

Thought Leadership



Hiring The Next CFO:

What traits will define successful
Kenyan CFOs of tomorrow?

As organizations struggle to fill their top finance positions, they are increasingly looking externally for candidates.

While controllers and managers may have the technical expertise to move up the ladder, few have the leadership skills necessary for best-in-class CFO performance.

Our research, based 10-years of personality data from CFO hiring in Kenya, shows that few Kenyan CFOs and Senior Finance Executives have the leadership and relationship-oriented competencies required to be increasingly effective in these dynamic roles.

Few roles are as important as the Chief Financial Officer, and although they often possess the passion for analytical thinking, drive and focus, Boards question whether they have the breed of CFO who can truly be considered a co-pilot to the CEO. "What is the problem with Kenyan CFOs?" is a question I am often asked by CEOs. In a market recognized for plentiful finance talent, hiring senior finance executives provides a challenge demanding a need to recognize traits needed for success, beyond subject matter expertise.

Managing the most critical and fundamental business asset – capital – and given the market volatility of the recent year, the emphasis on operations underscores the focus for CFOs to understand how to cultivate all these assets – technology, talent and intellectual – to gain competitive advantage. And yet CFOs appear to struggle in creating the competitive advantage in the one asset organizations cannot duplicate – people.

In response to this question, we recognize that personality traits impact individual and organizational performance and we therefore conducted an analysis on personality data of CFOs assessed using the Hogan personality inventories since 2008 in Kenya compared to the global benchmark of CFOs. In addition, we examined the same data for Senior Finance Executives (Controllers and Finance Managers) comparing them to their global peer group data.

We found that whilst Kenyan CFOs are more ambitious, driven, process-focused, analytical, they have lower levels of interpersonal sensitivity, focus less on people issues and struggle with relationship - and trust-building competencies.

Executive Summary

1. Leadership, career success and organizational effectiveness are closely linked to personality.
2. According to our analysis of personality psychometric data over the last 10 years, Kenyan CFOs' focus, analytical thinking, drive and passion for intellectual curiosity play a key role in getting them into the C-Suite.
3. Compared to the global profile, Kenyan CFOs need stronger attributes around interpersonal and relationship skills.
4. Those aspiring to become CFOs and beyond need to develop to strong relationship building skills, leadership attributes of building trust and coaching.
5. As the CFO role evolves to be more diverse, complex and multi-faceted, a more agile, values-based leadership is needed to deploy and manage the talent with diverse skills.
6. Hiring a CFO who can truly be considered a co-pilot to the CEO is no mean feat, and requires an understanding of leadership and behavioural attributes of finance executives.
7. Companies that pay attention to these attributes in the hiring of senior finance executives stand to gain in finding agile leaders who can drive transformation and foster a culture of development.

A Global Challenge

A CFO Pulse Survey conducted by Korn Ferry in 2013 revealed that 49.4% CFO replacement are filled from external hiring, and only 4% of external hires are controllers, highlighting the clear lack of talent development in the function.

When we examine the number of CFOs who are promoted to CEOs globally, a similar trend appears. In 2015 in the Forbes 2000 Companies only 13% of CEOs came from a CFO role and only 18% from previously held senior-level finance roles. In Kenya, of the non-financial institutions on the NSE today, only 16% of CEOs were previously CFOs.

The reason for the dearth of financial executives moving into CFO roles and beyond are both eye-opening and instructive, if we are to identify and select the right CFO for companies.

Although strong financial acumen, a strategic mind-set and business partnering skills are characteristics of best-in-class finance executives, they are insufficient to transition successfully to CFO and beyond.

