



Executive Search 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).

Expert Q&A: Inside the CFO Role

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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

“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.”

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

“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.”

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.

Kisoon Im, Boyden, South Korea **Managing Director**

How would you describe the outlook for the CFO function?

As a result of the increasing number of multinational organizations in the global markets, the CFO function now requires more commercial understanding. Therefore, the ultimate value of a CFO is focused on the commercial business view on top of the conventional finance and accounting expertise.

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?

1. Increasing level of complexity in technical capabilities and diversity of financial risks.
2. Some CFOs have limited insight into commercial business and ability to translate financial figures into business opportunity.
3. Paradigm shift from controller to business partner/consultant.

To overcome these challenges, a CFO may need to upgrade his/her activities as a member of the management committee by adding strategic value to the business decisions and demonstrating a mid and long-term view of the business and the surrounding markets.

He/she should proactively approach the CEO and line of business leaders as a business partner.

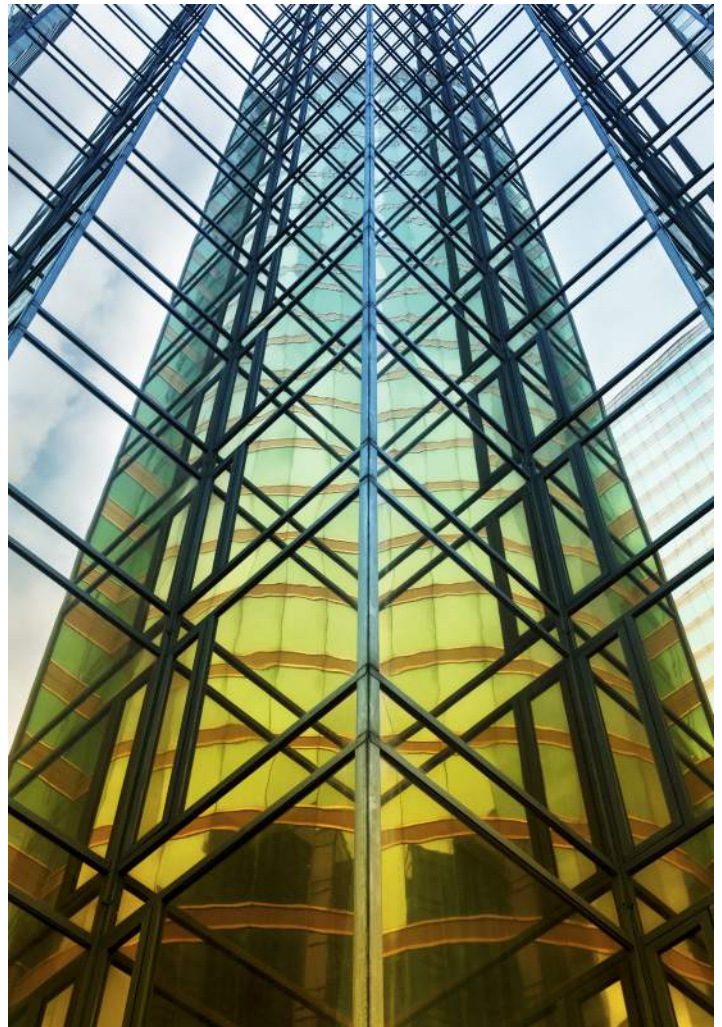
What processes are CFOs responsible for putting in place to minimize cybersecurity threats?

CFOs should:

- Review and analyze existing and potential risks involved in the transaction flow (sales, capital expenditure, investment, expenses, etc.) and technology systems.
- Implement a system of control in the transaction flow with technology enhancement.
- Secure and assign a technology specialist within the finance team to properly respond to the increasing complexity in technical capabilities.

How have CFOs become more involved in technology investments in recent years and what is driving this involvement?

It's a natural move for the CFO to get involved in technology investments in addition to their standard financial control responsibilities. This involvement has allowed CFOs to more actively initiate or recommend new investments in technology not only for financial process, but also for business transaction systems.



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

CFOs in general are still viewed to have certain limitations on their knowledge of the business as a whole. Therefore, CFOs are usually not viewed as a priority successor to the CEO. For a CFO to be better prepared to advance to CEO role, he/she needs to upgrade his/her role from accountant to commercial leader and to build up a recognition and reputation as a strategic business partner to CEO.



Bernhard Dedenbach, Partners to Leaders, Luxembourg, Zurich and Geneva
Founder and COO

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

We observe an increasing shift of the CFO function from a purely technical support function towards a distinct leadership role that covers business in a much broader sense. The former “number crunching” type of CFO has been replaced by a more diverse senior manager who still needs to demonstrate financial savvy and technical expertise, but also masters areas such as business development, strategic planning, commercial development and customer relationship management. She/he is confronted with an increasingly complex legal and regulatory framework, must have an excellent understanding of risk management and a deep knowledge of the company’s business. Communication is a key competency required for this role, and this goes far beyond financial reporting and budget discussions. We see more and more CFOs becoming the trusted advisors to the CEO; and not surprisingly, a growing number of CFOs are becoming the successors when the CEO position is vacant.

