job. As for outside accounting firms, does the CEO employ an outside firm for auditing and other traditional accounting functions, or does the CEO lean on the agency, like a crutch, to weigh in on business decisions? If it's the latter, that's probably a bad sign for the incoming CFO.

6. What are the company's top business goals, what's the strategy to achieve them, and how are you adjusting your strategy in light of current market conditions? And related to that: Who are your major competitors, why, and what is your organization's competitive advantage?

These questions are designed to test the CEO's business acumen. How well does the CEO understand his or her own business and business environment, and how well can the company compete? You should know the basic answers to these questions going into the interview; you don't want the CEO to think you didn't do your homework. So it's best to preface the question with a statement indicating that you know the basics but would like a more in-depth discussion.

7. How many new SKUs (stock-keeping units) have you launched in the past year or two, and what new stuff in the pipeline?

This question gets to the pace of change and innovation in a company and in fact whether the company genuinely embraces change, says Schiff. (SKUs are common in consumer-product companies, but the concept can be applied to other companies by asking: How many new clients/customers have been acquired? How much key-client attrition have you experienced? Is the quality of client/customer improving?)

8. What are board and investor meetings like? Smooth sailing, or rough? And what pressures do you face from major shareholders?

The answer, Liu says, probes a major issue that CFOs face: the pressure to use accounting gimmicks in financial reports to make a company's earnings and overall financial picture look better than they really are. "The more intense the climate, the more pressure there is to cook the books," she says.

9. May I speak with the former CFO?

How else will you really find out where the bodies are buried?

CFO Summary

- Posing specific questions to your future CEO about your new company can help you learn important information about the business and about your own role.
- Asking the future boss what critical business decisions he has made and how he has handled conflicts alerts you to the CEO's leadership style and what he expects from a CFO.
- Talking to the former CFO may be necessary to finding out what the company has buried.

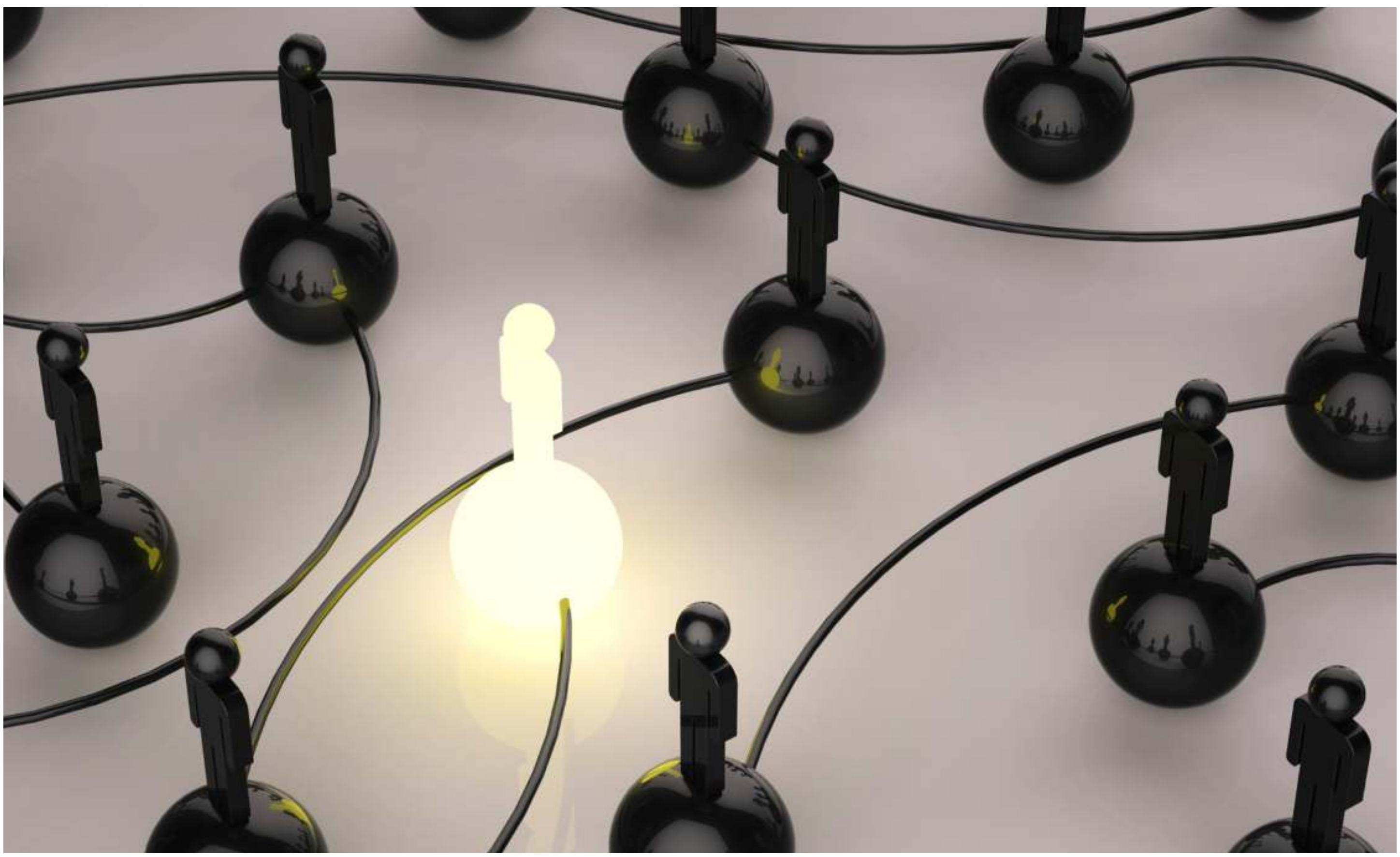
OFF TO A RUNNING START: HOW TO SHINE IN YOUR NEW ROLE

Once you've stepped your foot in the door of a new position, it might seem like the hard part is done. You've impressed the CEO and board enough to land the job, but you've yet to show them what you can really do in the workplace. And the cliché about first impressions is true: there is never a second chance. So to ease your way into your new environment and show your CFO you've got what it takes, here are some tips for getting off to a good start.

1. Find an Ally

It is crucial to quickly get to know the finance team. But since no one can be everywhere at once, it's good to have an observant adviser within the company, says Blythe McGarvie, former BIC Group CFO and now CEO of Leadership for International Finance, a corporate finance and leadership consultancy.

McGarvie suggests finding someone in the company to "be your counselor, letting you know



if the troops need more attention or if they're confused." An ally does not have to be a peer or a direct report; hers was a junior colleague who was attuned to the workforce and unafraid to share his observations. Over time, his suggestions became indispensable, as McGarvie realized that the people who needed help rarely came into her office asking for it.

2. Get Things under Control

A CFO who wants to position himself as a strategic partner to the CEO should avoid getting bogged down in the controller function, says Bill Maw, CFO of Liquidnet, a vendor of electronic securities-trading systems. "My number-one risk is the controllership, but I want to worry about it the least," he says.

A new CFO should establish a strong controllership function early on, whether that means adding positions, hiring people, or reorganizing. "You want to have a team and processes in place that make you extremely confident," Maw says. "That's not going to happen in 90 days, but you have to have the commitment in place to support you going forward."