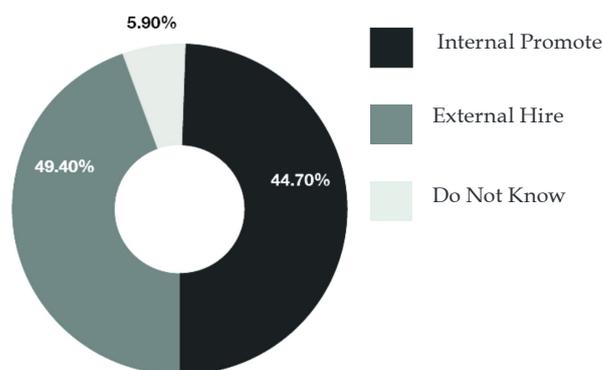
A Profession in a Perfect Storm

We are seeing events unfold almost weekly that are unprecedented. Kenya's Capital Markets Authority and accounting professional body, ICPAK, have raised serious concerns about the weak corporate governance, misleading and even fraudulent financial reporting that have seen the collapse of major companies including Imperial Bank, Mumias Sugar and Uchumi Supermarkets.

And greater diligence by international credit rating agencies including Moody's and S&P have seen Kenya's ratings downgraded, highlighting insufficient financial management reforms and raising concerns about the Country's economic resilience.

The accounting profession is being undermined by the lack of integrity of financial management and the issue of illicit flows. Kenya has already seen increasing incidents of cybercrime with a collective loss of \$171m in 2016 alone.

How will a CFO be succeeded



Source: Korn Ferry, CFO Pulse Survey, 2013



of CFOs said that, if they left their company today, an external hire would be brought on to replace them

The Evolving Finance Function and the Role of CFO

Today's world of finance is diverse, complex and multi-faceted, demanding that CFOs have highly developed analytical skills, whilst at the same time, taking a big-picture perspective approach, identifying trends and patterns in their industries and beyond.

At the same time, CFOs are often required to assume control of diverse functions including technology, procurement and facilities.

CFOs often face the paradoxical circumstance of the pressure to specialize as the profession matures, preventing them from developing a strategic view of the business.

Prior to the 1990s, the main focus of the CFOs role was typically as the guardian of the financial health of a company, and since then, the range of responsibilities has expanded, driven by complexity as a result of globalized markets, regulatory and business drivers and growth in information and communication.

Today, with the transactional work being either automated or outsourced, the focus has been on delivering insights and interpretations, supporting strategic and operational decision making in a "business partnering" capacity. This is in addition to fulfilling the traditional stewardship responsibilities relating to governance, compliance and controls.

Hence the challenge is to be a reliable business partner, while at the same time remaining independent, to act as the moral rudder and compass to the organization – deciding whether a particular behaviour or conduct is an issue to the long-term viability and health of the business.

Attributes that determine the right fit of CFO therefore derive increasingly from the CFOs values and how these match the organization's.

In essence, the CFO function is being deconstructed for optimization. The role is being broken down and customized to organizations, and individuals being identified with a combination of skills to piece together the right talent to execute.

New financial functions such as governance, M&A, compliance and regulations are being added to the core functions of treasury, tax and reporting.

Experts say the CFO role is becoming more about adapting and deploying talent. And hence the skills and experience that the CFOs of today and tomorrow need are vastly different from the past. In essence it has become more demanding, calling for agility, technical rigor and the ability to surround oneself and lead talent with diverse skills.

In summary, the CFO of tomorrow will need to adapt ahead of the change curve – interfacing with big data, leading digitization, adopting agile and squad-based working, recognizing new risks including cyber risks, and playing advisor to the board.

Research

Methodology

In order to determine the leadership gaps of CFOs in Kenya for this study, we mined the Hogan Personality data of CFOs and other Senior Finance candidates since 2008 and compared these to CFOs and Senior Finance profiles worldwide.

These profiles were created through the Hogan Personality Inventory, Hogan Development Survey and Hogan Motives Values and Preferences Inventory.

After collating data from CFOs assessed in Kenya, we created an “average CFO” profile and followed a similar process for arriving at the profile of the “average Senior-Finance Executive”.

In order to drill down into the assessment data to find the critical behavioural characteristics of Kenyan CFOs, we compared these profiles to the global CFO and Senior Finance Executive profiles from Hogan Assessment Systems.