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

Although we can see a growing number of CFOs following their former superior into the CEO function, this is not a natural trend or a logical move per se. Often, the CFO becoming CEO has been chosen because of poor or insufficient financial performance of her/his predecessor, thus bringing the company back on the track of profitability and cost control. Of course, the best preparation to succeed the CEO is to work as her/his trusted advisor in the CFO function. Companies that select the CFO as future CEO often put an emphasis on continuity and confidence in the executive team, along with a desire for a different leadership style. Regardless whether the CFO will become the future CEO or not, she/he needs to demonstrate superior managerial skills in order to operate successfully in the long term. She/he must always be aware that position and rank are no entitlement, and in a modern working environment hierarchy is much less important than personal accountability and commitment. Thus, it transpires that only highly committed and successful CFOs can potentially move to a CEO position in the future.

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

In Europe, we observe trends very similar to other regions, i.e. an increasing complexity of the CFO function, both technically and in terms of broader managerial skills. The CFO role has become success-critical for companies, thus the position itself has become more valuable; therefore we see an important increase in the compensation for the CFO position. Of course, compensation goes along with substantially increased liabilities and responsibilities related to the position. Due to this, CFOs are amongst the key executives of the company that are under permanent scrutiny. The outlook for the CFO function is both promising and challenging due to its critical importance for the success of companies and the high degree of responsibility and related skillsets needed.

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?

Companies with ambitious development objectives that strive for growth rely increasingly on a strong CFO who is a member of a solid executive team. The function encompasses multiple business aspects and the CFO oversees a large array of activities. Although technical expertise is an essential prerequisite for the position, much more is needed to succeed in a CFO role. The CFO is mainly in the position of co-pilot, the closest confidant of the CEO, and driving the company’s development. Sharing the daily company management with the top executive, she/he must utilize strong leadership and people

management qualities. In addition to business acumen, understanding the market and the financial and economic fundamentals, the CFO must be able to step in for her/his chief executive. Thus she/he must be able to develop a strategic business vision and surround herself/himself with the best talent in order to successfully implement that strategy. When operating in challenging environments, she/he is co-leading change and turnaround, which requires courage, personal integrity and stamina.

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

Preventing cybercrime is obviously a common responsibility for everybody in the company. However, due to her/his privileged access to highly sensitive information and assuming a senior executive role, the CFO plays a pivotal role in reducing threats to security. Together with a strong information technology (IT) team, she/he has to warrant for data security and maximum protection. This starts with the most basic reporting rules and guidelines and includes a proactive monitoring of the efficiency and security of IT tools and other communication channels.

The CFO has to be the promoter of best practices and the sponsor of the most efficient (not always most expensive) systems and applications. She/he shares that responsibility with IT and Risk Management—areas in which she/he is strongly involved. Thus, it is common in major organizations and companies that IT and operations fall under the CFO's responsibilities. She/he has to select an expert IT team and lead the process of establishing and implementing the highest levels of IT security through the most appropriate systems and applications as well as by setting the right rules and standards. This requires a very sound understanding of modern communication channels and IT applications as well as a high level of computer literacy.

How have CFOs become more involved in technology investments in recent years and what is driving this involvement?

As a consequence of the CFO's role as the gatekeeper of data and the safeguard of confidentiality of information, the function requires a strong involvement in technology investments. This responsibility goes beyond financial reporting and pure financial IT applications, since the CFO role encompasses risk management, regulatory affairs and general business matters often related to legal and operational aspects of the business. Due to an invariably increasing complexity of technology and an even faster growing threat of abuse and cybercrime, the CFO has to keep herself/himself abreast of new technologies and very carefully monitor the potential risks related to new systems and applications. But most importantly she/he must select and manage a team of IT security experts whose only concern is to permanently monitor potential risks and to develop strategies and mechanisms that protect the company from any potential harm.

Samuel Dergel, Stanton Chase, USA and Canada
Executive Search Consultant, Global CFO and Financial Executive Search Practice

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

On average, most CFO roles do not last longer than three years. While there certainly are chief financial officers that stay a long while, they are the exception. As I continue to see in my weekly “CFO Moves” report, too many CFOs do not make it to the 12-month mark.

I continue to see the levels of CFO hiring activity as a subset of change within the economy. CFO hiring is directly related to the change that companies and industries are facing. A chief financial officer for a company that has gone through private equity-backed growth may not be the right individual to take a company public. When a new CEO is hired, it is extremely likely that the current CFO will not last more than 12 months.

