



Finding CFO: How executive search has evolved during the pandemic

As tough as it is to believe now, there was a time when the executive search market was candidate-driven, fueled by record low unemployment and a roaring bull market. Companies took their time to attract the most fitting finance talent, often looking beyond those who had simply mastered the fundamentals of accounting, treasury, and operations. In fact, businesses often targeted precisely the CFO they needed, whether that was someone who could guide them through an IPO, lead a technology transformation, or nurture relationships across stakeholder groups.

But that was all of six months ago—before the almost instantaneous impact of COVID-19 derailed the economy. Nowadays, desirable CFO candidates need to have ideas about building *virtual* ties; stellar cash management abilities are also in demand, as are tech-savvy candidates who can

orchestrate a virtual financial close (see [“Closing time: Preparing for the next virtual financial close,”](#) May 15, 2020) and manage a virtual team.

Not only has CFOs’ work changed, but so has how they find work—and how companies find them. While certain aspects of the search process, such as screening and outreach, may leverage technology, others (think assessing virtual leadership) may demand greater ingenuity. And candidates, no matter how experienced, have to tout their value propositions in an unfamiliar marketplace. What’s the significance of being “culturally compatible” in a business with a work-at-home ethos? How can you be sure that your skills and experience, as much as they now align with the business, will be as crucial in *another* six months? (See sidebar, “What traits are companies looking for in their next CFO?”)

To confront those complexities, we’ve asked five 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 co-head of Heidrick & Struggles’ global financial officers practice; **Jenna Fisher**, who leads the global corporate officers sector at Russell Reynolds Associates; **Clem Johnson**, a managing director at Crist|Kolder Associates; **Joel von Ranson**, who leads Spencer Stuart’s global functional practices; and **Barry Toren**, leader of Korn Ferry’s North American financial officer practice—identify CFO search trends post-pandemic and elaborate on the related changes that are likely to emerge as more companies move from surviving and recovering to looking for growth in a reconstructed economy. ➤

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What traits are companies looking for in their next CFO now?

Reshaping the executive recruiting process means that CFOs vying for new jobs can no longer rely on just providing eye-catching subject lines and packed resumes to gain attention. Given that much of the hiring process has migrated to video platforms, supplemented by email, and—in some cases—texting, candidates now have to convey their strengths clearly and directly on a multitude of mediums. Moreover, the pandemic has many companies looking for traits that can enable them to not only navigate this crisis, but also to fare better in the next one. These include:

- **Can you reinvent in real time?** The pandemic has required many CFOs to focus on a host of immediate concerns, such as managing cash flow and scenario-planning (see [“COVID-19 checklist: Practical steps for the immediate, midterm, and long-term,”](#) *CFO Insights*, April 2020). They may also have to conduct sensitive negotiations with landlords, banks, and, of course, the Street. What’s at stake, in some cases, has been nothing short of business continuity. A demonstrated ability to balance short-term concerns with longer term requirements—and fast—shows that candidates are confident enough to make tough trade-offs.
- **Are you a flexible thinker?** At a time when historical numbers provide roughly zero guidance, finance executives need to exude agility. If the company isn’t already doing so, for example, it will likely need to start using rolling forecasts, revising them as warranted. Candidates who have had to adapt—changing a business model by adding an e-commerce channel or designing new metrics to more closely track demand—will likely want to emphasize such skills.
- **Do you possess digital fluency?** Always desirable, this trait has likely moved up in many companies’ “must-have” lists. Companies want CFOs who can go beyond leveraging digital tools to turn data into actionable intelligence; they’re seeking finance leaders who can digitally monitor the pulse of the enterprise, with proficiency at using risk-sensing tools and other relevant applications. Boards, especially audit committees, also regard technical finance competency as a top priority.
- **Are you eager to learn—and learn some more?** Every crisis presents an opportunity to learn, and the pandemic is no exception. CFOs can absorb useful information by watching what other companies, and even other countries, are doing. They can learn by listening to shareholders and other stakeholders. And they can extract lessons from data, as long as they don’t use it to confirm their pre-existing biases. Those who have been known to position themselves to expand their knowledge—by, say, soliciting a diversity of opinions—will likely show the requisite curiosity.
- **Can you lead in a virtual world?** Not having experienced anything resembling a pandemic before, finance leaders need to talk authentically, openly, and often empathetically with employees, suppliers, and others. They also have to do so in a virtual world, where they typically need to compensate for the difficulty in seeing nuances and contexts underlying online communications (see [“Context is key when leading virtually,”](#) *CFO Journal*, April 2020). How candidates demonstrate their ability to manage remotely and solidify their teams can speak volumes about their leadership capabilities and ability to effectively create organizations with the right information flows and workforce participation.

