

## Is the CFO the Best Successor to the CEO? Well, It Depends...

High-performing CEOs are a unique breed. The burden of leadership rests heavy but it also presents an opportunity to drive performance and create a positive impact. Identifying the right person for the role is therefore of critical importance.

CFOs often stand out as a prime candidate. After all, they will be well known to the board, if not already a fellow board director. They will have accumulated vital knowledge of the business and the workings of each function. They will have developed stakeholder relationships. They will be finely attuned to data and metrics, performance and value, all of which are important to any CEO.

But there are stumbling blocks, too. Does their background make them too risk averse? Do they understand how to drive growth? Do they possess experience outside of finance? Can they communicate well to a wide range of different audiences? These are all pivotal issues which need addressing.

So how should nomination committee (NomCo) members weigh the potential viability of a CFO's CEO candidacy? To help answer this question we have sat down with a group of CEOs and other senior business leaders who have previously served as CFOs. We discussed the impact of their financial background and considered the benefits and drawbacks of going from CFO into the top job.

## The strengths of a CFO's CEO candidacy

When it comes to defining a successful CEO there is no one set answer. The corporate context matters. The economic cycle matters. The sector matters. Yes, certain traits will always be needed, but as circumstances shift and challenges evolve, identifying the right blend of skills, experiences and backgrounds is a process in perpetual motion. The CFO, however, is often someone who will tick many of the required boxes.

### Why numbers and accountability count

CFOs are data-oriented and have an overview of business functions — both of which are essential for any high-performing CEO. “The CFO acts as PMO for budgeting projects and strategic planning,” said Joan Amigó Casas, CEO of Applus+. “They have knowledge of all the business and functional areas of the entire company.”

It's a viewpoint that is shared by many. “The biggest thing that CFOs do is they see right across the business,” one senior British retail leader told us. “They understand how businesses tick probably better than anyone, sometimes including the CEO, just because they understand how the whole thing fits together. Money is the thing that oils the whole machine. So being on top of the numbers is a very important part.”

For Kat Stapleton, CEO of Queensland Rail, there is also huge value in gaining experience on an outside board. “One of the real advantages of being a CFO moving to a CEO role is understanding the ‘anatomy of a company through the numbers’”, she said. “Further to this, being able to draw on experience from board roles, even if from other industries or associations, is extremely valuable. In particular, understanding the benefits of governance frameworks, as opposed to considering those as ‘red tape’ or cumbersome, is a real advantage.”

### Co-pilots at the helm

Steve Binnie, CEO of Sappi, draws attention to the fact that CFOs and CEOs work shoulder-to-shoulder in many cases. “As accountants, we get a very broad exposure to the business and normally sit side-by-side with the CEO,” he said.

It is also fair to say that the longer a CFO is in the role, the more their access and remit is likely to grow. This is because they will become more integrated and develop strong relationships with key stakeholders.

### Managing financial turbulence

If a CEO has previously been a CFO, they will have accumulated experiences which can be crucial in helping them navigate moments of financial stress and volatility. This is only natural. When an organisation is fighting for its very survival, colleagues at all levels will turn to their CFO for much-needed support and guidance but this can also occur when there are issues with an organisation's financial structure.

“A situation where you need to be very focused on the financials, such as significant cost-savings or a need to rapidly increase profitability, might particularly favour CFO profiles,” said Anna Borg, CEO of Vattenfall.

### Industry and business cycle are key

It’s important to note that the suitability of CFOs for the CEO role can also depend on the industry and business cycle the organisation operates in.



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**CEDRIC DUGARDIN**  
FORMER CEO, SOLOCAL GROUP

Private equity portfolio companies, for example, which place great sway on efficiencies and numbers, are likely to be ideal for any CFO looking to step into the CEO role. Then there are those occasions when a company is preparing for an IPO or undergoing a change of ownership. But it doesn’t have to be strictly financial either.

“In sectors like hospitality, where management and development are crucial, a background in corporate finance could be particularly beneficial,” said Fabrice Collet, CEO of B&B Hotels. “Circumstances that require a more professionalised approach over an entrepreneurial one may also favour CFOs transitioning to CEO roles.”

## But do CFOs have what it takes?

As any good CFO would know, numbers tell a story — both good and bad.

We have found that CFOs frequently move into the CEO role: 27% of the FTSE100 CEOs have previously been a CFO and this percentage increases to 50% of the top 10 FTSE100 companies by market capitalisation. But CFOs in general are not always guaranteed to perform well once elevated to this more senior role.