3. Don't Skimp on the Finance Department

CFOs want to control costs, and what better way to do that than tightening the purse strings of the finance department, right? Wrong, Maw says. "CFOs often think they've got to set an example from a cost perspective, and they kind of cheapen themselves," he says. Cutting the budget for finance solely to be a model for the company is a mistake, he says, because it can restrict the quality of finance talent. And more than anything, a new CFO needs capable, engaged employees.

4. Be a Collaborator

When it comes to strategy, it's easiest to forge ahead if executives across the company are on board, says Suzanne Bates, president of Bates Communications and a business-communication coach. Particularly for a new CFO, it's important to vet plans with the right people, whether launching an IT transformation or introducing a new initiative, she says. "Keep them updated on where things stand so that they're hearing how the project is advancing. That way you're constantly winning buy-in for the next move."

A new finance chief should also look for informal support and feedback on how to make projects more efficient and less disruptive to the business, Bates adds. "Lots of the things the CFO does have a big impact on the other business functions," she says. "It's critical for the CFO to gather input and make sure that he is doing what he can to make it as easy as possible."

5. Take Note

A new CFO should spend lots of time listening, McGarvie says, noting that many finance chiefs spend too much time talking and not enough time taking notes on what they hear. "When you're new, you find so much information and get so many ideas, but it's not wise to act on those ideas immediately," she says. Rather, the first 90 days are an opportunity to determine which strategies, people, and processes are healthy and which need improvement. "You can tell by talking to people whether they believe in the current strategy. Those sorts of clues really help you long term when it comes time to review the strategy," McGarvie says.

The listening process will also help a new finance head understand the political factors within a company, says Howard Seidel, an executive coach at Essex Partners. "As much as we want to believe organizations are very rational entities, they're not," he says. "Even if you try to make a change in an organization and it makes sense on paper, there may be things in the way." Understanding such potential obstacles will smooth the way when it is time to start making big decisions, perhaps as soon as Day 91.

CFO Summary

- Find an observant ally on the finance team when starting a new CFO job to determine how the other employees in your department are feeling.
- Establishing a strong controllership function early on can increase a CFO's confidence and support going forward.
- The first 90 days of a new job provide opportunity to determine strategies and gather information on the people and processes of the firm.

Read why many firms are finding their new CFOs internally in **The Next CFO: An Inside Job.**

BAD BEHAVIOR: WHAT NOT TO DO AS CFO

It should go without saying that one of the worst ways to get on your CEO's good side is to lose your cool in the workplace. But for some CFOs, that hasn't always been quite clear. In 2012, the CFO of Talos Partners, a merchant bank that does structured financing and strategic equity investments, decided he'd had enough. He apparently was trying to convince his CEO of something, but it seems the message wasn't getting across. So he stormed out of the room and returned "holding a full-sized baseball bat over his shoulder with both hands," according to the Salt Lake Tribune. 59-year-old CFO Mark E. Oleksik eventually calmed down. He is being charged by Greenwich, Colo. Police for using a dangerous weapon in a fight, although he never swung the bat. Oleksik says he was using it as an "intimidation tool."

It's likely that many CFOs would like to have a 30-ounce solid piece of white ash stored under their desk to brandish at their CEOs from time to time, if they could get away with it. Indeed, if someone had captured this on video and posted it to YouTube Oleksik could have become a corporate American hero. Not to make light of what Oleksik did, but we could use more CFOs like him, or a slightly toned down version of him; one with the conviction and bravado to stand up to the chief executive. The CFOs behaving badly are not the Oleksiks of the world; it's the CFOs who are slinking from the fight, rolling over for the CEO. Clearly, this is what happened at J.P. Morgan Chase as the company's chief investment office — which was really supposed to be performing a mundane, treasury-like function — built up a $100 billion position in risky bonds and derivatives. For five months, there was no treasurer in place at the company, so oversight would have fallen to CFO Doug Braunstein. Why wasn't he standing up to Jamie Dimon and demanding an accounting of the CIO's activities?

In 2011, we asked the same question about some of the CFOs at MF Global, the futures dealer that lost $1.6 billion of customers' money.

In congressional testimony, Christine Serwinski, former CFO of the North American broker-dealer unit of MF Global, and Henri Steenkamp, CFO of parent company MF Global Holdings, denied having much knowledge of the circumstances that could have led to customers' funds being misused and of the firms' treasury operations in general.

Serwinski and Steenkamp clearly didn't challenge former New Jersey Governor Jon Corzine, who it appears not only overinvested in some risky European sovereign debt but also, in the company's final days, may have directed the firm's treasury department to use customer funds to cover a liquidity shortfall.

It's not easy to go head-to-head with larger-than-life figures like Jon Corzine and Jamie Dimon — and a piece of sporting equipment used for striking wouldn't be much help.

Why is this happening? Three things: One, many CEOs, especially those in financial services, are not hiring strong CFOs. Instead, they often look for someone who will fall into line.

Second, CFOs are not focused enough on their core duties, particularly the controllership and treasury parts of the job — "presenting and reporting accurate and timely historical financial information about the company" and "deciding how to invest the company's money, taking into consideration risk and liquidity." Instead, all we hear from CFOs these days is that they want to be "operators."

Third, and finally, executive search firms share some of the blame. What headhunters describe as the attributes for a great CFO can be a bit nauseating: "the goal for a leader now is to be tough but still be loved"; "not be too wedded to one point of view"; "it's not about 'my way or the highway,' but rather empowering people to feel that their ideas are welcomed and listened to …"

What about a CFO who doesn't care about being loved (and that doesn't equal abrasive), does have definite points of view, and is not spending all of his or her time wiping the noses of employees?

Not all CFO candidates fit the mold executive search firms are endorsing, thank goodness. But that means they may not be getting hired either. That's a shame. We need CFOs with chutzpah. They just have to leave their enthusiasm for baseball at home.

CFO Summary

- Although Mark E. Oleksik's baseball bat threat was not appropriate CFO behavior, the business world could use some more CFOs with courage and enthusiasm.
- Many CEOs look for CFOs who will merely do as they say, instead of strong willed executives.
- Executive search firms can ignore certain CFO candidates who don't fit a particular mold.

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SHINING IN THE C-SUITE: SHOWING OFF YOUR SKILLS

"What capabilities, talents, and expertise should be in a CFO's toolbox no matter what industry or company he works for or challenges she may face? To hear CFOs tell it, 'toolbox' may be the wrong metaphor: magician's bag of tricks is more like it. There's nothing easy about mastering the soft skills they say are essential, and which seem to boil down to clairvoyance, X-ray vision, and the ability to bend time."

THE KEYS TO SUCCESS: SKILLS YOU NEED TO BECOME AN EXCEPTIONAL CFO

No one becomes a CFO without possessing the commensurate finance skills. No one thrives as a CFO, however, without having much more. As Scott Simmons, vice president of Crist Associates, a Chicago-based recruiter, puts it: "No company wants just a really good finance person anymore; they want someone who can go beyond that."

But exactly what are those other essential skills? What capabilities, talents, and expertise should be in a CFO's toolbox no matter what industry or company he works for or challenges she may face?

