

KORN FERRY  
**Institute**

**Executive Outlook**

# **The Agile CFO**

# Old CFO challenges with new complexity.

The nature of challenges facing chief financial officers might appear indistinguishable from those of 20 years ago: expanding into new markets, mergers and acquisitions, changing technologies. But increasing globalization, the rise of Asian markets, the ubiquity of the Internet, and faster communication—combined with the financial markets’ turmoil since 2008—have made each of those activities exponentially more complex and unpredictable.

Although chairmen and CEOs stood front and center during the global financial crisis, their CFOs were nearby, with no less important role. They were the finance men and women charged with managing their company’s sometimes fragile bottom line and return to health. Those who succeeded shared one particular characteristic—Learning Agility—that enabled them to identify, navigate, and in some cases grow the business, even through that period of unprecedented disruption.

It was the agile CFOs who could turn on the dime of disruption and quickly change course. They reacted rapidly and decisively to market turmoil and adapted their rhythm to the pace of change during the crisis—and the ensuing cost cutting and regulatory demands. But once the crisis was over, not only the financial markets had changed, so had the role and profile of CFOs.

Post crisis, Australia’s high exchange rate and the mining boom, followed by a decline in commodity prices, slowing retail sales, and a need to manage costs, created a two-speed economy. That further changed the running rules for the finance function. Strong financial and commercial acumen were no longer the only attributes required to lead the finances of a large corporation. CFOs would also need to be the right fit. As one CEO noted in the 2013 Korn Ferry report “From CFO to CEO: a pathway to leadership”: “A CFO’s values and how those match the organization’s lie at the core of whom to select as a CFO.”

# The importance of getting the right fit.

Korn Ferry research reveals that 40% of executives fail in their first 18 months in a new role. The reason is not lack of skills, but issues of fit. Finding a CFO who matches the culture of an organization has become as important as assessing technical skills and experience.

CFOs absolutely need to be strong on the numbers and satisfy the audit or risk committee of the board, and its focus on legal liabilities to shareholders and financiers. At the same time, in this competitive environment they need to have leadership skills and commercial insight that will add value beyond pure finance and accounting matters.

The pathway to a CFO role in a large listed company via senior positions in accounting firms or banking has changed significantly, despite the obvious technical financial skills and experience gained in those roles. Indeed, candidates who previously may have been selected based solely on their exemplary technical ability are now generally assessed on additional metrics: leadership characteristics, leadership styles, thinking styles, emotional competencies, and other behavioral attributes. Such assessments can be used, particularly in executive searches, to ensure that candidates meet not just the technical demands of the role, but also the leadership ones.

In a business environment where change is the new normal, finding CFOs who can demonstrate their Learning Agility—that is, the ability to quickly learn and react to shifting situations—is more important than ever.

## Identifying and assessing for learning agility

Learning Agility is a combination of five factors, each of which can be measured individually.

**Self-Awareness.** Individuals who know what they are good at and not so good at and actively address the not so good.

**Mental Agility.** Critical thinkers who are comfortable with complexity, examine problems carefully, and make fresh connections that they then make understandable to others.

**People Agility.** Exceptional communicators who understand the value of getting things done through others and who see conflict as an opportunity rather than a problem.

**Change Agility.** Experimenters who can deal with the discomfort of change; they have a passion for ideas and are highly interested in continuous development.

**Results Agility.** Resourceful leaders who deliver results in first-time situations through their own drive and a presence that inspires others.

# Learning Agility contributes to executive success.

Learning Agility is the ability—eagerness, even—to learn from experience and subsequently apply those lessons to succeed under new or first-time conditions. It is not, then, a matter of what leaders know from the past but an indicator of what they will do in the future, particularly when faced with a scenario that requires them to adapt or build new behaviors and skills.

In general, an ability to learn quickly is a characteristic of successful leaders. There is a difference, however, between traditional learning and agile learning. Agile learners are comfortable experimenting and pushing boundaries. They think broadly, make connections, take initiative, engage others, and know their own strengths and weaknesses. Traditional learners are technical masters and high-functioning performers who apply tried-and-true methods of problem solving and interacting with others.

Organizations require both types of employees, but they generally have different career paths. Agile learners have high potential for leadership. Naturally self-reflective, they actively seek feedback and objectively evaluate their experiences. High performing employees may be technical experts in a defined area—with years of sustained, superior performance. High performers play a vital role in ensuring that quality of existing products and services remains high, and high potentials are more likely to ensure that an organization adapts and grows.

