

Executing a Strategic, Successful Hiring Process for Your Next CFO

BY HEATHER JOHNSON, MANAGING DIRECTOR, FOCUS SEARCH PARTNERS



The average CFO search takes about 90 days (or 12 to 13 weeks) when you have a structured process for finding and hiring the right finance leader for your organization. Without a solid methodology-based framework, businesses often inadvertently rush the process or unnecessarily prolong it, which is why engaging a retained executive search firm makes good sense as they typically have a well-developed CFO search process. A retained executive search firm runs a disciplined, efficient, and accountable process that's led by expert teams with industry expertise, resulting in immediate access to higher quality talent and more superior outcomes.

A thorough CFO search process is essential in hiring the highest performing CFO, and the following action steps are table stakes when engaging a retained executive search firm to lead the search process.



PHASE 1

Building a Search Foundation *(Week 1)*

Immediately upon engaging a search firm, expect it to help you address the most pressing issue:

1. FILL THE IMMEDIATE LEADERSHIP GAP:

Suppose your departing CFO's direct reports aren't capable of managing the day-to-day financial operations of the business, or you are spearheading a significant initiative that requires specific CFO experience. In that case, a full-time interim CFO can typically be identified and placed within 10 days, which allows you to fill critical gaps and drive vital workstreams while you focus on hiring the right CFO for current and future goals.

In conjunction with finding an interim CFO, the firm should also promptly schedule an introductory meeting to collect critical information about your business, its goals, and your expectations for the CFO position. As it takes the lead initiating the search, it should guide you through each of these steps:

2. IDENTIFY THE SEARCH COMMITTEE AND ITS LEADER:

It's essential to keep the committee to a manageable number of key decision-makers involved in the hiring process so that it isn't bogged down with too many unnecessary steps. In addition to the CEO, other influential and thoughtful members of the C-suite and board make great members of the CFO search committee. The committee also needs a solid internal lead to coordinate between the committee and the search firm.

3. CLARIFY YOUR COMPANY'S MISSION AND VISION AND PLAN HOW TO CONVEY IT TO CANDIDATES:

You need a cohesive and concise organizational mission and vision that's centered on the company's purpose, goals, and values. In hiring the CFO, what does your business want to accomplish so that you can sell it to candidates throughout the hiring process? It should be something that rallies the troops and leads them in your desired direction. This is especially important in candidate-driven markets when you need to sell the company and CFO position as much as the candidate needs to sell themselves to your search committee.

4. ASSESS YOUR ENVIRONMENT AND DEVELOP AND AGREE ON A POSITION PROFILE:

This includes outlining the educational and industry experience prerequisites, as well as the core competencies, technical requirements, and personal attributes for the ideal candidate. It also includes discussing company targets and industry sectors and narrowing the list down to a realistic profile of the CFO who possesses your most critical requirements. An astute search firm will advocate for a good balance of qualifications for the profile because an overly exhaustive list of requirements often narrows the CFO field too much, which can eliminate a candidate who is the best fit. These questions can help with this step:

- ▶ What are the vital responsibilities/tasks that need to be performed on the job, which should be prioritized in order of importance and by the percentage of time they are expected to take?

PHASE 1 Building a Search Foundation (Week 1)

- ▶ What skills, specific knowledge, experience, and abilities are needed to perform the job effectively, covering any gaps identified with the outgoing CFO?
- ▶ What values and attitudes are needed for the job, which should also cover any gaps identified with the outgoing CFO?
- ▶ What's the composition of the executive leadership team, and what qualities should the incoming CFO possess to complement it?

5. DEFINE THE SEARCH PROCESS:

CFO candidates should be considered using several criteria but requiring too many steps can cause bottlenecks that slow down the search process. A search firm should help you decide how many of the following steps a candidate should go through and in what order, while also identifying steps that mark elimination points early in the process and making suggestions on where to consolidate steps, such as limiting the number of committee members who need to meet with each candidate or opting for panel interviews:

- ▶ Resume review
- ▶ Initial pre-screen interview
- ▶ In-depth structured interviews ideally held virtually
- ▶ Case studies/work samples
- ▶ Third-party CFO assessments
- ▶ Finalist interviews, ideally in person
- ▶ Non-business setting meeting for finalists

A retained executive search firm will incorporate many interview styles such as situational, behavioral, competency, and stress to best determine candidate career progression, successes and failures, motivators, behavioral outlooks, leadership and management styles, and personal skills such as decision-making and resiliency.