For this study, data gathered by Career Connections, over the last 10 years, on more than 85 CFOs and Senior Finance Executives in Kenya was mined to develop statistically validated success profiles for the position of CFOs. With the help of Hogan Assessment Systems, the CFO and other Senior Finance Executives was compared to the average CFO profile (n=299) and average senior finance executive (n=4,987) globally derived from their extensive database. This comparison reveals the challenges of Kenyan CFOs and senior finance executives.

Why Personality Matters

Who we are determines how we lead. Personality is inextricably intertwined with leadership.

Evidence is now quite clear that personality measures predict important real world outcomes with some reliability - including academic performance, vocational choice, job performance and even income level - and thus their predictive capability has financial implications.

For example, it is evident that CFOs increasingly need to leverage relationships and influence, which is a personality characteristic.

Personality Trends among Kenyan CFOs and Senior Finance Executives

The aggregate CFO personality results reveal a higher-than-global-average level for Ambition (higher levels of self-confidence, drive, energy and forcefulness) and Prudence (higher levels of being process-focused, organized, dependable and rigid about detail and rules).

In addition, lower-than-global-average level for Sociability (being more focused, socially reactive and lower-impact in social style).

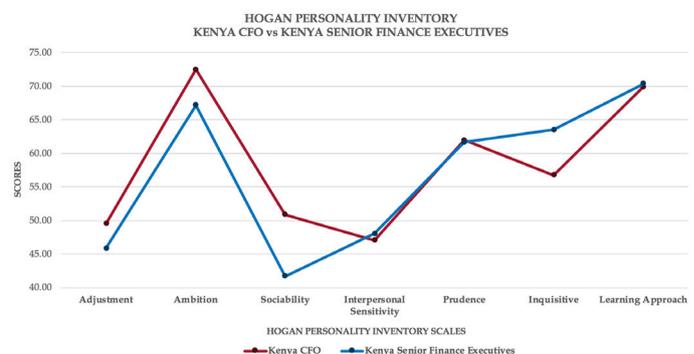
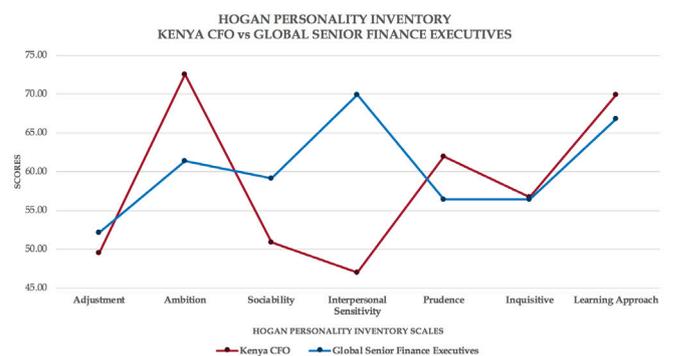
However, the greatest difference is the lower-than-global-average level of Interpersonal Sensitivity (being direct, frank, straightforward, low-touch in style and potentially abrasive) at 22-percentage points lower-than-the-global-average. Taken together, the results suggest that Kenyan CFOs are more driven, methodical, analytical and focused on accuracy. This is an “intellectual” leadership style.

Whilst their counterparts globally focus on “people” issues (interpersonal sensitivity being the highest result); they use interpersonal relationships to help them make better decisions and get ahead. The most successful are highly interactive, social and consensus-oriented leaders.

Comparing Kenyan CFOs to their direct reports, CFOs are more Social and score equal on Interpersonal Sensitivity, but score lower on the Inquisitive (CFOs, therefore, are more pragmatic and tactical). This is an unexpected result, albeit similar to the global equivalent.

While one can understand that the nature of a Controller’s day-to-day work is more tactical than that of a CFO, the CFO is caught in the struggle of the demands of the role on

remaining in implementation, whilst needing to take a longer-term perspective.



While CFOs focus on developing the participative and social leadership style to get ahead, both groups have a heavy reliance on technical skills, tend to be linear in their approach, which is consistent with a more narrowly defined position in which one is highly cognizant of rules and regulations.

