CFO INSIGHTS SERIES

Beyond the balance sheet: The transition from CFO to CEO

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Key points

Record numbers of CFOs are being promoted to CEO. Expanding responsibilities and closer ties with the CEO often make them the best candidate for the top job.

Finance chiefs are ambitious: 60% say they want to become chief executive.[1] But they need to consider whether they want the added responsibility and prepare rigorously to maximise their chances of success.

CFOs can face several barriers to promotion, particularly in networking, visibility, customer and market knowledge, and operational experience.

1. Egon Zehnder

More CFOs move to CEO as roles expand

Record numbers of chief financial officers (CFOs) are being promoted to chief executive officer (CEO) as the influence of the finance function grows. In 2023, finance chiefs were three times more likely to move to a CEO role than in 2021.[2]

Recent economic and geopolitical risks have thrust CFOs in front of boards, investors and the media more frequently, bolstering their CEO credentials and helping them hone their leadership skills. Finance chiefs are usually seen as safe hands in uncertain times. On top of this, they already have relationships with the board.

They're also ambitious. CFOs are increasingly hungry for the top job, according to 2024 research which showed that 60% of CFOs want to become CEOs. This is partly driven by the expansion of their role towards areas such as strategy, sustainability, and building resilience and growth.[3]

CFOs are ready and able to help their companies expand and cast off the stereotype of being too focused on cost containment. The SAP Concur 2024 CFO Insights survey found 57% of finance leaders are investing heavily for growth.

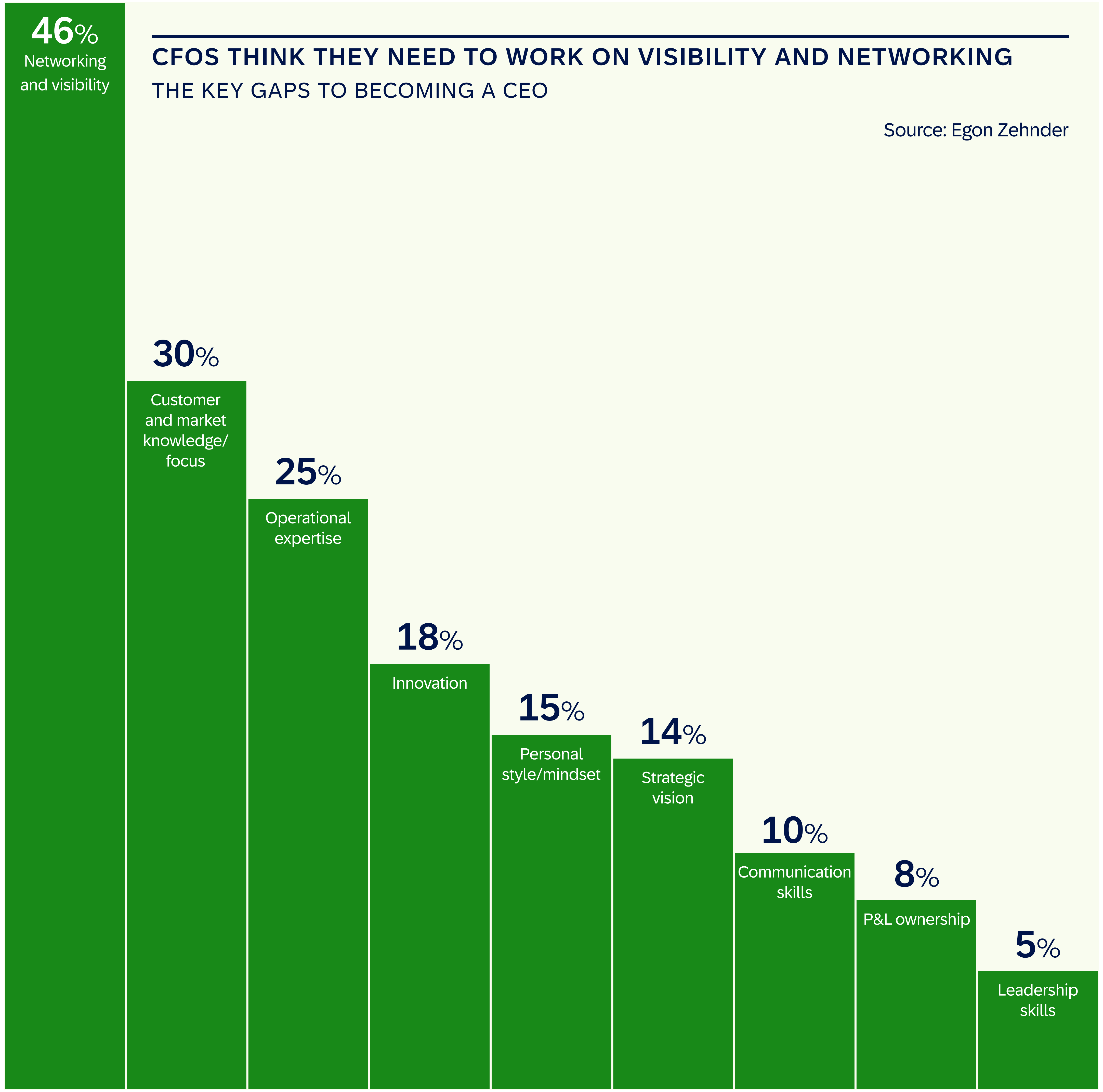
But when it comes to the top job, CFOs aren't the prime contenders in most organisations: in 2023, five times as many chief operating officers or presidents moved to CEO within Fortune 500 and S&P 500 companies.[4] Finance chiefs face multiple challenges in bagging the top job, including limited networking and visibility (46%), customer and market knowledge (30%), and operational expertise (25%).[5]

