

## Heavy Vetting

Boards of directors now want to talk to would-be CFOs — and vice versa.

[Laura DeMars](#), CFO Magazine

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With no fewer than six prior CFO positions on his résumé, not to mention experience as an investment banker and as a CPA-wielding auditor at KPMG, Kenneth Goldman looked to be a shoo-in for the CFO position at Salary.com. But after a couple of weeks of interviews with everyone from the CEO to the controller, there was one more hurdle he had to clear: the board of directors. Goldman met with three members individually to assure them that "the person they saw on the résumé was the same person they'd see in the boardroom."

Goldman's experience is fast becoming the norm in the CFO hiring process. "Five or 10 years ago CEOs just picked who they wanted," says Peter Crist, founder of executive recruiting firm Crist Associates. But over the past 18 months, he says, he has seen boards play a role in every public-company hire that he's been a part of.

Greater board involvement is just one new wrinkle in the hiring of CFOs in a post-Enron world (Goldman says he also underwent a background check for the first time in 25 years), and it serves a number of purposes. Goldman describes his meetings with board members as a combination of "'getting to know you' and them doing their due diligence." Crist says that boards want to make sure their CEO is backing a candidate who can handle external issues, can think strategically beyond finance, is sensitive to reporting and regulatory demands, and has the deal-making skills relevant to their business and industry.

## Feeling the Pressure

While this greater scrutiny of candidates is done primarily with the health of the company in mind, to some degree it's also to provide peace of mind for the directors. A recent survey found that 73 percent of board members believe their risk as directors has increased since Sarbanes-Oxley. That law makes directors responsible for their companies operating financially in accordance with sound financial practices and legal requirements. It also holds them responsible for accurately reporting their companies' financial operations and conditions. Therefore, a CFO candidate who fails to inspire confidence in a board may face an uphill battle in landing the job. (For tips on how to interview with a board, see "Talking It Over" at the end of this article.)

That's not to say that boards have usurped the CEO as the ultimate decision-maker. "Boards are giving more input and CEOs are listening more carefully to what they have to say," says Kenton Sicchitano, a former senior partner at PricewaterhouseCoopers and currently a board member at MetLife, PerkinElmer, and Analog Devices. "But boards have to be careful not to manage the company on a day-to-day basis."

It's clear, however, that boards are no longer content to rubber-stamp a CEO's pick. In fact, some are getting involved in hiring before any actual candidates are identified. At software giant CA, which just lost its CFO after a mere 15 months, board member Jay W. Lorsch says the board will have discussions with CEO John Swainson in advance of hiring, to make sure there's a "meeting of the minds" about what constitutes the right stuff. (Lorsch knows a thing or two about corporate governance, having taught the subject at Harvard Business School and co-authored *Back to the Drawing Board: Designing Corporate Boards for a More Complex World* [2004, Harvard Business School Publishing].)

"The CEO wouldn't want to hire someone the board didn't like," says Lorsch, "and we wouldn't want to hire someone the CEO doesn't like, so everyone will get together to get the right person." Given CA's bumpy road to restoring fiscal integrity, it seems clear that any candidate had better be prepared for plenty of face time with the board, the CEO, and a number of other executives.

## Pulling Rank

The renewed commitment to due diligence in hiring can even stretch to those already on the payroll. Peter Teshima, the former vice president of finance at Magma Design Automation, had significant interaction with Magma's board, particularly regarding Sarbox implementation and a change in external auditors. But before he was promoted to his new position as chief of finance, Teshima was required to interview with the board chairman. "Given the financial issues that have plagued so many companies," says Teshima, "it's not surprising that boards would get more involved."

Board-CFO interaction cuts both ways, says Lorraine Hack, a partner in the financial executives practice at recruiting firm Russell Reynolds Associates. If a board does not ask to meet a CFO candidate, the prospective CFO will ask to meet the board. When Robert Hostetler, the former CFO at software firm YellowBrick Solutions, was offered the job, he asked to meet with the board first, to "determine where they wanted to take the company." YellowBrick was in a turnaround situation, and Hostetler didn't want to find out after the fact that there was a potentially crippling lack of consensus. So he grilled the directors on their goals, benchmarking, and exit strategies, among other topics.

Hostetler, now mid-Atlantic managing partner at Atlanta-based Tatum LLC, recommends that CFO candidates not settle for a meet-and-greet at the board's initiative, but ascertain who sits on a board and what their goals and management philosophies may be.

## Talking It Over

Robert Hostetler of Tatum LLC recommends that prospective CFOs be prepared to discuss the following issues with board members:

- What did the prior CFO do well and not so well?
  - What do board members expect regarding communication style and frequency? What do they like/dislike in reporting packages? How do they prefer bad news (a restatement, for example) to be handled?
  - How would they describe their relationships with the CEO, senior management, and other board members?
  - For investor board representatives, what are their funding commitments, benchmarks, and exit strategies?
  - For the audit committee and the audit chairperson, what are their backgrounds, history on the committee, relationship with external auditors, and expectations for the CFO?
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## CFOs on the Move

Robert Davis has recently left re-embattled CA Inc. under "mutual agreement." Corporate controller Robert Cirabisi has been named interim finance chief.... Getty Images has chosen Thomas Oberdorf SVP and CFO. He joins the company from CMGI.... Tom McFall is the new CFO of O'Reilly Automotive.... NCO Group has picked John Schwab to follow Steven Winokur as its new finance chief.... Cindy Taylor has been promoted to COO of Oil States International. She was previously the company's CFO.... Oscient Pharmaceuticals has chosen Philippe Maitre as its new CFO. Maitre succeeds Stephen Cohen, who is retiring.... Mark Lefever has been named CFO and treasurer of Riviera Holdings.... NU Horizons Electronics has named Kurt Freudenberg as its CFO. He succeeds Paul Durando, who is retiring.... James Vizanko is retiring as CFO of Allete.... Brocade Communications Systems has named Richard Deranleau as its new finance chief.... Software provider Adobe Systems has named Randy Furr as its new CFO.... Loren Jensen has resigned as CFO of Tuesday Morning to become president and COO of Aerospace Optics.... Barry Stewart has been chosen CFO of health-care services firm LHC Group.... Joan Hilson is the new CFO of American Eagle Outfitters.