CFO Leadership in Good Times and Bad

Are principles or styles common to both or are they unique?

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LEADERSHIP IN GOOD TIMES AND BAD:

Are principles or styles common to both or are they unique?

The modern CFO is hardly ever relegated to the role of "bean counter," nor does he or she play second fiddle to the CEO or other top executives. Increasingly, CFOs are expected to act as leaders on a host of issues that might imperil a company. This trend is a result of the CFO's expanding influence on the corporate structure overall.

CFOs wield greater power in their organizations than ever, but the question each must ask themselves is: Do they have the skills to lead the company not only when the high fives are flying but also when times are tough? In both circumstances, a leader's true colors are revealed.

Ultimately, the answer to that central inquiry can depend on the people and resources available—those that will enable CFOs to make better decisions when faced with either a crisis or a chance for creative change.

If the CFO is too tied up in the daily grind of finance and accounting management to focus on anything else, their time gets consumed and they don't add value. CFOs must leverage the best resources that enable strategic decision making and use his or her innate sense of leadership to guide the organization to success.

> According to writer and consultant Peter Drucker, "Management is doing things right; leadership is doing the right things."

If you're in a leadership role, you'll quickly see that circumstances often go back and forth between good times and bad. In these situations, adaptability is key.

CFO CRISIS LEADERSHIP

Most financial professionals probably welcome this new trend of the CFO as a true leader and agent of change within his or her organization. But if someone is talented enough to move up the ranks from a staff or director level, finally reaching that endpoint as CFO of the company, they might see their excitement turn to anxiety.

The nature of finance and accounting in 2018 gives CFOs a say in more parts of the organization than ever. IT strategy, risk and compliance, public or investor relations, human resources—it's not easy to think of a department other than finance where a CFO shouldn't have some influence. Consequently, a crisis involving just one of these ancillary business segments can easily spill over and become the CFO's concern. That includes events that should sound familiar to regular news readers:

1. Data breaches and cyber attacks often put sensitive financial information at risk.
2. Misconduct claims leveled at staff, either internally or externally, present both a public image threat and a financial risk.
3. The temporary or permanent loss of a key person in the business often requires the CFO to step into unfamiliar roles at a moment's notice.

CFO CRISIS LEADERSHIP

Betteridge Jewelers Case Study

Sometimes the crisis is inherited. Take the case of Nick Fisher, CFO of Betteridge Jewelers. He walked into chaos and quickly had to establish order. Upon arriving at his new job as CFO, Nick discovered the former CFO was completing a cash-flow forecast from memory and making multimillion-dollar decisions in his head. Nick was immediately faced with many key tasks, from updating accounting software that would not scale as they grew, to organizing accounting records and beginning to measure critical KPIs.

Above all of these tactical responsibilities for Nick, there was one key objective: Growing Betteridge from an annual revenue of approximately $100 million to around $500 million in 10 years. He led the company through its crisis by leveraging Consero's Finance as a Service model to streamline and improve their key finance and accounting procedures in an accelerated timeline.

These examples are slightly more specific than the systemic, ever-present risk of disaster faced by anyone leading a business. It also says nothing of crises that are purely financial—like a cash flow shortage or new competition in the market—and have always been primary concerns for the CFO.

Each of these scenarios requires a CFO who will take ownership and assume command over people who may be nervous, panicked or fearful. A Deloitte survey of CFOs found that fewer than 10% of finance chiefs felt their company was prepared for crises like cyberattacks or natural disasters which were rated as serious threats. But what if the CFO is just as unprepared for his or her new leadership responsibilities as the company was for the crisis at hand? That's a situation no executive should be ready to accept.

CFOs IN TIMES OF RAPID GROWTH AND CHANGE

Oddly enough, some of these same risks and worries tend to present themselves in the best of times, too. Even when profits are climbing, investment is growing and a young company is finding its footing, the need for strong leadership is still clear. It could even be argued that the leadership behind an organization is more critical during times of growth than in periods of stagnation. That's because a lack of vision at such pivotal times often turns into a crisis all its own.