“Over the coming year, I anticipate companies will continue to prioritize seasoned public company CFOs, with an emphasis on restructuring, treasury, strategy, and business transformation skills.”

— Alyse Bodine, co-head, Heidrick & Struggles’ Global Financial Officers Practice

Screeching to a hiring halt

The usual process by which recruiters identify and engage potential hires has been disrupted in several ways by the pandemic. Gone are networking opportunities at conferences, for example, and face-to-face interviews have been reduced to video versions, with on-demand viewing available afterwards for additional stakeholders.

“Companies in crisis mode tend to favor battle-tested, proven CFOs. COVID-19 winners, on the other hand, are able to opportunistically strengthen their benches.”

— Clem Johnson, managing director, Crist|Kolder Associates

Companies seeking CFOs, or even CFOs recruiting financial analysts, are also encountering a fast-evolving hiring landscape. That new dynamic is reflected in the fact that some searches, once begun, have been postponed—and even cancelled; months-long hiring processes have been compressed into days; and succession planning has sometimes been abandoned, in favor of luring former CFOs out of retirement.

Who companies are targeting has changed, too. In the aftermath of COVID-19, a robust CFO market characterized by high demand for a diminishing supply of seasoned, public-company CFO candidates and steadily rising hires of aspiring internal leaders, suddenly slowed. In some cases, sitting CFOs delayed their retirement plans, at least temporarily; in others, the need for a CFO with specific expertise—such as prepping for an IPO—lost some of its urgency. Instead, as they search for a new finance leader, companies are also hunting for answers as to how to recalibrate their needs to align with a still-changing marketplace.

Some of these trends are not surprising, given the circumstances throughout the spring. On the candidate side, many CFOs were focused on helping their current companies navigate the COVID-19 crisis or

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were simply unwilling to contemplate a major change amid so much uncertainty. Moreover, many companies were either too distracted to focus on a search or too concerned about bringing on a highly compensated executive while making large cost cuts.

“It’s so much less disruptive to an executive’s schedule to hop on a video interview for an hour versus blocking off a day of travel for in-person interviews. I think that will potentially lead to more CFO movement.”

—Joel von Ranson, leader, Global Functional Practices, Spencer Stuart

Overall, the recruiters we interviewed reported a slowdown of about 20% to 25% in new searches from March through early May (see Figure 1). However, the pace began to pick up in mid-June, with distinct patterns emerging between COVID-19 “winners” and those that had been hurt by the pandemic. Many members of the former group have selectively launched searches focused on re-enforcing strong leadership teams and opportunistically engaging in talent arbitrage to stock up on talent; some companies still struggling have embarked on searches for executives with track records of leading through massive disruption and crises.

This time, it’s not personal

Still, executive recruiting is not likely returning to business-as-usual anytime soon. Increasing adoption of technology, combined with a crisis that continues to fuel uncertainty, are reshaping the process. For example, the combination of a remote work environment and growing use of virtual tools, has resulted in faster search processes. Some candidates, for example,

are progressing through first and second round interviews in weeks instead of the typical months they would have taken pre-pandemic. Other changing dynamics include the following:

- **Hire now, meet later.** Travel restrictions, grounded in health risks, will eventually ease up. But companies may be uninterested in watching these expenses mount again. To help clients replace the assessment opportunities they formerly conducted during social interactions, recruiters say they are increasingly turning to other kinds of cultural compatibility and psychometric assessment tools delivered digitally or online, as well as business case simulation-based virtual interviews in which candidates explain how they’d deal with various challenges.
- **From the board, growing interest and involvement.** Board involvement in searches is on the rise and activated often earlier in the process, mirroring the increased input from directors in helping management deal with the pandemic. Boards are also advocating hiring CFOs with proven abilities to strengthen balance sheets, develop policies to safeguard employees, and protect shareholder interests.
- **A tougher path for internal candidates.** One casualty of the pandemic may be fewer internal promotions of first-time CFOs. As it turns out, experienced CFOs, stationed at companies that the pandemic has hit hard, may be available now. And companies with healthy balance sheets and a clear path to the future may find it more appealing to recruit talented CFOs from weaker balance sheet companies.

Figure 1. CFO recruiter flash poll

How would you describe your pre-crisis (from January 1 to March 1) CFO search business this year compared to 2019?