For example, our [CEO Last Mile research](#) found that CEOs promoted from the CFO role are on average slower to drive top-line growth than CEOs from other backgrounds, especially in the first years of their tenure. With only 8% of CFOs-turned-CEOs steering their companies to the top-quartile of performance, there appears to be a huge difference between going straight from CFO to CEO and gaining experience as a GM or P&L owner in between those two roles.

In addition, when looking at [CEO Transitions in Europe](#), only 10% of European transitions were CFO to CEO in 2023, and just 5% in the US. We also found that no CFOs in the major European stock indices were promoted to the top job in any industrial, financial services or healthcare company during 2023. And in Australia, [19% of ASX100 CEOs](#) were appointed from a CFO role as an internal promotion or successor.

Against this backdrop, a key priority for NomCo members will be to reassure themselves that the CFO is equipped to deal with the inevitable twists and turns they are going to encounter in the CEO role — of which there are many.

### Embracing a growth mindset

The perception of the CFO as a cost-cutter, rather than a growth-driver is a key issue that any aspiring CEO candidate will have to overcome and it's exactly what affected the first couple of years of Arnaud Créput's CEO tenure at Equativ.

"The more the business is led by numbers, the better placed the CFO," he said. "But some degree of caution is needed here as this actually penalised me when I took on my current role as CEO. After I was appointed there were rumours of Equativ focusing on cuts, not growth, and I had to work on this for two years."

Chris O'Shea, CEO of Centrica, says that CFOs who then become CEOs have to be able to adapt to changing economic conditions. "I think where money's tight and you are facing potential near-death experiences, people will often go for the CFO," he said. "That's appropriate if you're going through a storm. But once you come out of the storm, are you able to take risks?"



**The biggest change for me has been how much light shines on the CEO. I hadn't anticipated how much you suddenly become the face of the company internally and externally, how much everybody wants to see you, hear you, talk to you. This is by far the biggest change."**

ANDERS HAGH  
CEO, SALLING GROUP

Alberto Terol, former EMEA chair of IAG, also believes that shifting towards a more commercial-oriented approach is vital. "CFOs have had this halo of just being technicians," he said. "There is also a preconceived view that CFOs have an element of conservatism to their approach and so they are often not viewed as visionaries, people leaders or strategists."

And Yongchen Lu, CEO of Tim Hortons China, also focused on transforming his mentality. "I needed to change from a cost-oriented mindset to a business-driven mindset," he said. "Especially for early-stage companies, we emphasise growth and goal-getting. I needed to breakthrough from a pre-set way of thinking."

Partly this is about leaving the finance remit behind as soon as possible. Any CFO-turned-CEO should immediately take steps to promote or recruit a high-performing CFO as their successor and then leave them to it.



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MELT HAMMAN  
FORMER CEO, ATTACQ

It's also important to note that one of the key considerations for the NomCo is whether an internal successor can step into the CFO role, at least on an interim basis. Indeed, a CFO who has developed their own successor has demonstrated a degree of care and forward-looking succession planning that will be needed in the CEO role.

### **Connecting through communication**

Of course, any senior business leader will have delivered their share of presentations and team talks during their career. But while CFOs will be well-accustomed to communicating to shareholders, market analysts, auditors, and regulatory bodies, they will likely be less familiar with other audiences — both internally and externally.

How they tell their story, how they present themselves, and how they articulate their vision can yield huge gains by generating trust, inspiring their colleagues and empowering them to fulfil their potential.

"CFOs will probably be good at communicating with financially literate markets, but not necessarily motivating, inspiring and leading their broader team and group," said John Maltby, chair of Allica Bank. "Similarly, their analytical skills and financial rigour is one thing, but fewer CFOs have been trained to deal with the ambiguity and uncertainty you find in the CEO role."

### **Adjusting to the spotlight**

To be a CEO is to experience a high degree of attention — a life in the shadows it is not. NomCo members should consider whether their CFO will be suited to the intense 'always on' nature of the role.

"Not a lot surprised me, bar one exception," said Stephen Rue, outgoing CEO of NBN Co, soon to take the CEO reins at Optus. "I hadn't appreciated that you are constantly on show. When you're in the lift, walking around the floor, talking to people, answering and asking questions, you're constantly in the gaze of employees and to some extent externally. What you say counts a lot more than what I realised."

Anders Hagh, CEO of Salling Group, shared similar thoughts. "The biggest change for me has been how much light shines on the CEO," he said. "I hadn't anticipated how much you suddenly become the face of the company internally and externally, how much everybody wants to see you, hear you, talk to you. This is by far the biggest change."

