Leadership transitions
Making the leap from CFO to CEO

A Deloitte CEO Program article
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The US CEO Program is dedicated to architecting the long-term success of CEOs and the companies they lead. Leveraging the full depth and breadth of Deloitte’s capabilities, the CEO Program offers innovative insights and immersive experiences to help new and experienced CEOs throughout their lifecycles: to navigate critical points of inflection; design a strategic agenda; and lead through personal and organizational change, disruption, and transformation.

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If you are a CFO who aspires to be a CEO, you have undoubtedly heard that in order to land the top job—and do well once you’re in it—you should first seek to augment your financial expertise with operational experience. Conventional wisdom would also suggest that a CFO pursue some stretch goals, such as managing a significant change management initiative to “round himself or herself out.”

That sort of advice isn’t wrong. But it suggests a dangerously incomplete view of what will truly help former CFOs excel once they are in the corner office.

We recently conducted in-depth interviews with a wide range of executive recruiters, corporate board members, executive coaches, outgoing CEOs, and individuals who have made a successful CFO-to-CEO transition. Despite the different lenses through which our interviewees viewed the transition, we found a remarkably consistent point of view: Preparing to become a CEO by rotating through roles with operational experience may be an appealing notion because it is formulaic and generalizable, but that is precisely why it does not lead to true role readiness.

Instead, our findings, which reinforced what we have learned through our own work consulting with CFOs and CEOs, indicate that the optimal path for each CFO is far more personal and nuanced. What’s more, the conventional preparatory and transitional activities don’t seem to matter nearly as much as whether an aspiring CEO has been able to develop new ways of thinking while performing those activities. Effective preparation for

**WHAT TYPE OF ASPIRING CEO ARE YOU?**

We found from our interviews, other empirical studies conducted by Deloitte, and external academic and corporate research that CFOs who aspire to be CEOs tend to fall into one of three groups.

- **I get it, and I’m ready.** Some CFOs are inherently hard-wired to become effective CEOs due to an atypical personality composition. Their profiles are more aligned with what we would typically experience with CEOs. They understand the stereotypes held of CFOs by some key stakeholders and they have gone the distance to develop further and be perceived as ready to lead a complex organization.

- **I’ve worked hard to get it, and I’m ready to destroy the stereotype.** These CFOs have been diligently working on their personal and professional development through meaningful stretch experiences and deep introspection. They understand where they came from and grasp the changes they need to integrate. Along the way, they have challenged themselves to broaden their cognitive and behavioral repertoire, and they are ever mindful of the stereotype they may need to crush.

- **I’m a successful CFO, so I’m ready to be a CEO.** This group encompasses CFOs with high potential and aspirations to become a CEO, but they are not yet attuned to the true development experiences and insight required. They may intellectually understand the stereotypes that others may hold of CFOs, but they do not consider it a problem for them.

While this article is targeted at all three groups, the readers we want to support the most with what follows belong in the last one.
the CEO role, if you’ve always been a “numbers person,” is not about bringing your expertise to bear in new and different situations and learning how to manage through issues that may fall far outside of your comfort zone; rather, it may require vastly expanding the boundaries of your comfort zone. (See the sidebar “What type of aspiring CEO are you?”)
To perform successfully as a CEO, in other words, former CFOs must be able to tap into ways of framing problems and solutions that often fall far outside the realm of what served them well as financial leaders—but nonetheless have become very well understood to them, even “second nature,” through their preparation for the role. Depending on the nature of the company, and the internal and external environment, a person can do well in a senior operational role by leading with a financial mindset. But a CEO cannot perform well with only one approach in his or her arsenal; versatility in ways of thinking has become a table stakes requirement for the job.