To hear CFOs tell it, "toolbox" may be the wrong metaphor: magician's bag of tricks is more like it. There's nothing easy about mastering the soft skills they say are essential, and which seem to boil down to clairvoyance, X-ray vision, and the ability to bend time. Ultimately, however, there is a common theme. "Once you get past the technical skills, it's all about people—communicating with them, developing them, empowering them, and listening to them," says Charles H. Noski, retired CFO of AT&T and Northrup Grumman. "If you do those things well, it will contribute to your success as an executive, whether you're a CFO or not." Patience, experience, and a solid dose of intuition can help you round out your financial acumen with the following tricks of the trade.

Time Benders

Every executive knows all too well that a 24-hour day can feel woefully insufficient. Overload may be a way of life in finance, but there are ways to cut through the clutter.

Stephen D. Young, CFO of time-management consulting firm and accessory-maker FranklinCovey, tells his staff to stop producing any information they deem unimportant and "see if anyone notices." That advice has led to a 40 percent reduction in the volume of data reported. For example, "rather than having a budget-versus-actual analysis sliced five different ways, we slice it two different ways, and rather than have 15 different inventory reports we have 10," Young says.

To improve your communication skills, read **How to Be a Strategic Communicator: 5 Tips.**

Young also takes a merciless approach to his E-mail inbox. He glances at it several times a day but doesn't respond to any messages until the end of the day unless they are clearly urgent. That establishes a very high bar—Young says he leaves about 60 percent of his messages unopened.

Frank Gatti, CFO of ETS, also relies on a strict E-mail hierarchy. "Not all E-mails are of equal importance," he says. Aside from those sent by his CEO, "investors and bondholders come first. Respond quickly even if you don't have all the facts, just to let them know you'll get back to them when you do."

Managing Up

Every CFO has to deal with a CEO, and figuring out how to make the boss happy is a skill no aspiring finance chief can be without. "The CEO connection is the single most important thing a CFO must understand and maintain," says David Johnson, CFO of The Hartford Financial Services Group. While a sound strategy will depend on myriad interpersonal factors, Johnson says he thinks a critical element is candor, which is key to becoming a trusted adviser to the CEO.

"You need to know what your CEO's hot buttons are: what's important to him, what is he being judged against, what's his value system?" says Tony Panos, a consultant who developed and teaches a class on managing up for one of Cornell University's extension schools. "Anything you suggest should fit into that. You should demonstrate how you are helping him meet his goals."

But what about managing up to a dictatorial CEO? The advice is the same, Panos says, but he recommends looking a bit deeper for motive. "People who are dictatorial tend to have some level of fear driving them. Start by looking at what those fears are and how you can mitigate them."

The Art of Saying No

CFOs are often labeled as the original "Dr. No," and in fact they may be more likely than other senior executives to put the kibosh on ill-advised plans or projects. But many CFOs agree that a thumbs down, or any form of unwelcome news, can be delivered professionally and with a little less sting.

One way is to "help people feel like they're coming to a decision together," says Bright Horizons Family Solutions CFO Elizabeth Boland, by giving them the facts and the potential risks rather than a final answer. Richard Fearon, CFO of Eaton Corp., says that listening can make all the difference. "You just need to hear the idea through so that no one feels shortchanged," he says. In a well-managed company, he adds, the CFO won't have to play the heavy very often, because bad ideas will usually be weeded out before they get to his door.

Sometimes, of course, the CFO will have to say no. The toughest situations, in Boland's view, are those in which the lack of revenue potential "makes it really evident that a proposal is not even worth talking about." She counsels patience. "We try to talk through all possible revenue opportunities," she says, "before saying it won't work." When all else fails, says Fearon, you simply turn the tables. "I just ask what the person would do if he or she owned 100 percent of Eaton."

Vetting Vendors

Third-party consultants, contractors, and service providers have become essential in this era of increased regulation and outsourcing. And thanks to Sarbanes-Oxley, not only has "reliance on third-party vendors reached a new extreme," says Jeff Burchill, CFO of FM Global, but so has the complexity of deciding which firms to hire. In the past, the decision was based largely on who was the low bidder. But now that public-company CFOs face a potential personal liability regarding the quality of financial reporting, "price may not even come up," Burchill says. Consequently, CFOs often have to be "personally involved in the selection process," he says.

That means digging deep on references. Ideally, have a technical person on your staff find out exactly how a consultant handled, say, a software conversion at the reference's company and what complications ensued, says Bright Horizons's Boland. Then ease into the relationship slowly, signing up for only a short project to start. Build in time for unexpected problems.

Setting out detailed, measurable expectations can help guide the relationship. "You don't want to micromanage what you've outsourced, so you need to have the right reference points to measure them against," says ETS's Gatti. He recommends asking the vendor for an easy-to-read dashboard showing early warning signs for problems, along with more-detailed weekly or monthly reports.

Finally, realize that managing vendors now carries the additional burden of being responsible, at least to a degree, for the quality of their internal controls. "It's bad enough trying to monitor your own internal controls," said Stephen Bainbridge, a law professor at the University of California.. But overseeing another company is "more difficult and more expensive."

Develop X-ray Vision

The CFO is in a unique position to have a window into every aspect of a company, but that's no substitute for real vision.

"We participate in or lead some of the most complex decisions an enterprise can make, so one of our jobs is to see the consequences of all those paths that others can't see," says The Hartford's Johnson. And that, says Robert Mittelstaedt, dean of Arizona State University's business school and board member at two public companies, requires being "analytic enough to constantly think about 'what-if' scenarios." After all, CFOs "are better versed than anyone about the financial implications of any of those risks," he says.

Many CFOs are analytic by nature, of course, but Johnson says that what really helps hone a CFO's powers of perception is trouble, and the more the better. "Until things go very wrong in ways that were completely unanticipated, you don't develop those skills," he says. And he should know. Having helped clean up fraud at Cendant and worked with companies in bankruptcy as an investment banker, Johnson has seen his fair share of crises. He actually reads forensic audit reports of disasters at other companies to help keep him on his toes.

Legal Ease

The last thing any company needs is a lawsuit. But in Corporate America, they come with the territory. Patent infringement, employee discrimination, workers' compensation, and, perhaps scariest of all, securities class-action cases are all a fact of life.

The real issue is risk avoidance, and there are some simple safeguards, says Cynthia Jamison, national director of CFO Services for Tatum LLC. For example, "Have routine legal forms that are used for 'usual' business [that is, customer contracts, NDAs, option agreements, and so on]. Then, whenever something is out of the ordinary, or someone requests a substantial change to normal policy, call a lawyer."

Bill Stephan, the former CFO of Harborside Healthcare, added another layer of protection. "We had a policy that no field personnel could enter into contracts." Instead, the company, an 80-location nursing-home operator, mandated that only the CFO and the in-house counsel were allowed to sign. But Stephan avoided bottlenecks by pledging to turn around any documents very quickly—often in the same day.

Having a good working relationship with your counsel—whether inside or outside—can be a safeguard in itself. In fact, says John Iino, a partner at Reed Smith LLP and co-chair of the firm's Corporate & Securities practice group, lawyers are most efficient "when they are kept close to the internal decision makers." Only then, he adds, can they help companies "draw the line between legal compliance and financial compliance" in such areas as executive-compensation disclosure. Stephan worked close enough with his inside counsel, in fact, that he became adept at spotting legal red flags.

