



You Want to Talk to Your CFO?

Have Something to Say!

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The following article is based on a panel presentation, "Working with Your CFO," at the December 2, 2005 meeting of the HR Network at the American Management Association headquarters in Manhattan. The HR Network is co-sponsored by the Five O'Clock Club and the AMA, and is a vendor-free venue for HR professionals to meet informally and hear discussions of important issues of the day. The panelists on December 2 were Viviana Guzman, Executive Vice President, Chief Financial Officer and Treasurer of the AMA; Steven M. Looney, Managing Director of Peale Davies & Co. Inc., a strategic advisory and consulting firm; Frank Thoelen, Director, Financial Operations for The Princeton Review.

Are CFOs and other top executives actually on different planets? The disconnect between the CFOs and others has been recognized for a long time: CFOs are paid to worry about money—in that great battle known as business—but the folks in HR, for example, have been hired to make sure that people are properly taken care of; marketing may focus on sales (as opposed to profits); and research may think long-term, with no eye on the bottom line. But for HR, there may be the

greatest disconnect. As one observer put it: "HR looks after the people side of things; they want to motivate."

Regardless of your function within the company, to get ahead, learn how to speak to the CFO: He or she controls the purse-strings.

Hence HR (and perhaps other functions) may be inclined to take one approach, while the CFO has a different perspective altogether. This was illustrated by a classic conundrum described by one CFO who is also in charge of HR. "We hired a sales manager," the CFO reported, "who was full of vim and vigor, and wanted to revise the commissions paid to our sales people. Our commission structure had been haphazard at best, so I certainly agreed with him on that. But he came back with a commission plan that was tied entirely to sales. Sure, the marketing people liked it. And the HR side of me thought it was a good idea. But then I thought, 'Wait a minute. When was the last time I could spend sales dollars? What I spend is gross margin dollars.' So we had many long



Panelist Viviana Guzman, Executive Vice President, Chief Financial Officer and Treasurer of the AMA

debates about that. But guess who won? The CFO side of me won."

Sometimes HR focuses on *its* business, while paying less attention to the business of the company—or even business in general. HR professionals master very complex issues within their own realms, but broader issues are now impacting the everyday lives of HR professionals. When Sarbanes Oxley was first commanding major attention because of the impact that it was about to have on American business, HR was out of the loop for a while. Now Sarbanes Oxley is as much a part of many HR jobs as ERISA, ESOP and EAP are. HR can no longer afford to be out of touch with the larger trends affecting business.

"HR and marketing wanted a sales commission tied to sales, but as CFO, I knew it had to be tied to profits!"



Almost 100 executives came to listen to our prestigious panel of CFOs.



Frank Thoelen, Director, Financial Operations for The Princeton Review

Over the decades as HR has become established as a component of almost every organization, some have viewed it as an obligatory part of the bureaucracy, a task-oriented administrative function: it serves to hire and fire, to get the payroll done on time, to make sure that benefits and health insurance are processed appropriately, and deal with the full range of employee problems that besets any organization. Burdened with these everyday issues, HR may not have the opportunity to address the bigger issues other C-level executives do. One CFO cited a survey according to which the HR Director is treated with as much respect as the CFO in only about 50 of 5,000 companies around the world. Teyve's prayer for the Czar in *Fiddler on the Roof* was very simple: "Keep the Czar very far away from me." Do HR people generally feel that way about the CFO? Is it a good idea for either HR or CFOs to encourage separation and distance?

The End of an Era: Separation and Distance Are Not an Option

In truth, everyone will benefit if the head of HR and the CFO have the same mindset—and share the same goals. There's a reason that in 50 of 5,000 companies the HR director has achieved equal status with the CFO—and it probably has to do with the HR director making it happen. Sadly, 4,950 other HR directors have failed to make it happen.

HR is in a better position than anyone else to analyze and understand human capital—the core of any business.

The supreme irony is that HR is in a position to impact business because its domain is the people whom the organization has hired; it is in a better position than anyone else to analyze and understand the human capital. HR has something to talk to the CFO about, because everything—everything from a business / bottom-line perspective—hinges on acquiring and using the human capital wisely. In our highly competitive business environment, HR professionals can make the most of their unique position. As one expert pointed out: "There is a very good case for the HR department creating the essential strategic competitive advantage for the enterprise."

Of course, some old-time HR professionals—perhaps some of those who have been on the job for two or three decades—may be satisfied with a bureaucratic, task-oriented, administrative role. They may not care to move out of the historical groove. But the patterns of the past will probably not work all that well in the years to come.