In companies and industries where change happens quickly, CFO movement and turnover happens quickly as well. In companies and industries that are more stable, CFOs have a better chance at staying in their role for a longer period. However, with change today being more pervasive across more industries and companies, the trend is to shorter CFO terms across the board.

How would you describe the outlook for the CFO function in the United States and Canada?

Over the last 20 years, the position of CFO has grown in prominence to be a very important and visible role in most companies. I believe this standing will continue. Companies will continue to look at the chief financial officer position as an important one. Having the best person in the CFO position will continue to be important for business, financial and strategic reasons. For this reason, CFOs need to continue to develop and improve. Staying stagnant and resting on your laurels is not smart for a CFO that wants to continue to be successful.

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

Awareness is the key issue. This topic has been brought up by CFOs in the peer groups that I run. Overall, it's really about awareness and learning, and ensuring that this is taken care of properly by the appropriate leadership responsible for technology within their company.

What global economic trends do you see having the most impact on CFOs in the coming year?

Foreign Exchange (FX) fluctuations worldwide have a big impact on CFOs. With the CFO being responsible for guidance and forecasts, and with operations and supply chain being more global than ever, the pace and extent of recent FX volatility can easily turn profits into losses.

Cash continues to be king: whether that is continued access to cash to fund operations and growth, or a question of what successful companies can do with their excess cash (especially with the inability for US companies to repatriate overseas cash efficiently), cash is a big challenge to CFOs.

Global economic factors and the changes they cause companies will continue to impact the career of the CFO. Senior finance executives need to be aware of the changing winds and how it affects their company, and be prepared not only to withstand these changes, but take advantage of them. Most CFOs I speak with are not properly prepared in this area.

How have CFOs become more involved in technology investments in recent years and what is driving this involvement?

In an effort to have a greater operational and strategic impact across the company, CFOs are making an effort to become true business partners. In addition to this improved business partner role, CFOs are looked to as leaders on what to do with all the data an effort to become true business partners. In

“Finance executives need to be aware of the changing winds...and be prepared not only to withstand these changes, but take advantage of them. Most... are not properly prepared...”

addition to this improved business partner role, CFOs are looked to as leaders on what to do with all the data generated by their organization. These two leadership areas require the CFO to be more involved in the technology investments necessary for continued corporate growth and success.

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

CFOs become CEOs when the biggest challenge or opportunity facing the company is financial. Other executives are more likely to become CEO when their area of expertise is most important (sales, operations, technology, etc.).

For CFOs to be properly considered for CEO roles, they need to plan to expand their core competencies, and prove it to stakeholders. COO can be a good

stepping stone in many organizations.

The best way for a CFO to become a first time CEO is to be promoted into the role internally. It's rare to have a CFO hired on the outside as a CEO.

I highly recommend executive coaching for CFOs who are on the CEO track.

**Caroline Raggett, Russell Reynolds Associates, Hong Kong
Managing Director, Corporate Officers in Asia****What are some emerging trends you are witnessing in the CFO function? Where are you seeing the most growth and the least growth?**

We are seeing an increasing demand for CFOs with big-picture thinking, strategic mind-set and general management experience. According to our recent study of CFOs from companies listed on the Hang Seng Index, the CFOs who were appointed in the last five years are 2.5 times more likely to have general management experience, and nearly five times more likely to have strategy and business development experience, than those who were appointed more than five years ago.

A need for globalized talent is also on the rise, as more and more companies seek expatriate executives or local CFOs who have worked, or at least studied, abroad. Based on our Hong Kong CFO study, the percentage of Hang Seng Index CFOs with international experience has grown from 33 percent to 71 percent over the last five years; similarly, the expat ratio at Hong Kong-headquartered multinational corporations has also increased from 50 percent to 70 percent.

The mandate for the CFO role has transformed from being a bookkeeper to serving as a strategic and highly commercial business partner to the CEO. Today's CFO needs to work closely and efficiently with the rest of the C-suite, and be able to develop, motivate and inspire his or her team. Good people skills, such as communication, influencing, and relationship building, are becoming more and more critical to the success of the CFO.

We are seeing diminishing importance of relevant industry experience, as companies seek top, cross-sector talent who possess a transferable skillset, good commercial acumen and a high degree of adaptability and agility. Our study shows that Hang Seng Index companies and Hong Kong multi-national corporations (MNCs) are 18 percent and 72 percent more likely to hire their next CFOs from a different sector, respectively.

How would you describe the outlook for the CFO function in Hong Kong and the Asian market?

The recent high turnover of CFOs in the Asia region and the increasing volume of CFO search work we undertake in Hong Kong and China suggest a robust outlook for the CFO market; and correspondingly tougher competition for companies looking to hire CFOs. While both foreign businesses and local organizations see a generally positive economic environment and continued opportunities for growth in the region, both in key markets and through a proliferation of investment opportunities beyond the major markets, they also see a more complex environment in terms of political and economic volatility. This situation is exacerbated by well-funded privately-owned enterprises and PE-backed companies who are competing very effectively both financially and culturally for best-in-class talent, often ahead of an IPO.

