



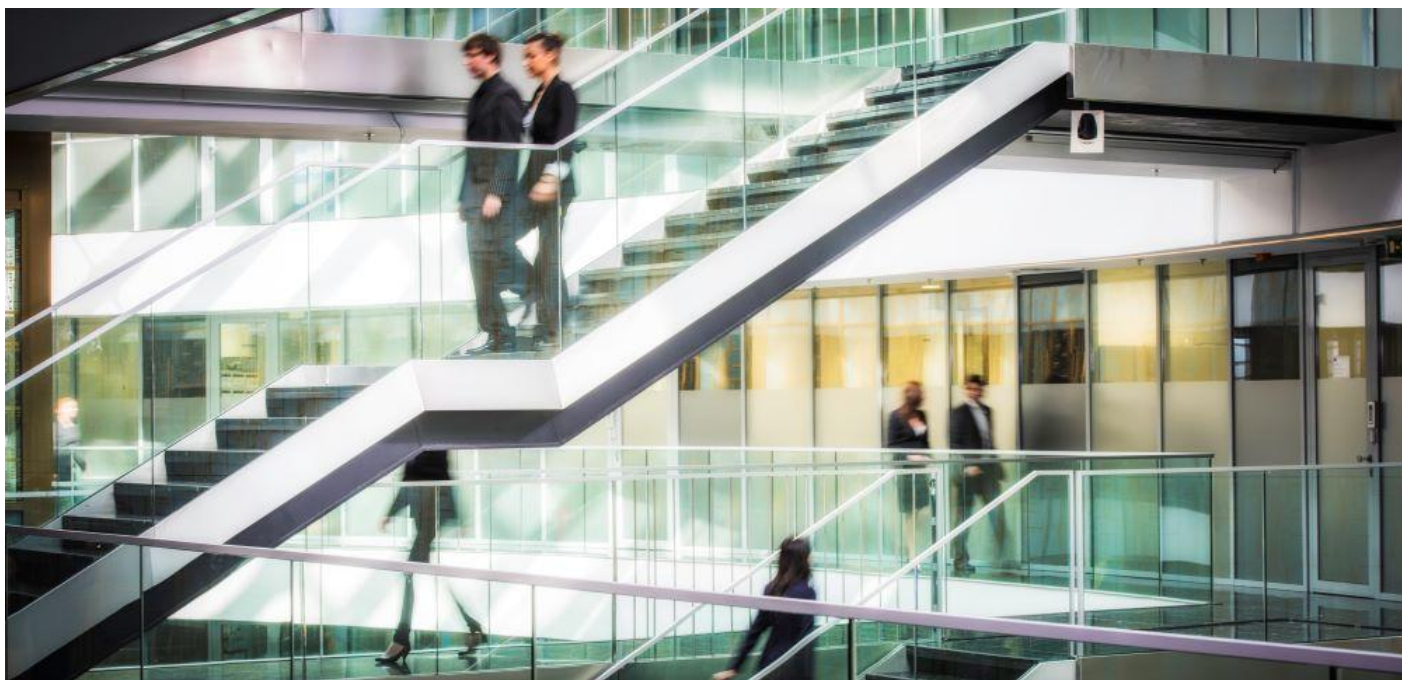
More than the numbers: Redefining CFO excellence in portfolio companies

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Built to last? Rethinking CFO tenure and performance



It's more important than ever that funds can rely on the top teams in their portfolio companies to perform and add value. We look at why so many CFO hires end prematurely —and how funds can measure performance.

In today's volatile markets, the CFO seat may be the most unstable—and most strategically vital—position in the C-suite. Funds are scrutinising the top teams in their portfolio companies to ensure they have the right blend of skills, attributes and experience to adapt to abrupt shifts in the market, add value and deliver on the business plan. Often, this scrutiny falls most sharply on the performance of the chief financial officer, a role which increasingly requires diverse skills, from financial expertise to ESG reporting, from strategic decision-making to anticipating emerging risks. This combination of intense scrutiny and widening role-creep partly explains why this seat at the top table is subject to the highest turnover of any in the C-Suite¹. Addressing this expensive churn begins with hiring for success and then developing a performance management system that acknowledges the unique challenges and circumstances of the role within the context of a portfolio company, and builds for excellence, whatever the strategic endgame.

To better understand the challenges of attracting the right people to this evolving role, and to gain insights into current hiring practices, Cripps Leadership Advisors undertook a series of in-depth qualitative interviews with prominent C-suite and board members across a range of industries over Q1 2025. We have used this research, and the insights of our experienced senior team who are increasingly being mandated to find CFOs, to create the Cripps Leadership Scorecard for CFO Success.

¹ www.datarails.com/research/cfo-and-csuite-2024/



CFO: a transitional role, by design?