Of course, there are times when outside counsel must be called in. This is especially true, says Jamison, "if you are in a defensive posture—say, a customer threatens to sue or you get subpoenaed for a court appearance." That's when the CFO's skills come in handier than ever. "It's just like managing anything else," says Stephan. "You want someone who is working in your best interest. And you want to avoid anyone with a tendency to overlawyer or who's just out to win points." If you don't, you'll regret it when the bills come in, he adds.

Street Talk

Increasingly, a wide range of stakeholders want direct access to the CFO. Knowing what communication techniques work with which audiences can help finance shine, both within and outside the company.

But honing your skills as a public face of the organization requires a bit of homework. Before his company went public in March, Steffan Tomlinson, CFO of Aruba Networks, listened in on some 20 conference calls and kept a log of questions asked by analysts so that he would know just what to expect when Aruba held its first call. From that, he learned that "tone and tenor mean a lot, especially over the phone," and "how you answer questions about competitors is telling." He says that when executives on one of the calls he listened in on stumbled over certain questions, their company was soon described by an analyst as faltering.

Frequent calls, road shows, and meetings can be a grind, but Boland of Bright Horizons says it's critical to stay focused. "You get very routine about how you do your presentations and what you think people want to know," she says. "Try to hear what they're really asking."

If the audience is internal, be prepared to forgo finance jargon in favor of plain English. "I've worked with many CFOs who aren't CPAs but became CFOs because they were able to synthesize financial information into something useful," says Bruce R. Evans, a managing partner at private-equity firm Summit Partners. Offer a few select bar charts and graphs when possible, instead of tables of numbers. And don't talk too much. "Even when the work behind something is extremely complex," says Gatti, "your audience really just needs to know the headlines."

Leading by Example

As the head of the finance department, the CFO must lead and inspire—and know when to get his hands dirty.

It is a delicate balance, says Joseph E. Esposito, retired CFO of Concord, Massachusetts-based SolidWorks Corp. "You have to demonstrate that you are a leader, but without interfering." That means offering the guidance and counsel of a top executive, he says, but letting your employees do their day-to-day jobs. Boland echoes that idea: "As CFO, you've got the title and authority to be involved, but you have to make other functions feel like you're an assistant, that you're there to make them look good."

There are times, however, when the pressure is such that a CFO must step into the fray. Esposito has found that a particularly effective approach is to jump in as a short-term project leader. As a CPA, he says, there have been many times when he's been able to lead a technical project, such as dealing with stock-options accounting, and that when he has done so it has come as a big relief to his staff. "To them, something like that is just a big pain in the neck," he says, "since many have never seen it before and may never see it again."

At the same time, sometimes it's the little things that count. For ETS's Gatti, for example, leading by example means getting his expense reports in on time so that he can encourage others to do the same.

CFO Summary

- Patience, experience, and intuition are essential components to rounding out a CFO's financial expertise.
- By ceasing to produce obviously unimportant information, a business can both save time and greatly reduce reported data.
- Connecting with the CEO should be the CFO's first priority.
- CFOs must know how to communicate with various groups of people, and must be able to both lead and inspire in the finance department.

TIME TO GET CREATIVE: MASTERING FINANCIAL INNOVATIONS

"We need to be more innovative!" goes the rallying cry. "We need to think outside the box!" exhorts the CEO. In today's market, with growth hard to come by, most companies are frantically seeking new ideas. And many finance chiefs, who are trained to follow rules and regulations and are often specifically required not to be creative, wonder where to start.

While disruptive innovators—those who develop industry-changing products and services—have incredible natural innovation abilities, anyone can learn to be more innovative, no matter what his inherent cognitive style, says Hal Gregersen, a professor of leadership at INSEAD and author of The Innovator's DNA, a book that outlines the key ingredients of innovative thinking.

The five skills shared by such well-known innovators as Apple's Steve Jobs, Amazon's Jeff Bezos, and eBay's Pierre Omidyar? Questioning, observing, networking, experimenting, and associating, or connecting ideas from seemingly unrelated sources. Gregersen, who along with co-authors Clayton Christensen and Jeff Dyer studied more than 5,000 executives and assessed their abilities, calls these "discovery" skills—all areas where strong innovators score very well.

Finance executives, on the other hand, tend to be more "delivery-oriented," scoring well on things like organizing, planning, attention to detail, and execution. While these talents are hugely valuable, CFOs also need discovery skills to progress in their organizations, says Gregersen. "When a CFO is sitting with the chief marketing officer and the chief operations officer, he's there to have a functional perspective, which is finance, but if that's the only language he speaks, his influence within that senior management team is going to be quite limited," he says.

Read **Three Ways CFOs Can Drive Innovation, Growth** for more on innovative thinking.

Bringing Innovation to Finance

How, then, can finance chiefs apply innovative thinking to a role in which risk-aversion and accuracy are prized? By consciously trying to use discovery skills to improve processes and solve problems within finance, says Gregersen.

He gives the example of a CFO who is reviewing a product line and trying to determine which items to eliminate. The innovative CFO would spend some of his time over the course of a month writing down questions about the various products, visiting stores to observe customers buying and looking at the products, and meeting with contacts outside the company to discuss the products. He would then sit down and review his findings, crunch the numbers, and present his recommendations to the rest of the management team. When compared with a more traditional CFO, who would likely stay in the office, analyze the data gathered by his staff, and then make his presentation, "which one brings more strategic value?" asks Gregersen. "If CFOs want to create value in their roles, they have to be connected to the jobs that their products and services are doing."

While some parts of the finance job, such as preparing financial statements, for example, are clearly off-limits for innovation, CFOs can bring new thinking to how they construct reports, what they analyze, how they structure their finance teams, and how they pursue financing for a given project. Gregersen cites the example of a highly innovative company he once worked with where, "by all accounts, the CFO couldn't innovate himself out of a paper bag." The finance chief scored in the 10th percentile on the discovery-skills assessment Gregersen administered. But over the course of a few years of working at the company and being surrounded by innovative thinkers, he improved his score to reach the 35th or 40th percentile. He was asking more and better questions, and was contributing new ideas about how to improve the business. "It didn't make him the next Steve Jobs," says Gregersen, "but it did make him more capable of talking to the next Steve Jobs."

Playing Well with Others

That, perhaps, is the key. While discovery-driven innovators and delivery-driven executors often tend to clash, and even disparage each other, a successful innovative company needs both to thrive. "If those two types of folks don't learn how to play well together and respect each other, great ideas go nowhere," says Gregersen. "Most people who have disruptive ideas don't have the capacity to translate them into actions that are sustainable."

For every innovative Steve Jobs, then, there needs to be a delivery-driven executive like Tim Cook, the chief operating officer at Apple who runs sales and operations, oversees the company's vast supply chain, and manages relationships with resellers, ensuring that for each new idea from Jobs, the company has access to the materials and people it needs to make a real product.

"CFOs matter," says Gregersen. "Delivery-driven skills matter. But only if CFOs can play well with people who think differently. If they can't bridge that divide, value for the company is going to get lost."