That’s because today’s CEOs face challenges that are different from their predecessors’. In companies that have considerably flatter hierarchies than they used to, these leaders are expected to create industry-level disruptions while simultaneously fostering agile cultures that support innovation and change. In a world that is far less predictable, they need the competency to adjust rapidly to the dizzying shifts that global market conditions create—and, sometimes, influence those shifts as well.²

To do so, they must intuitively understand what’s needed at any given juncture to lead a mobile and diverse workforce. They have to “get” why there’s a high correlation between productivity and employee engagement, whether a company is growing organically or through mergers and acquisitions. And they have to be able to foster that sort of environment in order to attract, develop, and retain the talent who will thrive in it.

They also need deep-rooted self-assurance. Gone are the days of CEOs feeling a relative sense of invincibility, if not omnipotence, in the job. Activist shareholders, aggressive journalists and analysts, elected officials and NGOs can all now effectively message their dissatisfaction through the ubiquity of traditional and social media. CEOs today exist in a milieu of transparency where even someone who is rather confident in his or her thoughts and actions may at times feel naked. Lacking the right preparation, the CFO-turned-CEO is in for a difficult time.
Three qualities of successful CFOs-turned-CEOs

To begin preparing, it’s important to understand your goal—appointment to the CEO position and success and satisfaction in that job—in terms of the characteristics and skills of others who have attained it. The idea is to get beyond titles held and experiences obtained to qualities developed and used.

To that end, we aimed in our research to distill the key qualities that successful CFOs-turned-CEOs exhibit. Our research suggests three, in particular, that help former CFOs get hired into and do well in the top job:

They “get” vision

They can lead collaborative efforts to articulate a vision and get it approved and supported by their board.

As Ellen Kumata, a seasoned C-level coach, put it:

Boards are particularly interested in CEOs who are able to articulate a strategic vision, who can articulate what the future might look like, and who are great at seeing around corners. Boards also want adaptability rather than the “hero-leader” who’s got all the answers. Realistically, this means someone who has vision and is adept at processing information from multiple inputs; someone decisive and yet not so hung up on “my way is the right way.”

Balancing a visionary identity with a decisive one can be difficult for any executive, let alone the prototypical CFO for whom decisiveness comes naturally but vision-related thinking can feel like an exercise in fantasy-creation. That side of leadership can be difficult, if not painful. One of us (Lipton) found in his research a decade ago that CFOs struggle more than other C-level executives to articulate and embed a corporate vision. The good news is they can not only develop this “flat side,” going against their preferred personality attributes, but they can excel as visionary leaders. What’s the catch? They have to be highly motivated to get beyond the strong discomfort that vision-level thinking often evokes for them.³

Consider Neil, (not his real name) who took a lateral move from his job as CFO to run a large division of his firm to gain operational experience. He learned on day one from his senior team what they—and the division—needed most. They were desperate for a robust vision that could guide a range of looming strategic decisions before them now and some down the road. One of us (Lipton) was asked to work closely with Neil and deliver on the promise he made to lead this process. “Vision” was out of Neil’s comfort zone, as he told us following the exercise: “I’m glad we went through this process, but it was the most nerve-wracking, soul-searching, sobering thing I’ve ever done professionally.”

They defy—if not destroy—the stereotypes held of CFOs

Stereotypes die hard and, unfortunately, some current data seem to reinforce them. A Russell Reynolds study that compared 4,000 non-CFO executives with 150 CFOs found significantly high differentials for strong CFO orientation to details, data rationality, rule following, and modesty.⁴ Conversely, CFOs were significantly lower than others in being...
outgoing and persuasive and in their comfort level with abstraction.

As one interviewee told us: “CFOs, as a group, have to work on their leadership capacity to inspire, express empathy, and engage closely with people. The CFO organization may seem like a stereotypical image of the ‘old school’ teacher—can’t do this, need to redo the budget—they’re seldom associated with goodness.” In our own intensive work supporting and developing CFOs, we have only occasionally seen this kind of older archetype. But our interviewee was expressing a valid perception that others can and do hold of CFOs. Preconceived perceptions matter, regardless of whether they are based on fact, and any CFO aspiring to become CEO must assume that this potential stereotype is trailing him or her.

