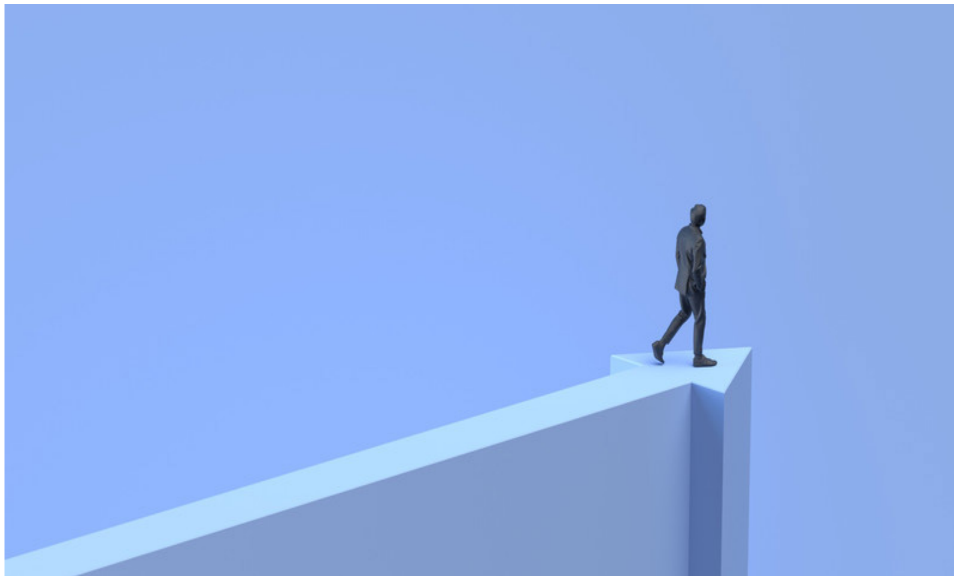
CFO

3 Roles CFOs Must Learn to Be an M&A Player

Understand the areas where CFOs can make a meaningful contribution and where they should step back.



CFOs are the truth-tellers of the executive team. They bring facts and certainty to the company's decision-making process. Not surprisingly, the diligence and precision with which they approach their day-to-day tasks also make them indispensable in a merger or acquisition.

But being an M&A player means understanding both the areas where one can make a meaningful contribution and where one should step back. While it's crucial for the CFO to have a voice at the decision-making table, they should understand their role is as a source of facts and a facilitator — they are not an advocate for what they personally feel is the best outcome.

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Here are three important functions that it is important for CFOs to perform during an M&A process.

1. “Chief Measuring Officer”

The heart of a CFO’s job is measuring data points across a company. By providing a bedrock of accurate information and helping other executives understand its significance, the CFO enables those team members to make informed decisions that guide the company’s future.

When evaluating an M&A opportunity, the CFO should be providing clear metrics about the deal’s potential impact on the company. In addition to taking responsibility for communicating generally accepted accounting principles, the CFO needs to be drawing insights from that data to guide the conversation.

Fulfilling one’s role as “chief measuring officer” also means advocating for the resources and company-wide cooperation needed to make effective measurements. Push for enterprise resource planning software, updated IT systems, a shared digital ledger, and any other essential tools that will improve the quality of the work.

2. Don’t Make Assumptions; Gather Assumptions and Validate Them

Assumptions frequently happen in business and in life, often without us realizing it. But during M&A, the key to clear-eyed decision-making is identifying those assumptions and then figuring out if they’re valid. The CFO can take the lead in this process.

First, set up the basic framework for financial analysis and projections and help colleagues understand it. Ask colleagues for their assumptions about a deal, then follow up with a question: “What would it take for this to be true?” Finally, engage the most skeptical member of the leadership team and find out what it would take to convince them.

Let’s say your company needs a sales forecast for the coming year. Go to the company’s head of sales and find out their assumptions about the next year’s sales. Determine any specific circumstances that would have to exist for those assumptions to become reality. Could these sales be made if the company is fully staffed? What market conditions would have to exist? By when would sales need to be fully staffed? Using parameters like these, design and perform tests to determine if the assumptions are true.

With rare exceptions, the CFO should avoid the role of skeptic, which undermines their objective role and forces others into the position of having to satisfy them. Instead, set the standards of proof for everyone and ensure that any tests are faithfully performed; this is consistent with being a chief measuring officer. A measurer who is also a skeptic is like a butcher with a thumb on the scale.

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3. Facilitate Decision-Making

People who are conservative, detail-oriented, and analytic tend to excel as CFOs. These qualities make a CFO the most logical member of the executive decision-making team to act as a facilitator during the M&A process.

Being a facilitator means:

- Drawing out others' ideas;
- Structuring them into options;
- Clarifying the criteria for choosing among options;
- Determining the necessary conditions for each option to be preferable;
- Allowing team choices to emerge; and
- Unifying those choices into a coherent plan.

Parallel to this role as facilitator, the CFO frequently also serves as a company's interface with banks, investors, or other capital providers. Having this added perspective makes it crucial that a CFO speak up about any criteria these stakeholders have for supporting the team's decisions and what the team will need to do to satisfy them.

Out of all the people at a company's decision-making table, the CFO might have the greatest power to affect the outcome of a deal. Though it might be tempting to let one's personal opinions enter the conversation, maintaining a focus on the available facts and facilitating a respectful, orderly process make it more likely that the final decision made is one everyone on the team can support.

Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capitalraising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.