

The Issue

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From Out of the Trenches

Lessons Learned from Recruiting Senior-level Executives

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When recruiters get together, they have a propensity to share “war stories” of particular events that can impact outcomes and their careers. Often times, these sessions can seem to be more about bragging rights; yet, often enough, they are lessons that companies might find helpful. The point of these stories is to help prospective clients understand some of the pitfalls in recruiting executive candidates.

The challenge companies face in attracting *the* perfect candidate for an open position requires good forethought, planning and candor in discussing the opportunity with the recruiter. An experienced recruiter will come to the initial client meeting expecting to fill-in gaps missing in the position profile as well as add to the content of that profile. The strengths of a recruiter should be the ability to listen and evaluate the essential points and those missing from these initial conversations. In this article, I will focus more on the recruitment of senior financial executive roles to high growth and middle market companies, these tend to include CFO's, VP's of Finance, Treasurers or Corporate Controllers.

Culture Fit

For many middle market and high growth companies, the Senior Financial Executive may be a newly created position. An event of some sort has precipitated the need to professionalize or up-grade the financial team. This might be as simple as rapid growth through enhanced sales of the product, a new investment, or a potential. Introducing this newly created position to the organization will have many implications through the business from the

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bottom up. Experienced Senior Management will acknowledge the effect a new hire may bring to organization. Through careful planning and effective communication, this change would have minimal impact to the employees. Likewise, it will be essential for the incoming candidate to be able to blend into the business culture. “Culture fit” is a term that is seemingly overused or simplified, so what do we mean?

The recruiter will evaluate the requests for the position as outlined by the executive staff. That same recruiter will also need to evaluate the environment. Describing this culture is critical and not easily articulated by staff. A recruiter will be most successful when there is open communication and the ability to tour the facility and talk with staff, especially those staff members who will have direct and indirect contact with the new executive. A recruiter will be able to provide examples of their work in explaining the essentials to a successful hire.

A recent client of the firm, made their facility open to the recruiter by allowing that recruiter to interview those key employees. The executive team had described their culture “as a close-knit and loyal team of employees” who are “highly valued individuals.” Through informal conversations with staff, this culture was validated. It also provided the opportunity to ascertain the softer skills the team deemed as important in the role. The inclusion of staff in the process resulted in a good partnership, and an advantage to onboarding the new CFO quickly and effectively.

Valuing the Role of Finance

The above discussion leads to the next point in recruiting and in “valuing the position.” Even today, the roles in finance are often mysterious and just as often underestimated in bringing value to high growth companies. The executive team may have been so busy in product development, fund raising, and sales and marketing activities that there has been little time to build a “strategic finance and accounting department.” A recent client was an early stage company with an incredibly talented and experienced executive team. These individuals were all pedigreed with PhD’s in electrical engineering from top tier universities. These individuals, while successful in working as a team and focusing on product development, had little time to develop the financial underpinnings to support their business strategies. In listening to them, it was discovered that not only did they have little oversight in the areas of accounting and cash flow analysis, but they were at a loss in how to evaluate profitability of new sales contracts, establishing a potential line of credit with bankers, and a myriad of other potential pitfalls. The Position Profile that was prepared for this client was a helpful tool in assessing the position. It also provided more insight to the role an accomplished Chief Financial Officer might contribute to the overall profitability of the company. Further, it proved a useful tool in preparing for interviews of potential candidates.

Another example was a client in need of up grading the finance department. Following the downturn in the economy, their business was enjoying rapid success through the efforts of their sales team and their

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reputation in the market. The problem was how to evaluate these new contracts and how to measure the impact it would have on their operating lines as a manufacturing company. They had a thumbnail idea of what the costs were but nothing to authenticate those thoughts; i.e. how the effect a new contract valued at “X” may affect their manufacturing lines, could they afford it, did they have all the machinery and people in play? In this situation, there were few analytical tools available to help support the operations and sales team collectively, and their funding sources were concerned. Up to now, an analyst and an accountant had been enough. Recruiting a candidate familiar with the industry and familiar with managing high growth and slow growth while also being able to establish rapport with the entire organization was key to a successful placement. Happily for the client, this occurred with a good results for all.

Compensation

The final point to this newsletter is in determining a competitive compensation package that recognizes the “industry standards.” The term “industry standards” is a code word for being competitive in the market place. Silicon Valley and the entire Bay Area has seen a very healthy recovery these past two or three years. We read about higher rents, have experienced more traffic on the freeways, seen more start-ups, IPO’s and mergers and acquisition transactional events. In order to attract top talent, one needs to be prepared to have a competitive package in attracting a new candidate. This is *“the”* critical issue in successfully recruiting a candidate. Again, the thoughts of a non-revenue producing, high paying position can be a troublesome obstacle in discussing the position.

Last year, the firm was commissioned to complete a number of compensation analyses for companies with a distributed work force. These were higher level positions that included Sales, Marketing, Operations, and Finance positions. Armed with current market information has been helpful in consulting with clients who are testing the market in areas of compensation. The conversation around compensation remains critical in attracting talent. Losing a stellar candidate due to lack of recognition of a competitive market is dangerous.

A recent client failed to recognize the need for such a competitive compensation package, one in which most high tech companies recognize and employ as a matter of routine. The initial offer seemed to be reasonable to the Board of Directors, although the Chief Executive Officer was not convinced. When a counter offer was returned, the decision at the top was to remain firm. The result was the loss of a candidate the CEO and his team wanted very badly. Ironically, the difference in that offer was less than 5%, but enough for the candidate to feel less comfortable about his value to that organization. It proved to be a valuable lesson as we went on to evaluate other candidates.

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Summary

The role of an outside recruiter remains important to companies needing to attract top talent in a competitive market place like the Bay Area. Particularly at the senior executive level, companies that think they can shortcut the process by relying strictly on social media services, forgo decades of experience that are crucial to finding the executive that is the right fit. Our client companies continue to rely on this experience and our ability to find, qualify, and deliver strong, viable candidates.

Before you begin your next online search for a senior level financial executive, spend a few minutes with Jodi first at (925) 299-4450. You may find the services of a seasoned, professional recruiter an outstanding return-on-investment!



Jodi is the Director of Recruiting Services for the 2Go Companies. She has been with CFOs2GO for more than 15 years providing executive search and placement services for a variety of clients. Her background includes sales and healthcare following a stint in a Big 4 CPA firm. She sits on several Boards for non-profits, including The East Bay Leadership Council and served as the past Chairman for Opportunity Junction in Antioch. Jodi speaks French, and has studied German and Russian

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