CFO Summary

- The five most important skills for innovative thinking are questioning, observing, networking, experimenting, and associating.
- Consciously use discovery skills to solve finance problems, and this practice will improve your ability to think innovatively.
- CFOs can rethink how to construct reports, analyze, structure finance teams, and pursue financing by becoming more innovative.

FITTING THE JOB DESCRIPTION: WHAT TYPE OF CFO ARE YOU?

One of the most important things to remember when trying to impress the boss is that CEOs may be looking for a certain type of person to fill the CFO role. And as the CFO position continues to expand and evolve, companies must realize that CFOs just can't possibly be good at everything, so they may have to select from a number of characteristics in determining which CFO is most suitable.

So how can the CEO and the board—through the audit committee—shape a manageable profile for the position? It's an important question, both for companies hiring a new CFO and for existing CFOs who see their roles expanding without a broad perspective.

To get a more detailed picture of how the role continues to evolve, we analyzed the experience, credentials, and backgrounds of CFOs of the top 100 global companies by market capitalization. Our review, while not definitive, suggests that companies are shaping the role to meet their current needs. Indeed, we identified four distinct profiles of the role defined by the breadth of the current CFO's experience in finance or in nonfinance functions; his or her professional focus, whether it's an internal focus on operations or an external focus on strategy; and the sources of the CFO's expertise, whether from years of experience at the current company or another one, for example, or whether it includes a traditional accounting degree or some other.

The four profiles include what we would characterize as the finance expert (or numbers guru), the generalist, the performance leader, and the growth champion. And while there is no single CFO profile that will fit the needs of every company—each must target candidates with competencies that best fit their strategy, the composition of the rest of the company's top team, and current finance-function capabilities—these profiles do offer a glimpse into how the role is evolving and where peers are looking for talented and innovative CFOs. They also raise important questions for board audit committees thinking about CFO development or the profile of the person they would like to hire, as well as for executives seeking to shape their current role or considering new ones. Knowing which CFO profiles CEOs and boards most prefer, and determining which profile best fits your personal style, can help you both showcase and improve your marketable skills.

To see the types of CFOs that big businesses are currently recruiting, look at CFO.com's **CFOs on the Move** series.

Four Profiles of Today's CFO

Management roles vary by organization, depending on a company's history, the characteristics of its industry, and the demands of investors. And although fitting CFOs into a clear-cut typology may seem artificial, we found it useful to understand how companies are filling the role to get a clearer picture of how it's changing. Based on our research, we categorize CFOs into four general profiles.

The finance expert.

Typically internal hires, these CFOs have years of experience rotating through multiple roles within the finance function—controlling, treasury, audit, financial planning and analysis, or business unit finance. They tend to have intricate working knowledge of the company and are often experts in relevant finance and accounting issues, such as financial regulation, international accounting, or capital structure. Many have advanced accounting degrees or experience at an auditing firm.

This type of CFO is particularly well suited to highly decentralized companies with stand-alone businesses or early-stage ones scaling up and professionalizing the finance function. Their strong finance-function knowledge across a broad spectrum of activities is critical to effective compliance and standardization of processes. The finance-expert profile may also be best for any company whose top team otherwise lacks strong finance leadership—or whose finance department is inefficient or in disarray.

The generalist.

Companies in highly capital-intensive industries, such as basic materials, oil and gas, and telecommunications, put a high premium on operational capabilities. So they naturally look for executives with broad experience—including CFOs who have spent time outside the finance organization—in operations, strategy, marketing, or general management. Indeed, among the 51 CFOs in our sample who were hired since 2009, 31 of them have such experience, up from 17 of those hired prior to 2009. Among all the CFOs in our sample, 62 have MBAs or other advanced degrees, compared with only 28 with advanced accounting degrees—reflecting a premium for management and communication skills over deep technical expertise.

CFOs that fit this description tend to engage heavily in business operations and strategy and often bring strong industry and competitive insights. They are often found in companies in mature sectors, such as financial institutions, where operational similarities across business units provide a good platform to rotate managers among businesses and eventually into functional leadership roles; most are internally hired and already fill an executive function, often being groomed for a CEO role. These rotations give managers insights about different businesses that they need to support tightly run operations, allocate resources, and influence peers—which, regardless of industry or strategy, make them ideal for companies where personal influence is needed to get things done.

The performance leader.

CFOs with strong track records in transformations both within the finance function and throughout the organization are what we have dubbed performance leaders. They tend to focus on cost management, to promote the use of metrics and scorecards, and to work to standardize data and systems. They are often hired externally, and many have previous experience as CFOs. Most have worked internationally—explaining in part why, among the 51 CFOs in our sample hired in the past three years, 30 have significant experience in multiple geographies, up from 21 of those with longer tenures.

Companies employing these types of CFOs are often highly diversified companies requiring rigorous analytics to compare performance across businesses, companies with aggressive growth or cost targets that must be met in the near term, or companies with scarce resources that must be carefully allocated.

The growth champion.

Externally hired professionals are the least common type of CFOs, but they have risen to account for nearly 25 percent of new CFO hires. They are most common in industries with frequent disruptions that require dramatic changes in resource allocation—and in companies that plan to grow considerably or reshape their portfolio of businesses through aggressive M&A or divestiture programs. Such moves make external hires especially valued for their significant experience in M&A, as well as for their external networks, independent thinking, and strategic insight, often gleaned through working as a CFO or serving for years in professional-services firms. Many growth champions are among the nearly one-third of new CFOs who have spent a sizable portion of their career in investment banking, consulting, or private equity, up from one-fifth with a similar background prior to 2009.

Aligning the Role with the Company

These profiles are obviously not prescriptive; it would be simplistic to suggest definitive rules prescribing a specific CFO profile for general categories of company. That said, with the profile characteristics in hand, companies can more explicitly weigh them against the skills and capabilities they expect to require from the CFO as they shape, refine, and implement their strategy for the future, while potential CFO candidates can emphasis their most desirable qualities By assessing a company's current corporate strategy, the skills and temperament of the CEO, the composition of the senior-management team, the current capabilities of the finance function, and organizational and reporting structures, both the company and the candidate can determine if the match would be appropriate.

CFO Summary

- The four profiles that characterize CFOs based on experience and professional focus are finance expert, generalist, performance leader, and growth champion.
- While no one profile will fit the needs of every company, firms can use them to determine how the CFO role is evolving and which qualities are the best fit.
- Corporate strategy, team composition, finance capability, and organizational structure are important factors in matching a certain CFO with a company.

Sources for *Showing Off Your Skills*:
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STRATEGIC POSITIONING: MAKING YOUR CEO PROUD

"A CFO is highly unlikely to be able to—or, for that matter, want to—leave behind the analytical role completely in favor of perpetual brainstorming or evangelizing the trend du jour. That task almost always falls to the CEO. For CFOs, being 'strategic' often hinges on addressing the many tasks that turn an idea into a reality."

NOT JUST THE NUMBERS: WHY STRATEGY MATTERS

While CEOs expect their financial counterparts to burst with financial knowledge, they also need someone who can join in on the strategy. And after the recession hit so many companies and financial executives so hard, how will CFOs step up their game and provide more of the hard-edged strategic insights that their companies will need in order to grow again?

