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Where Is Your Climb Going?

CFOs Discuss What It Takes to Reach the Top

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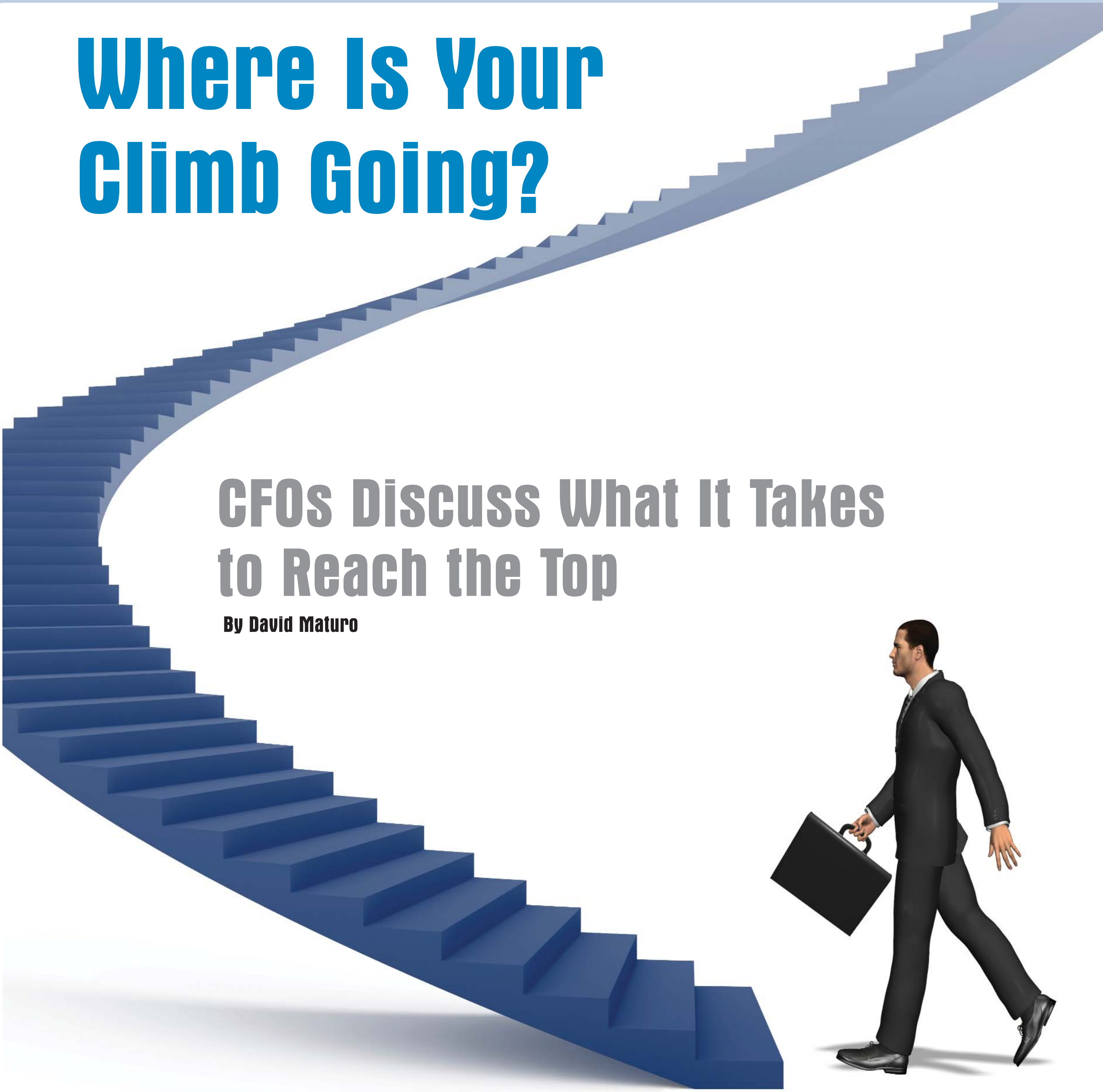

The pinnacle of professional accomplishment for many in accounting and finance has been, and continues to be, the chief financial officer (CFO). To explore the nature and background of the CFO position, several CFOs from well-known organizations were asked about the steps needed to reach the top.

The CFOs were asked to speak candidly about being and becoming a CFO. The discussions touched on several important subjects, including what functions CFOs perform and what issues concern them the most; what personal attributes and skills help them perform their job; and what steps senior accounting and finance professionals, particularly controllers, can take to become CFOs. The controller, the largest non-CFO demographic among senior-level accounting and finance professionals, is frequently the last stop before reaching the heights of CFO.

