



*Aspiring
to be a CEO?
First, become
a CFO.*

Nazatul Izma

FROM FINANCE TO CORPORATE LEADER

In the US and UK markets, the most common background for a chief executive officer has been finance, followed by operations and marketing, noted executive search firm Spencer Stuart in its report *From CFO to CEO: Route to the Top*. Meanwhile, executive search firm Heidrick & Struggles found that in 2009, 40 CEOs in the FTSE 100 were former chief financial officers while 30 FTSE 100 chairmen were ex-CFOs. Russell Reynolds Associates, which specialises in senior-level executive search and assessment, notes in its Chief Financial Officer Moves North America - Q3 2009 brief that it is “increasingly being asked by Boards

to seek CFOs who are capable of succeeding the CEO.”

The CFO to CEO trend transcends borders. Notable CFOs who have ascended to the CEO office include Hans Vestberg who was appointed President and CEO of Ericsson as of 1 January 2010. Others include Australian Chip Goodyear of BHP Billiton (who was ranked as one of the world’s top 200 CEOs by the INSEAD Business School in December 2009) and Temasek fame. Some CFOs have even soared to the Chairman’s office, such as Oracle’s Jeff Henley, who made the switch in 2004 after spending 25 years as a CFO, 13 of which were at Oracle. But that’s another story.

The CEO’s post seems to be the next logical step in an upwardly mobile career. CFOs possess an edge because of their financial acumen and their ability to dissect and explain the business’s financials. Furthermore, CFOs have had to become adept at financial strategies such as capital raising, joint ventures, and mergers and acquisitions, demonstrating they have the ability to grow the business strategically, which is a key performance indicator for the CEO.

The merit of CFOs as potential CEOs has gained prominence in recent years as corporate governance and sustainability issues take a front seat in the volatile economic environment, putting

rising pressure on companies to comply with more stringent regulations and best practices. As a principal player in managing risk and governance and engaging with stakeholders, especially investors, which are part and parcel of CEO responsibilities, the CFO by the very nature of his job is a prime candidate for CEO.

But not every CFO can make a seamless transition to the CEO role, since it entails moving out of the comfort zone of numbers and details. What might prevent a good CFO from becoming an equally good CEO? What type of behaviour modification must a CFO undertake to ensure a triumphant transition?

“The CFO and CEO jobs are fundamentally different,” explained Managing Director and Chief Executive Officer of Malaysia Airlines, YM Tengku Dato’ Azmil Zahrudin Raja Abdul Aziz, “even though the designation and the letters in your title don’t differ much. Being a good CFO doesn’t guarantee you’ll be a good CEO.”

CEO CULTURE SHOCK

Mindset change is paramount to make the transition.

CFOs typically focus on finance and accounting functions. They are primarily watchdogs of the organisation’s finances, responsible for optimising – even cutting – costs and scrutinising budgets. CEOs, on the other hand, take a helicopter view of the entire business. Their role is to grow revenues and profits and enhance shareholder value, which would require general management skills as well as an increased emphasis on sales and marketing to generate revenue. “This is where most CFOs struggle, and it doesn’t come naturally for everyone,” noted Dato’ Azmil. Since revenue growth and risk correlate, it stands to reason that the risk-averse CFO must learn to stomach higher risks within reason.

In fact, Dato’ Azmil likens CEOs to Chief Marketing Officers, since they must prioritise branding to achieve market growth. Ironic, since many CFOs clash with sales and marketing departments

over budget overruns. “Typically, marketing detests finance. As CEO, you have to divert your attention from what these marketing guys are spending and become one yourself. Marketing is no longer your enemy, but the ones supporting your vision. This is one of the most difficult parts of the transition,” said Dato’ Azmil.

time thinking about the people in the company and whether the right people are in the right position, and who’s performing and who’s not. Managing ladies in accounts payable is completely different from managing the ladies in cabin crew,” related Dato’ Azmil tongue-in-cheek, alluding to the logic-driven behav-



Temperament determines effectiveness. Memorable CFOs turned CEOs are the eloquent raconteurs who are out there connecting with stakeholders and telling the organisation’s story convincingly. They are the face and personality of the organisation. The archetype is probably Datuk Seri Tony Fernandes of Air Asia. The stereotypical conservative CFO who shuns the limelight will need to make a 180-degree shift in personality to surmount the challenges of the CEO role.

Temperament determines effectiveness. Memorable CFOs turned CEOs are the eloquent raconteurs who are out there connecting with stakeholders and telling the organisation’s story convincingly. They are the face and personality of the organisation. The archetype is probably Datuk Seri Tony Fernandes of Air Asia. The stereotypical conservative CFO who shuns the limelight will need to make a 180-degree shift in personality to surmount the challenges of the CEO role. “You’re moving from a gatekeeper to someone who’s trying to push the envelope,” stressed Dato’ Azmil. But this fundamental shift must happen for a CFO to function effectively as CEO.

CFOs will also need to polish their people management skills, since most of the CEO’s time is spent on people matters and talent management. GE guru Jack Welch estimated that up to 60% of his time is spent on managing people. To make it more challenging, CEOs manage a diverse bunch of people, which is wholly different from managing accounting and finance professionals. “I spend a lot of

behaviour of female accountants in comparison to stewardesses who are more gregarious and generally “the life of the party.”