Therefore, companies need to hire or develop high-caliber CFOs, who not only can drive the growth agenda and generate shareholders' return quickly, but also bring strong governance, regulatory awareness and a high degree of comfort in dealing with ambiguity.

Unfortunately, the supply of CFOs who possess these qualities will remain limited in the short to medium-term. We are currently seeing a "switching premium" in excess of 26 percent of cash compensation to attract the best finance talent in the region. Employers will need to defend their best finance talent rigorously and compete for CFOs on the issues that matter to CFOs the most. Our research shows that when choosing a new employer the three key factors besides compensation that an executive considers in Asia are: a culture based on respect, the quality of the leadership team and empowerment to act.

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?

Today's CFOs are becoming more strategic and showing stronger management, leadership and communication skills. In the past two years, over 90 percent of our successful candidates have had leadership experience outside the finance function. 85 percent of them stood out from their peers due to their commercial acumen, communication relationship-building skills and strategic mind-set. Moreover, multi-sector experience, digital knowledge and entrepreneurship or innovation have become significantly more desirable compared to five years ago.



How are relationships within the C-suite changing and impacting CFOs? For example, the CFO-CIO relationship and how these two roles must work together?

The dynamic among different C-suite members is more interdependent than ever, requiring the CFO to learn other functions and get involved in the decision-making process beyond finance.

For example, the CEO now expects the CFO to go beyond his or her financial skills and

be a true business partner who can help manage the business and offer leadership and strategic thinking.

The CFO should work with the CHRO to better understand the company's human assets and how that can drive performance. This is particularly important in terms of grooming the CFO successor and having a robust pipeline of future potential leaders internally; as well as staying connected with the market and talent trends externally.

As data analytics and cybersecurity become more critical and urgent topics, the CFO must collaborate closely with IT officers like the CIO or CISO to identify IT priorities and allocate investment in IT infrastructure, security and other upgrades.

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

Many finance chiefs have the technical expertise needed to run a business, but are sometimes missing the soft skills needed to be the leading face of a company.

According to our recent psychometric assessment of 129 CFOs from top corporations worldwide, there are some widely shared attributes amongst this population that could positively impact a CFO's performance in the CEO role: a data-driven approach, a strong orientation towards details and a logical mind. However, there are other attributes of a great CFO that could hinder their performance as CEOs:

cautiousness, tendency to follow rules and ambivalence to being the center of attention.

A CFO's objective and logical approach to problem solving is good preparation for the CEO role as they must grapple with more complicated business environments and master skills typically demanded of CEOs (managing external relationships, understanding the main drivers of business, demonstrating leadership and confidently making decisions—even unpopular ones). They can also address the quest for new revenue streams by utilizing a data-driven approach to identify a company's innovation sweet spot.

**Mike Beaumont, Search Partners International/AltoPartners,
South Africa
Director**

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

It is quite evident that the CFO role is becoming more strategic, but CFO's are also expected to be more involved across the spectrum of company activities, including operations. Also, with increasing emphasis on risk and compliance in South Africa, the CFO generally carries more responsibility than previously. Due diligence competencies in mergers and acquisitions are now vital for a CFO. We are experiencing major growth into Africa as a whole—more so in financial services/private equity and less in resources/manufacturing.

A trend that may be unique to South Africa is the increasing number of mandates for CFOs from designated/previously disadvantaged groups. This is particularly challenging as many black chartered accountants (CAs) have moved into the entrepreneurial/investment/non-executive space, creating a shortage of available talent for corporate CFO roles. This is less of a challenge at a level or two below, where many CAs of color are rising through the ranks.

How would you describe the outlook for the CFO function in South Africa?

Outlook is bright indeed, provided that CFOs focus on the forward-looking strategic business partnering aspect more than the backward-looking “score-keeper” (financial management) aspect. This point was recently highlighted by the outgoing CEO of our largest banking group—himself a CA who came-up via the accounting route.

He also said that, outside the accounting profession, there are two main career streams available: 1) become a strategic business partner or 2) stick to specialist financial disciplines (the more traditional route).

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?

For CFOs a major challenge is adapting to the new requirements to be more broadly involved while also staying abreast of the increasing complexity in specialist areas (tax, risk, regulatory or others). This may be more difficult for those who are further down their career path and were probably hired for their technical skills rather than a more broadly-based selection process that includes a focus on behavioral and culture fit.

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

Working in tandem with risk, IT and procurement professionals internally and externally, CFOs need to be on top of leading edge security offerings and regularly assess and advise the board on changes/advancements in this area. They are integrally involved in technology investments.

