



# **Executive Search Forecast Inside the Chief Financial Officer Role**

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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).

## **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.

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### **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.

## **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](http://www.aesc.org).



### **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.