To become chief executive as seamlessly and successfully as possible, you need rigorous planning and preparation. But first, you must decide if you really want it.

45%

increase in the number of CFOs moving to the CEO role between 2013 and 2023

Source: Crist|Kolder Associates

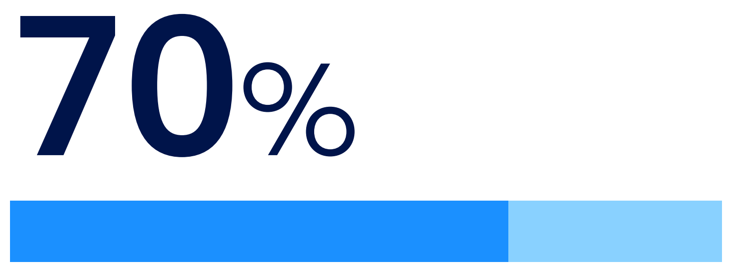


2. Russell Reynolds Associates | 3. Egon Zehnder | 4. Crist|Kolder Associates | 5. Egon Zehnder

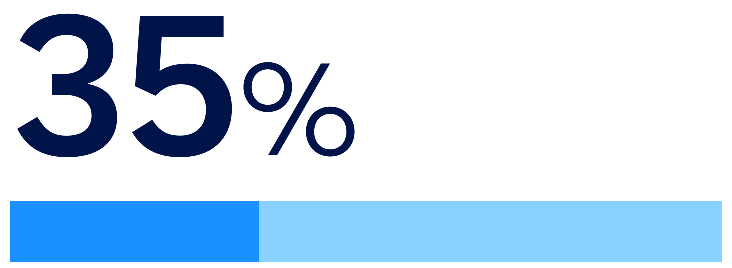
Is the CEO job right for you?

The CEO role offers great rewards, but it's an all-consuming job. Given the increasingly complex nature of many businesses, leaders usually work long hours to keep on track. You must feel confident you have enough energy to drive success, which may take five to ten years.

There are other questions you should ask yourself. For instance, do you have a CEO's mental agility, or could you develop it? CEOs and CFOs may share technical competencies such as decision-making, strategic thinking, and financial skills, but chief executives need to balance these with right-brain attributes like social leadership, vision, and innovation.



of CFOs say they're ready to become CEO now



of finance chiefs have taken on co-leadership with the CEO

Source: Egon Zehnder

The transition to CEO also brings huge pressures and responsibilities.

