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Interim Managers in the CFO Role in Medium Sized Companies: Relations Between CEO/Top Management Team Fit and Organisations Success

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Abstract: The ideal CFO is either seen as a glorified "bean counter" or as a Yeti. Expectations are high and seem to be overwhelming. Working as an Interim CFO inside a medium-sized company will create much pressure as it is "Management with a constrained duration, in which a manager is appointed from outside the organisation to perform an assignment for a limited period, after which the manager will leave the organisation". The paper looks at how the relations between the interim CFO and CEO/Top Management are related to organisation success and to what extent the relation qualities influence the organisation success.

Keywords: interim management; CFO; CEO; top management team; organization success
JEL code: M12

1. Introduction

The ideal CFO is either seen as a glorified "bean counter" (Rohit & Stewart, 2010) or as a Yeti (Foeller, 2010). Expectations are high and seem to be overwhelming. CFO should manage an efficient finance organisation and give business insights to manage performance and strategy (IBM Global Business Services, p. 20). Those heroes are given the name "Value Integrators" or "Performance Accelerators" as they outperform in to optimise performance, provide calculable insights, cover risk management and support rational decision-making (Fuessler, 2014). Working as an Interim CFO inside a medium-sized company will create much pressure as it is "Management with a constrained duration, in which a manager is appointed from outside the organisation to perform an assignment for a limited period, after which the manager will leave the organisation" (Vorst, 2009, p. 50). What especially remains to be explored are the relations between the interim CFO and CEO/Top Management on organisation success. The purpose of the study is to show Interim Managers in CFO roles in medium-sized businesses that a good CEO/Top Management Team fit is essential to contribute to the success of a company within the limited time they have their assignment.

1.1 Interim Management – Terminology and Typology

"In interim management, self-employed interim managers work for a defined period (usually 3-18 months) usually in entrepreneurial responsibility in a company in a leadership position of the first and second level. Interim managers are used in different situations and tasks, e.g., For bridging unpredictable vacancies in the event of a management failure, for restructuring, in project management, for the introduction of new programs or in the

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establishment, transfer or sale of companies. The interim managers are distributed via a personal network or an interim provider, a company (or even an individual), which connect Interim Managers professionally (Gabler Wirtschaftslexikon, 2017). Interim Management is the temporary transfer of management tasks to external self-employed persons (Tiberius, 2004, p. 17). Interim Management is a company-related and knowledge-based service provided by the manager himself (Uffmann, 2015, p. 95). The essence of interim management is operational management and change management (Reijniers, 2003). Interim Management is the answer to the increased short-term, economically driven management (Faber et al., 2017). If a job is unoccupied many problems come up: overworked, demotivated employees, Projects are postponed, development is inhibited. There are plenty of negative consequences (Dahl & Bach, 2008, p. 17). Deficits in management are the true causes for corporate crisis (Ribbert, 1994, pp. 100-135). Interim Management facilitates to procure Management know-how when there is demand (Smith & Payne, 2017). The main success factors of an interim assignment lie within the capabilities of the interim manager and the company. What capabilities based on personality, Skills, experience and motivation has the Interim Manager? What is the ability of the organisation based on personal resources, organisational structure, strategy, company culture, information and communication structure and financial resources? The shaping of those determinants in a specific situation is the main success factors (Mc Kinsey & Co., 2017, pp. 17-19).

1.2 The CFO — Role and Tasks in the Organisation

In 2011 the ICAEW paper analysed 261 studies regarding the finance function (Bragg, 2011). They consolidated the findings of the studies, relating to the role of the finance department. Financial Information, General Management and control, Regulatory and Strategy got the highest ratings for ‘high importance.' Other issues like Risk Management, Organisation wide IT, Finance Systems and People Management follow. Other tasks like Tax, Transaction processing, Mergers and acquisition, internal auditing, investor relations, legal, investment appraisal were rated less critical. In a specific situation, the priorities can somewhat be different, especially when we look into medium-sized businesses. The role of the CFO has changed in recent years. More often, he takes care of control and strategy. The finance function is responsible for reporting successes and failures to enable that benefits fall to the bottom line (Shokri-Gasabeh & Kavousi-Chabok, 2009, p. 463).

