The DNA of Hyper-Growth CFOs

Chief financial officers (CFOs) of hyper-growth companies are often a different breed than their counterparts at organizations experiencing less aggressive expansion. The rapidly paced, risk-intensive environments of organizations with skyrocketing growth require CFOs with a unique set of skills, capabilities and backgrounds. When CFOs bring the right blend of financial acumen, entrepreneurship and insights into the broader business, they can help the organization make better strategic decisions that position it for success well beyond the initial surge of growth. We spoke with some of these financial leaders to gain their firsthand perspectives into what makes financial officers successful — and what CEOs and board directors should look for — in these highly dynamic conditions.

Bring a 360-Degree Business View and Service Orientation

Financial tunnel vision is a liability for CFOs of high-growth companies. The role of the CFO is to provide strategic guidance on the risk and financial implications of decisions, from going public to investing in innovative (but unproven) endeavors. Thus, financial officers must have an understanding of the myriad components of the business, not just the finance function.

"More than anything, the CFO's job is to help the company make good decisions," said Mark Rubash, CFO at Eventbrite, the world's largest self-serving ticketing platform, which, as of 2015, had reached $3.5 billion in gross ticket sales since its founding in 2006. "I focus as much time as I can working with the various parts of the business to help them understand not only their cost structure and leverage points, but what part of their business is actually driving incremental results for the company. The CFO who has spent the time to really understand all of the components of the business and how to optimize them is the one best positioned to help the company be successful — and is also one of the more informed voices when it comes to resource allocation and determining where to place the next incremental dollar."

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> MARK RUBASH, CFO OF EVENTBRITE

Deepak Ahuja, who joined energy-focused automaker Tesla in 2008 as its first CFO and retired in late 2015, believes that part of helping senior executives make the best choices at the pace necessary in hyper-growth environments is the willingness to share the unvarnished truth. "Filters slow down decision-making," he said. "By default, a CEO and the senior team don't always hear the truth. Without knowing the truth, they cannot act in the right direction or make the right decisions."

Credibility as an adviser requires trusted partnerships across functions. The relationship that has the potential for the greatest impact on the organization at large is the one between the CFO and CEO, one that should not take a backseat to domain expertise. "The importance of the CFO/CEO relationship is often overlooked and CFOs are instead hired for their technical capabilities," said Chad Cohen, CFO of Adaptive Biotechnologies Corporation, a biotech startup established in 2009. Cohen previously served as CFO of online real estate portfolio platform Zillow Group from its inception in 2006 until 2015. "First and foremost, the CFO and the CEO are climbing this mountain together and it is a mountain because you're talking about something that's high growth. There's got to be a sense of trust between those two individuals when you're 1,000 feet above the ground. Relationships across the C-level are paramount."

To be successful, CFOs need to focus on how they can bring value to the company, and build teams with similarly service-minded talent. "To paraphrase JFK, ask not what the company can do for you, but what you can do for the company," advised Bruce Felt, CFO of Domo, a cloud-based business management platform with more than $450 million in funding. "My number one criteria when hiring is a service orientation, knowing it's not about me, it's about the company."

STANDARDIZE CORE PROCESSES EARLY OR REGRET IT LATER

With the heightened pace at hyper-growth companies, CFOs cannot afford inefficiencies and inconsistencies across the enterprise, especially with aspirations to scale globally. One of the best decisions Rubash made during his tenure at eBay was to standardize core processes in its early days. The uniformity enabled the e-commerce company to roll out enterprise resource planning systems to 14 countries in only six-and-a-half weeks, as well as establish a shared service center in Switzerland. "Once you have a simple and standardized environment, you can automate, consolidate and outsource," he said. "If you perform steps out of sequence, you end up trying to automate a non-standard, overly complex environment around the world and that's where systems and processes fail. In a hyper-growth environment, standardization became essential."

Standardization also frees the organization to focus on innovation. "How do you stay nimble without overburdening the company with process?" Rubash added. "In eBay's case, it was the fact that we had simplified and automated the core systems and processes that they didn't become the barriers, whether you're onboarding people or paying expense reports. Those things happened in a very efficient way that allowed the rest of the company to innovate."

Additionally, establishing a strong structure and clear reporting early on also help position hyper-growth companies for success, according to Mike Dinsdale, who joined DocuSign, a provider of electronic signature technology and digital transaction management services, in 2010 as its chief financial officer and became chief growth officer in 2015. As part of this process, CFOs need to evaluate whether the leaders of their key functions, such as finance and accounting, bring the necessary rigor.

DO NOT SETTLE WHEN IT COMES TO TALENT

Talent matters. It can be tempting to compromise on skills for budget reasons, but Felt cautioned against this: "Do everything you can to get the best. Things never work if you don't."

