

Calming the Waters

What happens when the CEO and CFO just don't get along?

Kate O'Sullivan, CFO Magazine

April 01, 2006

In the autumn of 2004, Theo Epstein was the toast of Boston. The Boston Red Sox had just won the World Series for the first time in 86 years, and it was Epstein, the team's 30-year-old general manager — handsome, humble, and homegrown — who had assembled the championship roster. In 2005, the Red Sox again made the play-offs, and the team's future looked promising. So last fall, when Epstein's contract was up for renewal, it was widely expected that negotiations would be smooth.

Instead, Epstein left the team after days of tortuous negotiations failed to produce an agreement. Speculation about the stunning turn of events centered on possible friction between the young GM and Larry Lucchino, Red Sox president and CEO and Epstein's boss. Their supposed rivalry dominated Boston's hot-stove season until this past January, when, in another surprising twist, Epstein returned to the team.

Tension between top executives may be more visible in the world of professional sports, where fans train gimlet eyes on a team's operations, but it's hardly limited to that arena. Nor is the CEO-CFO relationship, commonly a close one, immune to frictions. Indeed, given a turnover rate of 16 percent among CFOs at *Fortune* 500 and S&P 500 companies last year, according to a study by recruiting firm Crist Associates, there is little doubt that disputes over autonomy and management style can cause finance executives to walk away from their jobs.

While both employer and candidate carefully assess personality and fit issues during the interview process, it can be hard to know in advance what the day-to-day dynamics will be. "Sometimes people put on their best tuxedo for the interview," says Jim Grenfell, a partner with the professional services firm Tatum LLC and a former CFO in the communications industry. "After you're hired, the real person comes out."

Can executive personality clashes like those that roiled the Red Sox's front office be avoided, or if not, then resolved amicably? What should CFOs do when they find themselves locking horns with their boss?

Role Playing

The first thing to do is acknowledge that, to some degree, the clash may be rooted in the different roles of the CEO and CFO. "My advice to both sides would be to recognize that there may be inherent personality differences," says Gwen Wisler, former CFO and, more recently, chief executive of The Coleman Co. "You're always going to hear a CEO saying that the CFO is too conservative."

A recent study by executive recruiting firm Korn/Ferry International confirms Wisler's experience — and shouldn't be surprising to finance executives. The study, which was based on data collected on some 500,000 executives, suggests that CFOs may find chief executives to be stubborn, arrogant, and manipulative, while CEOs may find finance chiefs to be rigid and risk-averse. So it's no wonder that so many finance heads leave their jobs for the ever-vague "personal reasons" or "to pursue other interests."

But these contrasting personalities can be an organizational strength if managed properly, says Wisler. "You want different voices in the mix. That's why people have different functions within the organization," she says. "But when you're speaking to the public or to employees, the CFO and CEO really need to present a united front and support each other, even if behind closed doors they are having contentious discussions." If a chief executive harps too much on the finance head's cautious approach, for example, that CFO's authority may be undermined in situations where caution is warranted. "If the CEO is too negative about the CFO, and the CFO then goes and tries to tighten controls or reduce costs, people may ignore him because he has lost some credibility," says Wisler.

When tension with the boss first emerges, the finance chief can take steps to improve the situation by trying to see things from the CEO's perspective. "The CFO has to realize there may be more to any issue than the numbers," says Debra Benton, an executive coach based in Fort Collins, Colorado. "It would serve the CFO well if he could look at others in power and understand their point of view, and then try to create a proposal for that point of view."

Coaching on how to manage the relationship can also be helpful, says Charles B. Eldridge, senior client partner and practice leader, financial officers practice, at Korn/Ferry. He notes that many companies use the services of industrial psychologists to review employees' roles and determine how those with different styles can best work together.

Exit Strategies

Sometimes, though, the relationship between the CEO and the CFO is strained beyond repair. Grenfell, the former communications CFO, made the decision to leave a previous employer after it became clear that he and the chief executive did not have the same views on ethics. "I was asked to do something that I thought was inappropriate at best and fraudulent at worst," he recalls. "I went home that night, thought about it, and the next day I resigned. I wasn't going to do it, and I wasn't going to work in that kind of environment."