The following CFOs were generous with their time and contributed significantly in addressing these questions: J. Kevin Buchi, senior vice president and CFO, Cephalon Inc.; Jacques M. Croisetiere, executive vice president and CFO, Rohm and Haas Co.; Thomas J. Doll, executive vice president and CFO, Subaru America Inc.; David S. Marberger, executive vice president and CFO, Tasty Baking Co.; Jim McKeon, executive vice president and CFO, Genesis HealthCare Corp.; Joel H. Rassman, executive vice president, CFO, treasurer, and director, Toll Brothers Inc.; Howard D. Ross, partner, LLR Partners LLC; Robert A. Schiffner, senior vice president and CFO, Campbell Soup Co.; John R. Schwab, executive vice president and CFO, NCO Group Inc.; Lawrence S. Smith, former executive vice president and co-CFO, Comcast Corp.; and L. Frederick Sutherland, executive vice president and CFO, ARAMARK Corp.

CFO Responsibilities

CFOs have a level of involvement in nearly every function of an organization. They have the responsibility to understand how each function – whether it is operations, marketing, or logistics – works, what value it contributes, and how each can help the organization grow. CFOs are at the hub of the firm, with key information and decisions tending to flow through them. As a result, they must have a solid appreciation of each function, yet are not involved in the details of any function, including accounting.

Because of the central nature of their role, CFOs interact frequently with key people in every area of an organization. A lot of time, therefore, is spent building relationships with them. "Your team members need to understand that you are there to help them achieve their goals, and you have to provide them with the financial context of their efforts in the global organization. The only way to build that level of trust is by spending a lot of time with them," says NCO Group's Schwab. A cohesive management team can accomplish a great deal together, while dissension and conflicting goals are major wrenches in the machine.

Mission and strategy – The CFO is a partner with the CEO, which means he or she must understand what's important to the shareholders, what promotes long-term shareholder value, and how to translate these into the company mission and make them a reality. The CFO will heavily influence, and often determine, many of the expectations for the rest of the organization.

According to Tasty Baking's Marberger, "CFOs don't simply pass along directives from the CEO. They are more like quarterbacks who plan the plays with the coach, and then execute them together with the team." CFOs work with various departments to analyze their strengths and weaknesses and determine what they need to accomplish their goals. They allocate capital and resources where needed to promote the growth that shareholders are seeking. "There are a lot of options, and limited funding," cautions Genesis HealthCare's McKeon. "CFOs have to conduct thorough analysis to make intelligent choices. It requires knowing the market, your competition, internal capabilities, relevant technology, and on and on." McKeon adds that "part of being a CFO is knowing what to research and what to look for in your analysis." Marberger agrees, and adds: "You rarely have more than 60 to 70 percent of the information you want to make a decision. You have to accept that some portion of your judgment is based on intuition, and know when it's time to stop the analysis and make a call." For CFOs, much depends on their confidence in making decisions based on what they know and what they don't know. Confidence in their team's abilities and in their relationships with them is critical.

Protection against risk – Managing risk is a big part of a CFO's responsibility. In many organizations, it is an enterprisewide system of integrated management, with links back to management objectives, in the name of improving operations and enhancing the business. "Like a chess game, you have to think two or three moves in advance," says Subaru America's Doll. "The outside world is an indicator for your company, and vice versa. Each change results in multiple permutations of how it will impact your company." CFOs are watch dogs, scouting for internal and external problems that could compromise the standing of the company or its accomplishments. They ensure controls are put into place to prevent or mitigate these risks.

Communicating results – CFOs are responsible for the clear financial reporting of a company's status: internally to the management team, and externally to regulatory agencies. Assuring the integrity of the financials to government bodies has grown as a concern among CFOs in recent years. Nevertheless, their focus is still more targeted toward using the information to understand performance, identify trends, spur dialogue with the management team and shareholders, and make decisions. Rohm and Haas's Croisetiere offers, "Getting the right measure of profitability is probably the most important aspect of the CFO role today. CFOs must learn to use operating information to effectively assess the performance of the business. In fact, we should probably call them 'chief performance officers.'" CFOs interpret the numbers for the organization and set benchmarks of performance to which they can hold themselves and the departments accountable.

CFOs communicate results to the board, to debt and equity investors, to the analyst community, and to the public. They have to know their constituents' issues and be able to address them before asked. "CFOs are able to speak to the financials in plain English, without emotion or drama. They're also able to create clarity for those outside finance," says Schwab.

