


## Finding CFO: What does the market demand?

Many executive recruiters say the list of skills required of CFOs, even the most seasoned finance chiefs, is long and growing: operational skills, leadership presence, long-term vision, industry expertise, investor-relations savviness, and a global outlook are among them.

At the same time, the dynamics of the CFO market have changed significantly over the last few years, driven by several trends, including a rising number of CFOs taking early exits, the relative paucity of younger sitting CFOs, and many public companies expressing a strong preference for seasoned CFO candidates.

So what does it take to land a large-company CFO position these days, and how can finance executives position themselves for the top spot?

To answer those questions, we've asked six leading executive recruiters who specialize in financial officer searches to share their views on the CFO job market. In this issue of *CFO Insights*, those recruiters—Alyse Bodine, principal-in-charge of Heidrick & Struggles' Philadelphia office and core member of the firm's Global Financial Officers Practice; Peter Crist, chairman of Crist/Kolder Associates; Jenna Fisher, who leads the Global Corporate Officers Sector at Russell

Reynolds Associates; Jeremy Hanson, managing partner of the Global Financial Officers Practice at Heidrick & Struggles; Bryan Proctor, head of the Financial Officer Center of Expertise at Korn Ferry; and Joel von Ranson, who leads Spencer Stuart's Financial Officer Practice in North America—discuss CFO search trends from several perspectives, including changing market dynamics, attributes that matter, what boards want, elevating your game, and succession planning. Here is what they had to say.\* 

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## Changing market dynamics

"We're seeing faster turnover among CFOs, which is a key indicator we track for our clients. We found that in 2015, CFO turnover in the Fortune 500 increased to 18% from 14% in 2014. In general, companies are less patient with their CFOs, who often take the fall for missing guidance. Once a CFO loses credibility with investors, it's hard to regain it. Interestingly, while boards and management are perhaps exercising less patience with CFOs and showing them

the door sooner than they might have previously, companies are also taking longer to select a new candidate." Jenna Fisher, Russell Reynolds Associates<sup>1</sup>

"The majority of searches we are seeing are in the mid- to small-cap public space, but we've never seen so many large public company CFO searches at one time as there are now. And given how relatively few younger CFOs (45-to-52-year-olds) are in those companies and the current five-to-six year average tenure for public company

CFOs, we're anticipating that the supply of seasoned sitting CFOs will trend lower over the next five to 10 years. That presents a big challenge to companies because so many are telling us they want to hire a sitting CFO." Peter Crist, Crist/Kolder Associates<sup>2</sup>

"Public company CEOs and boards are increasingly interested in hiring seasoned CFOs over candidates who haven't sat in the public company CFO chair. I think the activist investor movement may be a factor in that trend. Companies want a CFO who has seen a lot from an IR perspective and who will be well-equipped to help the CEO develop a strategic response to an activist shareholder campaign... [In fact] if a candidate has experience with handling shareholder activism, that is something he or she can highlight as part of their toolkit to distinguish themselves from others." Joel von Ranson, Spencer Stuart<sup>3</sup>

## Attributes that matter

"Foremost is international experience. It's been gaining in popularity for some time, but more and more clients see this as a growth imperative. We've always heard that from multinationals, but increasingly that's coming from smaller companies, too. Many companies have begun making global acquisitions and are doing more outsourcing globally, and they tell me they want their next CFO to have that global experience and perspective." Jenna Fisher, Russell Reynolds Associates<sup>4</sup>

"About 90% of our clients place a strong understanding of operations at the top of their list, along with organizational leadership skills. The focus on operationally capable CFOs, who have worked at the business unit level, transcends industry sectors. I don't want to over-generalize, however, because what organizations seek in a CFOs is often company- and situation-specific. A highly leveraged company, for example, may prefer candidates experienced within highly

## Exiting stage left

Could early CFO retirements be changing the job market landscape? Research from executive search firm Spencer Stuart points to a rising trend toward earlier retirement among large cap public company CFOs.

According to the study, the average age of Fortune 500 CFOs who retired in the first half of 2016 was 58.6 years, and 58.4 for Fortune 1000 CFOs who retired in that same time period. Those figures compare to a recent peak of 60.2 for Fortune 500 CFOs in 2012 and 60.7 for Fortune 1000 CFOs in 2012.

