

Becoming a company's first CFO

You've just been offered a great opportunity – or so you thought?

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Recently, I've been fortunate enough to be included on a discussion thread about the opportunities and experiences of becoming a company's first CFO. Although I have not found myself in this situation, I have been on the receiving end of a number of opportunities where I have been the hire for a newly created position.

The approach that I have always taken into the position has been that I could set the benchmark for the position, and hopefully in a way, that any successor would have a very hard time matching.

However, the recent forum that I participated in portrayed a very different light for the first time CFO, and most feedback, was slanted toward a negative outcome. The feedback that was posted was very informative and I've archived all the emails so that I could refer back to them if I ever find myself in this same position.

The premise of the forum was the discussion of 3 candidates who had accepted newly created CFO positions at their respective companies. These were not incumbent hires nor were these first time CFO's in their career history. However, none of the three candidates who were hired were with the company a year later, and further, the positions were left vacant in the company. The forum was asking one question – **What were the reasons for the failure and how could it have been avoided?**

There were approximately 24 emails that I received on this, with 22 unique respondents. Although the population was relatively small, I believe the feedback was valuable nonetheless. After reviewing the emails that I received there were seven key areas which seemed to resonate throughout the discussion. These areas are not ranked in order of importance, although the first three did receive more mentions.

1. The company/management had a lack of understanding of the role.
2. The new CFO cited an inability to get traction on new initiatives & the ability to successfully build relationships.
3. Lack of culturally understanding & the nature of internal relationships.
4. The new CFO was added more for short-term project workload, which could have easily been addressed by a Controller.
5. The CEO maintained decision-making authority, which should have resided with the CFO.
6. Lack of agreement on Governance or Business issues.
7. Inability to invest in Finance infrastructure.

All of the CFO's who participated in the forum also shared their individual stories which played into their ultimate demise. Fortunately, along with the reasons for failure also came suggestions that each one shared with the group as to how the odds for a first-time CFO could be increased for success. The suggestions listed below are not ranked in any specific order of importance.

1. The CEO needs to make a public transfer of responsibility ("power" was actually used) to the CFO. Company employees need to know what your specific role in the company will be.
2. The CFO candidate needs to exercise a higher degree of due diligence on the company, the management team, and the culture.
3. Management should provide more clarity during the interview process on

corporate financial goals such as growth, cash flow, etc.

4. Management needs to provide more clarity on the values, structure, and processes within the company.
5. There needs to be a continual review and discussion of goals with the CEO, Board, or other significant players that are critical to your success.
6. Planning for the position needs to progress beyond Year #1. Active discussions should happen early for Year #2 goals, since the first year will involve most of the “heavy lifting”.
7. The CFO must be viewed as a strategic partner and not in a “Boss-Employee” relationship.

When I look at a number of these points, they are just as relevant for any new Finance position as much as they are the CFO position. While you may not have a Manager of FP&A dealing directly with the Board or the President, there is still the absolute need to have clarification in the scope of a position, the culture, processes, and relationships within the organization.

In the course of my search, just about every Finance person I have spoken with has shared stories of mis-aligned cultural values, unclear scope, or the inability to execute their core function.

I look forward to additional posts that may happen on this topic as well as any additional feedback you might be open to sharing.

Thanks for reading

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