HR can be the center of strategic competitive advantage for the entire enterprise.

How to Achieve "Having Something to Say"

A meaningful working relationship between an HR executive and the CFO is critical: the CFO controls the numbers and HR controls the people. Here are a few primary considerations:

The Desire to Shape Strategy—and Make a Difference

As an HR professional, what are

your career goals? A Five O'Clock Club career coach would pose the question, "What is your Fifteen-Year Vision?" Do you see yourself remaining a kindly bureaucrat, making sure that all of the traditional HR transactions run smoothly? The necessity of moving beyond this role is the challenge for HR professionals in the decade ahead. Do you want 'a place at the table'—according to the current jargon? That is, do you want to have a voice of authority and influence in the Board Room? Do you want equal standing with the CFO? Fundamentally, are you a business person? —as well as 'a people person', which is the traditional understanding of the HR personality.

It could be a perfect marriage: the CFO controls the numbers and HR controls the people.

Understanding the Business and Speaking the Language

There has been a common assumption among HR professionals that HR skills are usually transferable from one industry to another. If you've mastered payroll, benefits or employee relations while working for a bank, why not make the leap some day to law or manufacturing or non-for-profit? As long as the HR



Steven M. Looney, Managing Director of Peale Davies & Co. Inc., a strategic advisory and consulting firm.

role is primarily transaction oriented—i.e., handling the nuts and bolts of payroll or benefits—why wouldn't this be the case? This is the bureaucratic understanding of HR.

Get inside the CFO's head. What keeps him up at night? Healthcare costs, for example.

But if senior management wants HR executives who can give Board Room input, i.e., who will be considered as valuable as the CFO, much more will be required in terms of business savvy. Survival may depend on it. "When it comes time for outsourcing," one CFO observes, "who's going to be first in line? HR functions are among the first to go because HR officers didn't get themselves to the table." Another advises: "The HR person ought to be someone who comes out of line management. That is the sort of person who knows how to run a business. Large companies especially are looking for the business-first sort of people who can put strategy together and think about the problems ahead. They need HR leaders who understand the big picture."

Hence the best strategy for HR executives who want to work with the CFO—who want to have something to say and be listened to: "The first priority is to understand the business. Find out what the analysts are saying. What are your gross margins? What are you doing that creates competitive advantage for the company? What can you do to help the company make money?"

Such a shift in perspective assumes that HR professionals will learn to speak the CFO's language. "In my experience," a top executive reflects, "the thing that hobbles the partnership of the CFO with the HR officer is a lack of common language. The only way to arrive at a common language is for the HR professional to get inside the CFO's head and understand what drives him or her to the point of being emotional about it.

What keeps him up at night? And it's more than the financials, strictly speaking. This may involve, for instance, the impact of Asia on your particular industry. China is prompting almost everyone to rethink business to the core. And so much technical and intellectual expertise has gone to India. What does all this mean to your business and your people?"

When HR demonstrates awareness of such matters, and competence to grapple with them, the dialogue is more likely to emerge, and HR can have an impact on decisions at the Board Room level.

HR should have the whole human capital picture of the company under scrutiny—and make the most of it. Knowledge translates to power.

Know the Talent Base that Can Drive Strategy

Understanding the business on a fundamental level—how a company makes money and maintains profitability, as well as the trends that could spell disaster—can put HR professionals in a uniquely powerful position. This for the very simple reason that they are uniquely positioned to evaluate the human capital that can drive corporate strategy. All the people entering the company pass under the scrutiny of HR. What better department to track, evaluate, inventory the talent? Astute HR professionals can assume the role of feeding top management with information that can drive and enable strategy. This assumes that HR is interested in the big picture strategy and wants to perform an enabling role.

The CFO has the whole financial picture of the company spread before him or her, for easy survey and analysis, with an eye to the trends that can bring profit or collapse. Since HR has historically been told, "You handle the people part of the equation," then HR should have the whole human capital picture of the company under scrutiny—and

What Human Resources Executives Say About the HR Network Breakfast Seminars!

Thank you for providing this morning's program. It stimulated several ideas and confirmed my thinking on others. The handouts are extremely useful. When I returned to the office we had an impromptu meeting of our executive team, where I described the topic and talked about the key points. We had a good discussion—all thanks to this morning's program.

Each of your panel members contributed excellent ideas, enthusiastically and sincerely. It was an excellent morning.

