CHICAGOBUSINESS
POWERED BY CRAIN'S

**Feb. 4, 2008**
By Samantha Stainburn

**How to hire one**

# The secrets to finding, and keeping, your CFO

PHOTO: ERIK UNGER

The average tenure for a chief financial officer of a Fortune 500 company is 5½ years, according to a 2007 study by Crist Associates, a Hinsdale executive search firm that recruits for clients like Kraft Foods Inc. and Baxter International Inc. The industries with the highest turnover are technology and consumer products. *Crain's* asked Crist Associates Vice-president Scott Simmons, 32, what companies want in a CFO and what skills those CFOs need.

**CRAIN'S: Why is turnover among chief financial officers so high?**

**MR. SIMMONS:** It is difficult for anyone, whether it's a CFO or other executive, to think beyond a three- to five-year clip. Companies change so rapidly that the skills they need today could be totally different a year from now. If a company comes upon hard times, and their CFO is a guy who finances deals, they might have to go outside for someone who can control costs. Also, financial skills are so fungible and transferable among industries that a talent can go any number of different directions.

**How has the chief financial officer role changed in the past 10 years?**

Today the CFO is the No. 2 executive in many companies, and he or she is a businessperson, not just a finance person. CEOs look to their CFOs as their chief confidants. It's not just about keeping the books.

**What's the secret ingredient that distinguishes a great CFO from a good one?**

Great CFOs can think strategically and adapt to many different market environments. They also have the ability to deal in the obscure and the opaque. Lots of people can roll up the numbers and tell the chief, "Here's how we did." But great CFOs have that ability to think conceptually in an unclear environment and say, "Here's what we have to do to succeed in the next quarter or in the next five years." That's not everybody.

**I'm surprised it's anybody.**

Part of being able to think ahead is having the leadership and mentoring skills to build a good, flexible financial team. But I don't think it's something you can learn. You feel it in your gut.

**How has Sarbanes-Oxley changed the mix of skills companies want CFOs to have?**

The certified public accountant is definitely back in vogue. Nowadays you're much more prone to find someone from a control background who knows financial planning and analysis in the CFO chair than someone who was the treasurer of a company. But I caution clients who are bent on finding a CFO who has spent time in public accounting to make sure they don't get a glorified controller. A true CFO should be thinking about the bigger picture, not worrying about Sarbanes-Oxley.

**In a recession, what skills will CFOs need?**

An ability to focus on cost control. There's going to be a bit of sand-bagging, and CFOs will be focused on maintaining liquidity to shore it up for the storm.

**Are public speaking skills more important than in the past?**

No doubt about it. You have both the CEO and CFO on quarterly calls. Most CEOs have a background in sales or general management, not finance, and they depend on their CFO to talk about the financial nuts and bolts. These skills are going to become even more important in the coming recession because there's going to be explaining to do when companies soften.

**How much industry knowledge should an incoming CFO have?**

Financial skills transfer more easily among industries than sales and marketing skills, but that's not to say you can come from the services world and go right into manufacturing. And in some specialized industries like pharmaceuticals, biotechnology and insurance, it's difficult to learn everything on the job. However, one thing that works well is hiring a CFO from an industry with similar characteristics. When we did a search for drug distributor McKesson, a highly regulated company, our successful candidate was the CFO of American Airlines, also highly regulated.

**What's a sign that a finance manager is not CFO material?**

Not having a balanced background. If you're a lifelong treasury person, you are not CFO material, particularly for a publicly traded company. The same applies if you are too control-oriented, you're too strategic or you don't have experience talking to bankers and analysts.