The lowest score overall across the groups is Interpersonal Sensitivity, highlighting the importance of developing strong relationship-building skills that will allow CFOs to utilize, influence, obtain buy-in and motivate large teams.

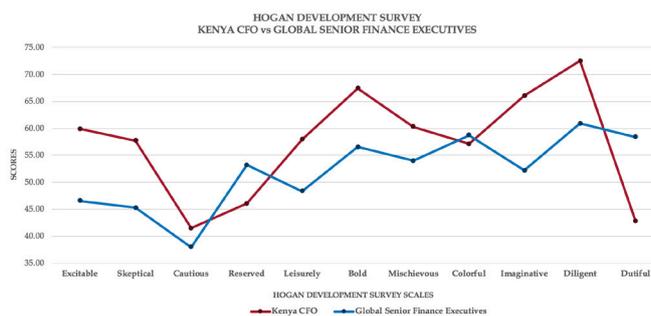
Understanding Derailment Risk among Kenyan CFOs and Senior Finance Executives

CFOs today face the old challenges of control, short-term focus and compliance, with new complexities of changing functional responsibilities and strategic focus.

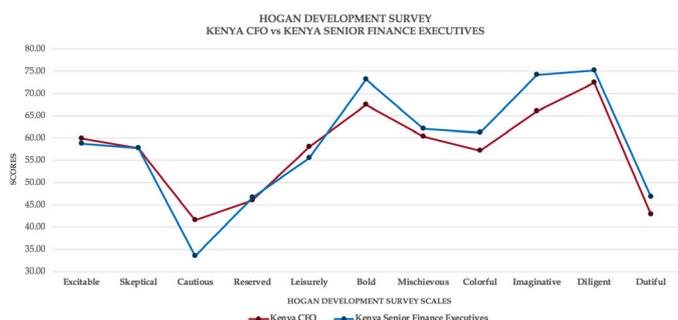
With higher expectations and higher consequences of failure, risk related to derailment behaviour during times of stress, multitasking, dealing with tight deadlines and crises, is increasing. Hence the need to understand these 'dark side' personality traits that are irritations, counter-productive and interfere with leaders' ability to build cohesive and goal-oriented teams.

CFO results reveal that when the heat is on, Kenyan CFOs show higher-than-global-average scores of behaviours of Excitable (becoming more inconsistent, volatile and unpredictable), Skeptical (cynical, negative, distrustful and fault-finding), Imaginative (impractical and lacking focus) as well as Diligent (micromanaging and perfectionistic), Bold (entitled, over-estimating competence) compared to their global counterparts.

In totality, the high scores for Excitable, Imaginative, and Bold and lower scores for Cautious (careful enough) indicate more impulsive and unpredictable behaviour, qualities that erode subordinates' trust.



Comparing CFOs to their direct reports, the data shows no significant differences, unlike their global counterparts where the same derailment behaviour is lower in Global CFOs.



Bottom line, these 'dark side' traits manifest themselves in behaviours that undermine the leadership and performance of senior finance executives. They highlight the tendencies of counter-productive behaviours of being assertive, self-promoting, unpredictable, and distrustful, resulting in alienated subordinates, destroyed engagement and unproductive teams.

