

A collection of colorful umbrellas hanging from strings against a blue sky with light clouds. The umbrellas are in various colors including yellow, red, blue, purple, white, and green. They are arranged in a grid-like pattern, hanging from horizontal strings. The background is a clear blue sky with some light, wispy clouds.

SpencerStuart

# Fresh perspectives:

Why your next CFO may be  
working in another industry

Between 2010 and 2015, Spencer Stuart's global Financial Officer Practice placed 440 CFOs across Europe, the Middle East and Africa. A significant proportion of these appointments involved a change in sector, ranging from 34 per cent of CFOs hired by consumer companies to 67 per cent of CFOs hired by technology, media and communications companies.

Our experience is that the CFO role is highly portable across sectors and that industry-specific knowledge should be only one factor among many in deciding on a candidate. Companies refusing to look beyond their own sector miss out on some of the best available talent, for example when the business is facing disruption or when a change agent is needed.

While the traditional role of the CFO is fiduciary, establishing and maintaining protocols for financial responsibility throughout the organisation, the role is now equally one of strategist, extending across all business processes. In addition to operating within increasingly stringent regulatory environments across the global economy, today's CFO is expected to harmonise growth strategies with financial imperatives, foster accountability, catalyse change, communicate with investors, and implement operational excellence across all business domains.

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As the CFO role grows broader and more complex, boards searching externally for CFOs have more to consider. Many boards are still cautious about widening the net beyond the traditional candidate pool of sitting CFOs from the same or a closely related sector. This is due, in part, to a perception that hiring a CFO who does not know the sector risks the financial stability of the organisation. Some boards believe it is more prudent to limit the search to those with sector experience in order to avoid a lengthy process to bring incomers up to speed.

We have extensive experience advising clients and candidates on the advantages and pitfalls of changing sector and in this report we combine our knowledge with insights from in-depth interviews with a group of CFOs across EMEA who have successfully changed sectors — often more than once.

## FIVE REASONS WHY BOARDS SHOULD CONSIDER HIRING A CFO FROM ANOTHER SECTOR

1. As a catalyst for change in a sector going through some kind of transformation.
2. In order to bring in specific skills at a critical moment in the business, for example, when making a significant acquisition or undergoing an IPO.
3. To maximise the pool of 'top-tier' candidates available for targeting.
4. As part of a broad approach to create a more diverse leadership team.
5. As part of a talent strategy that puts leadership ability above purely technical skills.

### WHY CFOs MAKE THE TRANSITION

CFOs change sector for a variety of reasons. For example, they want to do something new and challenging, pursue a commercial opportunity, or go somewhere they can make a greater impact.

For some CFOs, the expansion of responsibilities within their own organisations means they gain experience in new sectors without ever changing jobs. Before moving to Fugro in 2013, Paul Verhagen held executive vice president and CFO positions inside of Philips Lighting as well as Philips Consumer Lifestyle, requiring him to work across a number of sectors. "I had already switched sector four times within Philips. That helped me know what to expect," he says. "It might be different for someone who has been in one sector for 24 years."

Renier Vree was a divisional CFO at Philips Lighting before taking on the role of CFO of Arcadis, where he is now serving as CEO on an interim basis. He explained that the diversity of his experience at a multinational, as well as the rigour of his education that included business strategy, IT and change management, in addition to his Registered Controller qualification, made the transition easier.

CFOs may change sector as part of an effort to gain new experience or apply their skills productively in a different environment. "Transitioning sector was at the heart of my career development plan," says Alastair Marsh, who became CEO of Lloyd's Register after nine years as the company's CFO. "I made a personal target of changing every three years to keep up with a natural rhythm of change and evolution." While changing sector gave Marsh a better understanding of markets and companies, and where opportunity really lies, his desire to switch sectors was sometimes met with resistance. "One chairman said point blank, 'Convince me why we should hire you despite you knowing nothing about our industry.' I managed to answer correctly."