Too many companies experience the three-year switch, the average point when, according to one analysis of SEC filings by financial planning platform Datarails², the CFO moves on, creating a period of instability and expense. With PE backed portfolio companies, the churn can be even more evident due to the need to successfully manage a complex ecosystem of diverse stakeholders and, as the pace of growth, innovation and industry trends accelerate, meet investors' ever-higher value creation expectations.

At Cripps Leadership Advisors, we are increasingly being mandated to find new CFOs for portfolio companies as a result of:

Life cycle

Different CFO skills are required as the company transitions through the different phases of the investment cycle, be it start-up, scaling or exit.

C-suite dynamics

The top two positions must be able to work as a team, and when there's a clash of personalities or approach, it is more common to replace the CFO than the CEO.

Investor pressure

When stakeholders request change in response to underperformance, a change in what can be perceived as a more technical role brings less scrutiny of Board decision-making than acknowledging the wrong person is in the CEO spot.

Change of scope

The scope of a CFO now goes beyond traditional financial expertise, ie. ESG, cyber risk, stakeholder management and culture, with the need to demonstrate strategic leadership. Given the dynamic economic and political environment and increasing demand of effective people leadership, CFOs are required to have a broader impact alongside the CEO as a strategic leader of the business.

Investor education

Like the CFO, investors are, quite naturally, very focused on the financials, rather than the people. This similarity of mindset can add real value when things are going well but can create a gulf in communication and understanding when challenges arise, increasing the likelihood of a breakdown in the relationship. Equipping investors to manage the CFO relationship effectively and set them up for success is an important and often overlooked element of success.

² www.datarails.com/research/cfo-and-csuite-2024/



What does excellence look like?



As part of the executive team, the capability scan for the CFO role must include a holistic look at the C-suite and its members' approaches, preferences and management styles."

James Foley | Consultant

When it comes to recruiting for CFO excellence, the first step is to recognise the strategic importance of this role, and to take a holistic approach to finding the right person, for the team and for the future.

Recruiting for success means you're not just recruiting a CFO in a vacuum. As part of the executive team, the capability scan for the CFO role must include a holistic look at the C-suite and its members' approaches, preferences and management styles. Importantly, this profiling exercise must also analyse the group dynamics. This increases the chances of finding candidates who will complement this dynamic, not just by box-ticking skills gaps and filling a CFO-sized vacancy but by adding a fresh perspective and constructively challenging where appropriate to truly own that position.

Performance management: asking the right questions

One of the more striking insights from our qualitative research is the fact that the high turnover rate is the tip of the iceberg, masking higher levels of dissatisfaction with current hires. In part, this is because performance management processes are not fit for purpose in this fast-evolving and complex environment. Increased rigour and objectivity in performance management can help identify, mitigate and resolve issues so that all parties can move forward in a positive way. Leadership profiling (also known as psychometric testing) is a part of the hiring toolkit, and its insights should be used to set up an onboarding and development plan for leadership and strategic performance.

Investors should also be equipped with the right tools to communicate clearly and transparently when they identify areas that need attention. It's important they understand this should always be a positive and constructive exercise, that set the CFO up to succeed.



Performance management: asking the right questions

Boards should consider how performance is assessed, what metrics are used and whether motivation and rewards are consistent with business goals, culture and values. KPIs will vary from industry to industry, but excellence is, in many ways, industry agnostic and can sometimes be best explained as a feeling. At Deloitte, for example, the performance management system is simple, intuitive and easy to monitor as a series of regular snapshots that hinge on four key statements³:

- Based on what I know of this person's performance and if it were my money, I would award this person the highest possible compensation increase and bonus.
- Based on what I know of this person's performance, I would always want him/her on my team.
- This person is at risk for low performance.
- Based on what I know of this person's performance, he/she is currently operating at the next level.

We would recommend some additional statements, which take account of the unique nature of the dynamics and complexity of being a CFO in a portfolio company:

- This person effectively navigates complex stakeholder relationships to deliver desired outcomes.
- Does this person 'speak our language' in that they understand the culture, value and interests of the investors?
- Based on what I know of this person's performance, I have high confidence in their forecasting accuracy.
- I trust this person to take accountability for executive decisions.
- Without this person on the top team, the CEO would not be such an effective leader
- I would want this person on my team in a crisis.

By asking these questions at regular intervals, it's possible to build a data-driven picture of what it's like to work with a person, understand the value they bring and their capacity to continue growing and striving. These can be adapted for the C-suite to generate a holistic view of the skills, personalities, perspectives and experiences that contribute to boardroom dynamics, successes and how to solve issues. This creates a foundation from which firms can hire with confidence and build a CFO-CEO partnership that can add value, whatever the future may hold. In a landscape where capital is harder to raise and expectations have never been higher, it's time to treat CFO hiring and development as a strategic priority—not an afterthought. With the right tools, mindset, and scorecard, portfolio companies can build CFO capability that's built to last.

