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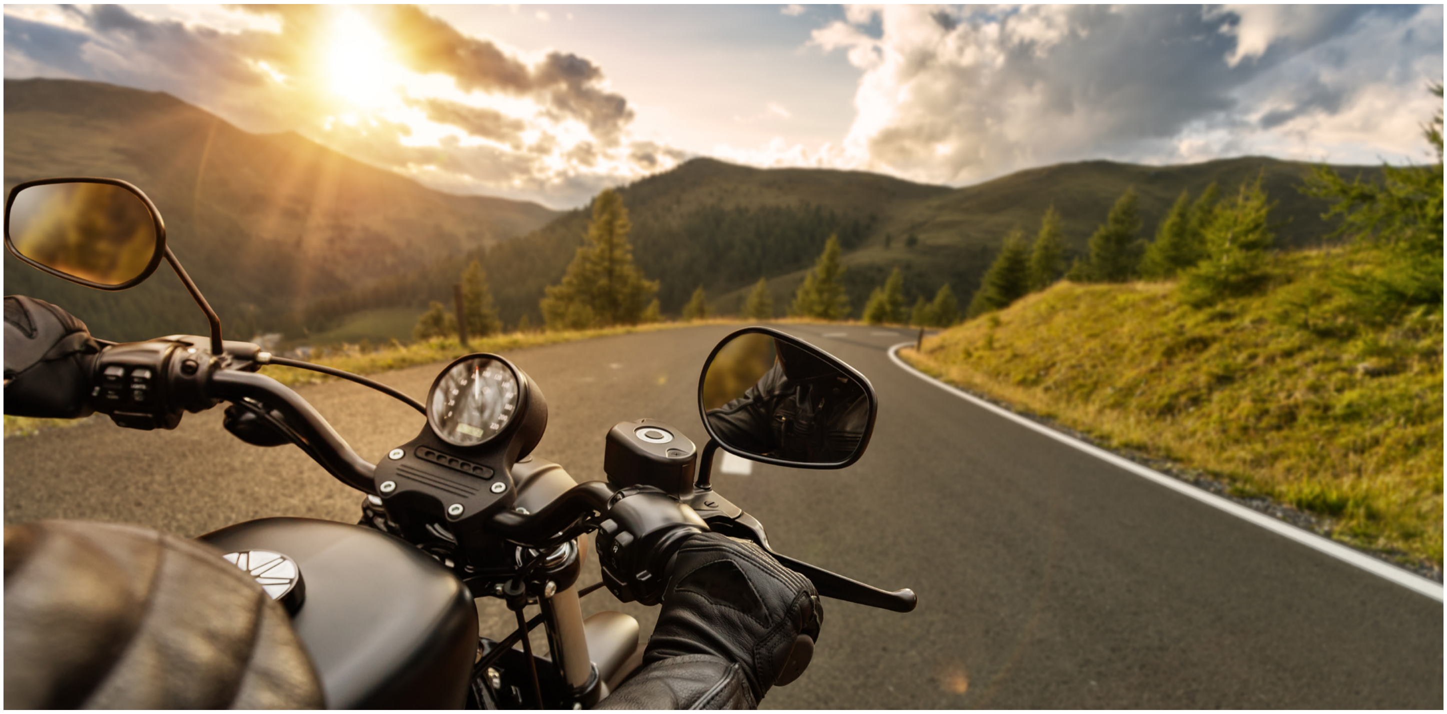


Hiring on all cylinders: What companies want from a post-pandemic CFO

The dynamics of CFO hiring already showed signs of shifting before the COVID-19 pandemic struck. Companies that had focused solely on finding CFO candidates with the necessary financial, analytical, and strategic skills had begun lengthening their wish lists. Reflecting the ongoing expansion of the CFO role, organizations competed for finance chiefs who possessed—and could articulate—leadership qualities, experience in business partnering, and proven skills in building and inspiring teams.[1]

But for 90 days after the pandemic struck, some recruiters reported seeing new searches drop by as much as 25% (see "Finding CFO: How executive search has evolved during the pandemic," *CFO Insights,* August 2020).[2] After that, however, a number of factors kicked the competition to fill CFO seats into proverbial higher gear, including an increase in CFO turnover at Fortune 500 and S&P 500 companies (the average CFO tenure now stands at 4.58 years,[3] down from 5.3 years in 2015) and a roaring IPO market.[4]

At the same time, the last year also fundamentally reshaped the CFO job. For example, the pandemic accelerated workplace trends such as virtualization, the changing pace of work, and the integration of new automation tools. Moreover, business transformation took hold in almost every corner of the business. So much so that in Deloitte's North American "CFO Signals"™ survey for the second quarter of 2021, 42% of CFOs defined their primary role in their companies' transformations as serving as co-leader.