## Accepting ultimate responsibility

Unlike CFOs, the buck stops with CEOs. “You are genuinely in charge and you have to recognise this,” said Mark Learmonth, CEO of Caledonia Mining. “When things get difficult you must step up to the plate. There is nowhere to hide.”

Cedric Dugardin, former CEO of Solocal Group, also highlighted this as pivotal to adjusting to the CEO hot seat. “The transition from CFO to CEO was profound,” he said. “As CFO, my decisions had limits; as CEO, I was suddenly the ultimate decision-maker, responsible for all outcomes. Decision-taking and the sense of responsibility are the biggest changes when becoming CEO.”

And Steffen Munz, CEO of Schaltbau, pointed out that final responsibility also means picking up those issues that haven’t been resolved in the past. “A large portion of the job of a CEO is dealing with all the unsolved problems,” he said. “You have to realise that you are in charge of everything and you are accountable for everything.”

## Overcoming the loneliness

A CEO, like any senior business leader, is part of a team. Different skills, perspectives and experiences blending together under one banner and one mission. But unlike other roles, the CEO is the one who operates in relative isolation due to their decision-making position at the very top of their organisation. Again, this is something that a former CFO will have to adjust to.

“People see you on the pedestal and they change the way they behave with you and this caught me by surprise,” said Melt Hamman, former CEO of Attacq. “I’ve had to use the concept of ‘walk and talk’ and go over to people’s desks and ask them to go for a coffee with me.”

Toralf Haag, CEO of Aurubis, also describes the role as “very lonely” but suggests that there are ways to alleviate the isolation.

“I think it’s good to have an outside partner or coach who you’re close to and talk to on a regular basis,” he said. “It’s also good to have one very close employee, a direct report to you, who is not on the management board, where you discuss confidential things always in the sense of how we can get the company better, but where you are more confidential than with your board colleagues.”

## Adapting to the non-stop intensity

Frequently working six or seven days a week, traversing borders and regions, the CEO has to master the details but also understand the bigger picture. It is substantially more accountable from serving as CFO, according to Niall Corbett, CEO of Avant Money.

“The CFO role is demanding but the CEO role is all encompassing,” he said. “It’s a 24/7 commitment. I didn’t want to find myself thinking about the business all the time and not being able to switch off. I knew I had to find the right balance to give myself time to think — whether it was a walk with family at the weekend, exercising or networking with external people on Friday mornings. You need to re-energise yourself so that you’re meeting your full potential.”



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Steve Binnie concurs. “As CEO you can never switch off whereas the CFO can switch off because they’re only focused on the financial dimension of a situation or project,” he said. “Body language plays a role too. If you’re in a meeting and you’re not listening properly, one little thing can slip by and so you always have to be on your game.”

## Advice for the nomination committee

From managing trade-offs to having final accountability, CFOs-turned-CEOs will have to adjust to a wide range of challenges.

Then there is what Steffen Munz describes as the “intersection of all contradictions” — a tangled constellation of competing demands and priorities. “First of all, you have to deliver short-term targets, but you have to also invest in long-term performance,” he said. “That’s a contradiction. You have to also take the time to gather facts and do analyses, but you also have to move fast to capture the opportunities since speed is of the essence and this is another contradiction.”

So with all this in mind, there is little doubt that NomCo members have a large number of factors to address when identifying their next CEO. How should they approach their decision?



## Questions to consider

- » Is your market sector the right fit for a CFO to flourish as a CEO?
- » How is your business performing? Is it looking to cut costs or embark on a new strategy for high-growth?
- » What is your organisational complexity — is it multi-divisional or a simpler business model?
- » Is your CFO a strong communicator?
- » Has your CFO gained experience outside of the financial domain?
- » Has your CFO demonstrated strong learning and adaptability? For example, have they worked overseas or across industry sectors?
- » How much capacity does the individual have to continue to grow and develop in the future?

## Steps for success

### Have clarity on what is needed

Be clear on the type of leader the organisation requires. It's not just about someone's past achievements but also about the personality, attitude and future potential of the candidate. Consider whether the moment calls for an external perspective or detailed internal knowledge. CFOs are rarely appointed directly to CEO as external hires. Our [2022 Last Mile research](#) found that 94% of CFOs to CEOs in the S&P 500 were internal appointments.

"There is no simple answer in terms of what boards are looking for," according to Sherry Duhe, former acting CEO of Newcrest. "But there is a mentality the board should decide on and plan for with plenty of lead time: shaking things up or an internal candidate? High performing companies that grow to scale do this well."