As challenging as the recession has been, it has also offered CFOs a silver lining in the form of renewed respect for their skills and expertise. In a September 2009 CFO survey, about one-third of senior finance executives said that the recession had improved their positions within their companies by highlighting their skills and providing the finance-specific challenges that enable them to both demonstrate and refine their talents (or, in some cases, enhancing their appeal in the job market). And when we asked which specific skills had proven most important at that point in the recession, two-thirds cited their "management/leadership ability" and nearly 40% pointed to their "ability to think strategically."

That would seem to leave CFOs ideally positioned to capitalize on the higher profiles they have earned. And no doubt many would love to move away from the relentless focus on cost containment and instead think about ways to reinvigorate their companies. But rather than leave one priority behind in favor of another, CFOs seem far more likely to have to figure out how to manage costs and help drive growth. As Darden Restaurants CFO Brad Richmond says, CFOs will have to balance "traditional responsibilities with the ability to provide analytical truths and points of view that help shape overall strategy."

Or, put another way, it's not enough to simply collect and report on financial data—you also have to figure out how to help your companies capitalize on it.

That's what Richmond is doing. His company operates the Olive Garden, Red Lobster, and LongHorn Steakhouse chains, among others, a $7.2 billion restaurant empire that is virtually ubiquitous in the United States. Where to go from there? The Middle East. In 2010, Darden made an agreement with franchise operator Americana Group to develop at least 60 of its restaurants in Bahrain, Egypt, Kuwait, Lebanon, Qatar, Saudi Arabia, and United Arab Emirates.

Check out **A First-Time CFO Manages Massive Growth** to see how strategy can pay off.

Although Richmond's analysis of customer data revealed that casual dining within the United States still presents strong growth opportunities, it also indicates that this growth will decline from historical norms. "Using predictive insights, we saw the opportunity to capitalize on nontraditional growth areas to help capture the full potential of our brands," he says. "The Middle East market is growing and has a strong affinity for American dining brands. International expansion to this region and others is one of a number of strategic initiatives we've vetted and are beginning to play."

Redefining the Role

Many CFOs would love to lead exactly that kind of charge, and often they can. When they can't, it is frequently because their companies have limited them, almost literally. "CFOs do what the job description tells them to do, and it often says to focus on the numbers," says John Kotter, professor emeritus at Harvard Business School and author of the book Buy-In: Saving Your Good Idea from Being Shot Down. "They become very good at this, and at all the sub-aspects of finance, but that makes them specialists, much like chief technology officers." And, Kotter adds, an ill-conceived job description leads inexorably to the CFO becoming "the 'numbers person,' simply because this is what is expected of him or her—and, thus, the stereotype."

Escaping the stereotype requires a very developed sense of nuance. A CFO is highly unlikely to be able to—or, for that matter, want to—leave behind the analytical role completely in favor of perpetual brainstorming or evangelizing the trend du jour. That task almost always falls to the CEO. For CFOs, being "strategic" often hinges on addressing the many tasks that turn an idea into a reality.

Chris Trimble, adjunct associate professor of business administration at Dartmouth College's Tuck School of Business and author of The Other Side of Innovation: Solving the Execution Challenge, says that "the typical executive in the thick of launching a new product or moving into a new market needs a partner who can be a little detached and yet insightful. It becomes hard to see the forest for the trees—to know what to pull back or where to move forward. CFOs, both by nature and by training, often provide the essential analytical insights" that drive strategy.

"CFOs," Trimble adds, "are the executives best-equipped to analyze, test, and elevate the critical assumptions that prove the new product or service will be viable, and to measure progress along the way." This, he points out, is a very different job than making sure the company hits the numbers every week and every quarter. "With an [innovation] experiment, you're trying to prove or disprove a theory, and it takes tremendous financial and analytical insights, which only your best finance person can provide," he explains.

Overcoming the "Bad Cop" Rap

"The most important thing a CFO does is to quantify and contextualize a path, to myth-bust and to disrupt the status quo," says Rose Marcario, chief operating officer and CFO of Patagonia Inc., a $400 million designer and manufacturer of outdoor clothing and gear). "You become relevant when you have intellectual curiosity and a capacity to understand the needs of your colleagues and businesses, and the courage to then have a point of view. This is not about being the bad cop, it's about having the willingness to engage in a healthy debate over a strategic direction, to listen to others' views, and then to help effect compromises to move the strategy forward."

At this point, it's worth noting that this may not be the job that many CFOs signed up for, and not every CFO will have what it takes. But, increasingly, it will be what is required.

"If the CFO is primarily focused on crunching the numbers, doing the annual plan, and interacting with the Street, you won't get much value out of that person to move the organization where it needs to go," says Scott Di Valerio, CFO at Coinstar Inc., parent company of the Redbox DVD rental and Coinstar self-service coin-counting brands. "The way you do this is by seeing yourself as a business partner who solves complex issues, and not as the finance person or the accountant. You have to get out of the ivory tower and spend time on the front lines."

Research by executive recruitment firm Russell Reynolds Associates finds that companies are increasingly seeking finance chiefs who can truly partner with the CEO. "In the 2003-to-2006 time frame, a lot of positions were labeled 'CFO,' but what clients really meant was 'controller' or 'accounting-based financial officer,'" says Christopher Langhoff, managing director in the financial-officer practice at Russell Reynolds. "Companies were struggling with Sarbanes-Oxley responsibilities, and that shaped what they sought and what a lot of CFOs ended up doing. They spent very little time on strategic activities."

This has now changed. "I can't think of a single CFO search in the last 18 months where the client said, 'I don't want a strategic business partner; I want a bean counter,'" says Langhoff. "The pendulum has swung because CEOs need partners in charting strategic growth."

No Lemmings Need Apply

If the game is coming to you, how can you be sure you're ready to play? There is no set path for a CFO to distinguish him- or herself as a strategy ace, but the CFOs we spoke to did have some notable traits and experiences in common.

The most conspicuous by far is a résumé that combines finance with operations experience—often favoring the latter. While Richmond of Darden Restaurants has CPA and accounting-firm experience, he also worked in culinary operations at Darden, "literally helping develop the menus," he recounts. "Then I was rotated to marketing and helped create and buy media. It was the broad experiences I gained before becoming controller and then CFO that helped make me a good business-strategy partner."

Richmond says his career progression made him biased—in a good way. "My operations experience gave me great respect for the other disciplines as I engaged them from an accounting standpoint," he says. "I learned firsthand their resource-allocation needs, which is invaluable to me as CFO today. I am better-equipped and more confident in how I support and fund the growth initiatives that come out of the strategic-planning process."

Rose Marcario has an MBA in finance and gained significant operations experience at past employers, hence her dual role as COO and CFO. "The dual titles may be unusual, but they underscore that a lot of my work is on the operational side of the business," she says. Scott Di Valerio is a CPA and former partner at PricewaterhouseCoopers, yet he, too, has spent substantial time running businesses. Before joining Coinstar, he was head of the OEM division at Microsoft and led the Americas division of Lenovo.