While in the past prospective employers might have looked askance at an abrupt exit or a short tenure at a former employer, such a move no longer puts a black mark on a CFO's résumé. Given the high demand for strong finance executives, the marketplace tends to forgive finance chiefs who depart suddenly, says John Wilson, founder and president of executive search firm J.C. Wilson Associates in San Francisco. "If it is a high-caliber CFO, people know that it was just not meant to be. It was just an unfortunate placement that unraveled," says Wilson. "The market shrugs and lets the person move on."

If a CFO does decide that he must leave the company, Benton counsels against speaking ill of the former employer, no matter how painful the situation may have been. "It is best to get out in the marketplace with a nondefensive, good-humored attitude and say, 'Hey, this is business. We all know there are people who don't always agree,'" she says. "You shouldn't say, 'I had an egomaniacal boss and I had to leave,' because people will think that next time maybe you'll say that about them."

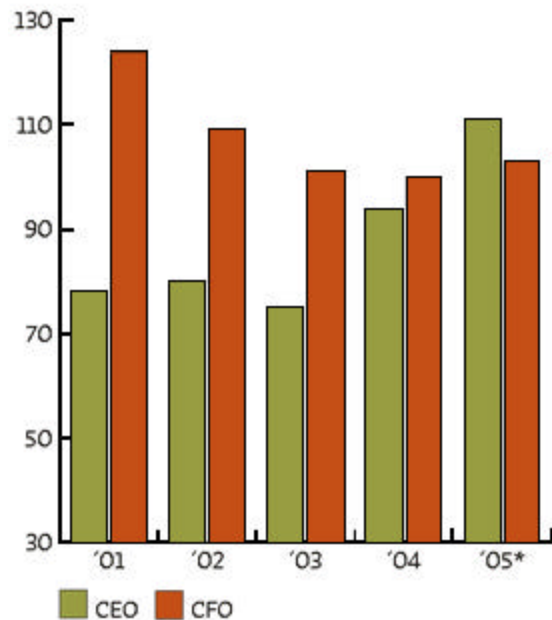
Of course, it will do no good to leave one unpleasant situation only to wind up in another. To avoid a job where personality clashes arise, finance executives need to do careful due diligence; asking the hiring CEO, for example, about how he or she envisions the CFO fitting in with the rest of the management team can be revealing.

"It would scare me if the CEO said, 'The CFO is only responsible for making sure the numbers are right,'" says Wisler. She would prefer the chief executive to have a more expansive and inclusive definition of the CFO's role. Wisler has also asked for references from past employees of the company. Most important, says Wisler, is to ask "the same blatant, open question to a lot of people: Why did the last CFO leave?"

Kate O'Sullivan is staff writer at CFO.

Turnover at the Top Many CEO-CFO relationships are short-lived.

No. of CEOs and CFOs who left their jobs



Survey of 662 Fortune 500 and S&P 500 cos. *Projected
Source: Crist Associates

CFOs on the Move

Raytheon has tapped its fourth CFO in four years, naming David Wajsgas to the post at the aerospace and defense contractor. John Ludwig is the new finance chief at Brightpoint Americas, a division of wireless-device distributor Brightpoint. Patricia Gondolfo has left the CFO job at Mount Kisco Medical Group to become COO at Radiation Therapy Services. Flash-memory device maker Spansion has named Dario Sacomani to the top finance post. Daniel Miller takes over the finance department at media and entertainment company PlanetOut. Fairchild Semiconductor International has appointed Mark Frey finance chief. Michel Yonker is the new CFO, treasurer, and secretary at computer-chip maker Pixelworks. Forest-products giant Weyerhaeuser has promoted Jeanne Hillman from corporate controller to chief accounting officer. Gary McArthur advances from his role as treasurer at Harris to become CFO at the communications firm. Symbol Technologies has selected Timothy Yates to be its finance head and a director. Yates joins from Saguenay Capital. Jacqueline Collier has added chief accounting officer duties to his role as controller at aviation-parts maker Aviall. John Kritzmacher is the new CFO at Lucent Technologies. He succeeds Frank D'Amelio, who is now COO. Sports-apparel company Ashworth has named Winston Hickman to the top finance post. Joyce Clinton joins Pacific Capital Bancorp as CFO after leaving the post at Wells Fargo Services.