CEO-role-ready CFOs wrestle it to the ground. This means that along with their willingness to work with and develop their aptitudes with leadership concepts like visioning, they lead by example to get diverse groups to collaborate and build high-functioning teams. They think disproportionately about the future and know when and how to communicate these thoughts to relevant stakeholders. They delegate significant responsibilities and hold others accountable for innovating, creating a more agile, resilient, and motivated workforce. They understand how talent is developed.

They also understand what it means to be “client-oriented” in the ways that they build alliances and hone their diplomatic and people-management skills. And, they embrace the belief that at the very top level of management, there’s more leading, less doing. Joseph Fuller, founder of the global consulting firm Monitor Group (now Monitor Deloitte) and professor of management practice at the Harvard Business School, told us:

All successful executives develop a set of heuristics, pattern recognition skills they’ve assembled, ways to process events and uncertainties and to reach better judgments. The big gap here is that the heuristics of a good CFO are not those of general management. They have to use the heuristics developed over a career and build other, new ones, and they have to do it relatively quickly.

Another one of our interviewees, a former CFO for three public Fortune 500 firms, spent some time as a CEO only a few years following the board’s firing of a scandal-ridden CEO and his senior management team. His epiphany? “I had to always look at the glass half full, not how the CFO side of me wanted to assess the situation. Always be the optimist. You want to think about ‘what could be’ versus the financial aspect only.”

As a third interviewee put it: “What others run away from, you run toward.” He went on to explain that whether it involves probing a potentially difficult M&A deal, reacting to a major competitor that is creating disruption through new manufacturing processes, implementing technology solutions that call for a significant business transformation, or dealing with an event within the firm that has created a PR crisis, aspiring CEOs don’t shy away; they explore, assess, and react, and they purposefully try to bring more to the table in their actions than their predictable financial and metrics-based point of view.

They are highly attuned to their own mindsets and personality, and continually seek ways to broaden their cognitive and behavioral repertoire.

CEOs and CFOs as groups are different in characteristic ways. (The sidebar “Dynamic duos” focuses on these differences.) The executive search consultants we interviewed in fact noted that the education and career choices that CEOs and CFOs have made along the way are generally idiosyncratic—a trend that doesn’t go unnoticed when CFOs interview for the CEO position. In addition, they said that only when CFOs are consciously aware of how they present themselves—and are purposeful about showing alternative sides of
DYNAMIC DUOS

Deloitte’s internally developed personality profile assessment, *Business Chemistry*, helps people understand themselves and also identify complementary traits in others (such as risk-taking and communication styles) that might help them perform optimally as a team. When psychometricians sliced their entire data set by respondents in CFO and CEO roles, the most common desired combination they identified was the *driver CFO* and *pioneer CEO*.

It’s a powerful partnership. Drivers are characterized as analytical, logical, and pragmatic. They are decisive, direct, and tough-minded; pioneers, by contrast, are adventurous, creative, and spontaneous. Together, these two personalities create a balanced approach to risk, which can lead to innovation that optimizes current operations, combined with large “exploratory” ideas that may form the basis for transformation.

These role typologies are consistent with conclusions from other research. Professors at Duke University’s Fuqua business school, for example, found that CEOs are not only far more risk-tolerant than their CFO counterparts, but they show even greater risk-tolerance than the general population of similar age. They are also more optimistic than the general population and, not surprisingly, this optimism manifests itself in the decisions they make. Higher optimism, for example, leads to using more short-term debt and taking on higher debt ratios.

And since optimism and risk tolerance is lower for CFOs, logic would indicate that it’s the CFO who keeps the CEO’s hard-charging behavior in check.

