Succeeding in Your First Year as CFO

The world we operate in today is far more volatile and complex than previously — it's hard to plan one week in advance never mind one year, as one former CFO said. Russell Reynolds Associates' Global Leadership Monitor found that leaders feel less prepared to address every major external issue we measure compared to six months ago.

While the CFO role often shifts alongside long-term macroeconomic trends, as Howard Averill former CFO of Time Warner said, in the past decade, we've seen a fundamental shift in the strategic and operational rigor required to be a CFO, and finance fundamentals have become table stakes.[1] With mounting pressure to deliver as a strategic partner, transitioning into the CFO role has become an increasingly difficult task. What's more, **the majority of newly appointed public company CFOs are doing it for the first time.[2]**

To better understand how to succeed in the first year as CFO, Russell Reynolds Associates interviewed eight former CFOs from our cadre of CFO Mentors—renowned best-in-class executives and strategic partners.

As noted by our interviewees, without the proper onboarding and mentorship, first-time CFOs can often face a myriad of common pitfalls, including arriving with preconceived notions about the organization and strategy, being too quick to act, falling back into their previous role, not building the right team for impact and, most often, not showing up as a strategic executive.

Read on as we delve into how to ensure a smooth transition as a first-time CFO, including:

PRE-TRANSITION: HOW TO TACTICALLY AND MENTALLY PREPARE →

FIRST 90-DAYS: THINKING FAST AND SLOW →

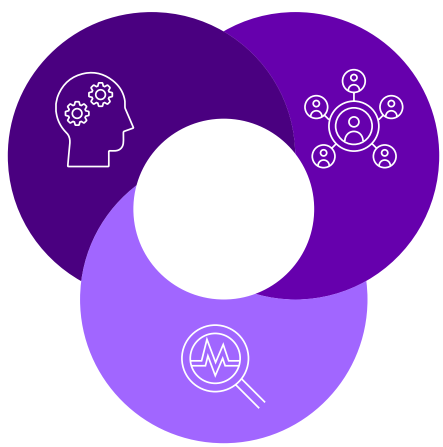
THE FIRST YEAR IN ROLE: FROM FINANCE FUNDAMENTALS TO STRATEGIC EXECUTIVE →

Pre-transition: How to tactically and mentally prepare

All best-in-class CFOs we interviewed agreed: that **the CFO role starts the day they accept the new role, not the day they are officially appointed.**

As new CFOs, their approach to tactically and mentally preparing for the role will differ based on whether they have been promoted internally or hired externally. As an internal candidate, they have the benefit of organizational knowledge and existing relationships; as an external candidate, they must prioritize understanding the company's strategic direction and operational nuances.

While the ideal timing for the CFO successor to be decided is one year before the transition for internal promotions and three months for external appointments, this often isn't the case. Given that these processes are never perfect, it's critical to concentrate on a well-thought-out, high-impact development plan that will ensure that they start on the right foot as CFO. The following three-pronged approach can ensure success from the get-go.



Mentally Prepare

Any new journey requires mental preparation. As a first-time CFO, the role will be more challenging than anything they've previously encountered in their career.

Determining what kind of CFO they want to be before assuming the role can be a reference point to hold themselves accountable against.

"Write it down, keep it, and look at it regularly, because it is easy to be pulled into the vortex"
-Maria Henry, Former Kimberly-Clark CFO

As a first-time CFO, they should think through:

- How do they want to be viewed (e.g., as a strategic partner or a finance executive)?
- What type of leader do they want to be?
- What do they want to accomplish in the role?
- Finally, it is essential to set boundaries and prioritize their work-life balance. What will keep them grounded?

Build Critical Relationships

Identifying the decision-makers they can align with, as well as the right cadence of communication, by setting up calls with key decision-makers to introduce themselves is a high-impact step that can be done in advance of the transition.

As an internal candidate, having the CEO or prior CFO broker introductions and ensure they get face time with the board and external stakeholders is a huge leg-up to facilitating a smooth transition. On the other hand, as an external candidate, depending on the confidentiality of the appointment, ensure the new CFO and CEO are aligned on who can be contacted.