Leaders are expected to:

01 PREPARE BY FILLING PERSONAL SKILLS AND EXPERIENCE GAPS - IN OPERATIONAL EXPERTISE, FOR EXAMPLE

02 FOSTER STRONG RELATIONSHIPS WITH BOARD MEMBERS, INVESTORS, AND OTHER STAKEHOLDERS

03 LEAD THE COMPANY THROUGH DIFFICULT SITUATIONS

04 TAKE BOLD DECISIONS OUTSIDE THEIR COMFORT ZONE

05 INTEGRATE ALL THESE FACTORS INTO AN OVERARCHING VISION

If you can take on these extra responsibilities – and they appeal to you – the transition to CEO brings financial rewards, a fresh challenge and a chance to implement your personal vision, leading from the front. As CEO, you can exert a much larger influence across the organisation, impacting value for direct stakeholders and wider society.

THE CEO PERSPECTIVE

Source: IBM

81%

say that **inspiring their team with a common vision** produces better outcomes than providing precise standards and targets

72%

see **industry disruption as a risk** rather than an opportunity

62%

say they will need to **rewrite their business playbook** to win in the future, rather than play to existing strengths

59%

agree that competitive advantage depends on **who has the most advanced generative AI**

47%

expect to **reduce or redeploy their workforce** in the next 12 months due to technology

The CFO to CEO action plan

The CFO and CEO roles have similarities, but there are also radical differences. CEOs have more responsibilities and must demonstrate far greater communication and leadership skills. For CFOs who aspire to the top job, it's essential to widen your skills and experience.

For a start, qualifications are important. The vast majority (65%) of CEOs have an advanced degree such as an MBA, while 20% have studied beyond MBA. Patience and experience are also increasingly important: between 2019 and 2023, the hiring age increased from 49 to 51 for CFOs, and from 51 to 55 for CEOs.[6]

KEY SKILLS

McKinsey has identified six key elements where CEOs outperform[7]:

- Setting direction
- Aligning the organisation
- Mobilising through leaders
- Engaging the board
- Connecting with stakeholders
- Managing personal effectiveness

Outstanding CEOs excel at integrating their vision across the organisation and take bold strategic moves, especially around resource allocation. CFOs who aspire to the CEO role should adopt this boldness in their current position.

| 6. Crist|Kolder Associates
| 7. Excerpted from "How to prepare for the CEO role", January 2024| Podcast, McKinsey & Company, www.mckinsey.com.

The playbook

So how can CFOs gain promotion to the top job? Here's a seven-step playbook:

01

HONESTLY ASSESS YOUR ENERGY, MOTIVATIONS AND EXPECTATIONS

Research all aspects of the CEO role and understand what it involves. Do you really want it, and why?

Coveting the job for personal validation isn't enough, says McKinsey. You must yearn for the challenge: the huge responsibility and the long-term effort required to turn your vision into success.

02

ANALYZE YOUR DEVELOPMENT GAPS AND START TACKLING THEM

First recognise your existing qualities, such as strategic insight and risk management. Then identify the gaps: for example, in commercial, operational, or leadership skills.

Write these down with detail and colour. How can you prove your ability to take new risks, see the bigger picture beyond numbers, and engage colleagues and investors through stories as well as facts?

Get involved with investor meetings or earnings calls, if you haven't yet done so.

03

EXPAND YOUR KNOWLEDGE OF ORGANISATIONAL FUNCTIONS

Work more closely with other board members, such as the CHRO and CIO, to boost your understanding of their functions. Go on secondment or move roles to gain the necessary experience in areas such as commercial and operations. Expand your strategic thinking skills: you could seek non-executive director roles, for example.

Jamie Chiarotto is president and CEO at food manufacturer Skjodt-Barrett; he previously spent three years as the company's CFO. "Finance professionals go everywhere, interact with everyone, and can add value to every decision," he says. "The best can debate both quantitative and qualitative strategic factors. This skillset, if nurtured properly in the CFO, lends itself perfectly to the CEO role."

> "Exhibit strategic agility, leadership, and humility at every opportunity
>
> **JAMIE CHIAROTTO, PRESIDENT AND CEO AT SKJODT-BARRETT**

04

WIDEN YOUR UNDERSTANDING OF YOUR SECTOR AND COMPANY

If you want to be your company's next leader, ask yourself a question – what does the boss need to achieve, and how can you deliver on that goal? Based on your intimate knowledge of the sector and organisation, articulate where you think it's going and what it needs to get there. For example, is it about growth, innovation, or efficiency?

You might need to focus on building future-ready skills, show how you've embraced digital transformation, or assessed return on investment from AI projects. You may need a clear plan about where technology can take the business – and how to avoid the pitfalls.