Examining Values among Kenyan CFOs and Senior Finance Executives

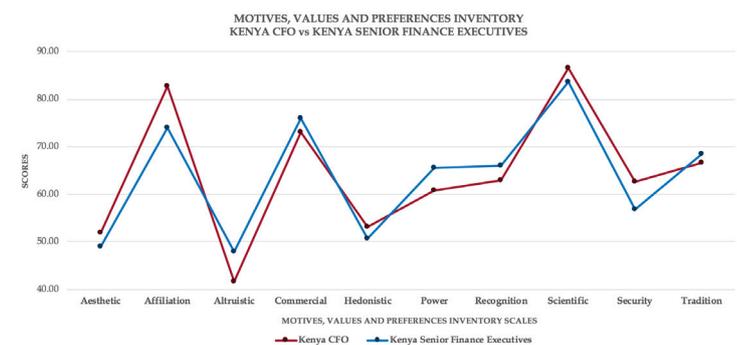
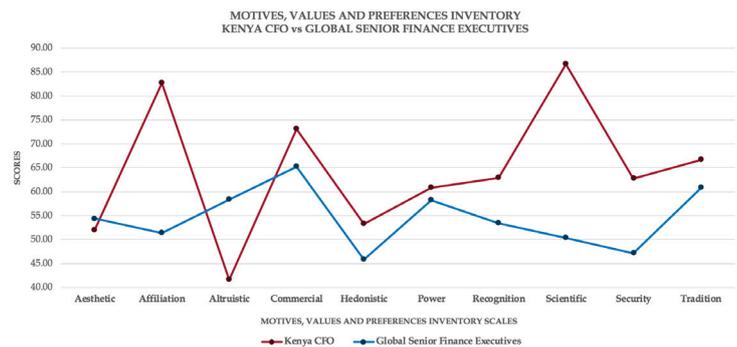
Another important component that determines success are the core goals, values, drivers and interests that determine what we desire and strive to attain. Values are the DNA of culture in society, organizations and professions.

They drive prejudices and mindsets. The role of the CFO as the conscience and ultimate protector of the organization highlights the importance of examining the values-based culture they cultivate.

The results reveal that Kenyan CFOs have higher-than-global-average scores for valuing Science (more analytic, data-driven decision-making), Affiliation (more networking, teamwork and belonging) and Security (more structure, order and predictability) and lower scores for Altruism (helping and serving others).

The comparison of Kenyan CFOs to senior finance executives shows no significant differences, and one can argue that a shared set of drivers leads to a homogenisation of values amongst finance executives.

Leaders often fail because they depend too much on what made them successful in the past. They need the learning agility to take on the behaviours required for success in new situations, and this is especially true in the world of finance which is evolving into a diverse, complex and multi-faceted profession. What else is needed to ensure prolonged success? Should today's emphasis on finance skills, predictability, and low-relationship focus continue in a world of increasing complexity and ambiguity?



A New P&L

The results from this study confirm in many ways the increasing awareness by professional finance and accounting bodies that the successful, business focused CFOs of tomorrow need to be effective organizational leaders to help businesses to develop new and alternative propositions, but are grounded in a financial reality that enables them to challenge objectives.

Senior Finance Executives need to move beyond being “finance gurus”. To succeed as a CFO, it is critical to develop strong, positive relationships and establish trust across a network of people at different levels.