Internal stakeholders to familiarize themselves with include the CEO, board, and rest of the C-suite. **External stakeholders** range from investors and analysts to auditors, industry networks, thought leaders, or external experts.

Develop Organizational Awareness

Absorb as much information as possible about the organization—its history, talent, key stakeholders, and strategy. Leverage resources on the organization's history; year-end reports, competitor analysis, and external investor reports are gold mines for context.

This is especially critical for external hires if coming into a new company or industry **-their point of reference is completely different.**

First 90 days: Thinking fast and slow

Most of our interviewees were familiar with the concept of a 90-day plan, and shared two opposing schools of thought on the practice: Create and execute, or be more conservative in their decision-making in the first 90 days.

The best practice is to create a finance function strategy once the new CFO understands the organization. The specific path CFOs choose—create quickly or wait until they have all the information—depends on their time-to-appointment, the CEO's strategy, and their familiarity with the organization.

Internal CFO appointments should be able to get off to a quick start, given their existing organizational awareness. Through prior conversations with the CEO, CHRO, other C-suite members, and independent mentors, the priorities and strategy should become clear.

Alternatively, if they have the luxury of time, a slower-paced approach pays off for many first-time CFOs. One interviewee went as far as saying **don't make any transformational decisions in the finance function until they are a year into the role.** It takes time to understand the business, industry, stakeholders, and strategy—especially if they are coming from outside the organization.

"If you don't question the organization's commitments, then you own them."

- David Meline,
Former CFO, Moderna

To ensure the CFO is being viewed as a strategic partner, **conducting a listening tour in which they start to build partnerships with colleagues both within and outside the finance function** was a staple for our interviewees. Understanding their stakeholders, ensuring that they understand their position as CFO, and discussing their finance team needs are all fundamental to building trust and a collaborative relationship in which the CFO is viewed as a business partner, rather than just the finance expert

Chris Kreidler, former Sysco CFO, would approach every stakeholder with the same question: *"What do you think is—and isn't—working with the finance team?"* The range of answers he received helped him form a point of view on where the finance team stood and his leadership strategy.

The First Year: From finance fundamentals to strategic executive

Whether the CFO develops the strategy for the finance function within 90 days or sometime within the first year, CFOs cited the following as the most important building blocks to have in place within the first year.

The First Year: Three Building Blocks for Success

01

Strategic Alignment

Aligning with the CEO and board on strategic priorities is crucial.

Start with the organizational strategy - **in the first few months, their priorities should cement their position as an executive leader.** Then, they can turn internally to strategize around the finance function.

02

Functional Priorities

After broader strategic alignment, identify where finance can enable strategy.

A common pitfall is to make decisions for the sake of decisions. Don't let pride influence actions. Patience is of the utmost importance when operating at the organizational level, and **"it takes about 2-3 years to feel the full impact of your strategy"** as George Davis, Former CFO, of Intel put it.

03

The Right Team for Impact

Do they have the right people to achieve their strategy? Do they complement the CFO's strengths and weaknesses?

Don't make any people decisions for the first 3 months.*

"Don't make important policy or personnel decisions based on first impressions." David Meline, ex-CFO, Moderna

***Judgement is key here**, if there are clear misfits on the team, don't take too long to make these decisions, as a detractor could reflect poorly on the CFO.

Ensure there is understanding of the organization's broader talent context. For example, if the CFO is new to the organization, they may be managing direct reports who were up for your job. Understanding the situation they're stepping into is critical in level-setting expectations and retaining top-talent.

While all are important building blocks, Kevin Ozan, former CFO of McDonald's, **stressed the importance of being able to pivot.** Business changes, performance issues, unexpected crises—you can never predict when these might arise. And when they do, you must respond quickly. This is why it's important to get your talent right and delegate.

Taking flight: No one gets to the top by themselves

As a first-time CFO, the role will be more challenging than anything a first-time CFO has encountered in their career previously. To help mitigate this, CFOs shared the partners who were most critical in their development:

Your CEO - Getting the CFO/CEO relationship right is crucial. One way to build the relationship quickly and understand the business is to travel with the CEO, having them vouch for the CFO in introductions with the right people can help expedite their onramp time.

