

The CEO-CFO Relationship

A Vital Partnership

by John Liacone



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The Overture Group™
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THE CEO & CFO RELATIONSHIP

In today's business environment, companies that are high-performing and growth-oriented have one vital relationship in common: the Chief Executive Officer and the Chief Financial Officer. This relationship is built on trust and communication, and they share a common vision. They support each other and also define and embody the company's culture. However, building such a relationship takes time and effort, just like any other relationship.

As the co-founder and managing partner of The Overture Group, I have been involved in Executive Search and Recruiting for over 30 years. I also head the Leadership Group - one of the premier executive career management associations in the Midwest. The group has over 375 CEOs and CFOs as members. I have weekly conversations with these members and my clients about the importance of their relationships and what makes them work.



A SHARED FOCUS

As someone who has spent a lot of time in the company of CEOs and CFOs, I have developed a keen ability to gauge their working relationships. When both parties have a strong mutual respect, it is evident and quite inspiring. They don't just work well together, but rather they have a deeper understanding of each other. They allow each other to speak without interrupting and they listen actively to one another. Even if one of them is absent from a meeting, they know exactly how the other would react.

If there is ever a disagreement, they make sure to hear each other out and value each other's point of view. This can lead to a healthy, open, and honest debate, which ultimately allows them to make decisions that they both support and can see through to completion. While they work as a team, a skilled CFO understands that the CEO has the final say and will support them to achieve their shared goals.

I had the opportunity to speak with several CEOs and CFOs for this piece and asked them about the main goal of their relationship. As expected, many talked about maximizing shareholder return. This can come in different forms, such as financial results or developing a high-powered collaborative culture. If the CEO and CFO are aligned, the entire executive team will follow their lead and that synergy will lead to success. However, if the CEO and CFO relationship is not in sync, the team and company will suffer.



TRUST & COMMUNICATION - THE FOUNDATION OF SUCCESS

Dr. Don McNeeley, the Chairman & CEO of Chicago Tube and Iron, offered his insight by saying that any successful organization needs a C-Suite group that operates as an aligned team working together with mutual respect. As the C-Suite group is responsible for making decisions that affect the long-term operation of the firm, the CFO is the one who provides the critical information from which those strategic decisions are made.

According to Dr. McNeeley, there is no more important member of the C-Suite than the CFO, as they are responsible for providing the information that provides the foundation for determining the future.

In a successful partnership, both parties must possess certain characteristics, but it all begins with trust. They should have confidence that their decisions and actions are primarily focused on the betterment of the company, shareholders, and employees. They must share a common perspective and live each day with the company's vision and values in mind.

They should be aware that, during challenging times, they will support each other and work together towards a common objective. Dr. Henry Cloud's book "Trust" highlights that the essence of "trust" lies in knowing when to give, withhold, earn, and repair it when it is broken. In my opinion, these elements are critical for a CEO and CFO to develop trust.



COLLABORATION & TRANSPARENCY

CEOs and CFOs experience both good and bad times in business. They must work together as a team, showing up and resolving issues collaboratively. This builds trust, which is the foundation of a strong relationship. Once trust is established, other important characteristics such as respect, transparency, strategic thinking, collaboration, and the drive to succeed can be cultivated. These are the key components of success in any organization. However, if trust is broken, the company may face major setbacks, and it can be challenging to regain momentum.

Transparency is a crucial element of success, and CEOs do not appreciate surprises. If a CEO is caught off guard, they may feel unsupported and doubt their team. It is the CFO's responsibility to ensure that the CEO is aware of everything that is happening in the organization and to communicate any necessary issues ahead of time.

VISION & STRATEGY

The CFO should always have solutions at hand and present options to the CEO for consideration. Knowing when and how much to push is crucial for the CFO to get the best out of the CEO. However, sometimes it is necessary to step back and assess the bigger picture. Often, these meetings happen after 5 o'clock, where they can discuss and work on the business rather than being "in" the business.

Effective discussions and communications between the CFO and CEO must go beyond mere transparency. While it is crucial for the CFO to ensure that the CEO is not caught off guard by any surprises, the CFO must also have the courage and respect to convey any news or information that the CEO may not want to hear. The CFO must challenge the CEO in such a way that they are receptive to listening, seeing the bigger picture, and thinking strategically. In situations where everyone seems to be on the same page, the CFO must ensure that the CEO gains perspective and considers all possible outcomes before making any decisions.



THE WILL TO WIN: BUILDING A BETTER ENGINE

One of the strongest characteristics of a great CEO-CFO relationship is the “Will to Win.” The ultimate goal is to achieve the company's strategic objectives. Though this term may not be commonly used, it's just like an athlete who trains to compete and win the game. CEOs and CFOs like to see the fruits of their labor and they understand that it takes a team effort to work together as a cohesive unit. They collaborate to get their employees to buy into the plan by providing them with the necessary tools and removing any obstacles that may hinder their progress. They do this together, and they can accomplish their goals if they have faith in one another.

Ron Barthel, CFO of Parksite, a successful distributor of building and construction products, believes that his 40-year relationship with his CEO has been successful because they work together to build a bigger and better engine that can go faster, resulting in a company with maximum organizational power.

A strong and healthy relationship between a CEO and CFO can help a company reach its true potential. Trust, mutual respect, open communication, and a focus on a common goal are key elements in building such a relationship.



About The Overture Group

The Overture Group is a premier Executive Search and Compensation consulting firm. We work primarily with middle-market and privately held companies - helping them Attract, Motivate & Retain the key talent necessary for their success. Our dedicated team works with clients to fulfill their human capital needs with the right talent and compensation programs for better performance both now and in the future.

For More Information

Visit TheOvertureGroup.com or contact one of our executives to learn how we can help you Attract, Motivate, and Retain.

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