



Ten Qualities Of An Effective CFO

An effective chief financial officer is critical to the success of any organization; an ineffective one may be the reason for its failure. Bad CFOs are easy to spot—but what about the average ones, with some good qualities but also some key limitations? This question is most crucial in a turnaround. With cash flow tight and lender cooperation essential, a merely average CFO can inhibit progress or even derail the process. How does one evaluate a CFO's capabilities to handle a turnaround situation? When is immediate replacement appropriate?

There are no absolutes, but a "70% rule" can help provide a framework for rating qualities that effective CFOs must possess on a scale of one to 10. The significance and weight of each quality can be adjusted as necessary to a particular situation. CFOs who rank below an average of 70% weighted proficiency in the following 10 qualities probably should be replaced or supplemented.

1) Uncompromising Integrity And Ethical Standards

A good CFO must be honest, ethical and able to develop and maintain the trust and confidence of all constituents. It's not in the job description, but a good CFO knows he is the custodian of everyone's money. The best CFO in a turnaround situation will understand he owes allegiance to all constituents and that sometimes his role is to deliver bad news to the CEO—even if it means risking his job—because it will benefit the stakeholders.

2) Financial Accounting, Cash Management And Corporate Finance Competence

A successful CFO must possess fundamental accounting knowledge, cash management skills and the ability to manage the financial function. A CFO need not be a CPA, but the person absolutely must know how the numbers are generated and be able to communicate effectively with managers, creditors, shareholders and others.

3) Basic Business Knowledge And Strong Understanding Of Company Operations

To be effective in a turnaround, a CFO must understand business fundamentals, a company's basic operations and its business model. A CFO who merely reports numbers and has no interpretive ability does not add value in a restructuring.

4) Strategic Vision And Leadership Skills

The best CFOs can think strategically, help create and execute business plans and demonstrate strong leadership within the financial departments and with the management team as a whole. The CFO can't just be a "numbers guy"; he's got to be a negotiator. CFOs who stay in their offices all day, demonstrate no executive presence, hoard information or are arrogant or condescending are generally ineffective.

5) Problem-Solving Abilities

A CFO's knowledge of the company, its resources and the numbers is critical in formulating a plan to secure a company's future. Good CFOs look for "win-win" situations, rather than trying to get a "good deal."

6) Communication Skills

Especially in turnaround situations, a CFO must be able to communicate the financial performance and resources of the company to all key constituents orally and in writing. A good CFO will give you the answers before you ask the questions; a bad CFO will make you feel that if you hadn't asked, you would never have found out.

7) Strong Work Ethic

A CFO in a turnaround must be willing to work long hours, processing a tremendous amount of work product while paying extreme attention to detail. A CFO who only works eight-hour days will not accomplish the objectives.

8) Self-Confidence And Willingness To Take A Stand

To gain and keep the trust of all constituents in a turnaround, including the company's employees, the CFO must be self-confident without being arrogant. That means the ability to transmit appropriate messages to appropriate audiences, a willingness to admit mistakes and the ability to offer input without insisting on being right.

9) Results-Oriented Mindset

A company in turnaround needs a CFO who is committed to results first. The CFO who elevates process above all impairs his ability to see problems, which is a problem in itself—especially when the company's procedures are likely part of what got it into trouble in the first place.

10) Reliability

A CFO who works reliably under pressure to produce timely, accurate information and is willing to do whatever is necessary to bring about results is invaluable. The right CFO not only wants change, but also can help set the ball in motion.

What to do once you know the score? A failure to replace or supplement the work of an average CFO can have far-reaching negative economic and organizational consequences.

On the other hand, even an average CFO can be useful. If a CFO averages between 50 and 60 but scores well in integrity, business and financial knowledge, work ethic and reliability, retaining the person but hiring an interim financial manager might be the answer.

*This article was written by Marc Pfefferle, a partner at [Carl Marks Consulting Group LLC](#) and appeared in *The Deal*.*

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