An external CFO mentor - While an audit committee chair or board member can be a beneficial thought partner, they likely aren't someone a CFO can turn to and say, "I haven't encountered this situation before - Where do I start?" **Finding an objective mentor who understands the role and can share lessons learned is an invaluable resource.**

Network of peers - It can be lonely at the top. One CFO said, "Truth checks itself at the door of the CFO." As CFO, it's important to develop a network of peers who you can trust to be honest with you. This network doesn't have to consist of just CFOs—in fact, a more diverse group can help accelerate their understanding of their peers at work. Secondly, looking for CFOs who are also going through the same transition can create the opportunity for a sounding board. Both communities can provide a safe space for trading lessons learned.

A creative outlet - Whether it's a podcast, newsletter, or book, finding something that challenges CFOs to think outside of their role and organization has proven to be a spark in igniting creativity. Bob Shanks, former CFO of Ford Motors, reads science fiction like Dune in his spare time. Escaping from the role and using another part of one's brain allows leaders to think creatively about their organization and strategy.

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References

1. The Evolving Academy Finance Landscape | Russell Reynolds Associates
2. Global CFO Turnover Index | Russell Reynolds Associates

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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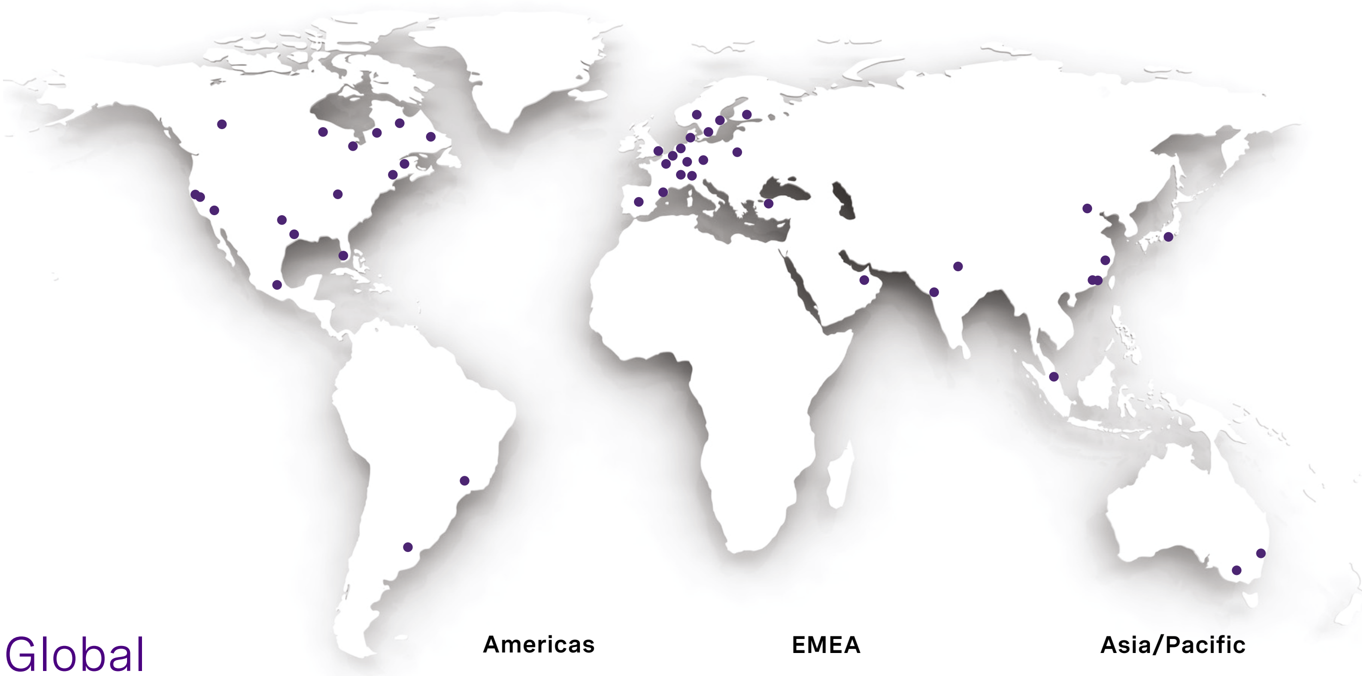

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