CFO to CEO

The right-brain leadership gap

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Chief financial officers (CFOs) who believe that becoming chief executive officers (CEOs) is their next logical career step may very well find that the odds are against them.

The numbers bear this out: A Korn Ferry analysis of sitting CEOs in the global Forbes 2000 in 2015 reveals that only 13% moved into that position from being CFO (Figure 1). In addition, Forbes 2000 CEOs who previously held senior-level financial officer positions (controller, treasurer, chief accounting officer, senior vice president/vice president of finance, chief tax officer, vice president of investor relations, or CFO) accounted for only 18% of the total (Figure 2). These numbers are virtually the same overall for 2013 through 2015, and improve only slightly among Forbes 500 CEOs.

The reasons for the dearth of financial executives moving into the CEO role are both eye-opening and instructive for CFOs with their sights set on becoming the final decision makers. A strategic mind-set, strong financial acumen, and a close working relationship with the board, although they are characteristics of best-in-class CFOs, will be insufficient to transition successfully to CEO.

This paper will show that, to take the next leadership step, CFOs must move beyond their technical left-brain skills and develop more competencies in people- and relationship-oriented right-brain areas.
The right stuff for the right leader—best-in-class CEO.

To set the bar for CFOs who have already distinguished themselves as best-in-class financial executives and are now looking to advance their careers, we must define what it takes to become a successful CEO. Of all the CEOs who have gone through Korn Ferry’s comprehensive leadership performance simulation, the top 20% of performers had markedly more experience in four specific areas that demarcate great CEOs: driving growth, managing crises, developing strategies, and managing finances (Figure 3). (Crandell et al. 2014).

Another notable strength of successful CEOs is learning agility, a key predictor of success, which Korn Ferry defines as the willingness and ability to apply lessons learned from past experiences to new and first-time situations and challenges. (In other words, it’s knowing what to do when you don’t know what to do.) Learning-agile leaders are nimble, adaptable in changing environments, and insatiably curious (Dai et al. 2014). Instead of defaulting to solutions and problem-solving tactics that worked in the past, learning-agile leaders apply fresh and varied approaches, ideas, solutions, and techniques to address new problems and unforeseen challenges. (Sevy et al. 2013)
Highly learning-agile CEOs also tend to have other desirable qualities: dealing well with (and actually enjoying) ambiguity and complexity; being reflective and insightful; embracing new things and different approaches; and willingly assuming accountability and ultimate responsibility, particularly when things fail. (Dai et al. 2014) They move beyond the status quo, having an orientation of how to “put ourselves out of business” by abandoning the old.

Looking more deeply at best-in-class CEO profiles, Korn Ferry’s analysis reveals four additional strengths and desirable attributes that coincide with a strong right-brain orientation:

- Social leadership, or the ability to inspire, influence, and motivate others
- “Outside-in” thinking (a strong mega-trend and customer focus)
- Courage, particularly during adversity and crisis
- Optimism that encourages and empowers others

Pulling these traits and attributes together produces a comprehensive picture of the best-in-class CEOs who possess both left-brain technical competencies (e.g., a strategic mind-set and financial acumen), some of which can be learned in business school, and right-brain attributes (e.g., social leadership to influence, motivate, and inspire others) that don’t necessarily come with an MBA (Figure 4).
CFO vs. CEO: Left-brain parallels and right-brain gaps.

Given the balance of left-brain and right-brain competencies possessed by best-in-class CEOs, how do CFOs compare? A comparison of leadership profiles reveals that the two executives are similar in several largely left-brain technical competencies (Figure 5): the quality of decisions, strategic mind-set, knowledge of global markets, and the ability to align execution to ensure that priorities are met. CFOs, as expected, score high in financial acumen, exceeding the average competency of CEOs.

CEOs greatly outshine CFOs, however, in right-brain competencies, especially those that correspond with social leadership traits (Figure 6) that reflect the typical CEO’s extroversion and ability to interact fluidly with a diverse group of people. For the typical CFO who aspires to become CEO, the right-brain traits may be a significant gap.
With heavy reliance on left-brain technical skills, CFOs tend to be very linear in their approach, which is consistent with a more narrowly defined position in which one is highly cognizant of rules and regulations. CEOs, on the other hand, are less apt to tell people what to do and instead guide them to what they should think about.

When it comes to vision and innovation, CEOs have an edge over CFOs, but the two are closer than people might think. Given that nearly 50% of CFOs have public accounting backgrounds, however, they are typically very compartmentalized, seeing things in black and white and focusing strongly on managing risk. CEOs, on the other hand, are more focused on fostering and managing innovation. Said another way, CFOs are more likely to color within the lines, while CEOs paint the lines. CFOs know how to say no and, given their oversight of capital deployment, people often expect them to say no. CEOs, however, need to say no in a way that does not dampen enthusiasm or creativity. To expand their leadership, CFOs must become more agile and comfortable making decisions when there are not black and white answers.