Russell Reynolds, a prominent executive search firm, released illuminating data from a 2012 study showing the distinctive characteristics of CEOs and how those desirous of these positions must move beyond their technical skills and develop more competencies in people-, relationship-, and risk-oriented areas. These findings put a spotlight on specific gaps where CEOs show a significant strength of at least 10 percent over those in other C-level roles:

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage difference from those in other C-level roles</th>
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<tbody>
<tr>
<td>Calculated risk taking</td>
<td>27%</td>
</tr>
<tr>
<td>Biased toward action</td>
<td>22%</td>
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<tr>
<td>Efficient reader of people</td>
<td>17%</td>
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<tr>
<td>Optimistic</td>
<td>16%</td>
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<tr>
<td>Measured emotion</td>
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<td>Pragmatically inclusive</td>
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<td>Constructively tough-minded</td>
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<td>Forward thinking</td>
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Optimism is again an important indicator in this case because it is crucial for developing and weaving an aspirational vision into the fabric of the firm. A CEO’s forward-moving confidence serves as a powerful and clear message to stakeholders that the vision is alive and attainable. In complementary fashion, however, and to their credit, it’s often the *Driver CFOs* who translate their CEO’s vision into practical reality.
their personalities—do the directors become impressed. During CEO searches that include CFO candidates, board members are ever mindful of how less outgoing and persuasive the CFOs can be, and how many seem to have a strong and consistent bias for details and data, which can compromise the big-picture view that is key to leading with a vision. The consultants we interviewed noted how consistently board members’ stereotypes of CFOs are realized.

Board members we interviewed, most of them from Fortune 250 companies, confirmed that view, and in addition, they revealed an intransigent mindset that they share about CFOs. As one explained: “It’s human nature that makes it difficult for us to picture them as a CEO.” We were again struck by the perceptual bias, whether it was based on direct personal experience or not. Yet these same board members told us that they gladly bury their bias when CFO candidates are able to broaden themselves to welcome and encourage action, to take calculated risks, to be comfortable embracing dimensions of the company beyond the financial, and to articulate and demonstrate how they have developed beyond (or deliberately compensate for) a default “CFO mindset.”

“When the world is predictable you need smart people,” McGill University Management Professor Henry Mintzberg observed. “When the world is unpredictable, you need adaptable people.” Beyond the now-accepted belief of constant personal adaptation, his research over the decades on organizational leadership continues to reinforce the belief that the best leaders do not learn merely from experience. “Learning is not doing,” Mintzberg cautions. Learning requires a continual “reflecting on doing.”

The Russell Reynolds study (noted in the “Dynamic duos” sidebar), in fact, emphasized the need for CFOs aspiring for the top role to strengthen their learning agility, the willingness and ability to apply lessons learned from past experiences to new and first-time situations and challenges.

And research conducted by Deloitte’s CFO Program led us to an even deeper understanding of the disconnect between a CFO’s desire to partner with the CEO as a key strategist and catalyst for change (60 percent), and the actual amount of time they spend on this goal (42 percent). The research found that the gap is even more pronounced with newly appointed CFOs, even though these individuals desire to be far more strategic.

The CFO Program’s research complements insights gleaned from more than 700 CFO Transition Labs, which the program conducts to support individuals moving into a CFO role. The labs are based, in part, on a model called the Four faces of the CFO, which offers a view into how CFOs must shift their approach as they pursue different activities. The accompanying graphic illustrates the four faces: The two “traditional” faces are steward (preserving the assets of the organization by minimizing risk and getting the books right) and operator (running a tight finance operation that is efficient and effective). The newer, and increasingly important, faces are strategist (helping to shape overall strategy and direction) and catalyst (instilling a financial approach and mindset throughout the organization to help other parts of the business perform better).

By considering each of the four faces, aspiring CEOs can begin to apply Mintzberg’s call to “reflect on doing” in real time. A CFO, moving
from task to task, can ask, “Am I spending a disproportionate and inappropriate amount of time in one or more roles? Why am I doing this? What am I learning from it? How might I further develop and benefit the organization if I reallocate the time and energy investments I make in these roles?”