More than three-quarters of respondents say that pre-crisis their 2020 search business was about the same or slightly stronger compared to last year.



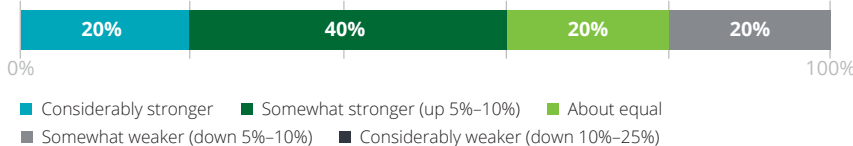
Currently (as of June 20) how does your CFO search business compare to pre-crisis (prior to March 1) levels?

More than 75% say their search business has weakened since the crisis began.



A year from now, how do you expect your CFO search business to compare to pre-crisis levels?

About 60% expect their search business to be stronger in a year compared to pre-crisis levels.



Source: Deloitte module, *CFO Journal*, Deloitte LLP, June 2020

“I’m seeing more board members get involved, and often much earlier in searches, than I have historically.”

—Jenna Fisher, leader, Global Corporate Officers Sector, Russell Reynolds Associates

• **Renewed appreciation for people skills.** According to the search professionals, CFOs with communication and collaboration skills will be more in demand as a result of the ongoing health crisis. In fact, the response to the pandemic is showing that leadership qualities traditionally considered “softer” traits—empathy, compassion, reflection, openness, and communication—are at least as effective as traditionally “stronger” traits of leadership—dominance, risk-taking, and a more assertive take-charge style. That growing recognition might help expand the pool of CFO candidates.

“Video interviews cannot totally replace the learning and discovery that both clients and candidates get from face-to-face interviews, social meetings, and dinners.”

— Barry Toren, leader, North American Financial Officer Practice, Korn Ferry

Searching for options

In this environment, most new or renewed searches are coming from financially healthy companies whose business models may have been challenged, but not upended, by the pandemic. Other companies want a new CFO with a broader set of skills. Such companies aren't waiting for clarity on COVID-19 or the economy to make major talent moves to help them ramp up for recovery.

But some companies, as well as candidates, find the absence of any in-person interaction too much of a barrier. After all, video interviews can't replace the learning that both clients and candidates get from face-to-face interviews, social meetings, and dinners. In some cases, companies will increase the number of virtual interviews, clustering more personal encounters at the end of the process. By then, CFO candidates may meet—in person, if not up close—a small group consisting of the CEO, the

head of HR, and the audit chair, instead of the entire C-suite. Some companies are willing to delay final judgment until they can meet the candidate in person, while other engagements open and close completely within a virtual setting.

For their part, prospective CFOs are being encouraged to increase and expand their own due diligence efforts to understand company culture, how the business is faring financially, and its post-coronavirus prospects. Of course, for some CFO candidates, changing positions in the heat of a pandemic might be seen as demonstrating an uncomfortable degree of disloyalty to their current employer. Others may worry that if word of their search leaks out, they'll find themselves thrust into an unfriendly economy, jobless.

That could leave companies choosing among lesser candidates with steeper learning curves—thereby intensifying their sense of urgency. But there are more creative approaches:

- **Enlist an interim CFO.** Rather than temporarily promoting the chief accounting officer or another senior finance executive to the CFO role in a time of financial turmoil, look to bring on a retired finance chief. Battle-tested and market-validated, they can also deploy quickly.
- **Focus on recruiting locally.** If the position requires relocating, many candidates may opt-out simply on that basis. In the absence of any strategy to make that prospect more appealing amid a pandemic, it may be time well-spent to identify and target promising candidates at local companies.
- **Stop, but keep idling.** Perhaps some short-term internal realignment could serve as a stopgap. Given how fast the health and economic conditions are changing, buying 90 days or more may result in a clearer view of what the business needs.
- **Don't rule out first-time CFOs.** For a well-positioned company, the time may soon be right to recruit a high-ranking finance executive from a business with a weaker balance sheet.

Still, the pandemic isn't the only force changing executive search. The integration of technology into the process, ranging from social media platforms to videoconferencing tools to messaging techniques for outreach, amounts to a full-scale reimagining of recruiting. And many firms aren't likely to stop there; the use of analytics software—to gather insights from data about candidates—may also become more commonplace.

For now, emails and phone calls are being used less. Work-from-home? It may be here to stay. And that may lead to executive search professionals, as well as potential hires, engaging in a lot less dialogue about commutes or even re-location, at least in the short term. If that endures, the search process indeed will have reached an entirely new place. ◀



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