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1 Optimism and influence findings in Figure 6 were measured using scales of the same names from SHL’s Global Personality Inventory (GPI), owned by CEB.
Using their social leadership skills, CEOs can navigate their organizations and influence others in ways that CFOs generally cannot. Although CFOs are responsible for the development of their teams, they typically have not had as much experience influencing and guiding people who do not report directly to them.

Two other right-brain attributes that CEOs possess in abundance compared to CFOs are courage, which allows them to step up to address difficult issues and say what needs to be said, and optimism. These two traits help CEOs face challenges and uncertainty with confidence while they also provide a steadying influence on others. Courage provides the mental and emotional fortitude to navigate difficult and sometimes dire times (the 2008-09 financial crisis and the recession that followed are perfect examples), while optimism is the encouragement to persevere.

A CEO’s courage is often the result of having faced many adverse and critical experiences over the years. A Korn Ferry analysis shows that, even among C-suite executives with the same number of years in management positions, CEOs typically have far more experience than CFOs in dealing with adversity, inherited problems and challenges, interpersonally challenging situations, downturns and failures, and difficult staffing situations. CEOs also tend to handle more high-risk and high-profile situations, critical negotiations, and crisis management over the course of their careers than CFOs.

The CEO’s right-brain leadership strengths build and leverage relationships and influence among the two most important constituencies: employees and customers. Having an “inside-out” perspective, CEOs understand the employee point of view of such internal forces as leadership, people, organizational capability and alignment, infrastructure, technology, et cetera. Conversely, when they look “outside-in,” their strong customer focus equates to a commercial temperament about the marketplace and an almost intuitive sense of what new or improved products and services customers will want. They can gauge a plethora of external forces, including mega-trends, competitors, product innovation, and new markets, from customers’ perspectives.

With the full complement of their skills—left-brain and right-brain—CEOs drive results. Here is yet another differentiator between CFOs and CEOs: Although CFOs are responsible for reporting the results, they seldom are fired for them. A CEO, however, will be fired, which raises the stakes for social leadership skills deployed inside and outside the organization.
The “all-in” intensity of being CEO.

Although certain experiences build leadership skills and competencies, there are aspects of the CEO role for which there is no adequate preparation. From personal experience, I can attest that until someone becomes CEO, it is impossible to fully comprehend the “all-in” intensity of the job.

Earlier in my career at Korn Ferry, when I was an operating officer and a CFO, I could still be one of the guys. People viewed me as a person, not as a function. I was even allowed to have a bad day once in a while without worrying about whether my mood affected the company. Then I became the CEO. Suddenly, people were reading my mood as if it were tea leaves. I wasn’t speaking just for myself anymore. I represented a position and an institution. Motivating and inspiring people, displaying optimism in the face of challenges, and being highly attuned to others took on great importance. This realization prompted me to change my communication style, shifting away from the PowerPoints I relied on as a CFO (a pie chart never inspired anyone) to focus as much on my tone, attitude, and the energy with which I spoke and interacted with others as I did on what I had to tell them.

Other leaders who were promoted from CFO to CEO describe similar experiences. Indra Nooyi became president and CFO of PepsiCo in 2001, before stepping into the CEO role five years later. As she candidly described in a conversation we had, nothing could quite prepare her for the demands of the job: “The one thing I have learned as a CEO is that leadership at various levels is vastly different. When I was leading a function or a business, there were certain demands and requirements to be a leader. As you move up in the organization, the requirements for leading that organization don’t grow vertically, they grow exponentially. ... When you are the CEO, the responsibilities multiply enormously because you worry about everything,” said Nooyi, who continues to serve as PepsiCo’s chairman and CEO. (Burnison 2011)
CEOs are often thrust into the spotlight—literally. For example, as a CEO I have delivered speeches in front of 5,000 people without PowerPoint slides; participated in a high-profile business forum in front of a live audience (no notes, no slides) bookended by Howard Schultz of Starbucks and Angela Ahrendts, former CEO of Burberry and now senior vice president of retail and online stores for Apple; gone toe-to-toe with a news anchor on live television; and sat in a tiny studio with nothing but a bright light and a robotic camera for company while waiting to be interviewed by remote feed. Even the best media training offers an inadequate dress rehearsal to face the spotlight and to speak not for myself but for the organization.

At the other end of the spectrum, CEOs need emotional intelligence to handle personal interactions, from delivering a eulogy for a senior leader to intense one-on-one conversations. At the end of the day, leadership is all about how you make others feel, no matter what the topic, situation, or challenge—even if someone is being fired.
CFOs aspiring to be CEOs must first look in the mirror.

