

CFO

After the Storm

What impact will the recession have on your career prospects?

[Kate O'Sullivan](#) - CFO Magazine

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Talk about silver linings: thanks to the recession, the core skill set of the CFO has been highlighted like never before. From working-capital management to cost control to scenario planning, the CFO's expertise has proven to be *the* critical factor in corporate survival. Finance chiefs across the country have also taken the lead in explaining the economic crisis to skittish workers, fielding questions about everything from vendor and customer viability to ravaged retirement accounts. They have strengthened risk-management policies, identified a host of supply-chain vulnerabilities, and found ways to navigate in an environment in which forecasting is virtually impossible. As a result, the CFO role has arguably never been more important, more visible, or more respected.

But will the spotlight continue to shine as brightly as the economy begins to recover? Has the hard-won experience of the past two years permanently raised the profile of the finance chief, and will that translate into rosier career prospects? Most important, perhaps, will CFOs who made the tough calls on layoffs and budget cuts during the recession be able to change gears and help drive growth, be it at their current company or their next employer?

The top finance job has been in the limelight before, perhaps most notably – or notoriously – in the early part of this decade, when CFOs featured prominently in numerous fraud cases. That gave rise to the Sarbanes-Oxley era, during which CFOs became their companies' top cops and an intense focus on internal controls was the order of the day.

No sooner had the dust settled on the regulatory front than the economy began to sputter and then crash, providing CFOs, ironically, with a golden opportunity for redemption – and ascension. Regardless of whether the CFO role was deemed "strategic" (see "[Are You 'Strategic'?](#)"), it certainly became more valued.

"The recession has heightened the importance of the CFO because, in most companies, CFOs have had to roll up their sleeves and make sure that the business can survive," says John Leahy, finance chief at iRobot, a publicly traded robotics company with

approximately \$300 million in annual revenue. "The CFO is really the prime person who needs to protect the franchise."

Onward and Upward?

Nearly half of the finance executives responding to a September *CFO* survey agree with Leahy, saying their roles have become more important and respected over the past year. A similar number say the recession has boosted their career prospects, and that the CFO role has evolved into a suitably strategic post.

Leahy, who joined iRobot in June 2008, just a few months before the stock market crashed but with the recession already under way, says he has spent a significant amount of time educating employees about the importance of cash-flow and working-capital management. "We literally went through Finance 101, teaching people what EBITDA [earnings before interest, taxes, depreciation, and amortization] is, what operating cash flow is, and what levers each person can pull in his or her role to have an effect on the business," he says.

In a small company without a huge cash cushion, says Leahy, "the CFO has to focus on ensuring the company's survival and rallying people around the idea of controlling costs and aggressively managing working capital." In this process of educating employees, a task undertaken by many finance executives since the recession began, the finance chief has become much more visible to the workforce at large.

At Lockheed Martin, CFO Bruce Tanner has been reaching out to the company's far-flung finance team and thousands of employees by nearly every means possible: with Webcasts, podcasts, postings on the company Website, and town-hall meetings. The company also created an internal-communications post dedicated to the finance department.

"There was so much going on in finance, we wanted to make sure we had a line of communication to the rest of the organization so that everyone understood our goals," says Tanner. One such goal: making sure bids for new business reflect the changed economic environment and don't expose the company to too much risk.

Don Mulligan, finance chief at General Mills, the consumer-packaged-goods company, says the recession has provided an opportunity for the finance department to continue to preach its gospel of gross-margin management throughout the company, urging employees from all parts of the business to find ways to reduce their costs in order to free up cash to reinvest in product development. "We've galvanized the entire company around the idea of margin management," says Mulligan.

The finance department has also taken advantage of the credit crisis to further educate employees about return on capital and the fact that cash, not just earnings, is a critical metric. "The crisis has certainly raised the importance of that key financial measure and, by extension, the finance organization," says Mulligan.

But if the recession has increased the stature of the CFO, it has not yet yielded many opportunities for advancement. On the plus side, CFO turnover (both voluntary and involuntary) has dropped over the past year as risk-averse finance executives have decided to stay put and boards have declined to replace top management. Indeed, slightly more than one in five CFOs say the recession has hurt their career prospects by creating fewer opportunities within or outside their companies, a sentiment echoed even more strongly by vice presidents of finance and controllers. "Over the last year or so, the market for C-level executives has really slowed or even frozen," says Leahy.

A recent report from recruiting firm Crist Kolder Associates shows turnover in the top finance job has dropped 7% in the past year at large companies, from 20% in 2008 to 13% in 2009. Other executive recruiters have observed the same phenomenon. "There is probably slightly less opportunity right now because with the force of this recession and the shock factor, there have been a lot of CFOs who have decided to just hunker down," says John Wilson, president of recruiting firm J.C. Wilson Associates.