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NATALIA BARSEGIYAN  
NON-EXECUTIVE DIRECTOR, DOMINO'S PIZZA GROUP AND FORMER CFO, TACO BELL

For Steffen Munz, it comes down to a variety of individual factors. "The key question is, 'what is the mission of a CEO, and what is the context of the company?'" he said. "Do this homework before you start the recruitment process to really know what the mission is, what the requirements are, and how complementary the leadership team is."



## Understand there's no time to waste

Start the succession plan early. This makes it easier to identify internal candidates and bring forward their development plans and opportunities. It also enables board members to have more meetings with potential CEOs so they can assess their relative strengths and weaknesses.

“If you have a CFO on the list of internal candidates, you need to think through how to develop, broaden and build their skills to make them as credible as possible,” said John Maltby. “The current chief executive should also offer leadership opportunities in terms of people and communications, such as representation with the broader investor community or industry bodies.”

## Pinpoint the key priorities

### COMMERCIAL KNOWLEDGE

A CFO will be a far stronger CEO candidate if experience from outside the financial domain has augmented their leadership credentials.

Ángel Vilá, COO of Telefónica, believes that a broad knowledge of the business is critical. “Ensure the candidate has been exposed to the business and has supported the organisation and the growth of the company,” he said. “The candidate also needs to have been exposed to the board, its priorities and concerns; and ensure that the candidate is well respected by investors and peers, internally and externally.”

### INTERNATIONAL EXPERIENCE

Whether the CFO has ever had international exposure is a key factor to consider. Such experiences showcase an individual's ability to adapt to different cultures and approaches, and demonstrate a willingness to step out of one's comfort zone.

“International means soft skills development and leadership development,” said Caroline Parot, CEO of Technicolor Group. “Understanding alternative points of view and being open to the world are great skills to develop to become CEO.”

### NAVIGATING DISRUPTION

CEOs now have to be able to cope with the turbulent and evolving terrain that any business now operates in. Generative AI and net zero, for example, portend huge changes which may not have been a priority area for a CFO who has only ever worked in the financial portfolio.

“Generative AI will transform businesses,” said Eimear Moloney, non-executive director. “It's crucial for CEOs to strategise on how it can be used to create value with the right focus and perspective and to observe how their counterparts are utilising it to avoid falling behind. Regarding the net zero transition, stakeholders have significant expectations that sufficient actions are being taken to guarantee the company reaches its necessary goals.”

**PEOPLE SKILLS**

Leaders today need to combine authority with approachability. NomCo members should consider whether the CFO candidate has the right level of emotional intelligence and is able to empower and inspire their teams.



**It was so much easier for me to do my job when I finally let go of thinking that I had to know all the answers.**

**SHERRY DUHE**  
FORMER ACTING CEO, NEWCREST

“Finance professionals are often perceived as ‘dry’ and so focusing on human connections is crucial,” said Natalia Barseguyan, non-executive director at Domino’s Pizza Group and former CFO of Taco Bell. “The younger generation, in particular, expects and needs this rapport. Emotional intelligence is becoming more important than ever.”

Nilesh Pandya, CEO of mydentist, believes that conversations with colleagues unlock a range of benefits. “Since stepping into my role as CEO, I’ve loved getting to meet brilliant people from right across the organisation,” he said. “Listening to colleagues and thanking them for their hard work is crucial to making sure

everyone feels valued and respected but it’s also allowed me to better understand the challenges and opportunities we have as a business.”

“It was so much easier for me to do my job when I finally let go of thinking that I had to know all the answers,” added Sherry Duhe. “If I asked others it was empowering for them and it made me feel even stronger about trusting them — a virtuous loop which also made my job more super fun and successful.”

## Checklist for NomCo members

- » Have clarity on what is needed
- » Understand there is no time to waste
- » Review key priorities:
  - Context
    - Is your market sector the right fit?
    - How is your business performing?
    - How is your organisation structured?
  - Capability
    - A talented communicator?
    - Outside finance experience?
    - International exposure?
  - Capacity
    - Able to adapt?
    - A quick learner?
    - A team builder?

## Conclusion

Identifying, nurturing and appointing the right person to a CEO role is by no means straightforward. There are numerous factors to consider, multiple viewpoints to take into account and abundant opportunities to make the wrong decision.

At the same time, though, those considering a CFO to be the next CEO can be guided by a series of way-markers which can illuminate their decision-making process. Focusing on these core priorities will help steer them towards finding the right person for their organisation — the CFO or otherwise.



# SpencerStuart

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