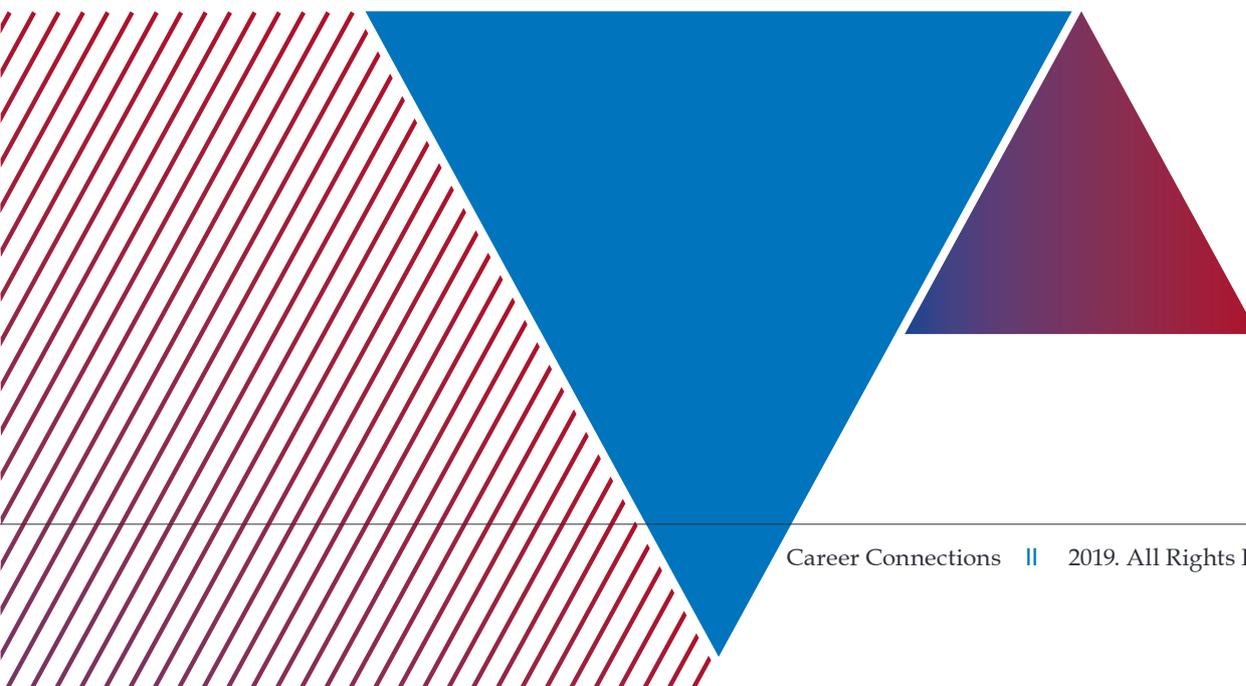
Korn Ferry research reveals that 40% of executives fail in their first 18 months in a new role. The reason is not lack of skill, but an issue of fit. For CFOs, beyond pure finance and accounting matters, they need to have the leadership skills and people insights. For executive search it highlights the importance of assessment of additional metrics of leadership characteristics, leadership style, thinking style and emotional competencies.

Beyond CFO

In 2015, Korn Ferry published a similar study on the traits and attributes of CFOs compared to CEOs globally, and concluded that CFOs must move beyond technical left-brain skills and develop more competencies in people- and relationship-oriented right-brain areas.

It found that CEOs have other desirable qualities including dealing with ambiguity and complexity, being reflective and insightful and social leadership traits that reflect extroversion and ability to interact fluidly with diverse groups of people.

CFOs who want to move ahead must seize the opportunity to gain new skills . This begins with the self-awareness needed to move beyond what is comfortable to develop the requisite broader array of leadership strengths. CFOs who desire to stay ahead of the curve and develop into tomorrow’s CFO need to surround themselves with the right people, be strong evaluators of talent and be social leaders.



Conclusion

The issue of leadership in CFOs has never been more crucial. My conversations with CEOs and Boards reflect this concern.

Companies are looking beyond mere technical prowess, quality of decision-making and strategic mindset.

Instead, they are looking for the intangible qualities for those individuals who can handle the unknowns that lie just around the bend, who bring not only experience but also the abilities and instincts to see around the corners.

Our research over the last decade, on hiring senior finance executives, highlights the importance of personality on organization success, and the need to utilize this stable and effective predictor of performance in the hiring process. Assessments that go beyond subject matter expertise and technical skills to uncover the social leadership, empathy, influence as well as 'dark side' tendencies are essential in finding the next successful CFO.

It is our view that for these reasons and in the context of the results of this study, finding the right individual as the CFO is no mean feat, demanding a knowledge of the talent base, the predictive nature of personality and the challenges that lie ahead.

A Practical Guide to Hiring CFO

Career Connections research reveals that while CFOs, Controllers and Managers have the intellectual traits organizations are looking for, they often fall short on the relationship and leadership skills companies expect from them. Here are some suggestions for improving your chances of hiring CFOs.

- Take a hard look at your current finance talent and assess them to determine their interpersonal and participative leadership traits demonstrated by best-in-class CFOs.
- Identify and address significant gaps in their skills and behaviours compared to what the organization expects.
- Ensure the scope of training and development of finance executives incorporates broader interpersonal capabilities and skills especially on increasing interpersonal self-awareness and a more collaborative leadership style.
- Proactively engage executive search firms to better understand the market, particularly in relation to supplying relevant candidates for CFOs and other finance leadership roles.