For many CFOs of hyper-growth companies, "the best" talent possess a mix of skills, from execution to the ability to problem solve. Rubash believes that leaders who have built something from scratch or deconstructed something complex in the past are the best candidates to build something in the future. This may point hyper-growth organizations toward leaders from startups or industries adapting to disruption versus more established enterprises, where the focus is on maintaining a culture built by someone else. At the same time, the basics should not be underestimated: Felt looks for evidence that leaders will deliver on what they promise and can work well as part of a team.

Cohen recommends hiring for strategic orientation, a bias toward action and an even-keeled personality that can provide balance in the sometimes frenzied environment of hyper-growth companies.

While strong leadership skills are vital, fast-growing companies need CFOs and financial leaders who can also "do." "Ideas are a dime a dozen and execution takes a heck of a lot of discipline," said Ahuja. Leaders must be able to dive into the details, bring domain insight and be counted on to drive execution as much as providing strategic leadership. To ensure everyone is an active contributor, Tesla CEO Elon Musk has striven to eliminate hierarchies, avoiding hiring people who are "just managers" — a tenet that Ahuja says has influenced the entire organization, including the finance function.

Organizations need leaders who have an unshakeable foundation in core financial principles and a laser focus on detail, especially when gearing up for an IPO. "The consequences of an accounting or technical error are just massive for a company that's trying to go public," said Rubash. "There's no reason for it to happen if you plan for it and have the right people."

AVOID THE QUARTERLY CYCLE TRAP

CFOs in hyper-growth companies — especially those that are public or readying for an IPO — face intense pressure to demonstrate strong numbers in the short term. Ahuja recommends that these CFOs, as well as their CEOs, have the courage to take actions that may hurt the quarter, but will benefit the company's long-term performance. "One of the key principles Elon and I agreed upon when we went public was that we would not focus on the quarter and the daily stock price," he said. "Having said that, it is very easy to get caught up in the quarterly cycle. To really create long-term value, the CEO and the executive team along with the CFO have to make decisions that are right in the long term rather than optimize a quarter. Companies with a management team who can handle the tension and has the guts to do that are the ones that succeed."

At the same time, CFOs can bring the company and systems to scale while preserving financial prudence. "A growth company CFO isn't necessarily looking to make the most efficient use of the capital on the balance sheet, but aligning the capital with opportunities for the highest long-term ROI and evaluating if the business has the right capital structure to achieve those goals," said Cohen. In addition, anticipating potential breakdowns — e.g., determining the point where an individual leader or team will be able to scale before the company outgrows their capacity — helps avoid crisis situations, says Rubash.

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DEEPAK AHUJA, FORMER CFO OF TESLA

Engaging and educating the board and external stakeholders can go a long way in setting realistic expectations and gaining support for the pursuit of long-term payoffs over faster returns, as well as building tolerance for volatility. Board composition also plays a role, according to Felt: "I have seen boards fixated on the plan and the model and they have a hard time wrestling with the fact that the business is changing a lot. The better you can set up the board to expect business model modifications and the resultant change to the model and numbers is paramount."

FIT WITH DISTINCTIVE CULTURES

Hyper-growth CFOs cannot be afraid of a risk-taking culture, even though it seems to fly in the face of the very essence of the role. "By definition, a CFO is a risk manager," said Ahuja. "But in these types of companies, the CFO has to wear the other hat of being an entrepreneur, an optimist, a realist and partner for the CEO to drive aggressive growth or manage risky entrées. It really is key to success for these companies and I think it comes with having a strong entrepreneurial mindset."

At the same time, CFOs must be able to recognize when the reward is not worth the risk and stand their ground. "You need to be action-oriented and be able to evaluate the risks and establish that, 'When I say no, I really mean no,' and use that 'no' really judiciously," said Cohen.

This backdrop requires that CFOs adapt to evolving business models, turn on a dime as needed, throw out legacy views or even industry-wide conventions. To help Tesla disrupt the auto industry, Ahuja needed to draw on both flexibility to deal with new facts objectively and persistence in the face of great odds against success. "We went through many points that were incredibly challenging when many naysayers did not expect us to deliver what we did," he said. "But we climbed those mountains and executed as a team; and within execution are the qualities of flexibility and perseverance. The way we behaved was that failure was not an option."

A culture of direct communication also plays a key role in hyper-growth situations, helping the entire organization align around strategic goals. Keeping the organizational structure flat — much flatter than when operating at scale — removes bureaucratic barriers that can inhibit both efficiency and innovation. Communication is also vital for conveying the culture to potential leaders. These companies tend to have a roll-up-your-sleeves style, requiring CFOs and finance teams who have a hunger and willingness to jump in and do everything. Dinsdale has observed that some leaders from larger companies "forget how to do work," so leaders have to be especially vigilant when assessing whether potential executives truly want to join a smaller, more hands-on company.

THE BOTTOM LINE

Hyper-growth is a unique atmosphere for a CFO. Not every financial officer thrives in such high-risk, entrepreneurial environments. These organizations need CFOs who possess or are able to cultivate a wide range of capabilities. Companies with financial officers who bring a holistic business perspective and can strike the balance between risk and investment in innovation, will be best positioned to continue on their high-growth trajectories.

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