The session was excellent, one of the best. I make a habit of attending a wide variety of events and yours is by far the best in terms of organization, speakers, content and attendees. It is one of the NY Business community's best kept secrets.

What Is the HR Network, and Why Does It Offer Breakfast Seminars?

The HR Network Breakfast was founded in 2003 by The Five O'Clock Club to provide a learning forum for HR professionals—to help them do their jobs better and advance in their careers.

This is a way for The Five O'Clock Club to give back to our customers and to serve the HR community, which has shown increasing appreciation for our innovative outplacement services.

We work hard to present six substantive HR Network Breakfast Seminars every year, so that HR professionals can take away information to give them a competitive advantage.

And, by the way, *we never allow vendors to attend*, so HR officers can focus as well on getting to know each other.

should make the most of it. This is truly an area where knowledge translates into power. One authority on corporate structure advises HR, "Bring the CFO into the era of HR having a command of human capital and what that really means. It is probably the most valuable objective you can achieve—and the biggest contribution you can make to your company. If your CFO and others in the executive suite still think of HR as handling compliance and routine tasks, you're about ten or fifteen years behind the times. If you can bring your executives to understand that your key role is to drive success because of your understanding of the talent inventory, you are giving your organization a significant competitive advantage."

Be the *first* at the table with labor cost-saving ideas.

But....Be Prepared to Provide the Numbers

"It drives the CFO crazy," one financial executive says, "if a person comes in with a 'great idea' but doesn't have the numbers to back it up." In other words, what is the financial impact of anything and everything? For example, if HR is responsible for the acquisition of talent and wants to provide the CFO with useful information, HR should maintain the metrics on recruiting. In well-run companies, those in the Board Room want to know this. How much does it cost to bring a senior executive on board? How much does it cost to retain, or replace top talent?

Will it increase sales? Will it reduce costs? Will it improve customer service? That's what's important.

Health care is now the principle cost nightmare that keeps CFOs awake at night; for example, the cost of every GM car that rolls off the assembly line



Kate Wendleton moderating the many questions from the floor.

includes \$1,600 for health care. The HR director who wants to be partner and confidant of the CFO, who wants to be heard in the Board Room, will become an expert in health care. As one CFO states the case forcefully to HR executives, "This is your budget. This is one of the biggest budgets in the company. What are you going to do about it yourself? How are you doing the metrics per employee? How are other companies in the industry doing it? Who's getting the better, cheaper contract? What is the cost per person, per month?"

Knowing the numbers is the key to boosting HR to a place at the table. "Get there first with solid metrics," advises one corporate insider. "Show where the savings can be made. If you don't get to the table before the CFO with some of the savings ideas, you are toast. You have to be thinking about that."

With a solid understanding of business and of the strategy that drives the business; with a mastery of metrics to measure everything to guide decisions, HR will find itself in a position to have something to say to the CFO. One CFO is clear about his expectations: "Anytime anybody comes to me with a proposal of any sort, I will have three basic questions: Will it increase sales? Will it reduce costs? Will it improve customer service? If it does not do one of those things, then we are probably not going to have a very long conversation." ●

The Job-Search Buddy System

Do you wish you had someone to talk to—fairly often and informally—about the little things?



"Here's what I'm planning to do today in my search? What are *you* planning to do? Let's talk tomorrow to make sure we've done it." You and your job-search buddy could keep each other positive and on track, and encourage each other to do what you told the small group you were going to do: Make that call, send out those letters, write that follow-up proposal, focus on the most important things that should be done—rather than (for example) spending endless hours responding to job postings on the Web.

With your buddy, practice your Two-Minute Pitch, get ready for interviews, bounce ideas off each other. Some job-search buddies talk every day. Some talk a few times a week. Most of the conversation is by phone and e-mail.

Sometimes, people match themselves up as buddies. Just pick someone you get along with in your small group. Sometimes, your coach can match you up. However you do it, stay away from negative people who talk about how bad it is out there. They will drag you down.

The small group changes over time: people get jobs; new people come in. If you lose one buddy who got a job, get another buddy.

Your buddy does not have to be in your field or industry. In fact, being in the same field or industry could keep you focused on the industry rather than on the *process*. But you *do* have to get along! The relationship may last only a month or two, or go on for years. Some buddies become friends.

Of course, you should see your Five O'Clock Club career coach *privately* for résumé review, target development, salary negotiation, and job interview follow-up. It's usually best to get professional coaching advice for these areas. ●