



Executive Search & Career Forecast Inside the Chief Financial Officer Role

This paper presents one-on-one interviews and commentary from leading executive search consultants, all members of the Association of Executive Search and Leadership Consultants (AESC), who specialize in placing chief financial officers (CFOs).

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What are some emerging trends you are witnessing in the CFO function? Where are you seeing the most growth and the least growth?

The most prominent trend is increasing complexity as the role transitions to that of a strategic operating partner to the CEO with responsibilities far broader and deeper than in the past. Today's CFO is expected to be more operationally savvy and versatile than ever. Required to ensure reporting, controls and enterprise risk programs are operating and functioning as intended, they must also strive to understand the details of the business. The role should be able to support business leaders in achieving their goals and objectives through the use of advanced modelling and analysis to provide actionable intelligence, beyond data. Ultimately responsible for financial rigor and control, they must also be engaged in the world of supporting business growth and profitability.

From their unique perch atop the finance organization, the CFO acts not only as a trusted advisor, but can also act as a prescient provocateur. Today's CFO must be able to creatively advise on strategies far beyond traditional finance from market presence and product mix or service lines, to technology and talent. The CFO can indeed help shape a company's future now more than ever.

As for growth, we are seeing tremendous upheaval, for example, in the healthcare world with both insurers and provider-based health systems. Health systems are reducing cost and streamlining operations. They are either outsourcing or creating shared service models for back office finance operations and areas such as treasury and investments. The healthcare insurance companies are either merging or refining their focus toward higher margin government markets; all of this is impacting the role of the CFO.

In higher education, we are seeing a demand for financially-focused professionals able to tighten control and expense management in the face of shifting enrollment patterns and decreasing revenue. These professionals should also be able to identify and help deliver new revenue streams.

In our industrial, consumer and life sciences practices, mergers, acquisitions and divestitures are constantly reshuffling the deck and CFO, tax, treasury, and FP&A roles are all in flux. These sectors continue to seek the more fully developed and frequently global finance leaders that are ready to lead and manage the complexity of corporate strategy to build, optimize and at times rationalize businesses in order to drive shareholder value.

How would you describe the outlook for the CFO function in the USA?

We believe the outlook is strong for interpersonally savvy, versatile and strategic CFOs. Given the trend toward expanded involvement in the business and as a close, natural business partner to the CEO and

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advisor to the board, the CFO wields greater influence more broadly and deeply than ever. CFOs are being required to possess or develop communication, relationship and collaboration competencies. In an increasingly integrated and global economy, CFOs are required to bring high intellectual horsepower to gain a full grasp of the business in order to advise the CEO as well as other leaders within the business. As the CFO develops and rounds out their style, knowledge and experience, they will have a profound impact on shaping the business, better equipping them to ultimately move up to a COO or CEO post.

What trends are you witnessing in the CFO function as it relates to executive search? In which markets and industries are most searches being conducted?

There is significant nationwide activity in the USA across most sectors, highlighted by healthcare, consumer and retail, higher education, industrial and technology. Trending across sectors, CFOs are being impacted by the aging of baby boomers and the retirement of executives who may have delayed retirement due to the economic downturn. We are witnessing significant activity in healthcare as the industry deals with the new financial realities of reform and increased government involvement. With the cost of capital still relatively inexpensive and increased business expansion and M&A activity, our clients are looking for CFOs who understand not only the treasury and cash management, but also global capital markets with Wall Street savvy and connectivity. Along with this, we are also noticing an uptick in demand for CFOs with IPO experience and joint venturing capabilities.

We see increased demand in higher education, as institutions deal with shrinking enrollment against existing fixed cost structures. We are also experiencing client receptivity to our personality assessment offering, able to provide accretive whole-person assessments as part of the search process.

What would you rank as the major challenges for CFOs at the moment, and what executive skills are in high demand considering those current challenges?

The major challenges vary somewhat by industry and whether or not it is a public or private company. For the public CFO, activism is high on the list.

Across the board CFOs are challenged to enable top-line growth with increased cash flow while containing tax, healthcare and energy costs. Increasingly, CFOs are being called upon to be much better stewards of the financial organization's talent pool; able to engage, mentor and develop financially and business savvy leaders who can add value and insights beyond financial reporting and compliance. Of paramount importance, CFOs must meet the challenge of efficiently capturing and managing the ever increasing flow of financial and operational data; into distilled, relevant, actionable business intelligence from which leaders can make informed decisions. As a result, skilled finance leaders with high emotional maturity and intelligence, coupled with high intellectual horsepower, are sought to lead and inspire their teams, organizations and markets.

How are healthcare benefits costs in the USA impacting CFOs?

The pace of change is forcing the CFO into a broader and deeper involvement with healthcare and workforce strategies. This is consuming more of their time as they are called upon to help plan for and manage costs and contingencies, including financing higher program costs, transferring risk

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and manage costs and contingencies. CFOs and their teams need to work closely with human resources (benefits) to understand the liabilities associated with new programs being developed and the risks that are made. This may require savvy in understanding actuarial assumptions, analysis of historical trends, loss development and other factors associated with claims made against self-insured programs.

What processes are CFOs responsible for putting in place to minimize cybersecurity threats?

While the emerging issue of cybersecurity is a shared responsibility including the CEO, CIO, CFO, general counsel and others, the CFO is often seen as having primary responsibility for cybersecurity. The CFO can be tasked with creating a cybersecurity taskforce to implement the organization's strategic objectives of their cybersecurity mission. The CFO develops budgets and formalizes necessary collaborations. A first step includes a vulnerability and internal controls assessment to review the data supply chain and identify the location of sensitive data. The CFO needs to assess the risks and then develop a plan to align the cybersecurity strategy with the business strategy, including guidance on a media response if a breach should occur. They must also ensure processes are in place to understand the relevant cybersecurity compliance and regulatory requirements.

Is the CFO a logical successor to the CEO? If so, how can CFOs prepare to make the switch to CEO?

Historically, and somewhat surprisingly from our perspective, very few CFOs succeed CEOs, driven by a typical lack of full P&L responsibility on their resumes. Current trends should help reverse this as the CFO is becoming increasingly able, aware of and involved in commercial and operational issues that they have been historically dissociated from.

If a CFO sets his/her eyes on the CEO chair, he/she should pursue a well-rounded experience that includes as much operational involvement and business collaboration as possible. They should focus on building relationships and an institutional following along the way. These CFOs should strive to burnish a reputation—above, below and laterally—as not only a recognized financial expert and empathetic business partner, but also as a motivational and inspirational leader who possesses a broad array of skills and experiences, from board interaction and business strategy, to talent and leadership identification and development.

How can a CFO best present him/herself to get noticed by executive search consultants in today's marketplace?

The obvious answer is to establish a track record and reputation of success and effectiveness. Then your reputation will precede you. Although CFOs are easy to identify in the marketplace, they are difficult to contact and engage in a recruitment discussion about their career. CFOs should always respond to an executive recruiter's outreach, as the most prestigious and vibrant CFO/CEO opportunities are handled by executive search firms. Once a CFO has made contact and has started to develop a trusting relationship, the individual will have a much greater likelihood of hearing about the right next role for his/her career.