What is driving the trend? According to Joel von Ranson, who leads Spencer Stuart's Financial Officer Practice in North America, there are three primary factors:

- **Increased opportunities on outside boards.** Since Sarbanes-Oxley, active CEOs are serving on far fewer boards on average, the thinking being that a public company CEO role is too time-consuming to serve on more than one or two outside boards. That has created increased demand for CFOs in the boardroom and opened the way to CFOs to have a broader board portfolio.
- **Wealth creation.** Over the last five or six years, the stock market has performed well and created a great deal of wealth through company stock options for many large-company CFOs. In addition, the increase in M&A activity often results in a sizable bonus for a sitting CFO, as well as a generous payout for the CFO of the acquired company.
- **Elevated demands.** In coming years, it may be harder for CFOs to experience the same increase in wealth that has occurred of late, but the element that is not going away is the intensely demanding and all-consuming role of being a public company CFO.

The implications could be far-reaching. "With the trend toward earlier CFO retirements," says von Ranson, "this means we are operating in a tight CFO marketplace. By and large, many board directors are surprised to learn that CFOs at 56 or 57 want to retire. For companies, it may be that management needs to build awareness among boards that the CFOs are retiring at a younger age, which could lead to new approaches to retention, external recruiting, and development of internal successors."



levered environments, who can address the various treasury-related issues. Business partnering, leadership, and experience interacting with the board are also among our clients' frequent 'must haves.'" **Alyse Bodine, Heidrick & Struggles<sup>5</sup>**

"If CFOs can show they've been involved in driving value through the effective use of customer data and analytics, that's a big plus. Especially with consumer companies, there is a need for CFOs who are adept at taking customer data and analytics and using that information to improve business and the way they market products and services. There simply aren't enough of those executives on the planet right now. For CFOs whose organizations have made some progress in data analytics, they should make sure they're involved in that work." **Jeremy Hanson, Heidrick & Struggles<sup>6</sup>**

#### What boards want

"Boards are becoming more risk averse at the same time they're feeling pressured by activist shareholders, and that has translated into many boards wanting to hire seasoned public company CFOs. Even in companies with strong talent benches, boards are interested in seeing sitting CFO candidates, and once they do, it becomes hard to resist going after someone who has already sat in the chair at a major public company. They're telling us they want a strategic CFO who's operationally oriented, has investor relations (IR) experience, exposure to Wall Street, and experience working with boards." **Peter Crist, Crist/Kolder Associates<sup>7</sup>**

"We also see an increasing interest from boards in CFOs who've demonstrated that they have commercial and operational abilities and may be able to run part or all of the company one day. Boards also may be more focused on risk issues, such as data privacy, so they tend to be comfortable with executives who have a strong controls orientation. We're seeing a strong interest from boards in expanding the diversity of their leadership team. According to our firm's research, in the Fortune 1000, less than 15% of executives in the top CFO role are people of color or women. That figure hasn't changed much in the last 20 years, so boards are making diversity and inclusion a

greater priority." **Jeremy Hanson, Heidrick & Struggles<sup>8</sup>**

"An emerging leading practice is to have as many board members as possible involved upfront in defining the priorities of the role, because the CFO position is often shaped by where the company is going—not where it has been. Both management and boards want to make sure there is alignment between the company's strategic priorities and what the incoming CFO will contribute to achieving those objectives." **Bryan Proctor, Korn Ferry<sup>9</sup>**

#### Elevating your game

"Perhaps the greatest developmental need I see in CFOs and those aspiring to be CFOs is in leadership, specifically understanding how to win the hearts and minds of others, both internally and externally. Sometimes we see candidates who are otherwise highly qualified, but who lack the ability to articulate their vision and be passionate about where the company is going. One way to fill that 'vision' gap is to get more exposure to the public markets through investor relations. An IR role forces you to be a bit more forward looking and to think about how to clearly and impactfully communicate." **Jenna Fisher, Russell Reynolds<sup>10</sup>**

