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Top Talent: Why Today's Senior Finance Executives Are in Such High Demand

Today's finance chiefs have very complex roles within an organization. Fundamentally, these business leaders are responsible for accurate and timely financial reporting, overseeing a company's capital structure, and developing reliable economic forecasts. In today's competitive market, these functions are all "givens." As the percentage of local companies with institutional sponsorship continues to grow, top talent is required to deliver more value than ever before. Chris Bull, Managing Partner and Co-Founder of McDermott & Bull Executive Search talked to Interviewer, Samantha McDermott of SaJo Advisors, about the trends he's seeing in today's frothy market.

Samantha: *Chris, not to date you, but you (and the Firm) have been placing CFOs at many of Southern California's top companies for nearly 20 years. What is so different about today's market?*

Chris Bull: In my 19 years in this business, I've never seen the recruiting market for CFOs more active than it is today. CFOs are in very high demand. In this dynamic market, companies are looking for more upside, and they see CFOs as their gateway to it.

Samantha: *Tell me more about that.*

Chris Bull: The percentage of companies that have institutional sponsorship, or Private Equity sponsorship, is much higher today than it was even just a few years ago. Talented CFOs will ask if there's an equity opportunity before they'll even consider making a change. This has really changed the middle market landscape in Southern California. We live in this "middle market haven," and private equity feeds in this area.

Samantha: *What kind of deal can a CFO expect to see from a private equity backed company?*

Chris Bull: CFOs will get equity in a company that will likely realize an exit in the following 3-5 years depending on where it is within the investment cycle of the PE sponsor. For mature middle market companies, CFOs should expect .75-1.25 percent equity in the company.

Samantha: *The payday sounds like a good way to motivate someone to make a move. What about annual salaries?*

Chris Bull: CFOs have become more essential thought partners to CEOs and Boards than they were 10-15 years ago, and their wages are definitely increasing as a result. Cash compensation and equity participation has gone up dramatically in post-recession years. If a CFO has certain key boxes checked, like M&A, post-merger integration, and private equity experience, cross-functional leadership, they have a leg up on their competitors in the market and are making more.

Samantha: *How much more are we talking about, Chris?*

Chris Bull: If you have all of those boxes checked, we're seeing base salaries up 10-20% and an extra quarter to a half point in equity since the recession.

Samantha: *What's driving this bump in pay?*

Chris Bull: The simple answer is the market. When we unpack this further, it's the private equity shops that are driving higher salaries and creating the demand for top talent.

Samantha: *Tell me more about that.*

Chris Bull: It's all part of a larger investment strategy to create better multiples. What most PE firms are doing in this market is to invest in a platform strategy where they start with an initial acquisition and strategically grow that business through add-on investments. Let's say it's a SaaS company. They'll then purchase other SaaS or complementary companies and merge those into the initial platform company. It enables them to create economies of scale which helps drive up the multiples. This is why they're looking for CFOs who not only have M&A experience, but also understand post-merger integration, and can support and enhance a private equity group's overall investment strategy. PE groups are looking for multiples, and they want to hire executives who can help them deliver these multiples to their LP's.

Samantha: *How common is this becoming?*

Chris Bull: It's commonplace in this market for CEOs and Boards to pull CFOs

into the operational side of the business. Today, CFOs are getting a different level of training and understanding. We're often asked for operationally-centric CFOs who can add value across the enterprise.

Samantha: *How difficult is it for you guys to find qualified talent in this area?*

Chris Bull: Well, don't expect many of these types of CFOs to be sitting on the sideline. Unless you get lucky, and know a CFO that just sold their business to a strategic buyer who didn't need two CFOs, you have to go recruit them away from their current employer. With a targeted approach, and a client that has an exciting vision to share, you can find success recruiting "A" players away in this market.

Samantha: *Chris, I'm not surprised to hear you say that, you're in the business!*

Chris Bull: This is true but as you can imagine, CFOs come in all shapes and sizes. When internal teams post positions online they get hundreds of resumes in the process, and it's a massive time commitment for these internal teams to prequalify and ultimately vet this talent. We never post any positions online. We're laser focused on what we are looking for based on the organization's needs – which 95% of the time are extremely specific.

Samantha: *Give me an example.*

Chris Bull: Right now, I have a client that is a \$500M private equity sponsored company. They need someone who understands turnarounds, a founder led environment, and private equity sponsorship. This is not the kind of opportunity you post online.

Samantha: *What's the typical tenure for someone in this role?*

Chris Bull: Years ago, I read a stat that said 3 years...and I never believed it. It included anyone that had the CFO title, from the small automotive repair shops to Fortune 500 companies. In my experience, I'd say today's average tenure is about 4-5 years.

Samantha: *Is location a big consideration for your clients?*

Chris Bull: I can't remember a time in the 30 years that I've been in Southern California where the traffic has been worse. Everyone's patience is pushed to the limit these days. Our clients are hypersensitive to this as well. We like to identify candidates who live within 1-hour commute from a client's location for this very reason. I'm hearing more and more from my clients that they don't want to meet a candidate who has 3 hours of commuting per day. While everyone says they'll relocate for the right role, that doesn't tend to happen very quickly, so they're likely to quit sooner because the commute is too tough.

Samantha: *So this is good news for CFOs who are looking locally?*

Chris Bull: It certainly is, since a trend from our clients is to find and leverage the candidates in a local market. And we certainly have a good number of credible candidates right here in our backyard.

For more information, visit MBExec.com.

Chris Bull

Chris Bull serves as a Co-Founder & Managing Partner of McDermott & Bull Executive Search based in Irvine, California. Chris has built a significant executive search practice catering to private equity firms which include Chicago Growth Partners, Riordan, Lewis & Haden, Sun Capital, Long Point Capital, and Silver Oak Services Partners. Formerly, Chris was an Executive Vice President in the Orange County office of DHR International, the nation's 6th largest executive search firm. Before entering into the executive search profession, Chris spent six years operating the company he founded, American Liberty Capital Corporation, growing it into one of the largest privately held consumer finance companies based in Southern California at that time. Chris received a Bachelor's Degree in Economics and Finance from the University of Texas at Austin.