Growth and change that concerns CFOs will take many forms as well:

1. Mergers and acquisitions present an obvious need for financial leadership on both sides of the deal.
2. Periods of high growth in revenue or investment necessitate change—this growth can't be sustained under the same financial systems and processes for very long.
3. Expanding geographically invites new opportunities to profit, but also more risks on multiple fronts.

No matter if it's a crisis or an opportunity—a positive development or a negative one—the need for leadership is constant. But as CFOs are still coming to grips with their new roles within increasingly interdependent organizations, basic leadership principles may be among the last things on their mind.

CFOs IN TIMES OF RAPID GROWTH AND CHANGE

For example, according to experts on the subject of leadership in crises and times of change, the ideal of a shared perspective between executives and staff in a company tends to be one of the first things out the door in either instance. Retired Brigadier General Tom Kolditz, who delivered the keynote address at the 2017 MIT Sloan CFO Summit, explained that this was a key aspect of leadership that too many executives ignore.

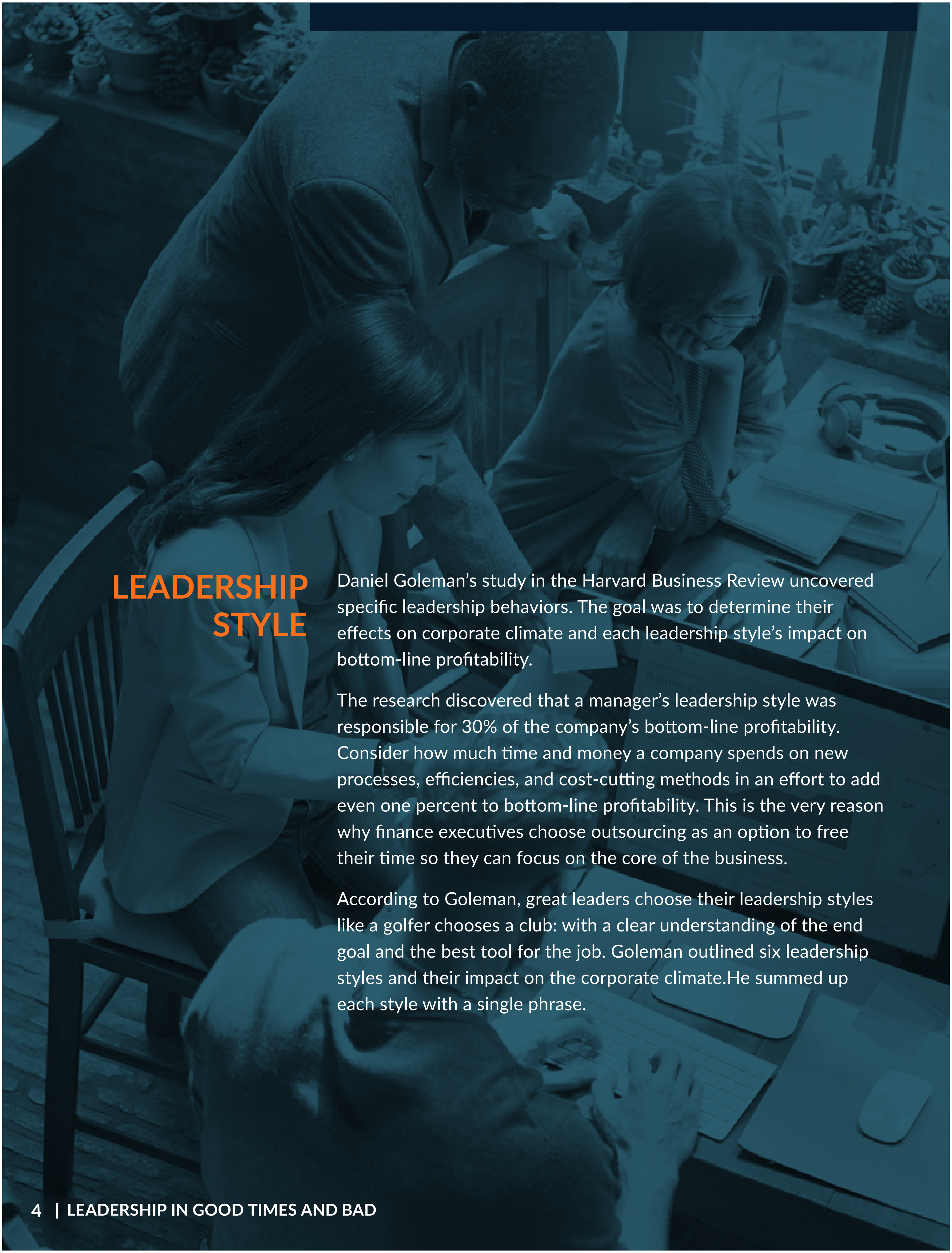
> "The lower you go in the organization, the more people are focused, in crisis, on personal outcomes," Kolditz said, according to a CFO.com article on his presentation. "You're distracted by the fact that it's your job to fix the problem, but you have to understand their perspective, or you'll say the wrong things to them."