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

If the CFO is/gets broadly involved in the business at a strategic and operational level and, in addition, has the leadership and interpersonal skills to inspire teams and build sustainable businesses in the future, then absolutely. Those who have this aspiration need to focus on building these skills.

An advantage to appointing a CFO as the next CEO, is that it offers the company a hedge against a potentially expensive loss of institutional knowledge.

I once had a career conversation with a brilliant CFO in which we debated whether he would prefer to be South Africa's premier CFO or whether he should aim for a future in the top job (CEO role). His decision was to focus on being the very best CFO he could be—and this he did. Ironically, he was then appointed CEO, did an outstanding job over a number of years and finished his career as a respected non-executive chairman of a prominently listed group. The reason was that, not only did he have both the financial and commercial attributes of a successful CFO, but he was also a fine leader, with inspirational person-management skills!



Alan Kaplan, Kaplan Partners, USA **Founder and CEO**

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

The CFO function has always been a critical role in organizations, but in the post-crisis era the finance function has taken on additional significance for a variety of reasons. During the financial crisis, a few different factors become important to a company's financial success: 1) financial strength, 2) cost control and 3) finding growth opportunities. Overlaying all of that is a more proactive regulatory environment; this has been a huge challenge on financial institutions and those managing these companies. Any publicly-traded company is under greater scrutiny from the SEC and the investor community. All of these factors have elevated the visibility of the CFO role as being front and center in a much wider range of activities. If you're a CFO at a growth company or a company that is a large cap company, your ability to interact with the investor community has become more important than ever.

As a result, the demands on CFOs are greater. There is high demand for well-credentialed finance and accounting professionals who can function more strategically, rather than tactically. The demand is greater than the supply for these kind of finance professionals.

“There is high demand for well-credentialed finance... professionals who can function more strategically, rather than tactically. The demand is greater than the supply...”

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?

We're seeing demand for different qualities in CFOs as companies are merging and becoming larger. Three specific sectors seeing changes include:

- 1) Financial services are driving upgraded and growth-driven events.
- 2) In the private equity controlled markets, the CFO is the position that is most critical after the CEO, so we're seeing a lot of focus and demand for CFOs.
- 3) Manufacturing is having a lot of challenges, such as rapidly changing prices of commodities and the changes in international markets; therefore a lot of companies that do business globally are looking to manage costs and currency exchange. CFOs that

have international experience are in high demand.

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

Most CFOs have some level of technology savvy, so there is a lot of heightened attention being paid to make sure that the financial systems are secure. In most cases, cybersecurity is the purview of the information security officer or chief technology officer to actually implement. I haven't seen any information security professionals reporting to CFOs, though at times the IT function will run through the CFOs office.

How have CFOs become more involved in technology investments in recent years and what is driving this involvement?

There's always a group of companies with technology that's a generation or two behind; some companies deferred technology investments during the recession. Anytime you're doing a technology investment, no matter the scale, it needs to run through the capital budget and be analyzed closely by the CFO.

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

The CFO to CEO paradigm has always fascinated me because in most cases you have really smart, talented people that are, in a decent sized company, managing a decent number of people. In many organizations, the CFO knows as well as anyone where and how the company makes money. Many board directors who would make those decisions have a lot of confidence in their CFOs and the way they can explain the business trends to the board. As a result of that confidence that boards have in the CFOs and CFOs have in themselves, many CFOs fancy themselves logical successors to the CEO because they understand the drivers of the business.

However, I believe there's a huge difference between understanding the business and numbers and managing the people on the front lines while delivering the business strategy. All of that comes down to soft skills: management skills, leadership skills and developing successors. Being CEO involves much more than understanding the technical and financial aspects of the business.

For CFOs who aspire to the CEO role, you need to get some line responsibility baked into your role. For example, at a financial institution, a lot of times you'll see a CFO take over wealth management, insurance, mortgage businesses, etc. to get some line experience. Or you'll see CFOs in manufacturing companies taking on some operational responsibility. Without getting your hands dirty in some element of the business, P&L oversight, operational responsibility in a meaningful way, I think it's a hard leap to make.

CFOs are most likely going to make the transition to CEO in their current company. You almost never see a CFO become CEO of another company as an external hire, except occasionally in the financial services industry. The key boxes to check for becoming a qualified CEO successor are customer experience, operational oversight and real P&L management responsibility.

Sonal Agrawal, Accord/AltoPartners, India
Managing Partner

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

For India, the increasing effect of the global economy is playing out for a previously insulated economy and companies. Challenges and opportunities lie in the ability to play in the international arena, both in terms of operations and sources/deployment of capital.

As traditional family-controlled businesses scale up and professionalize, the role of the finance executive has evolved from traditional bean counters and protectors of cash to important strategic partners to the CEO and business owners.

With this rise in the complexity and scale of the role, compensation for this function in India has shot up over the last few years and is on par with similar sized enterprises in the west.