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Zia Manji is a Director and Senior Client Partner of Career Connections and leads the Firm's executive search division, with over 17 years of Executive Search experience in East Africa.

He brings a wealth of business experience to the Firm having worked in one of Kenya's largest manufacturing companies, rising through the ranks to become Managing Director.

As the key client partner in the Firm's search entity, he has been responsible for the recruitment of a number of CEO and C-Level hires mainly in multinational organizations.

Zia completed his Executive Master Degree at INSEAD Business School in Consulting and Coaching for Change. He graduated from Edinburgh University in 1995 in Business Management, winning the University's John MacFarlane Award for Leadership. He holds a diploma in recruitment practice from the Recruitment & Employment Confederation, and is a member of the Institute of Recruitment Professionals.



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Gicheha engages with clients in order to gain a better understanding of industry, function, level and role specific recruitment needs. In his time at Career Connections, Gicheha has been involved in various large scale projects including graduate recruitment, restructuring and function reorganization projects for some of the largest organizations across Africa.

He is an experienced user of Hogan personality tools leading to his international certification by Hogan Assessment Systems, USA. He is a certified Assessor by Assessment & Development Consultants (PSI Business) and also holds a certificate in Coaching Skills from the Academy of Executive Coaching (AoEC), UK. He holds a Bachelors degree in Psychology.

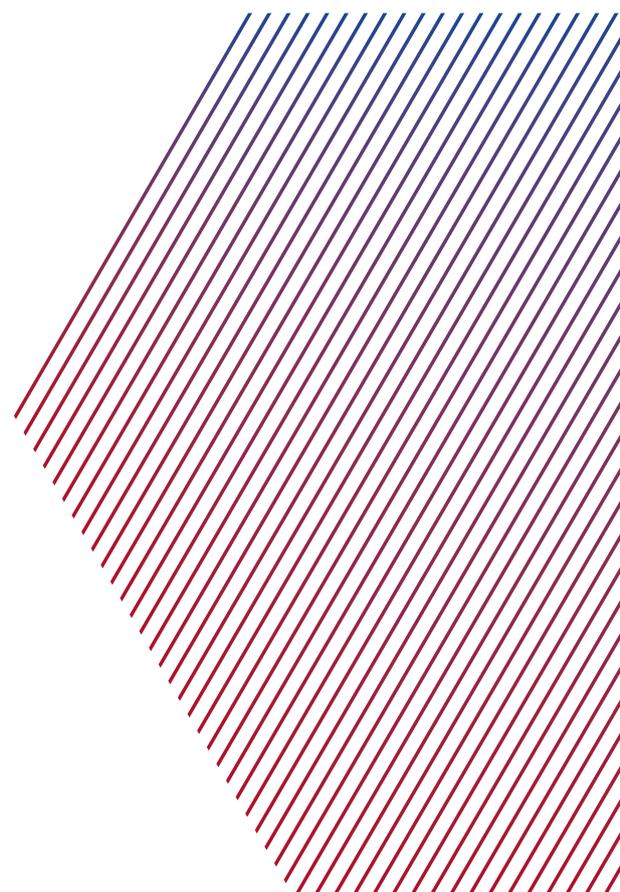


About Career Connections

Career Connections are the leaders in talent consulting. Founded in 1997, we are the partner of choice among organizations seeking to leverage the competitive advantage of their people, impacting organizational effectiveness and return on talent.

We offer a unique portfolio of solutions, integrating unmatched expertise in our core services of executive search, talent assessment, team and leadership development and executive coaching. Through partnerships with global leaders in talent solutions we offer best-in-class and quality focused services.

Our purpose is to help clients through a partnership that offers what is right, to the highest standards, uncompromising in our service and nurturing long-term relationships. We believe this is the only way we can earn the place of being your trusted strategic talent advisor.



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