Beatriz Puente Ferreras, CFO of NH Hotels, also held career goals that meant staying within a single sector was out of the question. "As a VP at Citigroup, I was able to learn the key business drivers and levers from different companies and industries," she says, "but I wanted more hands-on business experience." She moved to Vocento, the multimedia communications group, before landing her current position as CFO at NH Hotels. "I like the financial aspect of my job, but also the strategic piece and partnering with the CEO, which is the most rewarding part."

# 10 QUESTIONS BOARDS SHOULD BE ASKING WHEN RECRUITING FROM OUTSIDE THE INDUSTRY

1. Is the organisation ready for change?
2. What is the compelling reason for hiring from outside the sector? What are the pitfalls?
3. What are we going to need to do as an organisation beyond simply hiring a new CFO?
4. Are we clear about the skill sets and competencies we need? (i.e. core skills, interpersonal influence, broad functional leadership ability.)
5. Which sectors other than our own should we target?
6. How are we going to judge the track record and potential of a candidate from another industry?
7. What is motivating this person to leave the world they know for our industry?
8. Do they have the agility and personality to build, align and motivate a team and then work with them to succeed?
9. Are they collaborative? Will they listen? Will they be able to secure the backing of their peers?
10. How do we integrate this person into our culture quickly? What is the best possible induction programme we can prepare?

## WHY SOME BOARDS INVITE CFOs FROM OTHER SECTORS

Our experience of placing CFOs into new industries has taught us that the companies that hire from other sectors do so for myriad reasons: they are seeking new external perspectives, want to import a different operating model, or require specific skills at a critical juncture in their businesses.

Recruiting an outsider can serve as the catalyst for change. Pier Francesco Facchini was CFO of Benetton until 2007 when he joined Prysmian, a leading supplier of cables and systems for power and telecommunications. “Prysmian was looking for a fresh perspective from a radically different industry. My consumer background was helpful for an industrial company looking to increase their service and customer orientation.”

Companies may be willing to overlook a lack of industry experience in light of other value a candidate can bring. Sometimes, the timing of an appointment makes all the difference.

Marcus Kuhnert played a role in the largest acquisition in Henkel’s history before being appointed CFO at Merck in 2014. At the time, the pharmaceutical company had made two major acquisitions and was facing a significant restructuring. Kuhnert’s experience with M&A integration and shared services may have been factors in his appointment, together with his familiarity with the governance structures of a family-owned company.

A potential IPO influenced Beatriz Puente Ferreras, who moved from an investment banking position at Citibank to Vocento. “Investment banking gave me a good strategic and analytic skill set. Vocento needed that experience in light of their IPO and corporate finance activity,” she says.

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The scope of the CFO's role is woven so deeply into the fabric of the company—playing a key role in the boardroom, operations, and corporate functions—it might seem that changing sector would mean forfeiting the value of hard-won expertise. However, industry-specific experience is only one factor among many. “Fugro was focused on getting a CFO with a proven track record in improving the finance function, broad experience in governance and risk management, and the ability to be a strong business partner, recognising that it would take some time to get on the industry learning curve,” says Verhagen. “There is plenty of industry knowledge within the company and the first priority was to get a strategic CFO who could also organise the risk and compliance side of finance.”

Almost all those we interviewed talked about the value of a fresh perspective and the rewards for companies that focus on leadership abilities rather than technical skills. Carla De Geyseler, Group CFO of SGS, says senior management that is male-dominant and technically-driven would be wise to change their perspectives and conduct a broader search for candidates. “The greatest risks are related to the internal organisation and culture of the company,” she explains. “A broad approach increases the chance of creating a more diverse leadership, a condition that has itself been demonstrated to yield a positive impact on competitive advantage.”

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CARLA DE GEYSELEER  
GROUP CFO, SGS

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## **BENEFITS OF CROSS-SECTOR MOVES**

Crossing into a new sector is not necessary for a CFO but those who have done so testify that exposure to different industries has helped magnify their understanding of the businesses they serve.

“Visa is a phenomenal company with great brand recognition, but the technology is so ensconced in the business it is less obvious how finance can add value to operations,” says Prashanth Mahendra-Rajah, who moved from Visa to Applied Materials before becoming CFO of WABCO. “At Applied and then at WABCO, I focused on building networks with engineering and product groups. I am now better able to talk about our products with customers and shareholders.”