Doing business in India is notoriously complicated, and CFOs have to be adept at managing a tangle of legislation and regulations.

Indian companies have become more acquisitive, both locally and globally. This has led to an increased need for valuation, legal, negotiation and integration skills.

What global economic trends do you see having the most impact on CFOs in the coming year?

From those that measure value, CFOs are increasingly considered to be architects of business value. Post-financial crisis, CFOs have become critical players in cost, growth, risk and reputation management for their firms.

“The role of the finance executive has evolved from traditional bean counters and protectors of cash, to important strategic partners to the CEO and business owners.”

In the post-crisis world, much emphasis was on cost management and driving efficiency. However, the role has evolved to enterprise management, with significant emphasis on:

- Risk, governance and reporting in an increasingly complex and international regulatory and compliance environment. Making sense of the tangles to the CEO and navigating the strategy through the maze.
- The impact of globalization – apart from scale and complexity, this requires significant skills in the regulatory and people management areas.
- The impact of technology – particularly in the context of data, management information systems and analytics. There is a growing overlap between the information systems and finance functions.
- Strategy, transformation and execution – the wave of outsourcing and cost saving is done with; the current challenge is to balance short term initiatives with long term strategy. The emphasis on finance is now on commercial partnerships with business to drive performance. The function also runs the metrics that measure the performance.
- Managing shareholders, management and other stakeholders.

How are relationships within the C-suite changing and impacting CFOs? For example, the CFO-CIO relationship and how these two roles must work together?

The traditional management silos are blurring. Winning companies have top teams that collaborate formally and informally to deliver on strategy.

The partnership between the CEO and CFO is well documented; but with the increasing overlap between technology, metrics, data and finance, the interface between CFO and CIO has become critical. As is a CFO's ability to say no and defend governance and risk. There is also a need for collaboration between strategy and finance to evaluate feasibility of investments, plans etc. and between business unit heads/marketing and finance to manage productivity and efficiency and to price new products.

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

With their overview of all operating parameters, CFOs are increasingly being considered for CEO roles. Apart from the core finance and strategy skills, companies would look for broad functional experience, strategic project experience, international exposure and a well-documented ability to manage and develop people. Companies will additionally seek a broad set of relationships, excellent communication skills and that undefinable charisma that most CEOs exude.



Denys Monteiro, Fesa, Brazil CEO

How would you describe the outlook for the CFO function in Brazil and South America?

The CFO position is always the number one position our clients demand our expertise on. It is a cross-segment position and due to the recent talent shortage in Brazil it is still in high demand.

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?

CFOs in Brazil, and the majority of countries in Latin America, with a background in controlling, FP&A and treasury (debt restructuring) are the most wanted. Candidates with investor relations/IPO expertise are not top of the list due to the lack of operations in the capital markets area (there have not been any new IPOs for some time).

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?

CFOs must help the CEO and company increase the bottom line without compromising the long-term goals for their company. As the markets have slowed down, companies are not delivering high double digit growth, so the key to succeed now is to improve margins (cost reduction).

“[In Brazil,] as the markets have slowed down, companies are not delivering high double digit growth, so the key to succeed now is to improve margins.”

What global economic trends do you see having the most impact on CFOs in the coming year?

In Brazil, we may see more of the same. We may have more private equity deals due to cheaper assets (Brazilian Real devaluation), but the skills needed will be the same as mentioned earlier.

How are relationships within the C-suite changing and impacting CFOs? For example, the CFO-CIO relationship and how these two roles must work together?

These relationships are key to the success of the company. The CIO position has been rising in importance due to technology disruptions in many segments, cybersecurity needs, cloud computing, mobility, etc. They manage (in some segments) the second or third biggest expense line in the budget;

therefore, they need to be aligned with the CFO to build a business case to support all of these investments. Another important relationship is the CHRO and CFO. The HR area, due to the recession in Brazil, is in close contact with the CFO to cut costs (people, insurance, labor costs, etc.) and contribute with the bottom line agenda.

**Jo Baxter, Hobson Leavy, New Zealand
Associate Partner****What are some emerging trends you are witnessing in the CFO function? Where are you seeing the most growth and the least growth?**

We see the highest turnover in the CFO function, more than other C-suite functions. We are seeing a lot of pressure on the CFO; rapid change and uncertainty in the business environment has led to an increase in the need for better forecasting accuracy.

How would you describe the outlook for the CFO function in New Zealand?

In New Zealand there's an increase in outsourcing of low level finance work, allowing CFOs to be more strategic. Businesses are increasingly comfortable with outsourcing accounting offshore, freeing up the senior finance leader to be thinking more strategically about the business. Technology advances are also removing a lot of the day-to-day "crunch" work, once again freeing up the CFO to be adding value at the strategic level.

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?