Get an iron grip on other organisational challenges, such as talent shortages and competitor disruption, and how to solve them. Involvement in cross-business or cross-industry initiatives will elevate your view.

05

DEVELOP YOUR PERSONAL BRAND

Develop your leadership style but maintain consistency and authenticity. Stay true to yourself. If you don't find your vision personally exciting and motivating, change it.

Aurélien Patrick Maudonnet is CEO at energy company Helexia, and was previously CFO Latin America at Voltalia. "A CFO needs to communicate clearly and efficiently to employees and investors, and be active on social media," he says. "That's the new reality."

> A CFO needs to communicate clearly and efficiently to employees and investors, and be active on social media
>
> **AURÉLIEN PATRICK MAUDONNET, CEO AT HELEXIA**

65% of CEOs say their organisation's success is directly tied to the quality of collaboration between tech and finance functions

Source: IBM

06

BUILD YOUR SUPPORT NETWORK EXTERNALLY AND INTERNALLY

CFOs may have strong support from their teams, but it can feel lonelier at the top. Prepare by building a wider network of internal and external support, including coaches, mentors, professional contacts, friends, or prior colleagues.

Only take on CFO roles where you have chemistry with the CEO and your visions align. Aim to be their most senior and indispensable advisor.

You shouldn't wait for the CEO title to start doing the job, says Chiarotto. "As CFO, you should be everywhere the CEO is, including with the board," he says. "Show them you are the next logical candidate. Exhibit strategic agility, leadership, and humility at every opportunity. If you're not the CEO's 'right hand', evaluate whether your relationship is where it needs to be."

07

PREP FOR THE SELECTION PROCESS FAR IN ADVANCE

Analyse your company's selection process. What qualities, experiences and capabilities will an external search firm seek in the new CEO?

During selection, you'll need to articulate a bold, clear vision for the company that involves a step change in performance. "No-one was ever incremental in their attitude and perspective prior to becoming CEO," says Vik Malhotra, partner and chairman of the Americas at McKinsey. Imagine you are a private equity company buying the firm - what would they do?

David Watt is CEO at fitness company Psycle London and was previously CFO/CEO at Ocean Media Group. He says CFOs should gather hard evidence of major initiatives or changes they've enacted that involved calculated risks. This could include "a successful headcount restructure, company sales process, or systems upgrade – something that sets you apart," Watt says.

The key is to demonstrate how you can deal with uncertainties and crises, and cope with ambiguity beyond the structured world of finance. Finally, spend time on mock interviews with people who'll challenge your answers.

> "CFOs should gather hard evidence of major initiatives or changes they've enacted that involved calculated risks
>
> **DAVID WATT,**
> **CEO AT PSYCLE LONDON**

80% 

of CFOs who are non-executive directors believe they are ready to be CEO, compared to

67% 

of those who are not

Source: Egon Zehnder

Handling the transition

New CEOs face significant scrutiny and high expectations, perhaps even greater than they expect.

In McKinsey's research, two-thirds of CEOs said in hindsight they were unprepared and underperformed in year one, often because they failed to properly manage their time or energy. You'll need a detailed transition plan to ensure a confident start.

Here's some advice from three chief executives who've previously served as CFOs.

BE TRANSPARENT

CFOs must not underestimate the magnitude of the transition, warns Chiarotto. "In my career, there has been nothing more challenging and rewarding than the move to CEO," he says. "Everyone will quickly look to you for direction and clarity. The best thing is to be transparent and clear about where you are – and when and how information will be shared."

JAMIE CHIAROTTO, PRESIDENT AND CEO AT SKJODT-BARRETT

GET YOUR HEAD AROUND OPERATIONS

Maudonnet took an executive MBA to ensure he was fully equipped for the CEO job and "get rid of impostor syndrome." CFOs need to research operational matters deeply and draw on allies among operational staff for help and advice, he says.

AURÉLIEN PATRICK MAUDONNET, CEO AT HELEXIA

FAMILIARIZE YOURSELF WITH BOARD DYNAMICS

Watt says it's all about relationship building. "Build close relationships with the company directors and investors, and cultivate commercial relationships outside finance that will help shape good strategic decisions," he says.

DAVID WATT, CEO AT PSYCLE LONDON

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