So what skills are companies now looking for in a post-pandemic CFO? And how has executive search evolved to meet those needs? To answer those questions, we've asked three executive recruiters who specialize in financial officer searches to share their views on the current CFO job market. In this issue of *CFO Insights,* those professionals—**Alyse Bodine**, partner and leader of Heidrick & Struggles' global financial officers practice; **Jenna Fisher**, who leads the global corporate officers sector at Russell Reynolds Associates; and **Clem Johnson**, a managing director at Crist|Kolder Associates—deconstruct the current hiring process, identifying top skills for highly sought-after finance talent, and weigh in on which capabilities may have been permanently changed by the events of the last year.

Search party

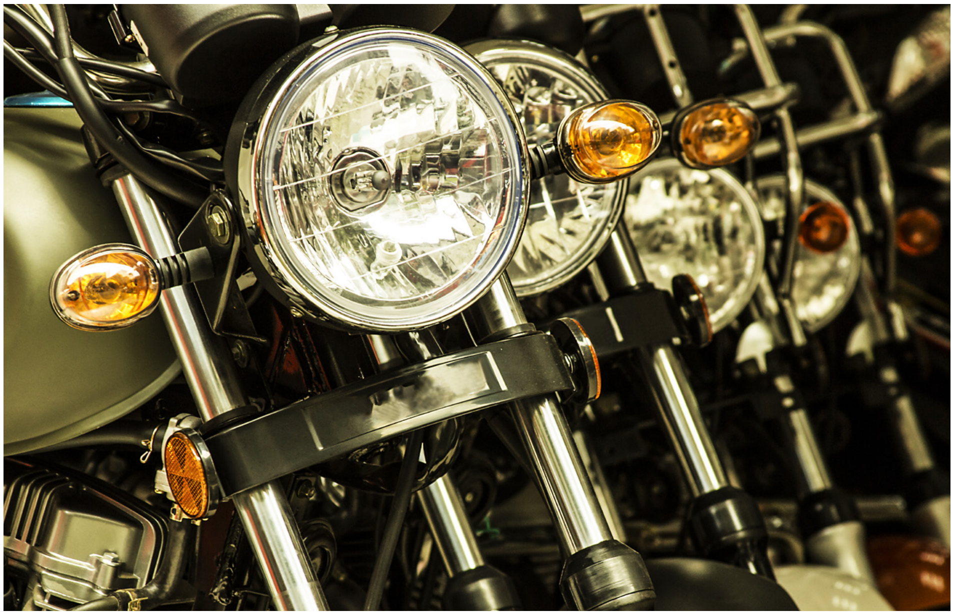
In the early days of the pandemic, many CFOs were resolved to staying put. Not only because they were working remotely, of course, but also because many felt a renewed sense of loyalty to their employers. They weren't about to abandon the business just when it needed them most. At the same time, companies were too consumed managing through the crisis to even contemplate adding a senior-level executive. Instead, internal candidates suddenly gained extra appeal, and some companies even enticed retiring CFOs to stay in place.

Within months, though, events conspired to change the minds of both restless CFOs and needy companies. For one, the special purpose acquisition company (SPAC) market began bubbling, offering a route to a public offering that, given its relative simplicity and suitability to virtual road shows, seemed made for a contact-less economy. What that meant, of course, was that each of those 248 new companies needed a seasoned CFO to lead it. And there have already been 362 SPAC IPOs in 2021 so far.[5]

Meanwhile, the sustained rally that's energized the equity markets has spurred some veteran CFOs to cash out and pursue retirement, further steepening the supply and demand curve. Other sitting CFOs have seized on opportunities to pivot into full-time board careers, while some of those who steered their companies through the pandemic have emerged depleted, lacking energy to gear up for a growth sprint. Last year, in fact, the number of retiring CFOs, strictly among S&P 500 companies, rose almost 30% from 2019.[6]

Then, there were the many companies who viewed the events of the past year as an opportunity to, say, acquire pandemic-weakened competitors or grow organically. Some private-equity firms, for example, which started 2020 with $1.4 trillion in dry powder,[7] have sought to upgrade the CFOs of their portfolio companies, stressing capital allocation and cash flow management capabilities. Eyeing expansion, they also looked for finance leaders with experience in turnarounds and M&A integration. And with the economy showing signs of renewed vigor, even CFOs in less resilient industries sought opportunities where they could use their skills to support expansion plans.