And as CFO.com reporter David McCann noted, it's not that these staff members don't care about the company in a crisis or period of change. Rather, "when people feel really threatened, they will set aside all kinds of compliance requirements and managerial policy," according to Kolditz. "The basis for a lot of ethical lapses is just that kind of pressure. And the only way you fix it is by talking to them."

Robert Alvarez, a client of Consero Global, is also the CFO of BigCommerce and winner of the Austin Business Journal's 2013 CFO of the Year. "Your communication style should not change as the company grows," Alvarez explained during a CFO Leadership Conference panel discussion. "It is important to share information. If employees are going to steer the ship, they must know what is going on."

He added that an effective leader will put the right people, processes and systems in place so the CFO is in a position to inspire. He selected Consero's Finance as a Service to clear away obstacles that would otherwise impede progress and divert his time away from focusing on strategic objectives.

> Let's take a closer look at leadership styles and principles. We will examine whether they are common to leading, both in good times and bad, or if they are unique.



LEADERSHIP STYLE

Daniel Goleman's study in the Harvard Business Review uncovered specific leadership behaviors. The goal was to determine their effects on corporate climate and each leadership style's impact on bottom-line profitability.

The research discovered that a manager's leadership style was responsible for 30% of the company's bottom-line profitability. Consider how much time and money a company spends on new processes, efficiencies, and cost-cutting methods in an effort to add even one percent to bottom-line profitability. This is the very reason why finance executives choose outsourcing as an option to free their time so they can focus on the core of the business.

According to Goleman, great leaders choose their leadership styles like a golfer chooses a club: with a clear understanding of the end goal and the best tool for the job. Goleman outlined six leadership styles and their impact on the corporate climate.He summed up each style with a single phrase.

LEADERSHIP STYLE

1

The Pacesetting Leader:

"Do as I do, now."

- Expects and displays excellence and self-direction.
- This style is best applied when the team is already motivated and skilled, and the leader needs quick results. When used extensively, however, a pacesetting leader can overwhelm team members and squelch innovation.

2

The Authoritative Leader:

"Come with me."

- Mobilizes the team toward a common vision and focuses on end goals, leaving the means up to each individual.
- Authoritative leadership is best used when the team needs a new vision because circumstances have changed, or when explicit guidance is not required. This leader encourages entrepreneurial spirit and vibrant enthusiasm for the mission.

3

The Coercive Leader:

"Do what I tell you."

- Demands immediate compliance.
- Effective in times of crisis, such as in a company turnaround or a takeover attempt, or during an actual emergency like a tornado or a fire. This style can also help control a problem teammate when everything else has failed.

4

The Affiliative Leader:

"People come first."