6. BUILD A CANDIDATE SCORECARD:

A candidate scorecard keeps the process as objective as possible because it helps committee members accurately document their assessment of every candidate's technical skills, specific knowledge, prior experience, values, and attitudes. A search firm can assist in creating one that weights your selected criteria based on their level of business importance.



Case studies provide an opportunity to review and compare each candidate's work product, especially when you allow everyone the same amount of time to produce the sample work.



Schmidt & Hunter¹ says **third-party CFO "assessments"** are 30% predictive of a person's future workplace performance," making them an incredibly useful tool in the race to recruit, hire, and retain top talent. However, choosing from among the many candidate assessment tools available in the market can be difficult, especially since not all tools are created equal. The best way to judge these tools is by reviewing their validity and reliability track records.

Additionally, cognitive ability—which includes aptitudes like spatial and logical reasoning, as well as verbal, computational, and analytical skills—is consistently the best predictor of job performance across all job types, levels, and industries. So, make sure the assessment tool you choose emphasizes this particular ability.

¹ https://www.academia.edu/23613755/The_VValidity_and_Utility_of_Selection_Methods_in_Personnel_Psychology_Practical_and_Theoretical_Implications_of_85_Years_of_Research_Findings

PHASE 1 Building a Search Foundation *(Week 1)*

7. DEVELOP STRUCTURED INTERVIEW QUESTIONS:

According to Schmidt & Hunter, structured interview questions are 51% predictive of a candidate's future workplace performance. Using the candidate scorecard, the search firm should collaborate with you to create a list of questions you'll ask every candidate because that will help the search committee more easily and impartially assess and compare them.

Under functional competencies, the questions should cover the following areas:

- ▶ Strategy development and implementation
- ▶ Interaction with senior leadership
- ▶ Finance and technical expertise
- ▶ Operational experience
- ▶ Transformational change management
- ▶ Experience in building teams, processes, and systems
- ▶ M&A and private equity experience
- ▶ Leadership and management style
- ▶ Emotional intelligence and innate drive and resiliency

For interpersonal competencies and cultural fit, the questions should relate to the following:

- ▶ Motivation and drive for excellence and performance
- ▶ Collaboration, team building, and other interpersonal skills
- ▶ Buy-in of the company mission, vision, and core values
- ▶ Empathy and mindfulness
- ▶ Assertiveness and positivity
- ▶ Delegating and prioritizing
- ▶ Consistency and good time management skills



9. DEFINE COMPENSATION AND EQUITY GUIDELINES

Putting together a compensation package is as important as creating a position profile. A search firm can help you create a package that will attract the candidate you want and need. A retained executive search firm will be informed about market conditions, compensation trends, and competitive packages based upon company demographics and demand for the CFO role.

10. CREATE A DATA REPOSITORY FOR GOOD INFORMATION FLOW:

With multiple candidates and various committee members involved, the search team needs one fully accessible location to house all interview documentation and data points. Look to your search firm to provide a client portal to house and organize your data.

11. DEVELOP A POSITION DESCRIPTION THAT ATTRACTS CANDIDATES TO THE CFO OPENING:

Work with the retained search firm to develop a position specification shared with market and attract high-quality candidates. There is an art and science in writing a position description. It should be written in such a way that the reader can picture themselves in the role you are conveying.

12. CONSIDER THE MARKET OR SEASON AND ADJUSTING ACCORDINGLY:

If it's a candidate market, a retained executive search firm will ensure you can attract the best candidates and successfully compete with other companies pursuing the same candidates. Conversely, if it's an employer market, you have more leeway. A retained executive search firm can also help factor in availability requirements for interviews, depending start date.