Access our scorecard for CFO success in the next section as an example of how this can be incorporated in a hiring and performance management process.

³ <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/finance/us-cfo-insights-performance-management-strategy.pdf>

Scorecard for CFO success

	Good	Excellent
Communication	<p>Strong command of figures but under questioning from the Board may frequently revert to the finance team for more detailed insights.</p> <p>Good at financial presentations but may over-simplify explanations about how decisions are reached.</p>	<p>Mastery of the financials, has key figures at fingertips and can reply to questions with confidence.</p> <p>Able to articulate financial plans/challenges to non-financial people without over-simplifying and can inspire others to align with the necessary actions.</p> <p>Understand the nuances of the portfolio-investment firm relationship and can 'speak the language' of the investors so they feel fully engaged and have confidence their interests are being protected.</p> <p>Can push back when needed, whether it's extending a line of credit or challenging the status quo.</p>

Good

Excellent

Strategic planning

Good at reporting on what's just happened the previous month/quarter/year.

Draws up detailed plans for a range of scenarios, using predictive analysis to make decisions.

Ensures funding for agreed business plans.

Understands the business and industry from a financial point of view, can draw on industry-specific knowhow.

Able to look forward and anticipate financial challenges, mitigate against any emerging risks.

Comfortable with ambiguity and able to use their own judgement to make strategic calls with incomplete information.

Ensures financial decisions are aligned with longer term business objectives. Able to push back on business plans that don't align with strategic vision – and able to generate solutions to deliver the strategy.

Has wider understanding of macro-trends and emerging threats and opportunities, drawing parallels from other industries as well as in depth understanding of the business.



	Good	Excellent
Risk management	<p>Prudent planning and financial management to ensure smooth management through expected industry cycles.</p> <p>Risk averse, particularly in a crisis.</p> <p>Understands and plans for business recovery in the event of new climate or cyber threats inline with regulatory obligations and best practice.</p> <p>Provides regular forecasts, with a reliable range of accuracy.</p>	<p>Understands the nature of risk, can anticipate emerging risks, comfortable managing against backdrop of ambiguity and uncertainty.</p> <p>Risk agnostic – understands some risk appetite can be an opportunity and is a confident leader in a crisis.</p> <p>Provides leadership on emerging risks, understands the need to plan not only for business recovery but also to build resilience for an uncertain future.</p> <p>High degree of forecasting accuracy, which builds confidence and trust.</p>
Trust/Integrity	<p>Financial reporting and communications are clear, timely and transparent.</p> <p>Compliant with all financial and tax regulations.</p> <p>The finance function has a high degree of audit-readiness.</p>	<p>Builds trust by consistently practicing what they preach, transparently sharing their learnings, being open about both successes and failures, and actively seeking feedback.</p> <p>Tax compliance strategies are responsible and aligned to business strategies.</p>

	Good	Excellent
Working with the CEO	<p>A solid team.</p> <p>Good working relationship.</p> <p>Fulfils the goals and direction set by the CEO.</p>	<p>Has complementary skills.</p> <p>Understands their role goes beyond overseeing the financial function, and can actively step up to lead the business in collaboration with the CEO, rather than relying on the CEO to shoulder all broader business responsibilities.</p> <p>Good interpersonal dynamic based on mutual respect and shared vision.</p> <p>Can challenge in a professional and constructive way.</p> <p>Takes accountability as the second most senior executive, can share burden of leadership with CEO.</p>



Good

Excellent

Emotional Quotient

Good communication skills, able to use data to back-up arguments and educate team members and other stakeholders.

Able to build effective working relationship with diverse teams.

Effective leader of finance function, ensuring all goals and metrics are met.

Empathetic, able to reflect on behaviour and seek common ground for compromise.

Builds a solid and effective team in the finance department, that the rest of the organisation can trust and rely on when it comes to financial reporting and forecasting.

Excellent communicator, able to inspire confidence and cut through the noise to explain, educate and inspire.

A low-ego leader, who is able to look at situations objectively and put emotions to one side in order to do what is best for the business.

Ability to provide strategic direction and clarity, setting others up for success to achieve long term objectives.

Growth mindset, striving for continuous improvement as a leader of people and investing time into reflecting on own effectiveness and possible blind spots.

Excellent leader, who can align short-term goals with long-term strategy, inspire others to buy into the mission, does what they say they'll do and makes tough calls when needed.

Knows the importance of teamwork, delegating effectively, investing in the growth of others and attracting top talent to their orbit – becoming the person other finance directors want to learn from and aspire to be.





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