As the economy has begun to stabilize in recent months, however, the market for finance talent has showed signs of thawing. "We're going to see more voluntary turnover where CFOs are going to say, 'I helped my company get through this, and now I'd like to move on to my longer-term objectives,' which might be moving to a bigger company, moving to a CEO role, or maybe deciding it's time to retire," says Walter Williams, a partner at executive search firm Battalia Winston International. Wilson says some finance chiefs will likely look for operating roles as well.

Trust and Credibility

Those finance executives who will be best positioned to make the leap to a larger company or a new title (about a quarter of CFOs say they ultimately aspire to a CEO position) are those who have demonstrated their ability to be flexible and supportive of the business over the past year. "It's probably too easy to be the traffic cop and just say no to every opportunity or proposal," says Tanner. "It's important to provide people with alternatives and not just deny them."

At many companies, finance chiefs have simply cut costs across the board. But CFOs who tried to help their business-unit leaders find the resources they needed have likely earned a lot of goodwill, says Jim Toohey, CFO at Direct Group, a direct-marketing firm. "When you say to someone, 'I understand your need. Why don't we try an

operating lease for three months instead of making a purchase?' I think you increase your credibility and earn people's trust," he says.

Toohey also stresses the value of the lead-by-doing approach. For example, he notes that many vendors are more than willing to negotiate. "You can cut some deals you wouldn't have thought possible a year ago just by picking up the phone."

Finance executives who have proven that they can develop a strong finance team will also have a leg up in the job market, because there are simply too many demands on today's finance department for one person to meet them all successfully. A robust supporting cast – starring technical experts in the controller and treasurer roles – enables the CFO to spend less time supervising routine tasks and more time working outside the finance silo with the rest of the business on new initiatives, a critical move in order to raise his or her profile with the CEO, board, and business-unit heads. To build such a support system, however, "you have to understand how to line people up so you can have the most successful team, and that means you have to know your people," says Mulligan.

"CFOs aren't known for being the most approachable or outgoing people," says Mulligan. "But you have to really get to know your people and be open to their input." Mulligan says he honed this skill at several international positions at PepsiCo. "Every new job I had was in a new physical location, so each time I had to form a new team," he says.

He now spends time regularly not only with direct reports but with staffers throughout the company's finance organization. "I try to be very approachable and communicative, and I think that has allowed me to see what finance needs to do to help the company and to set our priorities," he says.

The savviest CFOs also reach beyond the bounds of finance to address the concerns of operating managers, showing both employees and the boss that they can look beyond the numbers and think strategically about preserving the business's future. "I would guess that some CEOs are probably looking at their CFOs today and saying, 'This person helped me save the company,'" says Leahy.

The Next Step

With the worst of the crisis past at many companies, finance executives face yet another transition. After spending months scaling back, many say it's time to think about investing for the future. "The recovery has as much or more potential than the recession did for a CFO to really show his abilities," says Toohey. "It is a delicate balancing act right now."

Direct Group's business has picked up in recent weeks and the company, which significantly reduced its workforce last year, now needs to add some employees. "Knowing how and when to gradually staff back up is very tricky," Toohey says. "You can't be too aggressive, but you don't want to miss the opportunities." Managing working capital as production ramps up but cash continues to lag also poses a challenge.

Don Civgin, finance chief at Allstate, the \$30 billion insurance company, says CFOs may struggle to strike the right balance between caution and action for the next few years. "How do you go from hoarding cash to putting the cash to use to create value?" he asks. "It's important for the CFO to help drive that transition and figure out which are the right risks to get behind." While finance executives were right to concentrate on liquidity over the past year, Civgin says, "you have to help people put their concerns about the economy into perspective and get the company back to business."

As a result, CFOs will need to shift from crisis-management mode to a new, forward-looking mind-set. "I think the strategic CFO will be in greater demand because you're not going to reduce your expenses to success. That's a short-term fix, but not all expense-cutters are great growth CFOs," says Wilson. Some companies will also be seeking merger-and-acquisition experience, says Williams, as they look to grow by absorbing weaker competitors. Financing expertise will also become more important as some companies begin to test the market for initial public offerings.

To retain the goodwill they've earned during the trials of the past year, finance chiefs will have to demonstrate their ability to adapt once again. After the go-go capital raising of the late 1990s, the strict controls environment of the early 2000s, and the fight for survival of 2008–2009, CFOs now must take the long view to identify — and find the capital to fund — new opportunities for their companies.

"It will be a really important juncture for many CFOs. Lots of CFOs are really good at cutting costs, and they were in their glory days during the downturn," says Leahy. "But being a great CFO means you need to blend driving today's operating performance with building the business for the future, and that's one of the hardest parts of the job." Those who can shift their focus from short-term survival to long-term growth will cement their reputations as strategic partners and continue to advance their careers.

Kate O'Sullivan is a senior writer at CFO.