It also helps to work for a company where the finance chief can "feel comfortable voicing an opinion, where management supports collaborative dialogue and the idea that 'we all fail or succeed together,'" says Andy Rose, vice president and CFO at Worthington Industries, a $2 billion diversified metals-manufacturing company. "You need that independent mind-set [of the CFO] at the table, to question whether an investment is the best use of the company's resources."

Rose, whose career also spans operational positions—he was a co-founder and partner of Peachtree Equity Partners—says not all companies permit such open debate. Fortunately, "our CEO [at Worthington] wants independent opinions; he doesn't want lemmings," Rose says. "More companies need to realize that their CFO's finance training allows them to understand the business, end-to-end. They are able to look at a strategic idea and see how it will connect across the company, in terms of impacting current business or accelerating it. I don't know why companies divide 'financial analysis' from 'business analysis.' They're the same thing."

Opportunity in Ambiguity

Not all CFOs will be given the opportunity to spend parts of their careers running businesses, but there are other ways to get in the operational trenches. In 2002, Karen Daniel, CFO at Black & Veatch, was given the opportunity to co-chair a committee charged with formalizing the strategic-planning process at the $2.7 billion global engineering, consulting, and construction company. "Each year the other co-chair was the head of a particular business unit, like our energy division or our water business," Daniel says. "This facilitated our understanding of the interdependence of each other's goals."

That experience gave Daniel an in-depth understanding of the business units' growth initiatives to better guide strategic resource allocation. "I have now become the critical bridge in the value-creation process between the CEO's overall strategy and how this is implemented by our different business units," she says. "I now have the knowledge and the opportunity to sit back and be part of the whole thought process around which strategies make sense and which don't."

Like the other CFOs we spoke to, Daniel feels fortunate to be given a chance to assess the entire company from a high level. "I think it's the assignments we get beyond our traditional finance responsibilities that really help develop our business acumen," she says. "It's a good thing when the CFO can exercise curiosity about what else is going on in the organization. You're able to approach ambiguity as an opportunity to provide a solution."

For all the talk of CEO-CFO partnerships, however, it has to be acknowledged that the relationship doesn't always play out that way. Many CEOs are mavericks—they and they alone establish the strategic direction, and they expect other senior managers to get on board with no debate. CEOs and CFOs often aren't cut from the same cloth, and there is plenty of data from the world of Myers-Briggs and related personality assessments to back that up.

While it is great when a CEO and a CFO simply click, when that doesn't happen it's often incumbent upon the CFO to "depersonalize the debate," says Cesar Mainardi, senior vice president at Booz & Co., by "using facts to drive agreement on what is essential to the company's competitive advantage." Otherwise, as Jeff Burchill, CFO of insurance giant FM Global, notes, "if you're not strategically aligned with the CEO, you won't be around long. That might explain why there has been such turnover in CFO ranks lately."

If you've got the skills and vision, a supportive corporate culture, and a good relationship with your CEO, there is no limit to the strategic contribution you can make. And smart CFOs will make it now, before the wheel turns again. As Burchill notes, CFO skill sets come in and out of fashion, and there's no telling when a compliance king or cost-cutting whiz will suddenly be back in vogue. "You need both finance and business talent," he says, "because you will be shifting your focus back and forth."

Right now, the shift is clearly in the direction of strategy. If you have the skills, use them. If you don't, get them. You'll be glad the next time around.

CFO Summary

- Nearly 40% of CFOs interviewed have said that their "ability to think strategically" has improved since the recession.
- CFOs must not only collect and report on financial data, but should also know how to capitalize on it.
- Listen to other finance employees' views and engage in healthy discussions over strategic direction to encourage a strategy compromise.
- CFOs should know what's going on in the entire company, not just in the finance department, and having an operations background can help them do that.

BALANCING ACT: HOW MUCH STRATEGY IS TOO MUCH?

On the seemingly endless list of skills and traits that synthesize into an effective finance chief, a case can be made that one stands out for its potential to make or break a career: solid prioritization. CFOs need to have a sense of what activities will render the most value for the organization.

But is prioritizing the same as strategizing? Not according to what some CFOs told Ernst & Young, which recently conducted in-depth interviews with 19 of them at companies throughout the Americas. While they agreed overall with the common view that they and their peers are and should be growing ever-more strategic, several argued for other, higher priorities.

Tracey Travis, who heads finance for Ralph Lauren, said ensuring business decisions are grounded in sound financial criteria must be a higher priority. "That really needs to be a primary focus," she told E&Y. "The audit committee expects it. Management expects it. External constituents expect it. Sometimes the CFO can get distracted with other opportunities that are also important to the organization and are, quite honestly, more intellectually stimulating and more fun."

Questioning where strategic leadership really should reside, Peter Ragauss, finance chief at oil-services company Baker Hughes, said, "If the CFO is too involved in strategy, then it's not owned by the business or the CEO." But there's also a risk of not being strategic enough: "You can do too much; you can do too little. There's a sweet spot."

Bruce Besanko, CFO of OfficeMax, contrasted actual strategy development with ably funding, enabling, and executing the CEO's strategy, which he called a"must-have" ability, "whereas helping define and develop strategy is a nice-to-have."

Andy Campion, who holds the top finance seat at The Nike Brand, begged to differ. He ranked developing strategy for the organization, as a member of the executive-leadership team, alongside executing that strategy through financial planning and performance management as the two most important roles for CFOs. "I would describe the rest [of a CFO's duties] as in support of those two priorities, with the exception being that clear communication to external stakeholders is enabled and enhanced when you couple sound, intuitive business strategy with a value-creating financial model."

For further insight into great group strategy, take a look at Managing the Strategy Journey.

Indeed, communicating with external stakeholders was the very top priority for Dave Johnson, CFO at connector-products maker Molex. "It is crucial that a CFO is able to summarize complex material succinctly" to investors, he said. Yet he ranked developing strategy dead last among six sets of core CFO activities described by E&Y. Second through fifth on his list were, in order: funding, enabling, and executing the strategy set by the CEO; ensuring business decisions are grounded in solid financial criteria; leading key initiatives in finance that support strategic goals; and providing insight and analysis to the CEO and other senior managers.

Being more strategic is a wish, but lags behind more pressing short-term concerns for Paulo Prignolato, CFO of Brazilian commodities maker Votorantim Metals. "Unfortunately, we do not control prices, so our focus is always on costs," he told E&Y. "And since the [economic] crisis, we have had to work a lot on cost reduction, internal controls, improvements, and risk management—hedging, mainly. The ideal situation would be for me to [spend] more time on strategic decisions, [but] most probably during the next two or three years the reality will be exactly as it is today."

Coca-Cola CFO Bill Douglas explained that strategy inherently does not fall under his purview, because the company has a strategy director who is in charge of that. Still, he said, he's routinely involved in top-level strategic discussions along with the strategy director and CEO.

At global industrial-supplies distributor W.W. Grainger, CFO Ron Jadin said the "foundational aspects" of the CFO role lie not in the strategic realm but in protecting the company's brand and reputation. Those are things such as enterprise risk management, internal controls, Sarbanes-Oxley compliance, and adherence to the Foreign Corrupt Practices Act. "We want to make sure everybody knows this is how Grainger does business," he said. "That's critically important for us, because we could enter a new country or purchase a business that is less than 5% of company sales but risk destroying 100% of our brand equity if something goes wrong."