But that’s not all. Newly-anointed CEOs also need to learn the ability to delegate, the science of strategy and the art of communications. “There is no longer time for what we used to call ‘work’ since the time spent at your desk is limited. For a CFO who enjoys detail and control, it can be hard to learn to let go,” said Dato’ Azmil.

Instead, CEOs will find that their time is devoted to formulating a vision and translating it into reality, while communicating this vision to the company and its stakeholders. Dato’ Azmil spends much of his time communicating messages internally and externally, tailoring his language and content to fit different audiences. The downside is that he keeps telling the same story, since repetition and reiteration are necessary to get his message across and to build consensus across different sets of people.

While there might be a need to shed some staid CFO-type characteristics, new CEOs are urged to retain the methodical



Crucially, a CFO should assist the CEO in managing the balance between expenditure and revenue generation, which is a central part of the CEO's role. This not only lays the groundwork for your own future as a CEO, but validates your inclusion as a CEO candidate in the succession planning process.

decision-making process learned during their years in finance without compromising the quality of that decision-making.

THE CEO-IN-WAITING

How can a CFO improve the odds of being selected as the CEO? Look beyond the confines of the CFO role to deliver value to the company, thus demonstrating the traits of a CEO.

Think more like a CEO and take a broad helicopter view while presenting ideas for change that deliver results. For instance, recommend improvements to optimise the commercial and operational aspects of the business, which establishes that you have a holistic grasp of the company. Offer fresh insights into enhancing risk management, which is a mission-critical concern for organisations. Advise marketing on how to achieve targeted return on investments in ad spend. Evaluate issues in information technology and human resources management, strategic planning and regulatory issues, and even product development and customer service, since a CEO would typically deal with these broad-spectrum concerns. Importantly, seek opportunities to set foot beyond the ivory tower of finance to gain line management exposure, and work in diverse disciplines to familiarise yourself with the operations of the business.

Crucially, a CFO should assist the CEO in managing the balance between expenditure and revenue generation, which is a central part of the CEO's role. This not only lays the groundwork for your own future as a CEO, but validates your inclusion as a CEO candidate in the

succession planning process.

Preferably, CFOs should get experience serving on a board of directors, preferably with your own company, but also with other companies. Dato' Azmil acknowledges that his history as MAS executive director first before taking on the CFO role simultaneously in 2006 helped him understand the organisation's operations and ultimately helped prep him to run the show.

THE CONTENTED CFO

Should all accountants be trying to climb the corporate ladder to the uppermost rung? What if you're happy being the best CFO that you can be? "If your personality type doesn't fit, I would not recommend that you become a CEO," said Dato' Azmil. However, he stressed that a good CEO must be a good CFO, especially post-crisis when financials are being scrutinised even more intensely. Positively, he does believe that CFOs can remake themselves into potential CEOs with the right training, such as equipping themselves with people management, marketing and communication skills. Nevertheless, inept CFOs can destroy their career if they make mistakes in the chief executive suite. Subsequently, it could be tricky to re-emerge blemish-free in a finance culture.

Remaining a CFO won't be a bad decision if CFOs are flexible and willing to innovate and reinvent themselves. "CFOs should think beyond the ordinary – to identify and explore new opportunities and fresh business models that will unlock corporate value for greater business success,"

said Christina Foo, MIA Vice-President. Foo identified corporate governance, risk management, sustainability and green technology as areas that CFOs should be mining to get ahead. Interestingly enough, these are also flashpoints for CEOs, which fuels the argument that CFOs are embracing a more strategic role and perhaps should be rebranded as deputy CEOs.

Her words were foreshadowed by the predictions of *The Times of London* accountancy editor Robert Bruce in *The Chief Financial Officer in the Year 2010*, a publication released by the International Federation of Accountants (IFAC) in 2002. Bruce interviewed ten CFOs from leading global companies in diverse fields. Based on their input, Bruce concluded that the growth of CFOs would be based on their ability to deal with and deliver complex information fast. He also expected CFOs to play a more pivotal and increasingly powerful role within the corporate entity of the future, in investor regulations and reputation management, risk management, corporate governance, treasury functions and even in unconventional areas like global marketing and remuneration policies for senior management. Spot on.

To mould this new-fangled CFO, Bruce argued that "the nature of people who become CFOs will have to change – the traditional accountant is dead. Out go the figure-obsessed CFOs and in come leaders with strong personalities with a wide understanding of markets and cultural issues." His words still ring true in 2010, but are accountants ready and willing to rewire their DNA? ■

MIA has long urged accountants to look beyond their traditional roles of number cruncher and become managers of value in order to enhance their own personal and professional value. After all, MIA's byline is Accountants: Managers of Value. In fact, MIA proposed the theme of Accountants: Sustaining Value Creation for the World Congress of Accountants 2010 in order to drive home this message – that accountants must expand their scope in order to remain relevant and in demand in a highly competitive landscape. Innovate or perish!