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EXPERT INSIGHT

RETAIL CFOs: THE CEO'S NEW CONSIGLIORE

By Les Berglass

With the retail environment changing so rapidly today, and technology impacting everything a store does, the role of the chief financial officer has become more important than ever.

When I started recruiting in 1990, the business was much simpler — we hired retail executives based on a linear skillset, and departments operated in individual silos. Today, it is much more complex, as the C-suite works in collaboration to keep up with an increasingly savvy consumer.

So, what then do you look for in a CFO today?

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The Screen for a Great CFO

First, you want to make sure this executive has run a "bulletproof" finance department — one without any surprises. The right information should always be available, succinct and accurate. This person anticipates problems, highlighting them early, thus providing enough time for the CEO and the board to react. While not a micro-manager, this executive is willing to drill down into the detail to get an answer or solve a problem.

You want a CFO who embraces every function. The CFO should know how each department operates, along with its true costs and the department leader's fiscal acumen. He/she should work hard at not appearing the "watchdog." Rather, this person forms partnerships that discourage "filtering" information to the finance department. The ideal CFO walks the fences of an organization, physically visiting departments regularly — not just at budget time.

You also want to make sure this executive is driven by sustainable, viable growth and increasing shareholder value. To this person, saving money is a subset of growth — it doesn't supplant it (assuming the business is not in crisis mode). The most successful CFO treats the assets of the business as if he/she were the major shareholder.

And, in today's world, the CFO has to add one more arrow to his/her quiver — a deep understanding of technology. With new technologies constantly emerging, CFOs need to anticipate future digital needs. Working closely with the chief digital officer, CFOs need to be armed with the necessary real-time data required to act quickly and ensure the company is investing in the right digital solutions to keep up with their consumers' increasing demands and expectations.

A CFO in a Private Equity-Backed Company

In addition to the above, there are other attributes that a private equity-backed company must have in its CFO.

First and foremost, the CFO must understand that the private equity (PE) firm's "inventory" is not only its portfolio company, but also its capital. The CFO must accept the dual reporting nature of a PE-backed company. While he/she reports to the CEO, his/her responsibility is to the shareholder.

The CFO must also embrace a PE firm's time line, performance metrics and its abhorrence for not meeting commitments.

When searching for PE CFO candidates, look to stand-alone businesses that are significantly larger than the hiring company. Previous PE portfolio company experience does a lot to reduce the learning curve.

Notable CFO Standouts

I think a great CFO example is Steven Feldman, currently with John Barrett. Feldman is a three-dimensional CFO. He's a negotiator — not just a numbers person.

Under his financial leadership at Barneys New York, revenues and store count doubled, and the e-commerce foundation was solidified for future growth. Most recently the CFO of Intermix, Feldman was instrumental in preparing the company for its sale to Gap, Inc., strengthening Intermix's infrastructure and increasing profitability.

Ollie's Bargain Outlet's John Swygert is another example of a model CFO. When the company was preparing to go public last June, Swygert put the necessary disciplines in place to ensure a successful IPO. He is also three-dimensional in the way he understands the importance of shareholder value. This is something that is evidenced in the stock's significant increase from its IPO to today.

Today's CFO has become a lot more dynamic and needs to function as the "consigliore" to the CEO. The CFO should always be there — sometimes to listen, sometimes to offer a point of view and sometimes to push back.

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