We are experiencing increased activity across all industries and sectors. In particular there has recently been an increased requirement for CFOs with publicly listed company experience. There is a limited pool of commercial CFOs, and in particular of CFOs with publicly listed company experience. This is likely due to the small scale of the New Zealand market and, within that, the relatively small number of publicly listed companies.

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?

As the global economy shows signs of slow down, CFOs are challenged with managing risk vs. making bold investment decisions. This means the ability to be strategic as well as manage tactical risk. The business environment is one of uncertainty and rapid change, and requires businesses to be flexible and adaptable. For the CFO this means the need to be able to anticipate future developments and trends, and be much more strategic and commercial. As a result of the availability of data and the forces of disruption, organizations need to be agile and flexible simply to stay in business. A big part of this responsibility falls to today's CFO.

“As the global economy shows signs of slow down, CFOs are challenged with managing risk vs. making bold investment decisions. This means the ability to be strategic...[and] tactical.”

How are relationships within the C-suite changing and impacting CFOs? For example, the CFO-CIO relationship and how these two roles must work together?

The CFO and CIO must work more closely together. It must be a collaborative relationship. The increasing importance of digital and technological innovations mean CFOs need to understand technology. The future is about technology, disruption and big data. The CFO must work closely with all functions to be able to understand the whole of the business and be able to upskill colleagues commercially.

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

There is an ongoing move to appoint strategic, commercial and external facing senior leaders to head the finance function. The CFO also needs to have strong stakeholder management skills and be collaborative. Therefore, it is increasingly more realistic that a high performing CFO will be a logical successor to the CEO. However, this is not necessarily the case, particularly in export-oriented businesses where a sales and marketing background is deemed essential in the CEO function. To prepare for a CEO role, CFOs need to take on a second-in-command role, build strategic capability and gain an in-depth understanding of the whole business. People, leadership and culture building skills/ experience will also benefit a CFO who is seeking to achieve CEO status.



About Our AESC Member Search Consultants

**James A. Langston, Diversified Search/AltoPartners, USA
Managing Director and Financial Office Practice Leader**

James Langston is a Managing Director and Practice Leader; Financial Officers with Diversified Search and has been with them for nine years. After beginning his career in Public Accounting and gaining his CPA credentials, Jim went on to spend time in banking and insurance in audit, finance and treasury operations. He later founded a consultancy providing succession and estate plans for business owners and high net worth individuals and families. His Executive Search career began in 1995, joining a boutique search firm and later founding his own firm. He has also been a consultant in two global retained firms, and has always focused upon Financial Officer search work.



**Julie Kanak, Diversified Search/AltoPartners, USA
Managing Director and Chicago Office Leader**

Julie serves as Managing Director in the firm's Chicago and New York offices contributing her expertise in global business, banking and natural resources. She is active in the Industrial, Life Sciences, Consumer, Energy and Financial Services Practices and a key member of the Board, CEO and CFO Practices.

Julie has recruited board, general management and financial executives for public, private equity-backed and family-owned enterprises. Her clients range from Fortune 500 to emerging companies. Her banking activity encompasses senior level placements in coverage/corporate finance, treasury, risk management, investment banking and capital markets for the world's leading financial institutions.



**Kisoan Im, Boyden, South Korea
Managing Director**

Kisoan joined Boyden Korea as Managing Director in early 1997 and has maintained a high standard executive search practice and client service capability in Korea in line with Boyden's global standards. While enhancing Boyden Korea's service capability in his expertise industry of Financial Services, Kisoan has also been working closely with many leading multinational clients in other key industries for their strategic recruitings of executive positions in Korea.

Over the recent years, he has been mandated many important search assignments for the positions ranging from CEO to director level executives from various industries and has successfully completed those executive searches for the leading multinational clients.



**Bernhard Dedenbach, Partners to Leaders, Luxembourg, Zurich and Geneva
Founder and COO**

Bernhard Dedenbach is founder and COO of Partners to Leaders. For more than ten years, he was a Senior Client Partner and Managing Director responsible for the activities of a leading global executive search firm in Luxembourg and made it one of the most successful offices of the firm worldwide.

He was a core member of the firm's wealth management leadership team. In addition, he oversaw the firm's Asset and Wealth Management activities in Switzerland, Germany and Austria.



**Samuel Dergel, Stanton Chase, USA and Canada
Executive Search Consultant, Global CFO and Financial Executive Search Practice**

Samuel Dergel is a widely respected consultant, executive recruiter, executive coach and corporate trainer. He works with Stanton Chase, an AESC member firm. As a key member of the firm's CFO and Financial Executives practice, Samuel works with his colleagues nationally and around the world to advise, attract, assess and aid organizations in the acquisition of exceptional CFOs and building strong finance teams.

Prior to joining the world of executive search, Samuel started his career in audit and advisory services with Ernst & Young, and went on to financial leadership roles in the Manufacturing and Technology sectors. He is an active CPA (in the USA and Canada), Chartered Accountant (Canada), a Certified Personnel Consultant, and is a graduate of McGill University.