To be sure, others interviewed by E&Y were strong advocates of CFOs as strategists. In addition to Nike's Campion, Xerox finance chief Luca Maestri said defining and executing strategy "is the most effective way for companies to extract value from the CFO."

And Fareed Kahn of United Stationers suggested that the CFO may the best-positioned person in the company to shape strategy: "Listening to how analysts and investors, particularly the skeptical ones, talk about your business brings important clarity on value drivers, execution priorities, and performance expectations. These are very valuable inputs to business leaders as they develop strategy."

Kahn further noted that CFOs should take a "portfolio approach" to business priorities. "Not all good ideas have to get done at once," he told E&Y. "The CFO has a unique role in helping prioritize across the businesses."

Hank Halter, the just-retired CFO of Delta Air Lines, sees both sides. "It's tough as CFO," he said. "In some ways you are a record-keeper, and in some ways you're a strategic thinker. You can't be the first point of contact to save or spend money. You can affect company results and cash-flow generation through things you do in a corporate role or through the treasury function. But in some ways you sit with your hands tied, because you can't directly impact the divisions that spend and generate the money. It's a unique dilemma."

CFO Summary

- Ensuring that business decisions are grounded with financial support is a primary concern for CFOs.
- CFOs face a delicate balance between needing to increase their strategic ability, and being too involved in strategy decisions.
- While the ability to develop strategy is important, the ability to execute a CEO's strategy is even more vital.

APPROACHING THE BOARD: HOW TO BACK UP YOUR CEO

Few missteps can erode a CEO's credibility faster than a board meeting in which directors shoot big holes in a sketchy growth proposal. The CFO can play a powerful role in gaining board support for a CEO's growth concept.

Too often CEOs fall in love with their ideas, and then present them to the board without giving enough thought to how it will react. These CEOs typically fail to give the board the full context behind the growth idea—whether it's an acquisition, a potential new product, or a possible alliance. Facts are as scant as million-dollar lottery winners. Asked to consider a proposition they can't possibly appreciate, directors hammer the ideas and the people who brought them. Many great ideas are lost as a result, along with executive credibility.

Consider the case of a $22 million IT-security software company. One of the firm's largest customers asked it to customize a core product, even offering a generous fee that would have paid for underfunded research-and-development work. The software company's cash-hungry CEO was eager, and the project seemed like a no-brainer. But when he pitched it to the board without notice or diligence, they balked, worrying about resources, as well as the mysterious (to them) customer. Relationships were damaged.

CFOs are in an excellent position to make sure these board meetings don't blow up. Whether an idea to jumpstart growth comes from the CEO, product development, or any other source, that idea must stop at the CFO's desk before the CEO presents it to the board. The CFO's role: make sure the financial forecasts of a sought-after acquisition, new product launch, strategic alliance, or other money-making idea are well supported, and that the board isn't caught off-guard.

The CFO's role here goes way beyond financial calculations and modeling. The CFO needs to think of her role as initial judge and jury. That means playing three parts: skeptic, emissary, and presentation consultant.

Your first role is skeptic. Don't let internal discussions about a new scheme get too far before you step in. Explain to top management that you will challenge all its assumptions, just as the board eventually will. Ask questions about the source of the data, competitive threats, technological feasibility, and more until you're convinced the team has thought it through. Do your own homework so you're convinced as to the viability of the opportunity.

Learn what topics boards are expecting to hear about from their CFOs in **Getting On Board.**

Once you're reasonably convinced, you become the emissary. This means you can advance the CEO's interests by shopping the concept. With your CEO's permission, hold one-on-one meetings with key board members, delivering the draft board presentation in a dress rehearsal. Talk just enough, but mostly listen.

Probe the board members for their concerns. Go beyond the numbers and absorb the directors' feedback about all strategic and tactical issues. Your first job as emissary is to surface objections so that the CEO can adjust his presentation. The next job is to seed the idea so board directors can catch up to management's thinking and, perhaps, begin to share its enthusiasm for the idea.

Seek out board members who are both friendly and influential with other board members. Talk with one to three members about a week to 10 days before the board meeting, allowing just enough time to revise the presentation, but not enough time to lose control of the discussion.

Within an hour after each meeting, write down your thoughts and reactions. Now you're in presentation-consultant mode. Most CFOs are skilled at capturing accurate and unbiased data (something some CEOs are less good at). Bring that information to your CEO so he can revise his presentation.

Thanks to your efforts, your CEO's board meetings will go much more smoothly. More of his projects will be approved. Better still, incorporating the thinking of board members into the plan is likely to produce better business results.

Not sure you can fill these three roles? Your modestly becomes you. But let me see if I can convince you that you are up to the tasks.

Most CFOs are instinctively risk-averse and adept at pinpointing weaknesses in business arguments. CFOs are also good at separating facts from wishes, and as such make great counterbalances to passionate, optimistic CEOs. These traits make you a good skeptic.

The board expects the CEO to have an abiding passion for growth. It expects the CFO to be skeptical about new ideas. This makes you a perfect emissary. That, and the assistance you can offer your CEO in building a business case, will allow him to be more confident in approaching the board.

Here's an example of excellent CFO/CEO teamwork at a high-tech venture-backed $80 million revenue firm. The CEO wanted aggressive growth, but knew that key investors wanted to achieve profitability for a quick exit by being acquired. The CFO stepped in and modeled focusing the growth efforts in one key area while achieving breakeven within a year. He met with individual board members and then crafted a dual-track strategy for both initial public offering (big growth) and mergers and acquisitions (short-term exit) that the board accepted. The company stayed on plan, and were bought pre-IPO at an excellent multiple.

CFOs can and should play a significant role in building board support for the CEO. They can help by building rock-solid business cases, by previewing them with key board members to collect feedback and earn buy-in, and by delivering feedback to the CEO before board members cast their votes. CFOs who do this well will do their companies and their careers a big favor.

CFO Summary

- CFOs can help CEOs prepare for board presentations by ensuring financial support for a project and keeping the board from being caught off-guard.
- A CFO should act as skeptic, emissary, and presentation consultant when judging a CEO's presentation before it goes to the board.
- By reaching out to board members and probing them for concerns, a CFO can make a CEO's board meeting run much more smoothly.

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CONCLUSION: C-SUITE COOPERATION

Some of the most necessary skills that every finance executive should possess are quite obvious: leadership, communication, strategy, innovation. Even beyond the most basic finance functions, the large majority of CFOs recognize those as imperative to the position. But knowing how to meet the CEO's expectations may still prove challenging. Does your boss prefer a finance expert or a growth champion? A generalist or a performance leader?

The right CFO may not need to fit a singular mold, but instead be able to implement his or her knowledge and skills in the most effective manner. While one CEO might be looking to cut costs, another might be looking to expand growth, so it is really up to the CFO to take a stock of the boss's needs and wants before taking action.

What a CEO really needs is someone who he or she can trust, both with valuable information and just to get the job done at the end of the day. When it comes time for that difficult board meeting, the chief executive is expecting you to be his behind-the-scenes advocate.

Regardless of your own goals and motivations within your firm, keep in mind that your CEO relies on your loyalty and capabilities every day. And by working as a team, you and your CEO can accomplish great things.