Those trends translated into a CFO recruiting market of breathtaking volume and velocity. At the same time, the normalization of remote work created a borderless landscape for recruiting CFO talent. No longer limited to sourcing candidates from defined geographic parameters, organizations can focus on finding specific skills, looking far beyond adjacent zip codes.



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For CFOs seeking a change, the advent of virtual screenings makes the prospect of investigating opportunities that much easier. Even those who aren't looking for jobs—or not consciously, anyway—can explore job openings with minimal effort: the absence of toe-to-toe meetings means no more long trips or taking time off from work. But that also means that some candidates may be less committed to the process, especially when they find out that it involves a handful of interviews and an assessment by an organizational psychologist conducted over a 100-day period.

Qualities of the post-pandemic CFO

The newfound streamlined process puts the onus on candidates who aren't window-shopping to make their intentions clear and authentically communicate their interest at every step of the way. It also gives them the opportunity to showcase qualities that have emerged as imperative post-pandemic, including:

Figure 1. Almost ready for prime time

CFO-readiness of direct reports: How many of your direct reports will be CFO-ready within three years?

Number of CFO-ready direct reports
(and percentage regarded as CFO -ready within three years)***

	Men *Total: 1.66*	**Women** *Total: 1.23*	**Transgender or Nonbinary** *Total: 0.09*
Non-minority *Total: 2.09*	**1.20** (24%)	**0.80** (30%)	**0.09** (100%)
Minority** *Total: 0.89*	**0.46** (31%)	**0.43** (29%)	**0.00** (0%)

Total: 2.98

* Stark outliers to the high side have not been included in these charts.

** For survey purposes, "minority" includes Black or African American, Asian, Hispanic/Latinx, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, and two or more races.

*** Percentages are calculated only for responses that included both the total number of direct reports and the number of CFO-ready reports.

Source: *CFO Signals*™, Q2 2021, CFO Program, Deloitte LLP

- **Compassionate leadership.** What once defined strong leadership—a hard-charging, ultra-assertive style—has mutated, not only as a result of the pandemic, but also because of the increasing attention paid to social and racial issues. In addition to traditional finance skills, CFOs need to be comfortable displaying empathy, openness, and even vulnerability.[8] Companies will also want candidates who communicate an awareness of the nuances of developing trust, cultivating productivity, and sharing feedback from a distance.[9]
- **Digital fluency.** Previously a nice-to-have trait in a CFO, digital skills have now been elevated to must-have status.[10] While such attributes formerly referred mainly to the ability to leverage analytics tools for the sake of deriving insights from data, remote working has shifted the spotlight. CFOs now need to demonstrate mastery with virtualization tools, ranging from platforms for collaboration to those for cloud storage to, in some cases, employee-monitoring software.
- **Analytic rigor.** In Deloitte's *CFO Signals* survey for the first quarter of 2021, nearly two-thirds (63%) of CFO respondents cited FP&A as the core finance function they would most like to improve. That is hardly surprising, given that many companies put increasing pressure on FP&A teams during the pandemic, relying on robust scenario modeling and the function's ability to monitor and maximize key priorities like cash flow. Candidates aspiring to a new CFO slot would be wise to share ideas about reconfiguring and broadening FP&A's responsibilities (see "Reinventing FP&A for the pandemic and beyond," *CFO Insights,* August 2020).
- **Commitment to diversity, equity, and inclusion (DEI).** Job-seeking CFOs will likely want to share their ideas for systematically boosting their target company's DEI. In the *CFO Signals* survey for the second quarter of 2021, 72% of CFOs indicated that their companies have a formal strategy for DEI, while 60% said they have a defined DEI budget. The same survey found that among their direct reports, CFOs say an average of 0.89 of minority direct reports will be CFO-ready within three years, compared to an average of 2.09 non-minority direct reports, both increases over our 2019 survey (see Figure 1).

While reaching beyond traditional talent pools may be a useful start, it's hardly a new idea. To stand out by demonstrating their seriousness, recruits may want to suggest excavating the reasons for any shortcomings. That could require auditing the existing hiring process to figure out where diverse candidates are being excluded. For instance, does the insistence on certain credentials for job applicants eliminate some who might have acquired the same skills in other ways?