As CFOs become more role-ready for the top job, in part by balancing their four faces, they distance themselves from a default mindset. Allocating more time to a face that may have previously been relegated to a lower priority, we have seen, can have strong developmental consequences: CFOs who are role-ready for the move to CEO more accurately gauge what a situation requires; they recognize when they have a reflexive tendency to assess a situation from a narrow point of view, and they consciously engage a reflective process that broadens their outlook and helps them determine what the best approach should be. In some situations, for example, they may realize that the best data for analyzing a situation or persuading someone to support an initiative is not the data they are most comfortable with. They may recognize that in order to vet a decision thoroughly, they need to be their own “devil’s advocate,” or purposefully seek insights from other sources—perhaps other senior executives who are more inclined to think “from the gut.”
The importance of looking inward

But all of that takes initiative. Culling through leadership development research of the past two decades, we found a proliferation of studies showing how organizations have overemphasized skill development at the expense of looking inward, and an aversion to understanding not only one’s mode of operating but the personality factors that influence it. In short, many leadership development journeys fail because they focus only on skills and behavior at the expense of deeper personal insight.

Many people can live their entire lives without understanding the internal forces that shape their actions. But that is a luxury now unavailable to those who control the life and destiny of a large complex firm. These days, accountable leaders understand their motives and inner drives. When they arrive at the CEO suite, they have already explored their own values, assumptions, priorities, and worries. Their understanding emboldens them to conceive of and take actions that are different from their default, autopilot response—a response that most likely would depend entirely on their strengths and on rational, financial-based decision heuristics.

Neil’s experience was a tangible case of someone using confusion and discomfort to drive an understanding of needs, values, assumptions, and fears. Neil declared to his entire divisional team at a vision-launch dinner after the process was completed that it had been the most introspective, self-examining experience he had ever had, and that he was grateful for it. At the time, he had been with this global organization (in various finance roles) for 30 years.

Becoming role-ready means more than broadening a behavioral repertoire. Underlying beliefs and assumptions that have guided old behaviors and approaches for so long require reexamination. If, for example, there has been resistance to delegate significant authority, then exploring whether the driver of this has been an inherent lack of trust in others, a need for control, or some other characteristic that has prevented one from doing what is known—at least intellectually—not to be in one’s best long-term interest.

Stretch goals such as building greater trust with external and internal stakeholders, managing a significant change management initiative, and gaining experience in another part of the firm merit attention as developmental experiences. But CFOs need to be mindful of why particular new skills or approaches cause them to “stretch,” and why acting in ways that feel discombobulating from our normal preferences are so uncomfortable. More so than getting through the experience, understanding the “why” is what will help them when they reach the corner office.

Our research suggests that CFOs are generally aware that CEO readiness requires deeper development but they are ignorant of or confused by the roadmap to achieve it. A rational CFO might well ask, “Why do I have to jump through even more developmental hoops? Haven’t I proven myself, haven’t I been through enough?” Development, after all, is not a new concept for those who have been in the CFO role for at least a decade. The landscape has in some ways changed dramatically for them and the CFO position itself has been altered in many firms: enactment of Sarbanes Oxley; the
move in some organizations to place the COO or other functions under the CFO; increased CFO pressure to support strategy; growing demands for cost management, budgeting, forecasting, and compliance.

What’s a CFO in this position to do? For some who aspire to become a CEO, “development” doesn’t need to mean seeking “new” responsibilities; it means deliberately bringing a new mindset and new mental habits to the evolving position they already hold. It means reflecting on one’s decision and behavioral habits. It means expanding the bandwidth of their leadership style into areas that may feel strange, uncomfortable, and, perhaps, even transformative. And it’s about exploring the inner self that triggers that strangeness and discomfort.
DEVELOPING the mindsets and mental habits to become a successful CEO can take anywhere from 24 months to four years, depending on when you’ve made the decision to seek a CEO position and the CEO skills and mindset you’ve seized from development-in-place experiences. If your development strategy has enhanced your leadership role readiness and your operational experiences have been rich and personally insightful, then the timing may be shorter. Here’s how to proceed:

1. Don’t keep seeking to do what you’ve already done or do well

Look for opportunities that require new behaviors, provide broad new insights about yourself and the organization. Staying with the same approaches and clocking time with maintaining your comfort zone—even if you are taking on new responsibilities—is not a game-changer. The front-of-mind question must always be, “How can I approach something in a way that prepares me for what’s next?” Time in a role is far less important than the change-up and diversity of new experiences you have stepped forward to master.

