



CORPORATE FINANCIAL SOLUTIONS (CFS) provides confidential strategic financial management consulting to resolve crucial issues for businesses in transition.

Founder **Debra Pauli**



brings senior level financial experience, on site, to evaluate issues crucial to minimizing risk. CFS has repeatedly been able to protect assets, enhance value for the seller or limit after purchase losses for a buyer by discretely drilling down to the bottom of financial information until the solid realities of business performance are known.

CFS has supported private equity groups, Audit Committees, entrepreneurs, investors and lenders during risky business transitions. Typical transitions include turnarounds, the sale of a business, and management change. As a trusted adviser, you can be assured that CFS will provide your client the confidentiality and expertise that make the crucial difference in a successful outcome.

CFO Success and the CEO

The CFO is one of the top positions within a company but the average CFO is employed for less than five years. An effective CFO requires certain personal and professional characteristics for success. In addition, the CEO needs to embrace the proper role of the CFO for the CFO to be truly effective and therefore successful. I've seen both unqualified CFO's and CEO's who failed as executive to the CFO.

Let's look at the seven characteristics of a great CFO and how the CEO contributes to their success.

1. **Ability to say NO and explain why.** This is the ability to understand what and why people want something and communicate "no" in a "win-win" manner when it isn't in the best interest of the Company. An example is the CFO who tells the CEO "no" when a proposed acquisition is perceived as not in the best interest of the Company by the CFO and others. After reviewing the issues, the CEO says, "but you don't understand. We want to do this deal". It wasn't until on site due diligence disclosed an issue strong enough to convince the CEO to stop the acquisition. Initially, even given many good reasons to not pursue the deal, the CEO wanted to proceed. The CFO took a risk in opposing the acquisition, knowing the strong feeling of the CEO. This time, the business risk became apparent before the acquisition. The CFO must be ready to communicate concerns and explore them even when they aren't readily apparent. The CEO should be open to issues of risk, and those who raise them, for the good of the business.

2. **Ability to educate.** This trait requires the ability to assess the skills and understanding of associates, understand the Big Picture within the organization and communicate goals and objectives to help associates become more effective. The CEO needs to develop that Big Picture with the CFO then the CEO needs to give the CFO enough runway to teach Company associates and executives while learning from the CFO as well.

3. **Ability to identify and assess risks.** In this case the CFO must act as an independent sounding board within the organization. The point here is to ensure that the CFO reviews operations and proposals with an eye as to what can go wrong in order to craft processes to avoid or reduce risk. The management team should understand that this isn't the sign of a "deal killer" but of an effective



Example of CFO traits utilized in consulting

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1. Vetting new business proposal for an institution of higher learning required technical skills and ability to educate the client.

2. Business assessment for entrepreneur who originally wanted to replace the CFO but replaced the COO after the business assessment.

3. Vetting candidates for position of CFO in a variety of Industries.

4. Consulting with company in bankruptcy required educating creditors and entrepreneur on best approach for success.



CFO whose role is to ensure growth with protection in case of failure. The CEO should allow and encourage this type of risk assessment.

4. **A broad understanding of the business and its operations** is essential for the CFO's success in meeting goals and objectives. Although someone with the Company's industry experience can be helpful, it may not be essential. The new CFO must be able to grasp the nuances of the business quickly through probing questions and the ability to listen to those who know the industry. Someone with a blank slate can ask the questions that may need to be asked within the organization. With the right attitude, the CEO can learn during this process as well.

5. **Strong technical skills.** The CFO will be working in areas where knowledge of accounting and financial reporting must be in their toolbox to ensure outside auditors and the controllers department are addressing issues in a manner that best serves the company and not primarily to meet compliance requirements. The CEO must look to the CFO to fulfill this role and not go around the CFO to others.

6. **Lead by example.** Outstanding professional and personal characteristics of the CFO are expected. Personal and professional ethics of the CFO are primary. Business culture comes from the top and this individual's behavior will be the model for the financial organization and others in the company. The CEO is the ultimate leader by example.

7. **Knowledge of and relationships with professionals in investment banking, capital markets, lending and other professional service providers** is essential. These relationships will provide resources for the company to ensure it stays on top of the best practices. The CEO should encourage the CFO to continue developing these informal consultative relationships.

The CEO who understands these characteristics recruits the best CFO not only because they look for these characteristics but because the outstanding CFO candidates seek the CEO who supports their success.

A strong entrepreneur who likes running everything and is experienced with relying on his own wits may have trouble embracing a CFO who performs the job the right way. Recently, I drafted a job description for a CFO position. The owner asked questions about the role. It was obvious that the entrepreneurial CEO had not utilized a CFO with the above characteristics. It's important for the CEO to understand what's required when seeking a quality CFO otherwise you'll be looking again and too soon.

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