More than Controllership

For CFOs, who have moved beyond the tasks of controllership, technical skills are no longer as important as other skills. Their focus goes beyond the statements, and what really distinguishes them are certain intangible skills. Campbell Soup's Schiffner offers a compelling observation: "Executives, from the CMO and COO to the CFO and CEO, tend to share many of the same characteristics. As executives reach the C-suite, their core attributes become nearly identical, with a healthy dose of excellence in their field of discipline." Some of these core attributes are described below.

Well-rounded – Becoming a CFO means being a generalist. Intelligent choices must be made in the context of a strong and intimate knowledge of the business in which you operate. That means spending a considerable amount of time with operations. Toll Brothers' Rassman offers, "Good CFOs are not afraid to admit they don't know something. They're not embarrassed to look dumb in front of their peers. They ask to be taught, and they learn as many skills as they can. This gives them a broad base on which to make financial decisions." CFOs are aware that they need to challenge themselves to look at the world in different ways, and that ability is difficult, if not impossible, without learning skills beyond accounting and finance.

Financially sophisticated – CFOs are knowledgeable about public finance. "CFOs have to know how the stock market works, how companies are valued, and how changes will be received," says LLR Partners' Ross. CFOs also need to understand external reporting requirements and provide for a control environment that ensures the accuracy and integrity of the financials. As a result, they pay a lot of attention to technology and the systems that govern their financial data.

On the private-market side, CFOs need experience with debt and equity financing, as well as experience with mergers and acquisitions. These experiences will affect a company's perceived value, as well as the relative success or failure of its management team to make sustainable improvements to that value.

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Communicators – "CFOs have to be good at public speaking," says Cephalon's Buchi. "They must be able to stand up and communicate in front of their peers, employees, senior management, investors, and the public. In both planned and impromptu settings, they have to be happy and eager to do it." Many times, CFOs are company spokespeople. They need to be able to react well to questions from all types of constituents. Sometimes a complicated and sophisticated response is required, and sometimes a simple or subtle response is more appropriate. ARAMARK's Sutherland goes further, saying "CFOs need to manage expectations, and to communicate with the management team and shareholders proactively. Instead of avoiding them or waiting for their requests, CFOs need to seek them out, solicit their opinions and reactions, and understand their needs." CFOs are required to communicate before, during, and after any notable event or activity. There should be no surprises or lack of clarity.

Team builders – "You have to have the willingness and desire to hire the smartest people you can, even your future replacement," Rassman says. Good CFOs surround themselves with strong talent that can work together as a team, yet challenge each other to do better. A CFO must be confident in their abilities and comfortable with their limitations. They cannot fear being upstaged or hesitate in recruiting the best and the brightest.

Another layer of teamwork is in having the relationships and fortitude to occasionally hold contrary opinions. Although the CFO is a partner with the CEO, Croisetiere advises, "A CFO must find the right balance of conscience and partnership, of collaborating versus challenging. It is a dual role that is not black-and-white." Contrary opinions and constructive criticism require a good deal of confidence. These actions can help uncover potential problems and proactively consider remedies that can be put in place if needed.

Interpersonal leaders – CFOs are leaders. Schiffner believes "thought leadership" is the heart of it. Simply put, "To be an effective leader, you need to play a primary role in the strategic discussions that set the direction for your company. If you don't contribute to and shape this dialogue, it is impossible to be a successful CFO or senior executive."

CFOs are also in a people business. There are a lot of paradoxes in how they deal with people: they have to be upfront and direct, yet also diplomatic and respectful; they have to have passion for the business and their role in it, yet make choices objectively; they have to be open and prefer consensus, yet need to make firm decisions and push ahead. CFOs, as part of the management team, need to put the best foot forward in financial communications, yet they must deliver this information honestly and with credibility. People want to know they are hearing the truth, and CFOs must not be uncomfortable giving it.

Doll believes cohesiveness is a big part of a CFO's leadership. "The team that works together best wins, not the one with the best players. A good team compliments each others' strengths, and compensates for each others' weaknesses. Teamwork overcomes raw talent." Also, a key part of leading is demanding performance from your team. CFOs must set high performance standards that are achievable and still force the team to work hard, learn, and work together.

Decision makers – The data for decision-making is not always perfect, so CFOs need to be decisive, often making educated guesses. "The important thing is to have a methodology or a system for making decisions," says Sutherland. "Regardless of the amount of information and analysis you have, you should be able to justify your approach."