After creating a solid foundation, a search firm should conduct an official search kick-off to ensure everyone is on the same page before moving into Phase II.

PHASE 2

Selecting Candidates

(Week 2-10)

To keep the process moving forward throughout this important phase, expect the retained executive search firm to provide access to its client portal for all search committee members and to schedule weekly collaboration calls to discuss the latest developments related to the following activities:

CONDUCT CANDIDATE OUTREACH (WEEK 2-5):

The search firm begins active recruitment to identify and attract viable candidates who fit your profile. A team of partners, consultants, researchers, and project coordinators research and develop an initial list of prospective candidates to be presented to you with their background information and perspectives on each candidate's expertise.

DEVELOP AN APPROVED LIST OF CANDIDATES (WEEK 6-8):

- ▶ **Initial interviewing:** The retained search firm interviews the candidates greenlit by the committee, gauging candidate's suitability to the position description, culture fit, preference for relocation/remote/travel, motivation and availability, etc.
- ▶ **Narrowing the list:** The search firm eliminates ineligible or less viable candidates.
- ▶ **Scheduling and managing committee interviews:** The search firm schedules your interviews with candidates, as well as any case studies or assessments that need to be completed. It also makes sure that the expected time commitment from candidates or committee members doesn't create an undue burden on them by either using panel interviews or dividing and conquering interview topics (functional versus cultural) between committee members. Requiring every candidate to interview individually with each committee member will bog down the process and potentially cause you to lose the candidate of your choice.

INTERVIEW CANDIDATES (WEEK 9-10):

As search committee members conduct interview rounds one and two with candidates, the search firm solicits feedback and makes sure that interview notes are added to the client portal.



PHASE 3

Closing the Search *(Week 11-13)*

As the search nears its completion, expect the search firm to work closely with you on these steps:

SELECT THE FINALISTS:

After all the candidates have completed the required interview steps, the search firm helps narrow the list to two to three finalists. Case studies and assessments can effectively determine the most qualified CFO candidate for the position. However, it's important to balance the results of case studies and assessments and avoid putting too much stock in one tool.

BEGIN REFERENCE INVESTIGATIONS:

Once the search committee has narrowed its list, the search firm starts conducting a complete reference check, including the best practice step of asking finalists to compile a 360-degree reference list. Performing reference checks with the people provided by each candidate offers objective assessments and can elicit additionally important information from a full range of people they've worked with, including subordinates, peers, and superiors. References provide perspectives from someone who has worked with a CFO candidate. This often provides valuable information you did not uncover in the interview process.

SCHEDULE FINAL MEETINGS:

The search firm helps you decide if it makes sense to invite each finalist to a meeting outside of the office to confirm the mutual fit and interest. A non-business setting generally facilitates more interpersonal interaction and relaxed dialogue, which helps further substantiate the committee's assessment of each finalist's personality and attitude. It can also reveal previously undetected issues that might indicate a poor match with company culture.

RANK THE FINALISTS:

Again, the search firm will work with you to decide which of the finalists is the committee's top choice and helps rank the remaining finalists based upon interviews, case studies, third-party assessment tools, and candidate scorecards.

PRESENT THE JOB OFFER:

Once the search firm presents the offer to the top candidate, it helps you negotiate the following terms:

- ▶ Potential start date
- ▶ Deadline for offer acceptance, which is typically about 48 hours
- ▶ Compensation package including bonus, base compensation, and equity package
- ▶ Sign-on bonuses
- ▶ Expectations around relocation, commuting, and travel
- ▶ Summary of benefits and retirement plans





Established retained executive search firms also have a fourth phase in the search process: ensuring a successful transition of the newly appointed CFO into the role with onboarding recommendations. By acting as a true partner with you throughout the search and the placement, a proven search firm brings meaningful value to every step of the process.

At **Focus Search Partners**, we build teams that grow companies, including navigating countless clients, from a diverse set of industries, through our proven CFO hiring process. Our efforts yield a 94% hire rate for search assignments and a 95% year-one candidate retention rate.

Let us lead **your next CFO search** or help you identify an **interim CFO** to bridge the gap between CFOs.