Financial Officers: Supply and Demand Imbalance

A CTPartners Perspective

Since mid-2006, hiring has been on a steady decline and came to a virtual standstill after Lehman Brothers collapsed in September 2008. Within a week, shock waves from that event had rippled through the rest of the financial services industry and have continued to spread globally across all industry sectors. Until signs of economic recovery are in full swing, companies will continue to cut expenses in any way they can. Many have already restructured or consolidated and the ensuing layoffs have created a supply–demand imbalance of top financial talent. Companies in a position to selectively invest in senior financial leadership talent now have access to people who would not have been available in the market in the past. As such, there are now small pockets of demand for specific skills sets within a select number of industries. Here's what we're seeing in the field today as best practices from companies positioning themselves for new business and growth opportunities.

Supply still greater than demand – but the worst may be behind us

Life sciences and healthcare has been one of the few industry sectors to experience demand for financial leadership talent throughout the economic downturn. The reasons are demographics and investment horizon. We have an expanding, aging population pressing for advances in science and healthcare to increase both the quality and quantity, of life. So while the current lessening of consumer demand is resulting in depressed stock prices, these companies are in it for the long haul. To remain competitive, they know they need to continually invest in the best and brightest finance talent.

There is also selective hiring across the full spectrum of energy-related businesses, particularly investment into alternative energy and other eco-friendly technologies. As these alternative energy and environmental businesses evolve from the research and development phase to the consumer product level, a different financial management skill set will be needed by the people charged with analyzing performance and managing growth. Seasoned talent from outside the alternative energy and sustainable resource sectors, be it from manufacturing, retail, or consumer products, are being recruited for these roles to help fuel new businesses and growth opportunities.

Companies who are able to operate with a longer-term financial outlook are in a stronger position to invest in new talent. Examples include mutual insurance companies and other non-public businesses that were not as exposed to the capital and credit markets. These businesses have not been as dramatically affected by the current economic downturn and are able to continue to move forward, albeit more slowly, as things turn around. As a result of recent developments in Washington, it is anticipated there will also be increased demand for financial talent in the public sector, as government oversight agencies like TARP continue to need financial expertise.

Within financial services, fund management businesses fortunate to have the capital to take advantage of the current dislocation in the credit markets are among those luring top talent. Within professional services, there is also activity within advisory consulting firms whose business it is to help companies go through restructuring or consolidation. These restructuring advisory firms are thriving because of the bleak economy and as a result have unprecedented demand for their services. They have to do some fast hiring to keep pace. In general, we are seeing a proliferation of start-up service boutiques which are absorbing some of the displaced talent in the markets.

There is also select demand for talent being driven by private equity firms. Private equity investors are taking a close look at the management teams of their portfolio companies. Struggling portfolio companies acquired during a stronger economy require different management skill sets if they are to recover. This means changing out some members of current management teams, including COOs, CFOs, controllers, and treasurers to bring in those with stronger operational backgrounds and proven experience managing during bear markets.

Different financial skill sets are in demand

In all the sectors above, the mantra is the same: retool, cut costs, become more efficient. Gone are the days of commanding market share, no (or limited) price competition, and large margins. The game has changed. Historic industry leaders are finding ways to weather the storm by being laser-focused on expenses and costs so that even when sales are in decline, the bottom line can be maintained.

Who is leading this work inside these organizations?

It is the CFOs and other accounting and finance executives who need to operate with shrewd business acumen. They are the ones developing more robust metrics and analytics that lead to tighter control over operations and better risk analysis. These financial leaders become very deep in the operations of their companies and are familiar with the markets and customers to whom they are selling. They are not sitting in an office waiting for results to be posted; they are highly engaged with their business partners and their customers. Because of their impact on the company's financial well-being, we're seeing select – but increasing – demand for strong operating finance executives.

At CTPartners, searches for senior treasury professionals have more than doubled in the last 18 months. Much of this is due to the disruption in the credit and capital markets. This trend cuts across industry sectors as more and more companies come to realize they have not invested enough in developing their treasury capabilities.

There is also select demand for tax professionals, particularly those with international experience. The most obvious reason for this is that increased globalization demands stronger tax experts who can understand and manage tax strategies across jurisdictions. Secondly, tax is increasingly becoming an area to enhance revenues.

Companies are also pushing to upgrade the level of talent within internal audit as a result of globalization and an increased focus on compliance. With some of the notable cases of fraud, financial institutions in particular are all much more focused on bolstering controls, audit, and compliance.

While the vagaries of the current economic climate will continue to put tremendous pressure on companies' bottom lines for some time, there are budding signs of renewal and emerging growth opportunities. Those companies working diligently to ensure they retain and invest in top-notch financial talent, will be in the best strategic position when the economy fully rights itself – in whatever form that might be.