It is hard work for CFOs (and other C-level leaders) to close the gaps in their competencies to become CEOs. They must have the right motivation for doing so. Ego does not suffice, nor does the assumption that moving from CFO to CEO is the next logical career step. Many very talented and highly valued CFOs choose to stay in their roles and hone their financial and strategic leadership expertise to become best-in-class. In fact, in a recent survey, fewer than two-thirds of CFOs (64%) indicated an interest in becoming CEOs. (CFO Pulse Survey, 2013)

For those CFOs who truly believe they are capable of assuming a broader leadership role, the process begins with the self-awareness needed to move beyond what is comfortable and develop the requisite broader array of leadership strengths. Fortunately, many best-in-class CFOs are learning-agile, which is a real asset for taking on new challenges and expanding skills. Even within learning agility, however, there is room for CFOs to improve.

Learning agility can be separated into five factors: self-awareness, especially of one’s strengths and weaknesses; mental agility, or being comfortable with complexity and making fresh connections; people agility, or possessing exceptional communication skills and knowing how to get things done through others; change agility, or a passion for ideas and high interest in continuous development; and results agility, or the ability to deliver results in first-time situations through one’s own drive and by inspiring others. Of these five, CFOs are strongest in results agility (reflective of their financial acumen) and are comparable to CEOs in self-awareness, while CEOs have an edge in mental agility and in change agility. The most noticeable gap for CFOs is in people agility, which is consistent with their need to develop more social leadership skills to influence, engage, and inspire others (Figure 7). Developing more people agility is a crucial aspect of right-brain leadership that CFOs will need to develop to move into the CEO role.
What got you here won’t take you there.

It is a fact of leadership life: The technical skills and competencies leaders possess are what got them where they are today. Depending too much on what worked in the past, however, may not lead to future success. There are industries (for example, utilities post-deregulation) when CFOs’ left-brain financial engineering skills (e.g., knowledge of capital markets and deploying capital) are highly desirable for the CEO role. In most industries, however, CFOs who want to become CEOs must intentionally take on new challenges and make the necessary career moves to gain more diverse experience and develop deeper social leadership skills.

The typical career path for CFOs who aspire to become CEOs frequently takes them into operating roles, often as chief operating executives or presidents of large divisions, even if their compensation exceeds the typical salary for that position. Nonetheless, the company is willing to make that investment to broaden the CFO’s competences and experiences as a potential CEO successor.

Even more important than expanding the CFO’s knowledge of the business or industry through an operating role are the opportunities to engage more fully with others both inside and outside the organizations. As architects of capital allocation and with a clear understanding of the organization’s strategy, CFOs often act as advisors and business partners to general managers—e.g., setting the guidelines of how much can be invested or the metrics to be used. By taking on general management responsibilities, CFOs broaden their engagement with others, including building trust and working collaboratively across the organization. CFOs who want to become CEOs one day must be able to establish and articulate a vision to engage and inspire thousands of people who will then want to follow them.
A notable example of a CFO whose career path has led to expanding operational responsibilities is Thomas Staggs of Disney. A 25-year veteran of the company, Staggs was named chair of Walt Disney Parks and Resorts in 2010 and in February 2015 was promoted to COO. In his latest role, Staggs shares oversight of much of the senior management team, including the heads of all business segments, with Disney CEO Robert Iger. Other CFOs who have taken on broader leadership roles include Keith Sherin, vice chairman of General Electric and CEO of its GE Capital unit; Safra Catz, co-CEO of Oracle; John Martin, chairman and CEO of Turner Broadcasting System, a unit of Time Warner; and Robert Bradway, chairman and CEO of Amgen, who also served as president and COO.

Companies also can get creative in developmental assignments for a sitting CFO. For example, one company put its CFO in charge of a global operating committee even though none of the members reported to him. The CFO became so adept at using influence and other social leadership skills while gaining in-depth understanding of enterprise-wide operating issues that he became a leading candidate for CEO succession.

CFOs who want to move ahead must to seize opportunities to broaden their skills and gain new experiences. For example, a CFO who acts as the understudy for the CEO for certain events may seek more of a co-presenter role, moving beyond the PowerPoints of the financials to delivering a message that will engage and inspire others.

Having a personal life full of rich experiences carries benefits beyond the intrinsic. For example, traveling to different cultures and environments broadens one’s perspective and exposes people to greater diversity. A passion for the arts can spark more creative, innovative thinking. Community service, whether on the local or national level, expresses one’s interest to support a particular cause or issue while providing new experiences to engage with others. Chairing a philanthropic board whose volunteer members don’t report to anyone requires the leader to encourage more participation by understanding how and why others are engaged.

In summary, wherever the CFO’s career development path leads, it must surpass left-brain technical competencies. Greater right-brain leadership, in particular people and relationship skills, is needed to beat the odds for CFOs who have their eyes on the CEO role.


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