

Chemistry, Balance and Intuition

The foundation of great CEO-CFO relationships

By Arun Dhingra



Within the executive committee, there is no relationship more important than that between the chief executive officer and the chief financial officer. Because of this, when hiring a CFO, particular attention must be paid to the fit between the candidate and the chief executive. In our experience working with boards and CEOs making CFO appointments, strong CEO-CFO relationships exhibit three qualities.

The first and most important component is chemistry. Like running mates on a presidential ticket, the pair will work much better together if there is a **genuine comfort level** between them. That reservoir of trust has a very practical purpose: The CFO will have to draw upon it frequently when, behind closed doors, he or she needs to push back or question the CEO. New CEOs quickly discover that one of the role's biggest dangers is that no one wants to give them bad news; the CFO must be able to do so unflinchingly. Not surprisingly, the CEO often spends extra time in unstructured, social settings with the CFO finalists to gauge this quality.

But if there is chemistry between the two executives, they must also be different enough that **the CFO balances the CEO's strengths and fills in any gaps that might exist**. A CEO who is an inspirational team builder needs a CFO who is tough and unsentimental. Chief executives who are visionary thinkers benefit from strategic, detail-oriented CFOs who can sort through a stream of ideas and prioritize the ones that can be best leveraged to move the organization's strategy forward.

Finally, **the CFO must be able to act as an extension of the CEO**. So that the CEO can continue to run the business and attend to the board, investors and other constituencies, he or she needs to be able to have someone else take charge of transformations, acquisition integrations and other critical initiatives. This means not just that the CFO is a business partner but that he or she understands the CEO well enough to intuit the choices the CEO would make or how he or she would handle an unforeseen situation.

As with virtually every senior executive position, the competition for top-tier CFOs is high. Adding factors like "chemistry" into the equation undeniably complicates the search process and there can be a strong temptation to overlook intangible shortcomings in an otherwise stellar candidate. But fit with the CEO is an integral part of the CFO role, and if it's not there, the problem will eventually manifest itself in ways that can be detrimental to the organization. On the other hand, the board and CEO who wait for the right CFO will be repaid for their patience many times over.

For more information contact:

Arun Dhingra

Consultant

arun.dhingra@egonzehnder.com

+1 972 728 5955