

Choosing a Chief Financial Officer (CFO)



FOCUS

From our experience in searching CFOs across different sectors and countries, we consider this position to be the most complex of the Steering Committee.

The business impact is greater than for any other position because business risks must be added to reputational and confidentiality risks.

Conversely, choosing a good CFO has important immediate benefits in decision making and risk assessment.

Advantages and Disadvantages in Selecting the CFO

While it is important to choose the right candidate for all Steering Committee positions, it is doubly important to make the right choice for the CFO, who works with sensitive, complex and confidential information. A good CFO helps make sound decisions, anticipate contingencies, assess risks and ensure liquidity. Equally, choosing the wrong CFO carries significant business and reputational risks.

When the selection of a CFO is considered, doubts about the most appropriate profile are common. In order to come up with a coherent and well-defined profile, it is essential to include clear and relevant information, such as: company strategy, size, organizational complexity, typology of customers, financial strategy, growth strategy, international presence, corporate structure, business sector, capital structure, funding and working capital sources/needs, and practices of internal control and external audit.

“When the selection of a CFO is considered, doubts about the most appropriate profile are common”

Successes and Failures in the Hiring of a CFO

Here are some real cases that illustrate why the hiring of a CFO succeeded or failed.

Expanding multinational company recently acquired by a private equity firm.

It worked because...

- The candidate had experience in negotiating debt agreements; key as the company was highly indebted
- Experience in IPOs; the investor was contemplating an Initial Public Offering
- Focus on costs and working capital; business margins were narrow
- The candidate's personality fit well with the PE CEO
- The client was willing to offer generous remuneration

Subsidiary of multinational expanding operations via acquisition

It worked because...

- Although the candidate did not come from the sector, he had experience with the same customers
- Focus on working capital: collections and treasury
- International reporting experience and proficiency in English
- High personal engagement with the CEO and motivation
- Salary in accordance with his expectations

Stable family company with operations by administrative concession

It did not work because...

- The candidate came from a very different sector
- Poor communication skills (too focused on details)
- False expectations regarding the content of the position
- Isolation away from family environment

Reasons Why a Candidate is Rejected

There are many reasons why a company may decide not to proceed with a candidate who seems to have the right profile. The most common are:

- Lack of exposure to negotiating and monitoring debt contracts.
- Does not understand the typology of customers. This is critical for businesses with working capital pressure.
- From a very different sector. It is not easy to understand the key specifics of the business if the candidate's experience is in a very different sector.
- Too young, with too little experience. The job of a CFO requires experience and well-developed skills.
- Insufficient international profile or proficiency in English. This aspect is increasingly important because of the globalization of businesses and internationalization of companies. For a CFO, it is even more important since much of the funding is found in English-speaking environments where fluency and accent are important.
- Does not fit the company culture.
- Lack of negotiation skills.
- Is not hands-on (the role of the CFO has changed in recent years; a CFO is now more of a business partner willing to understand the variables of the business).

Good Understanding of the Company's Context and Strategy

The strategy and the context of the company are critical when choosing the right candidate, with the most important aspects being:

- Size of the company, its organizational structure and corporate structure.
- International presence.
- Growth strategy: organic, acquisitions, geographies, new products and the market in which it competes.
- Production and commercial processes.
- Financial strategy, capital management, ways of funding and taxation.
- Management of the income statement: projections, cost analysis and margins.
- Balance sheet management: investments, assets and goodwill.



Risks Associated with a Bad Choice of CFO

The risks of selecting the wrong CFO are higher than for any other position of the Steering Committee. These risks include:

- Loss of confidentiality; The CFO works with sensitive and confidential company information.
- Replacement; Manages complex legal, numerical and processes issues, making the CFO difficult to replace.
- High impact on results: risk of fiscal negligence, excessive indebtedness, poor capital structure, poor treasury management, poorly negotiated agreements, etc.
- High impact on reputation; The CFO represents the company before banks, auditors, public entities and suppliers.

Keys to Choosing the Right CFO

In order to choose the right CFO, both professional and personal aspects must be considered.

The professional aspects must be defined in a profile that is aligned with the challenges, situation and strategy of the company. Personal aspects must ensure that the chosen candidate's personality fulfils certain core values, such as: honesty, hard work, integrity, loyalty, patience, critical sense, respect, self-control, self-confidence, teamwork, and self-motivation.

In conclusion, there are three key aspects to choosing the right CFO:

- **Trust.** The CFO must be able to inspire trust by demonstrating accuracy, understanding of the business, communication skills, technical knowledge and personal values.
- **Craft.** The CFO must have seniority and experience as well as strong sectorial/functional knowledge.
- **Profile.** The CFO's profile should be aligned with his responsibilities and with the industry, situation, strategy, size and organization of the company.



[Alvaro Arias Echeverría](#) is the Partner in charge of Iberia & Latin America at [Pedersen & Partners](#). Mr. Arias Echeverría brings over 15 years of Executive Search experience, having successfully completed Executive Search assignments across Europe and Latin America with a particular focus on Industrial (Energy, Construction, Engineering and Equipment), Financial Services (Banking and Private Equity), Chemical, Health and Telecommunications. Prior to joining the firm, Mr. Arias Echeverría held senior positions as a Partner and member of the International Executive Committee of an international Executive Search firm based in Austria. Earlier in his career, he was a Principal with a world-leading Executive Search firm based in Switzerland and Senior Manager at AT Kearney. He was also Professor at IESE Business School where he founded and led its International Research Centre in Barcelona and Madrid.

Mr. Arias Echeverría graduated as an Engineer from the Polytechnic University of Madrid. He holds an MBA from IESE Business School and has completed the Doctoral Program in Corporate Governance from the City University Business School in London. He speaks native Spanish, fluent English and conversational Portuguese.



[Luis Miguel Vilatela](#) is a Client Partner and the Country Manager for Mexico at [Pedersen & Partners](#). Prior to joining the Executive Search industry, Mr. Vilatela gained extensive experience in Finance & Banking with HSBC Bank UK where he started his career as an Assistant Director in 1992 and subsequently relocated with HSBC to Mexico. There he served as Chief Executive Officer, Country Manager, Deputy General Director, and later was appointed as CEO, responsible for Spain and Portugal. Additionally, Mr. Vilatela has previously held several C-Level roles in such organizations as Mexico Fund-Merrill Lynch, Citibank Mexico, Bank of America and Midland Bank.

Mr. Vilatela has an MBA from the J. L. Kellogg Graduate School of Management, Northwestern University and a Bachelor's degree in Engineering from UNAM. He speaks native Spanish, fluent English and conversational French.

Pedersen & Partners is a leading international Executive Search firm. We operate 56 wholly owned offices in 52 countries across Europe, the Middle East, Africa, Asia & the Americas. Our values Trust, Relationship and Professionalism apply to our interaction with clients as well as executives. More information about Pedersen & Partners is available at www.pedersenandpartners.com

If you want to conduct an interview with a representative of Pedersen & Partners or have other media-related requests, please contact: Diana Danu, Director of Public Relations: diana.danu@pedersenandpartners.com. In case of requests related to our Executive Search services please contact Alvaro Arias: alvaro.arias@pedersenandpartners.com or Luis Miguel Vilatela: luis.m.vilatela@pedersenandpartners.com