



TOOLS AND RESOURCES FOR FINANCIAL EXECUTIVES

Going Home Again

Some CFOs can't resist an invitation to return to their old companies, even if it means returning to a mess.

Kate O'Sullivan, CFO Magazine

February 01, 2005

When Gene S. Godick joined Verticalnet Inc. in the summer of 1998 as CFO, anything seemed possible for the company, at that time an operator of Web-based business communities. But after the roller-coaster ride of going public, watching the stock price skyrocket, seeing the staff grow to a high of 1,700 people, and then watching it plunge to 250 people in 2001, Godick left. He thought the company's business model was flawed and was sure more layoffs would follow. "It was like witnessing a crowd of hungry people struggling to get the last slice of pizza," he recalls.

So why did he return to the troubled company the following year?

"I thought it would give me closure. And I thought I could make a difference," says Godick, 39, who received a phone call from Verticalnet's chairman in November 2002 informing him that the company's CEO and CFO were about to resign. The board wanted his help in preparing the company for sale. Although shepherding a company through bankruptcy — a possible next stage for Verticalnet — wasn't a happy prospect, it was an experience Godick thought could offer useful lessons. And the job posed little career risk, according to one of Godick's mentors "If you succeed, you're a hero," he said, "and if you fail, I'm not sure anyone blames you." So with some persuading from former colleague Nathanael Lentz, who had just become Verticalnet's fifth CEO in two years, Godick returned to help sell or save the company. He served as a consultant until February 2003, when he became CFO again.

A returning finance chief is often walking into a high-pressure situation, says executive recruiter Peter Crist, founder of Crist Associates. "Usually [the return] has something to do with turning the company around or fixing a problem, and it means that the board places a premium on that person's knowledge of the company," he says. "The board is looking for a steady hand on the oar." The need for someone who can get up to speed quickly is the main reason companies rehire an executive, says Crist, although existing relationships with lawyers, bankers, accountants, and other constituents also play a role.

For their part, finance officers who have returned to their former posts cite two key factors in their decision: the challenge of the new task and personal loyalty to the company or former co-workers.

Friends in Need

Personal relationships played a significant role in veteran finance executive Karl M. von der Heyden's decision to rejoin PepsiCo in 1996. Sitting finance chief Robert Dettmer was retiring, and Pepsi needed a strategic overhaul. Roger Enrico, then the soft-drink maker's brand-new CEO, thought von der Heyden was the man for the job. "I was initially not at all interested in rejoining a large company," says von der Heyden, now 68. "I had done that for almost 40 years." But Enrico, a longtime friend from von der Heyden's previous stint at Pepsi, forecast it would take just a year to get the company back on track. Von der Heyden says he also felt a sense of responsibility to the outgoing chairman, the late Wayne Calloway. Calloway had initially hired him to join Pepsi's finance team in 1974, and was ill with cancer.

Once back at Pepsi, this time as vice chairman and CFO, it was as if von der Heyden had never left. "I was on the same floor in the same building," he remembers. His familiarity with the business enabled him to go to work quickly on Pepsi's strategic problems. The company first spun off the fast-food businesses KFC, Taco Bell, and Pizza Hut. Next, Pepsi bought Tropicana.

Here, von der Heyden applied a lesson from his days at The H.J. Heinz Co., where he served as CFO for most of the 1980s. Heinz had lost out on a bid for the juice maker in an earlier sale. "I learned that you really had to be aggressive to get these world-famous brands," he says. Pepsi was accused of overpaying for Tropicana, but the business eventually outperformed expectations.

In cleaning up accounting problems at several international joint ventures, von der Heyden again took his cue from Heinz. "Pepsi was not particularly attuned to the governance niceties of running joint ventures," he says, noting that in some cases the company's joint-venture partners were making decisions without Pepsi's knowledge. "That is something that would never have happened at Heinz. They would have been completely buttoned up on this." Von der Heyden proceeded to implement more formal procedures to govern the partnerships.

Picking Up Pieces

Godick found it a bit more challenging to resume work at Verticalnet. Simply returning to the daily grind took some adjustment. "I was used to doing what I wanted and seeing my kids get off the bus every day," he says. "I had to get my sea legs back." More daunting was the state of the company, which was running out of cash, owed nearly \$20 million in real estate obligations, and faced Nasdaq delisting. "I knew 2003 was going to be a year when I just never looked up from my desk," says Godick.

Having learned the first time around that dragging out tough decisions about cutting costs would only forestall the inevitable, he quickly renegotiated the company's lease and offloaded unused space, including a building full of unused copy machines. Restructuring the company's bonds came next. Through a series of such tactical moves, Godick and CEO Lentz were able to get Verticalnet back on track, redefined as a software and solutions provider. Rather than steering the company through bankruptcy, the two now find themselves leading a revival. (When Godick returned to the company, it had only 55 employees; it now has 150.)

For both Godick and von der Heyden, the return trip has taken longer than expected. Von der Heyden didn't leave Pepsi for the second time until 2001, four-and-a-half years after he agreed to rejoin the company. Godick's second act at Verticalnet — which he initially expected might comprise a few months' worth of consulting work — appears to have no end in sight. Still, he has no regrets about returning. "It's been a very fulfilling experience," he says, "in some ways more than the first time."

© CFO Publishing Corporation 2005. All rights reserved.