Some CFOs we spoke with who did not reach the CEO position commented, with 20-20 hindsight, on the stretch goals they wish they had seized earlier. “I needed to become a bigger player in the development and execution of corporate strategy,” said one. “I grew up a bean counter,” commented another. “I was conservative by nature, compliance-oriented, of course. But when you start trying to turn things around you need to break some eggs and still have peoples’ support. I can manage the finances in a turnaround, but can I visualize what it should look like and then execute against it? I don’t know if I could do that.”

You will be moving through unfamiliar terrain—and that’s part of the point. But the essential issue is how much you allow your outlook to broaden as you move through that terrain. Rarely, if ever, is a CFO who aspires to be a CEO intuitively able to parse and develop a level of comfort with all four faces without deliberate hard work. Some people travel the world and stay in high-end hotels that look and feel the same everywhere. They go out to see the sights in foreign lands, but they never quite immerse themselves in the culture. The CFO to CEO journey has to be about the level of immersion that ultimately leads to feeling at home when you’re not. It need not feel like continual white water rafting. Experiencing unfamiliar terrain will begin to feel less discomf Harding. Performing well under conditions of ambiguity or lack of familiarity is an essential CEO trait.

2. Have someone at your side when you look in the mirror

Mentors are potentially invaluable, and if you are being groomed by the current CEO for his position, you should enlist that person to mentor you. A board member, or someone outside your organization who has made the transition successfully, may also be a useful mentor.

But understand that you still need to have someone else assessing your growth,
and letting you know where you still appear to be defaulting to your most comfortable strengths, at times when another approach might serve you better. You need a confidant to look out solely for your best personal and professional interests.

You need a coach. With the right questions from your coach (as sobering as they may be), the right data (from all of the formal and informal feedback received over the years from professional and personal relationships), and a clear understanding of why you want to be a CEO, you can create a profile to determine where you need to focus.

3. Mitigate the loneliness of the journey

We heard in our interviews how lonely it can be at the top as CEO. But the concern being expressed was not whether a former CFO could manage the “loneliness”; our interviewees wondered whether he or she would have a sufficiently deep and wide bench of resources and supporters to count on. For CFOs who have been with the same organization for many years and are on the cusp of becoming the CEO, the need to develop more relationships is typically keen.

How can you connect meaningfully with other CEOs, improve relationships with board members, and create new relationships with bankers and policy makers so that you will have that personal “bench”? Are there more meetings where you can join your CEO? Have you maintained relationships with talented consultants you’ve worked with through your career? The litmus test is the degree of high-quality relationships you have beyond the immediate business, and the safest assumption is one that presumes you do not have a sufficient number of relationships.

4. Understand board needs and dynamics

As Kumata told us:

CFOs get themselves in front of boards, but not typically in ways that position them to be CEOs. They are often reporting what happened, but not necessarily from the position of talking about what should be happening. CFOs aren’t often cast in the role of visionary, even if they might be. And if they don’t have an operations background, then the board doesn’t see them in an execution role.

SUMMING UP: FIVE DEVELOPMENT STEPS FOR THE WOULD-BE CEO

1. Don’t keep seeking to do what you’ve already done or do well. Look for opportunities that require new behaviors and that provide broad new insights about yourself and the organization.

2. Have someone at your side when you look in the mirror. A mentor is invaluable, but not enough. Also seek out a coach who will help counter your tendency to default to your most comfortable strengths at times when another approach might serve you better.

