Balancing CEO and CFO Perspectives

Ashok Vashist explains why it is important, in any organisation, to create and maintain a balance between the perspectives of a CEO and CFO

In any organisation, it is the top executives who set the direction for future growth, overseeing various aspects of the business. Be it the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), or the Board of Directors in general, each senior professional is tasked with managing different aspects that make for a successful business.

According to a survey by Russell Reynolds (a leadership advisory and executive search firm), there are several instances of top executive partnerships within organisations that have been highly successful and rewarding. This is especially true when a CEO and CFO are engaged with each other, and share respect for each other's work. The survey reports that over 82 per cent of CFOs gave high marks to their CEOs in terms of overall effectiveness, and a significant majority stated that they trusted their CEO.

Nevertheless, as per the survey, there is room for improvement. Of the participant CFOs, less than half gave their CEO a high score in terms of the latter's ability to coach and develop the former. Moreover, only 49 per cent of those surveyed were found to share a strong relationship with their CEO.

Importantly, an organisation benefits most from having a CEO and CFO whose viewpoints and approaches complement each other. Typically, a CFO's approach to management is more organic and goes with the flow, while the CEO is more focused on having a long-term impact on the company and its staff. From a CEO's perspective, therefore, an ideal CFO is one who can play the following roles effectively:

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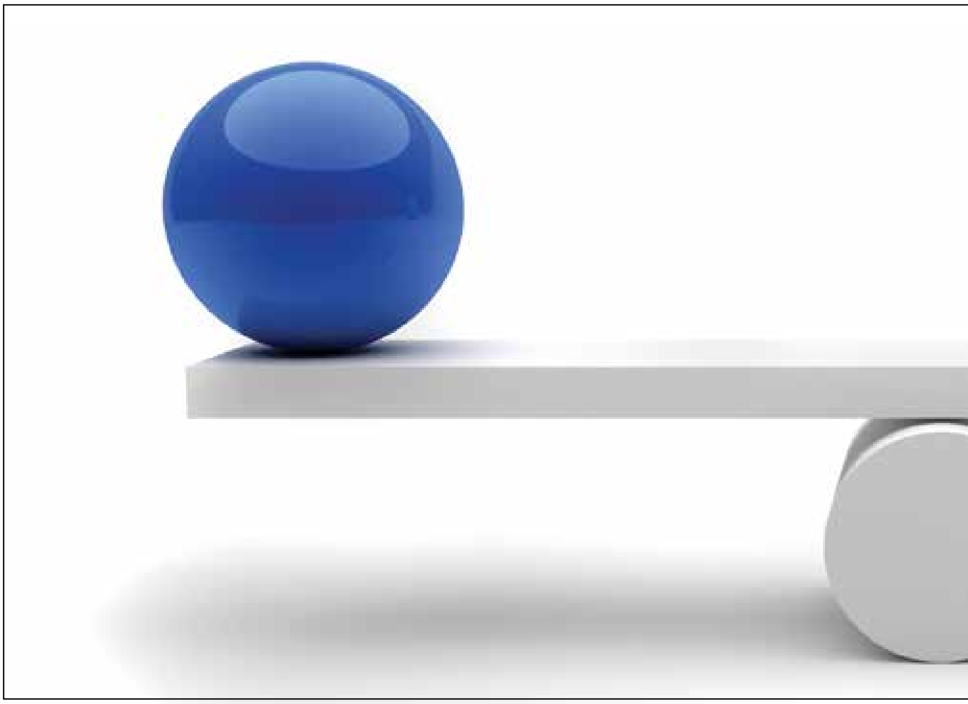
Business partner: CEOs today do not just seek CFOs who are accountants or financial partners, but rather, who share their broader goal of enabling organisational growth. To this end, CFOs are expected to ensure that the company has enough resources and capital to continue to grow, to frame effective



policies that benefit the overall workflow, and to provide data-driven administrative support to the CEO.

Financial spokesperson: As the designation suggests, the Chief Financial Officer is the official spokesperson for the company with regard to finances and funding. While it is the CEO who typically drives various initiatives and policies to enhance value for key stakeholders, it is the CFO who is tasked with substantiating the CEO's statement with facts and data. When the CEO's long-term vision is supported by strong financial data, it can immensely benefit the organisation – provided the plan is properly executed.