- Works to create emotional bonds that bring a feeling of bonding and belonging to the organization.
- Affiliative leadership is best used in times of stress, when teammates need to heal from a crisis, or when trust needs to be rebuilt.

5

The Coaching Leader:

"Try this."

- Develops people for the future.
- This style is best applied when the leader wants to help teammates build personal strengths that make them more successful overall.

6

The Democratic Leader:

"What do you think?"

- Builds consensus through participation.
- Effective when the leader needs the team to buy into or have ownership of a decision, plan, or goal, or if he or she is uncertain and needs fresh ideas from qualified teammates.

LEADERSHIP PRINCIPLES

You can adapt your leadership style based on various situations throughout your career. On your career path, you will no doubt experience both good times and bad. Just remember, specific golf clubs are designed for different situations: You are allowed 14 clubs in your bag. However, for each individual round you may choose only the best five or six depending on the environment. It takes practice and confidence to choose the right club.

What principles are guiding your leadership? For another perspective on demonstrating leadership in unfamiliar territory, consider the five characteristics of strong leaders laid out in in "The Leadership Challenge" by Jim Kouzes and Barry Posner:

Model the way: Keep your emotions and temper in check during a crisis. Control your fear because your employees are looking at you for clues as to how they should react.

Inspire a shared vision: Give employees a goal worth dedicating their efforts to. Always remember, the mission comes first. Get teams to rally behind that central goal.

Challenge the process: Look for ways to improve on the usual way of doing things. Think ahead about how you'll react to tough situations.

Enable others to act: It falls on you to encourage your team and inspire them to keep going. Establish partnerships to make goals attainable. The best leaders don't create followers; they create more leaders.

Encourage the heart: Be tough, but human. Don't ignore the thoughts and feelings of others on your team.

LEADERSHIP PRINCIPLES

KIMBIA Case Study

A CFO.com article outlining top goals for CFOs indicates 90% of finance executives surveyed say they need to do more with the financial and operations data at hand to help top management make critical decisions.

"CFOs want to make a bigger impact on operations across the board," said Abe Cohen, vice president of marketing at Kaufman Hall."The data is supporting the notion that CFOs are transforming into business advisers." Having the right finance and accounting infrastructure in place will give you a solid foundation so you can be that trusted advisor and evolve as a transformative leader.

Phil Murray, former VP of Finance with KIMBIA, acknowledged he was too stuck in the weeds of finance & accounting to provide valuable leadership to the executive team. He let his leadership principle guide him and he challenged the process. He looked for ways to improve on the usual way of doing things. By outsourcing his accounting and finance to Consero, he brought better systems, processes and software that KIMBIA didn't have the budget or expertise to implement on their own. The result was progress and a streamlined accounting function.

Where leadership styles may be interchangeable, leadership principles can be applied to any situation, good or bad. They are the foundation for effective leadership. Each leader chooses their unique formula of success, but there are principles to authentic leadership that determine your success or failure. Leading means communicating, influencing and engaging. These principles create an environment where you can make an impact and inspire people to move forward with a shared vision.

SUMMARY

A common thread through all of this is the need to make the switch from being tactical to being strategic by offloading the transactional work so there is time to be an effective leader. There is also a need for better information, better systems and processes, and more open lines of communication. Consero puts that power in the hands of CFOs to free up more time to devote to leading their organizations through turbulence, no matter what shape that might take.

A leader's fundamental job is to get results. To succeed in this goal, you must assess the golf course first. As you approach each tee box, choosing the appropriate leadership style will drive the results you are wanting to achieve. Throughout the course of play, keep your leadership principles in-tact and use them in sync with every swing.

Take these basic leadership styles and principles with you, wherever the journey takes you as well as beyond the specific job or setting. They will serve you well. Repeat, share and refresh. Today, reflect on your personal leadership and ask yourself how well you are living up your role? What more can you do? Challenge yourself to stay true to them, no matter how turbulent or pleasant the situations that you find yourself in.

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