“Having moved through three industries, I could draw from a well of experience,” says Patrick Glydon, who went from premium brands at Guinness to hospitality at Le Meridien & Hilton to entertainment at Live Nation and then to media at Dentsu Aegis Network. He is currently CFO at global law firm Clifford Chance. “It became unusual to face new challenges in the workplace.”

Marsh concurs. “I feel there’s some familiarity with nearly any new business problem. Having worked in a number of sectors has also helped with recruiting the right people. I know what questions to ask no matter what industry someone comes from.”

Vree feels that experience within a multinational can make crossing sectors easier. Speaking of his transition from Philips Lighting to Arcadis, a design and consultancy company, he says “It is possible to grasp a new value chain relatively quickly and find out what makes a company tick. Moving from a product-oriented company to a services company meant adjusting to different ways of value creation and management control.”

Cross-sector experience is in limited supply and there is a demand for broadly applied talent. As they distinguish their career profiles from most of their peers, CFOs with cross-sector experience are likely to benefit from increased levels of compensation and greater career flexibility. Those who make one change successfully, are likely to be able to manage the next.

Glydon says that his several moves have served him well. “The benefits I’ve received include a rounded view of how to apply the skill set of being a CFO. I’ve seen what works and what doesn’t and have the confidence of having been successful in different environments.”

About transitioning from electronics to energy, Verhagen says “The simple fact of a totally different background gives much stronger functional expertise and governance experience, and brings a lot of value to the company.” While Verhagen’s position at Philips Lighting was a divisional role, that division has over 36,000 employees, €7.4 billion in annual revenues and spans 70 countries. By contrast, Fugro has less than half the employees and €2.6 billion in annual revenue. “I could share my ‘large company’ experiences and offer new insights. I helped foster the notion of financial experts as business partners. Meanwhile, I was able to broaden my scope in treasury, tax, insurance, M&A, and end-responsibility.”

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ALASTAIR MARSH  
CEO, LLOYD’S REGISTER

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*“It is possible to grasp a new value chain relatively quickly and find out what makes a company tick.”*

RENIER VREE  
CFO, ARCADIS

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# 10 QUESTIONS CFOs SHOULD ASK WHEN CONSIDERING A TRANSITION

1. Does the company have a clear strategy that I can help support, reform and deliver?
2. Is the culture compatible with my values and principles?
3. What are the common threads between my current sector and the new one?
4. Am I comfortable with how big a stretch it will be to work in this new sector?
5. Am I willing to learn and be flexible in a new environment?
6. Do I have enough backing from the CEO and am I comfortable with the quality of the board?
7. Do I know who supports this external appointment, who is against it and why?
8. Exactly what are the expectations of me? Is there a realistic timeline to deliver?
9. Am I completely clear about my goals? How will my success be measured?
10. Will the experience contribute positively to my career progression and value in the market place?

## OVERCOMING OBSTACLES

Most CFOs changing industry will face a range of personal, cultural and commercial obstacles. Newcomers need to win over colleagues and secure the alignment of the organisation. At the same time, they need to ask the right questions in order to understand the nature of the industry, business models and culture.

ContourGlobal's Group CFO, Jean Christophe Juillard, describes how a lack of experience in a sector is a challenge. "It's difficult at first to make informed judgements about a situation. You lack gut feelings and instincts that come with experience. Your initial evaluation of risk can be off-track," he says.

Mahendra-Rajah makes the point that it isn't only an industry change that makes this big difference. "If you develop your career in a low-margin business and then go into a higher-margin business, your instincts will be all wrong," he says. Vree points out that moving from a listed to a private company would be a major leap, depending on scale and ownership structure. For Beatriz Puente Ferreras, an adjustment to a construction or a production-focused business might be more challenging as she would find the business model to be a major change.

Often, the arrival of an outsider alerts those inside the organisation that change is afoot, so some degree of defensiveness is to be expected.