Strategic thinker: This attribute is considered among the most important for top executives, and CFOs are no exception. A CFO must be able to think strategically, steering the company in the right direction. In many ways, the strategies developed by a CFO can influence the course of action taken by the CEO towards ensuring that critical milestones, as well as the long-term goals of the company, are achieved.

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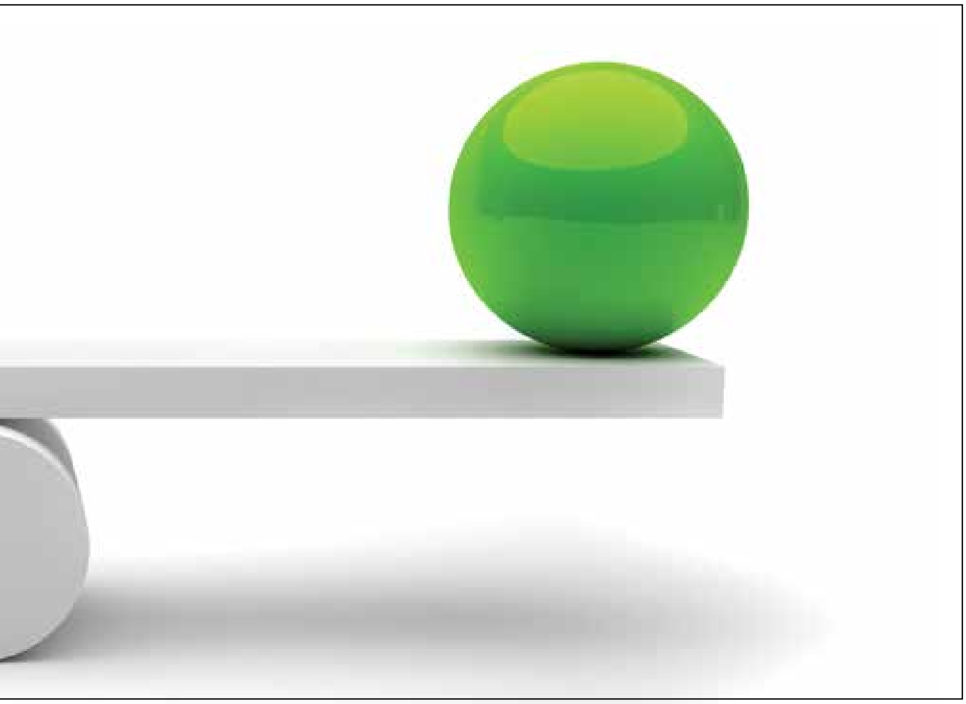
Ability to balance risks and returns: CEOs expect CFOs to effectively mitigate and manage the various risks that businesses face. A good CFO identifies potential risk factors, and manages these by developing a robust control mechanism. At the same time, CFOs are also expected to take calculated risks from time to time to generate value for the company. Since the ability to balance risks and returns comes with years of practice, at times, young CFOs are dissuaded by a fear of failure. A balanced CEO-CFO relationship can enable risk-taking, at least in certain scenarios, provided they support each other through the process.

Importantly, the kind of rapport that the CFO and CEO of a company share depends on the ownership of the business. In case the CEO happens to be a founder, and hires the CFO, then it would be likely that both individuals share beliefs that are in alignment with the company's objectives. On the other hand, in cases where both the CEO and CFO have been hired as employees, it is possible that their management techniques and style of working differ. Given that both individuals will report to either the Board of Directors or the Managing Director, diversity of viewpoints will lead to greater debate. For instance, a CEO who is focused on developing a strategy to accomplish long run goals may face resistance from a CFO who deliberates on the cost effectiveness of the proposed plan. In such cases, at times, promising projects are either dropped by the company or do not gain enough support from the Board, which hampers their effective and efficient implementation.

Since disagreements between senior professionals can lead to an unproductive work environment, the need of the hour is to find common ground, and establish the company's growth as top priority. Both the CEO and CFO should understand and recognise what motivates them, rather than create unhealthy competition within the organisation. They should establish mutual respect and trust, and use their individual talent constructively to help the organisation grow further. ■



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