Growing skills

If given a choice between a prospective CFO who tends to think strategically and one who can pitch in tactically, employers will inevitably choose both. At this point, though, what many seem to want is a CFO who knows how to drive growth. Given the many businesses that have undertaken significant transformations in the past year or so, companies value CFOs who can leverage their balance sheet to maximize growth.

Given the many paths to growth, no CFO candidate is likely to have walked them all. But to differentiate themselves, candidates may want to make sure they've got more than a passing familiarity with the most prevalent post-pandemic growth strategies, including:

Executing a transaction. In October, Deloitte's M&A Trends survey found that 61% of dealmakers expected M&A activity to return to pre-COVID levels within the following year.[11] While activity froze as soon as the pandemic descended in Q2 of last year, it roared back to life by Q4, with valuations sustaining few scars. CFOs will need to be familiar with every step in the process, from overseeing due diligence to managing the integration.

Going public. Whether joining the aforementioned SPAC pack, becoming one of the few that have directly listed existing shares on the open market, or following the traditional path for IPOs, companies are eager to tap public markets. Candidates need to know the external pressures and internal resources needed to support each kind of public offering.

Global expansion. In addition to adopting a borderless view of their recruiting efforts—potentially tapping into a global talent pool—CFOs are looking abroad for market share to claim. CFOs will lead the way in implementing an international strategy.

Working arrangements. Companies can reopen, stay closed—or choose elements of both. Managing a hybrid workforce requires CFOs to calculate the savings involved in using flexibility to retain employees and any cost associated with reconfiguring space to maximize flexibility.

Rethinking talent. For CFOs, many of whom oversee HR, the pandemic has yielded dramatic changes in recruiting, retaining, training, and evaluating employees. CFOs may need to develop new metrics, deploying analytics to acquire and retain talent, as well as to predict performance.

At almost any time before the pandemic, many companies could have robotically listed off the traits they wanted in a CFO: operational skills, leadership ability, investor relations savviness.[12] And, yes, prospective CFOs are likely, as always, to evaluate benefits and perks. But in both cases what may be important, after having endured financial uncertainty on an unprecedented scale, may be mindset. Does the prospective employer communicate a sense of community, fairness, and trustworthiness? As for prospective CFOs, leaders need to display exemplary characteristics such as commitment, accountability, and an appetite for continuous learning.

When it comes to decision-making—whether it's a CFO in the midst of a crisis or a company hunting for a finance chief—such qualities may matter most of all.

Finding CFO: How are strategies to identify finance talent evolving?

In the post-pandemic economy, experienced CFOs have become hot—and rare—commodities. The scramble to identify top finance talent has led some CFO recruiters to advise companies to open their minds to more creative strategies, such as:

- **Change the background.** Companies should think outside the typically narrowly defined space that they identify at the start of a CFO search. That can mean importing candidates from different industries or looking beyond sitting CFOs to possibilities in adjacent areas, such as controllership and treasury. Such candidates, while they may not be 100% "battle-tested," can be surrounded with the appropriate support to be successful.
- **Look outside the public domain.** With the explosion of SPACs, as well as traditional IPOs, many companies want a CFO who can provide help going public. But not all CFOs who have previously set up a public-company infrastructure, raised equity in the capital markets, or done time on a road show may want to do it again. In response, companies may want to consider candidates who have worked on other types of financing transactions, such as secondary offerings. Companies that focus too much on IPO-related skills risk finding out that they've given short shrift to other necessary skills, such as serving as a co-strategist with the CEO.
- **Hunt down transformers.** During the pandemic, many organizations took advantage of the opportunity to embark on—or accelerate—transformation initiatives. Such experience has become a higher priority as the economy gains altitude. Growth-oriented companies want to make sure that the CFO they hire can think through options for different business models, train and recruit workers in preparation for integrating new technology, and deliver timely insights to effectively support decision-making and improve planning, forecasting, and budgeting.
- **Find a great communicator.** The pandemic put pressure on CFOs to communicate the company's oft-shifting strategy, a skill that's going to remain in high demand as companies make their post-pandemic pivots. Sharing the company's investment thesis with investors isn't the only communication that is necessary, however. They also have to communicate effectively with their C-suite peers, as they work with the CEO to set (and reset) priorities.
- **Unify around the need for diversity.** Companies that want to hire a proven commodity may find themselves having to balance that against the push for more diversity. One pertinent question: Are there systemic issues, such as sourcing strategies, that have limited the supply of CFO candidates? As companies (and educational institutions) work to correct that, those displaying courage and commitment to diversity could unexpectedly tap into a longer-term pipeline.

End notes

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