Following Stephen M. Bragg the responsibilities of a CFO, targets varying by the company, include the following tasks:

- Pursue shareholder value
- Construct reliable control systems
- Understand and mitigate risk
- Link performance measures to strategy
- Encourage efficiency improvements everywhere
- Clean up the accounting and finance functions
- Install shared services
- Examine outsourcing possibilities
- Allocate resources
- Encourage innovation (International Federation of Accountants, 2013, p. 6).

2. Methodology

The sample of the study is Interim Managers who work or have worked as CFOs or at senior finance positions in their interim projects in medium-sized companies in all industries. 255 respondents from 31 countries were included in the research.

2.1 Independent Variables

2.1.1 CEO/Top Management Team Fit

The participants were asked “Did you make a good fit to the CEO and the Top Management Team in the specific interim management project?” and to rate their fit on a Likert scale from 1-very negative to 5-very positive.

2.2 Dependent Variables

2.2.1 Project Success

The five most critical project success criteria based on a literature review of 56 references are in order of their relative importance: Time, Cost, Stakeholder Satisfaction, Quality and Top Management Support (Shokri-Ghasabeh & Kavousi-Chabok, 2009, pp. 456-468). The project success mainly relies on the fact that results are achieved in time and cost, with the desired quality. A good understanding of the stakeholders and Top management support build the foundation for a successful project. To test the reliability of the subdimensions (5 items) of project success and the overall construct, Cronbach's Alpha was acceptable 0.733.

2.2.2 Company’s Success

Company’s success will be measured as the development of aspects before and after the assignment. Those aspects were return on sales improvement, cost reductions, process improvements, working capital improvements, fixed assets optimisation, and debt optimisation.

To test the reliability of the subdimensions (6 items) of the company’s success and the overall construct, Cronbach’s Alpha was acceptable 0.676.

2.2.3 CFO’s Value Contributions

CFOs can create valuewhen they generate strategies and assess the organisation’s ability to satisfy the needs of its customers fully. When they align the different departments to work together, improve business processes, and establish an efficient way for financial planning and analysis, they add value to the organisation. CFOs can enable value, if they practice successful Business partnering with senior management, and are a Stakeholder in the decision-making process. They activate value when explaining the organisation’s performance. CFOs preserve value when they integrate Risk management with strategy and implement internal control systems. They need to challenge the finance function regarding efficiency and competitive cost structures. CFOs deliver Reporting value, explaining relevant and useful information to management and when they create Advanced Management Information Systems (International Federation of Accountants, 2013, pp. 1-29). To test the reliability of the four sub-dimensions of CFOs value contributions and the overall construct, Cronbach’s Alpha was calculated. For creating value, enabling value, preserving value, and reporting value, Cronbach’s Alpha is relatively high with values higher than 0.8. For the overall construct CFO’s value contributions, a Cronbach’s Alpha of 0.915 is excellent.

3. Results

Table 1 Influence of Top Management and CEO Fit to Organisation Success

Correlations = all N 255					
Spearman's Rho			Company Success	Project Success	CFO Value Contribution
	Q26 – CEO	Correlation Coeffizient	.130	.427**	.123*
		P	.038	.000	.050
	Q26 – Top Management Team	Correlation Coeffizient	.240**	.424**	.232*
		P	.000	.000	.000

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

An explorative analysis using Spearman correlations was performed and interpreted. There were significant and highly significant correlations between both groups CEO and Top Management Team (TMT). The effect on Company Success was significant and weak for CEO (rs = .130) and highly significant and weak to moderate for TMT (rs = .240). The effect on Project Success was highly significant and moderate to strong for CEO (rs = .427) and moderate to strong for TMT (rs = .424). The effect on CFO Value Contribution was significant and weak for CEO (rs = .123) and highly significant and weak to moderate for TMT (rs = .232). To achieve Project Success, it is essential to be an excellent fit for the CEO and the TMT.

4. Conclusion

Having a good relationship with the CEO and the Top Management Team is strongly recommended for Interim CFOs to be successful. The basis for a stable relationship is trust. The CFO needs to have a close relationship as a trusted advisor to the CEO and the leadership team. It has a strong influence on project success and has a supportive effect on company success and CFO value contributions.

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