Stefan Krause moved from BMW to CFO at Deutsche Bank in 2008 during the worst of the global financial crisis. With pressure on banks to improve efficiency and provide transparency under increased government scrutiny and regulation, Krause joined the sector under especially challenging conditions. "Every second sentence I heard at Deutsche was 'He's not a banker.' The banking industry at the time was not cost conscious, was not focused on process, and wasn't used to looking at profitability. Today, we talk about the 'industrialisation of banking' and I lived that. I had been at an industrial company and I started Deutsche on an industrial approach. Over time, it became easier as people became confident I understood the business."

## Adjusting to new cultures

External hires must adapt to the culture of any new company, a challenge that is amplified when changing sectors. The CFOs we talked with all experienced steep learning curves, not only in understanding a new business, but in adapting to a new culture, both across the company and within finance.

“When it comes to culture, there is no ‘right’ and ‘wrong,’” says Kuhnert. “I believed that Merck would be similar to Henkel as they had a similar corporate governance structure and each had three operating units. I was wrong about that, since the speed of implementation of the new finance organisation and the lack of reconciliation with all of the affected stakeholders was perceived as abrasive.”

Those who have had international experience adjust more easily to the cultural change when switching industries. Many of the CFOs we spoke with had worked in a number of different countries. “You need to adapt your way of interacting with the business. An international background helps because changing country requires the same kind of flexibility and adaptation,” says Facchini.

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*“Reach out to people, be humble enough to learn from others in the business, including lower-level employees or specialists from different departments.”*

RENIER VREE  
CFO, ARCADIS

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## Asking the right questions

In addition to building relationships with peers and assembling the right team, CFOs must be smart about accumulating industry knowledge. Many of our interviewees highlighted the importance of listening during the early weeks and months with a new organisation. “Don’t be afraid to ask ‘stupid’ questions,” says Vree. “Reach out to people, be humble enough to learn from others in the business, including lower-level employees or specialists from different departments.”

“You’ve got to gain the trust of those around you,” says Glydon. “It takes time listening to other people. Listen and say little. Find an appropriate way to bring your expertise to the table. Share your experience in a genuine way.”

CFOs who approach the transition thoughtfully and with respect for those around them will enjoy getting up to speed and gaining credibility in a completely new environment even faster. According to Krause, “Switching sectors forces you to become a better people leader. You can’t rely on your own technical knowledge. You have to rely on others, and they have to believe you are using their experience. I had to think, ‘How do I get these great brains to work together to create an environment in which they can work best?’”



# 10 SECRETS FOR A SUCCESSFUL TRANSITION

1. Work closely with HR and the company secretary to develop a structured induction programme tailored to your background and experience.
2. Start by gaining a deep understanding of how the financials work, where the levers are, how the company makes money. Make that your “True North”.
3. Spend time on the frontline; be humble and willing to learn from people at every level of the business.
4. Spend plenty of time getting to know team members to discover their aspirations and frustrations, and to test out their capabilities.
5. Spend time with peers from every key function in the business to understand how finance can relate to them most effectively. Be an ally to them.
6. Avoid talking about your previous organisation, but talk instead about your past experiences.
7. Talk to customers and partners of the business.
8. Make a conscious effort to learn the language of the business; being able to use the right terminology and understand conversational nuances is crucial.
9. Find a mentor to act as a sounding board during the transition phase.
10. Be flexible and ready to adapt your way of interacting with the business.

## CRITICAL FACTORS IN A SUCCESSFUL CROSS-SECTOR TRANSITION

Those who make a successful transition have spent at least part of their careers making a deliberate effort to move out of their comfort zones, stretch themselves and take occasional risks. This might involve an international assignment, participating in M&A activity, or working on a cross-functional team. Such activities teach an individual how to learn, adapt and influence in different environments — key determinants of success for any transition.

### Change mindset

Our experience suggests that CFOs best equipped to cross into a new industry are those with a change mindset, an innate curiosity and an authentic interest in new experiences. “Of course you have to have a deep knowledge of finance and it is helpful to have a broad education in finance early in your career,” says Guido Kerkhoff, CFO of Thyssenkrupp. “But you should also be interested in new industries and experiences in business and willing to adapt as needed.”