**Caroline Raggett, Russell Reynolds Associates, Hong Kong
Managing Director, Corporate Officers in Asia**

Caroline helps clients achieve a distinctive competitive advantage through optimizing their organizational capability. She leads the firm's Corporate Officers practice in Asia, and personally specializes in the functional areas of CFO and CHRO. She was previously based in London where she led the Financial Officers Practice across all sectors. She has served more than 100 listed and private organizations in the US, Europe, Middle East and Asia at pivotal moments in their evolution, such as IPO.

Caroline also leads Russell Reynolds Associates' support for improved leadership diversity in Hong Kong. She is a founding signatory of the Hong Kong 30% Club's voluntary Code of Conduct which was launched in March 2013 and is an active participant in the Women's Foundation.



**Mike Beaumont, Search Partners International/AltoPartners, South Africa
Director**

Building on extensive corporate and strategic HR consulting experience, Mike set up the first research-driven, executive search business in Cape Town. His early career was with Ford Motor Company, SABMiller and Sperry Univac (later Unisys Africa), as HR Director.

As a director of Renwick Executive Search in the 1990s, Mike held the individual and cumulative group billings record. He joined Adcorp in 2006 to develop their top-end and global search capability and was appointed Managing Partner of Adcorp Search Partners in 2009, until the merger with Search Partners International (SPi), an AltoPartners member firm.



**Alan Kaplan, Kaplan Partners, USA
Founder and CEO**

Alan launched Kaplan Partners in 1994 after beginning his corporate banking career with First Pennsylvania Bank and Philadelphia Savings Fund Society (Meritor/PSFS). Kaplan Partners has been named five times to the Philadelphia 100 as one of the region's fastest-growing private companies and is a member of The Philadelphia 100 Hall of Fame.

Alan serves on the Board of Directors of the Greater Philadelphia Chamber of Commerce, on the Temple University Fox School of Business Dean's Advisory Board, on the Board of Advisors of Penn Liberty Bank and on the Global Board of Directors of the AESC.



**Sonal Agrawal, Accord/AltoPartners, India
Managing Partner**

Born in East Africa and raised in India, Sonal has two decades of experience in professional services, particularly in executive search consulting in India. After earning a Bachelor in Sciences in Economics in India, she completed her Masters in Business Administration from London Business School, UK. She joined the ABC Consultants group in Bombay in 1993 and subsequently founded Accord Group India (www.accordindia.net), which conducts retained executive search for CXO and leadership talent for global and Indian companies from offices in Bombay, Delhi and Bangalore.

Apart from the ABC Group and Accord boards, she is also a founding member and serves on the board of AltoPartners, a global alliance of independent executive search firms across more than 30 countries in the Americas, Europe and Asia-Pacific. She sits on the Asia-Pacific regional council for the AESC.



Denys Monteiro, Fesa, Brazil
CEO

Denys is CEO & Partner of Fesa. He was one of the founders of Asap Recruiter, a middle management recruiting company, and Fesa Advisory, specialized in strategic human resources and Governance, both of Fesap Holding. He is a member of the America's Council of AESC.

Denys started his professional career in 1993 at Bob's, in the Human Resources Department, developing training programs for management teams. In 1994 he joined Rede Brasil Sul – RBS, as an Internal Human Resources Consultant in the Electronic Media sector. He developed tailor-made training programs, compensation projects, corporate trainee programs and incentive programs.



Jo Baxter, Hobson Leavy, New Zealand
Associate Partner

Jo is an Associate Partner at Hobson Leavy. Jo has extensive experience working with boards to lead C suite appointments across a range of sectors with particular expertise in dairy, food, agriculture, not for profit, science and research, and healthcare having a specialist science background in her earlier career. With a Bachelor of Science (Hons) and a Post Graduate Diploma in Dairy Science & Technology, Jo has an international career encompassing the UK and South America. Her career began in the dairy industry in technical management roles. She understands a diverse range of businesses and is acutely aware of the calibre of talent required to succeed in today's dynamic and global environment. With over ten years' experience in executive search, Jo has spoken at various forums including new Zealand's annual biotechnology conference and in 2014 Jo completed the Advanced Programme in Executive Search at Cornell University in New York.



About The Association of Executive Search and Leadership Consultants

Since 1959, the AESC has set the standard for quality and ethics in executive search and leadership consulting worldwide. Because AESC members must commit and adhere to the AESC's industry and government recognized Code of Professional Practice and Professional Practice Guidelines, clients can be assured that AESC members are able to serve as trusted advisors for their most important engagements. As the voice for executive search and leadership consulting worldwide, today the AESC is comprised of more than 350 member firms, representing 8,000 executive search professionals in 75 countries. To learn more about the AESC and its membership, visit www.aesc.org.