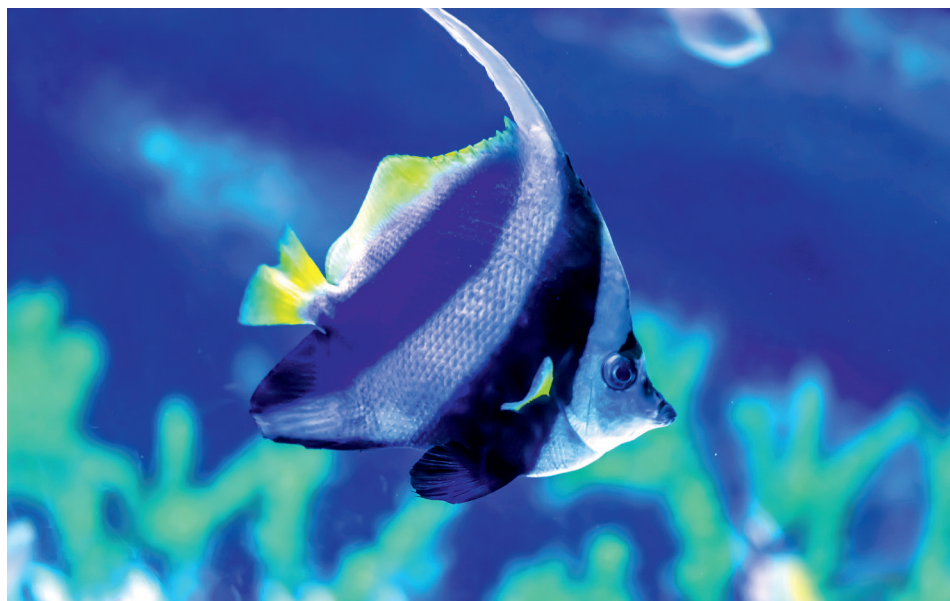
"We tell aspiring CFOs to get strategic about their career development as early as possible and adopt a talent investment

approach in five-year segments. That means thinking about the ROI from the roles they take and skills they build in terms of having the complete CFO toolkit organizations want in their next CFO. First and foremost for finance talent is gaining operational experience because it addresses so many elements of the CFO profile companies are looking for: strategic thinking, leadership, partnering with the business." **Peter Crist, Crist/Kolder Associates<sup>11</sup>**

#### Focus on succession planning

"A sudden resignation or departure of the CFO is a distraction to the organization, both internally and externally. CFO departures tend to have the second-greatest impact from a Street standpoint, causing analysts to ask why the person is leaving and whether there are any issues surrounding it. If the organization is well-prepared for a sudden departure with a strong CFO succession plan in place, then that enables a decision to be made on whether to bring someone in from the outside or promote from within in a relatively short period of time. When this happens, it sends a message to the Street that management and the board are well prepared to mitigate that risk and have a clear understanding of what they want in a CFO." **Bryan Proctor, Korn Ferry<sup>12</sup>**

"We're finding the topic of CFO succession is an increasingly explicit part of the CFO search process. When CFO candidates are



brought in to talk to the CEO and board, they are getting questions like, 'How are you going to build your team? What is your approach to succession planning?' CEOs and boards want to know who the CFO sees as their top lieutenant and what are their skillsets and strengths, as well as what gaps they need to fill to get to the next level." [Joel von Ranson, Spencer Stuart](#)<sup>13</sup>

"I talk every day to talented senior finance people who are considering leaving their companies because they're not continuing to develop. When I interview CFO candidates, one of the questions I always ask is, 'Tell me about other people who have worked for you who are now CFOs.' I want to know what kind of a job they've done in bringing along the next generation because that's the mark of a great CFO." [Jenna Fisher, Russell Reynolds](#)<sup>14</sup> 

*\*The participation of all the executive recruiters mentioned in this article is solely for educational purposes based on their knowledge of the subject, and the views expressed are solely their own. This article should not be deemed or construed to be for the purpose of soliciting business for any of the recruiting firms mentioned, nor does Deloitte advocate or endorse the services or products provided by those firms.*

## End notes:

1. ["New market dynamics bring change to CFO searches."](#) May 17, 2016, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
2. ["Shifting CFO market suggests future recruiting and talent challenges."](#) September 15, 2015 Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
3. ["How shareholder activism is impacting CFO searches."](#) June 8, 2015, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
4. ["New market dynamics bring change to CFO searches."](#) May 17, 2016, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
5. ["How to prepare for your next CFO role \(even if you are not even looking\)."](#) March 26, 2014, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
6. Ibid.
7. ["Shifting CFO market suggests future recruiting and talent challenges."](#) September 15, 2015 Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
8. ["How to prepare for your next CFO role \(even if you are not even looking\)."](#) March 26, 2014, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
9. ["Boards' rising interest in CFO succession planning: How to prepare."](#) January 20, 2015, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
10. ["New market dynamics bring change to CFO searches."](#) May 17, 2016, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
11. ["How to prepare for your next CFO role \(even if you are not even looking\)."](#) March 26, 2014, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
12. ["Boards' rising interest in CFO succession planning: How to prepare."](#) January 20, 2015, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
13. ["Why many CFOs are retiring early and implications for succession planning."](#) September 19, 2016, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.
14. ["New market dynamics bring change to CFO searches."](#) May 17, 2016, Deloitte module of *CFO Journal*, CFO Program, Deloitte LLP.

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