Verhagen also stresses an interest in learning and adapting. “Be open to dive deep into understanding the sector, competition, trends and dynamics, meeting with investors, customers and industry friends,” he says.

“I had to get everyone to exchange views and focus on how we really push forward whilst respecting our differences and different markets,” says Stefan Krause.

### Broad experience

Facchini points out that change is change, whether it is across sectors or across national borders. “I tried never to become too specialised,” he says. “I made sure to ‘touch’ all aspects of a CFO, acquire the necessary competence in the different fields to be able to delegate and control activities effectively, while remaining enough of a ‘generalist’ to avoid micromanagement and losing the helicopter view. I always tried to adopt a change mindset that focused on learning and development at every level. I also got international experience and this really catapulted my career.”

Several CFOs told us their broad experience in finance helped prepare them for crossing sectors. Marsh feels the training he received at Price Waterhouse, especially in corporate finance, was outstanding preparation. “You’re in there, advising on where the intrinsic value is for a business so you get to understand different business models,” he says.

Kuhnert echoes the sentiments of many of the CFOs we spoke with, explaining that diverse experience within a single organisation is especially helpful. “I was exposed to very different business models during my fifteen years at Henkel,” he says. “The first was in finance, including IR, controlling and accounting. The second was outside of finance, including two operating units. Being exposed to different businesses and business models within a company was good preparation.”

## Onboarding

Reflecting on his transition to Laporte plc where he was divisional finance director for almost three years, Marsh says, “My experience was sink or swim. I was left to my own devices and was on the road from day one doing business reviews of chemical plants when I had no idea where they fell in the supply chain and no Pharma knowledge at all. They were right that I would pick it up, but I did so because like many finance professionals I’m inquisitive and quite analytical.”

Companies hiring CFOs from a different sector need to play their part in easing the transition. Support is essential, whether it comes from having an overlap with a predecessor, as was the case for Krause, or from another senior person in the firm. “Companies need a strategy to position the newcomer for success. The key is to ensure there is a programme for understanding the businesses as well as the overall strategy of the group,” says De Geyseler, who recommends companies allocate a senior board member as a mentor.

Arcadis was in a relatively quiet period when Vree started. The supervisory board helped point him in the right direction and prepare him for his role. “I was coached by a supervisory board member who really wanted the transition to be a success. One of the external auditors provided audit reports and briefed me on key issues. I took time to visit the businesses across the globe and get to know people. These were all important investments.”

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PIER FRANCESCO FACCHINI  
CFO, PRYSMIAN

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*“Companies need a strategy to position the newcomer for success.”*

CARLA DE GEYSELEER  
GROUP CFO, SGS

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Beatriz Puente Ferreras recommends that those who switch sectors be particularly careful to build a business partner relationship with the CEO and get to know the key levers of the business early on. “Prior to joining, make sure to do a deep analysis of the financial situation of the company and take nothing for granted,” she says. Her experience has encouraged her to provide ample support for others. “When I left Vocento and Aena, I provided an open door for whatever my successors might need during their on-boarding periods.”

## CONCLUSION

We launched this series of interviews with the hypothesis that the finance skill set is transferable and therefore sector moves are possible for CFOs. The evidence that CFOs are able to enhance their leadership skills and develop new perspectives which are of great value to employers has convinced us that in many cases transitions across sectors are not just feasible but desirable. Companies willing to take the leap and focus on skill sets or potential will be rewarded by more diverse candidate pools and stronger, more effective leaders. Individual executives willing to test themselves in new ways will benefit from changing sectors and make themselves attractive as potential non-executive directors to a wider range of boards.

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<b>Beatriz Puente Ferreras</b> CFO, NH Hotels	<b>Stefan Krause</b> CFO, Faraday Future	<b>Paul Verhagen</b> CFO, Fugro
<b>Patrick Glydon</b> CFO, Clifford Chance	<b>Marcus Kuhnert</b> CFO, Merck KGaA	<b>Renier Vree</b> CFO, Arcadis

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