Moving Up to CFO

Before a controller can be considered for the role of CFO, he or she first has to nail the controller role by demonstrating performance, mainly through a solid control environment with confidence in transactions and reporting. Given the prevalence of technology in accounting, there is little to no tolerance for error. "The real differentiator of performance is managing people," says Comcast's Smith. "You need to demonstrate that you can build a team and establish a function that grows strong managers and leaders." Controllers need to execute well, but more importantly they need to teach and mentor well.

Actively manage your career – If you want to be a CFO, you have to position yourself for it. The very nature of the function suggests that one cannot be passive. It requires a personal commitment. Your current work won't go away, so you'll need to commit to spending more of your personal time to make it happen. Essentially, you'll have one-and-a-half jobs for a period. Also, communicate with the people who manage you, namely the CFO and CEO. Ask them to be your mentors and to help you assess your strengths and weaknesses. Share your goals and expectations with them, and enlist their help in getting there. Periodically check in on your progress and reassess. Ask the CFO and CEO to allow you to attend meetings with investors, banks, corporate finance, and the board. Start by simply observing the meetings to get a sense of the types of questions that are asked, the attitude of the audience, and how the questions are handled. Over time, start participating.

"No class will teach you how to be a CFO," says Buchi. "You'll only learn by doing. Participate in projects and initiatives beyond the scope of your current duties. Most top managers, CFOs included, are busy and overwhelmed. You might get a chance to participate simply by diving in and helping." Participating will teach you skills you might not obtain as a controller, and it will allow the CFO and CEO to see you in a different light. The bigger the challenge, the more opportunity there is to learn and grow your reputation. Seek out projects or areas that are not being served well. Be bold. Make a name for yourself.

With these efforts in place, make sure you are moving up to the next position level, one that increases your degree of challenge and responsibility, every two to four years. If not, you risk losing momentum and stagnating. If opportunity is not available in your current organization, consider options elsewhere. Don't get caught in the same role, doing the same things, for more than four years. Grow or go. At the same time, don't leave for a lateral or similar position. If you leave, make sure it's for a role that moves you to the next step in your path to become a CFO.

Go beyond scope – Outside of controllership, there are certain boxes you need to check in your experience checklist to become a CFO. These experiences include financial analysis, strategic planning, treasury, risk management, mergers and acquisitions, fund raising, and business operations. Ideally, you would have an opportunity along the way to take on a position in each of these areas and learn about them first-hand. Since that may not be possible, you need to work with your mentors and peers to begin participating in projects that will essentially help you to train in, or at a minimum gain a strong appreciation of, those areas. You will have to work harder and do extra to get it.

There is also a broader, business-education component to it. "Controllers are detailed and transaction-oriented," Ross explains. "They cannot lose sight of the end goal of adding value for the shareholders. They have to get out of their comfort zone and adapt new ways of thinking and the way you begin to do that is serving in different areas." The CFOs interviewed unanimously agreed that operations experience was one of the most important experiences to have as a CFO. Making intelligent choices about a business without knowing operations is near impossible.

Build relationships – Work with constituents inside and outside the organization to build and establish an environment of trust and collaboration. Identify key people outside of finance, learn about them and their function in the company, and find out how you can help them. It's an ongoing and interactive process.

Many decisions about hiring, promoting, or assigning people to projects are decided on the basis of the relationships. Creating ties outside of your sphere of influence allows more people in the organization to get to know you and your abilities, putting you in a position to be considered for more opportunities. Reaching out and speaking to more people also will help you build your people skills, which are critical to becoming a CFO. "Personality and communication become more important than accounting and analysis," says Smith. "You have to have good business and people sense. It's both natural and developed. Be the best in your natural category that you can."

Final Thoughts

CFOs are not just senior financial professionals. They are business leaders, and as such they need to understand their business intimately, build relationships with the team around them, and work to maximize long-term value. Becoming a CFO is no easy task for a controller. Not only do you need to demonstrate stellar performance in your current role, but you also need to learn and embrace different skill sets and corporate responsibilities. These broad skills are not mutually exclusive, yet, at the same time, they do not seem to complement each other either.

Climbing to the CFO level takes a huge commitment of time and attention, learning some new things and unlearning others. Fortunately, there are people who have blazed the same trail. Use them as mentors. More importantly, start participating in broader business and corporate development initiatives. Start projecting yourself to the next level by diving in and helping the CFO and CEO. There's risk…and reward. CFOs understand that you can't have one without the other. ■

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