So how can a learning agile CFO move into a broader C-suite role? Korn Ferry's 2013 report *From CFO to CEO: A Pathway to Leadership* looked at the skills and experience of CFOs and concluded that they are ideally placed to be candidates for CEO succession because of their broad exposure to all facets and functions of the enterprise. But, ideally, they should first step out of the finance function into a general management role to round out their experience.

The ability of CFOs to take on such new and unfamiliar challenges and succeed should be reflected in above-average levels of Learning Agility. So we studied the results of top CFOs in Australia to examine whether CFOs are intrinsically equipped to succeed in broader C-suite roles.

# Learning Agility trends among Australian CFOs.

The aggregate CFO results reveal a higher-than-average level of Learning Agility with 36% of the group scoring in the high range. Results Agility was the group's highest score followed closely by Change Agility; nearly half of the CFOs scored in the high range on these two subsets of Learning Agility.

Taken together, this suggests that CFOs who participated in the study are change oriented and results driven, relishing new challenges and pushing through to achieve their goals. CFOs with this nature would likely be adept at leading change efforts (including taking the heat of change), taking risks, and viewing setbacks as opportunities for improvement. Couple this with the resilience to get things done in new and tough situations, and they can be counted on to get results.

Results Agility also had the highest rate (16%) of CFOs showing evidence of potential overuse—suggesting that he or she might lead too *much* by just pushing for solutions.

There was also quite a divergence in how CFOs think. More than half (52%) of participants reported high Mental Agility: the ability to look broadly and analytically at problems to find their root causes. Someone with high Mental Agility can easily assess complexity and is comfortable with ambiguity. High Mental Agility will enable CFOs to move beyond the traditional CFO role and apply their thinking more broadly to the business.

A smaller proportion of the CFOs (28%) have low Mental Agility. These CFOs tend to look for the answer to problems based on current and past experience. They think deeply within their functional expertise, valuing traditional and proven techniques to solve problems.

The important thing to note is that neither style is wrong or right. Each is fit for the purpose of the role and environment within which a business operates.

The lowest score overall is People Agility and that was seen across the group, suggesting that it is perhaps an aspect of Learning Agility that CFOs need to develop. In particular, CFOs who aspire to be CEOs will need to focus on developing their People Agility.

In terms of Self-Awareness, 60% of participants fall within the balanced range, with 28% being in the high scores. Only 12% fell below the 20th percentile.

Overall then, we see in CFOs a preference for challenging and tough assignments, a high degree of perseverance, and emotional stability.

## How we conducted this study.

Korn Ferry has a number of assessment tools that measure Learning Agility. For this study, we invited a number of experienced CFOs of large companies in Australia to complete the ViaEdge online psychometric assessment. We received results from 25 CFOs, eight women and 17 men. Twenty of the 25 respondents are currently CFOs of ASX listed companies, with seven being in the ASX Top 40 (in mid-December 2013) by market capitalization. The others are regional or divisional CFOs in large international groups. All CFOs were in the private sector and their CFO careers covered resources, industrial and manufacturing, industrial services, retail, professional services, infrastructure, financial services, technology, property, and construction.

# Building CFOs for the future.

Leaders often fail because they depend too much on what made them successful in the past. Instead, they need the Learning Agility to take on the behaviors required for success in new situations. This personal characteristic, which exists irrespective of skills and background, differentiates those with the capacity to grow into greater leadership roles over time.

Australia's CFOs exhibit above-average results when assessed for Learning Agility. It is clear they have the underlying attributes that suggest the potential to move into CEO and other leadership roles. With the right skills and experience as a base, they should be able to rapidly learn and adapt to new situations while maintaining a focus on getting results.

But what else is needed to ensure prolonged success? Should today's emphasis on finance skills and experience continue in a world of increasing complexity?

Korn Ferry believes that complex organizations should build a team of finance executives who have technical skills befitting a finance role coupled with high Learning Agility. The former shows that they are ready for today, the latter that they can adapt for tomorrow. High levels of Learning Agility also should allow the organization to post these executives outside finance to broaden their career experience. The finance function cannot consist solely of high potentials, but having a good mix in the team allows for personalized career development that maximizes opportunities for the individual and the organization.

These high potentials will grow into agile CFOs who will better adapt to changing circumstances, learn from the past, understand themselves, and continue to drive for results. They will prudently take risks, enjoy experiencing and leading change, and inspire others to perform at a higher level.

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## About Korn Ferry

At Korn Ferry, we design, build, attract and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programmes, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

## About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

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