3. Mitigate the loneliness of the journey. Develop a personal “bench” of high-quality relationships with internal and external individuals, including CEOs and board members, that you can draw upon when needed.

4. Understand board needs and dynamics. One way to gain insight into board members’ perspectives can be to become a board member yourself at another corporate or non-profit organization.

5. Focus on ways to enhance your positive influence on others. Find opportunities to distill complex issues into digestible messages that you can communicate to stakeholders within your organization.
Those who made the successful CFO-to-CEO transition within their own organizations, each had distinct moments they seized for developing relationships with board members. It was particularly during difficult periods that these CFOs moved out in front of their traditional role without usurping the CEO’s influence or authority. “The board had faith in me,” said one. “They saw I had passion for the business and my interests went beyond the numbers.”

Reduced to its essentials, this point is about an individual’s ability to step into someone else’s shoes, see a situation from their point of view, and respond accordingly. And often, an important way to try on those shoes is to become a board member at another organization—whether corporate or non-profit.

5. Focus on ways to enhance your positive influence on others

In that same vein, the aspiring CFO-CEO needs to find opportunities with varied audiences to distill complex issues into digestible messages. While you may not be preparing the next great TED Talk, consider how the best TED presentations are learning moments that most people can understand. Consider getting in front of audiences at professional or industry meetings. Observe your CEO in action speaking to shareholders, and think about how you might have presented his or her argument. Take your biggest recent finance-based decisions and think about how you would articulate a compelling, well-rounded argument to support your choice.

Look for ways inside your organization to bring your philosophy and thought out into the open to upgrade others’ thinking, motivate to improve standards, make a case for non-financial strategies, or to create a burning platform for change.
Develop your own profile, not someone else’s

CFOs have made, and can make, truly excellent CEOs. In these times, depth in financial understanding is a clear asset. (See the sidebar “The promising CFO-to-CEO landscape.”) And the experiences a CFO needs to succeed as CEO are readily available; if not at your own organization, then somewhere else. The real issue will be pushing yourself to stay the course on the mental journey and assessing along the way if the personal goal you’ve set is right for you.

As Marcia Avedon, CHRO at Ingersoll Rand, told us, “To be a successful CEO, you must have the ability to think and act strategically. You have to be a true general manager, thinking holistically about the organization from all points of view, and connecting the dots. But just as there’s no generic profile of a company once you get in the front door, there’s no generic profile of a successful CFO-to-CEO candidate. This has to be a personal journey.”

THE PROMISING CFO-TO-CEO LANDSCAPE

In recent years, we’ve seen an increase in CFO recruitment to CEO roles. That’s good news for ambitious CFOs, but the trend warrants some examination. Why are CFOs being tapped for the top job, and what might that tell us about preparing to be a CEO?

Based on our experience and research, here’s our view. First, a CFO’s credibility to become a CEO rises sharply in firms—and during times—where a higher degree of financial specialization fits a company’s current context. Post-recession difficulties, turnarounds, and other situations requiring acute financial discipline (a decision to pursue growth through M&A versus organically), or the need for financial maneuverability, all strongly favor candidates with CFO backgrounds.

A second factor is the gradual but persistent elimination of the COO position. By the end of 2013, the COO role in Fortune 500 and S&P 500 companies had declined 4.2 percent for that year alone and only 35 percent of Fortune 500 or S&P 500 companies had a COO. The upshot has been a marked increase in CFOs’ bandwidth of operational experience, as they increasingly take on more of the tasks formerly in the COO’s purview.

We do not suggest the marked decline in COO positions indicates an entire elimination of the role, but it is worth noting the actual title of COO disappears because in many cases that person has taken over as CEO. One recent snapshot of CEO transition data shows that 40 percent of CEOs among Fortune 500 and S&P 500 companies at the end of 2013 came directly from COO positions, and over 20 percent from a divisional president role.

How did CFOs fare in comparison? 27 percent of CEO hires had CFO experience on their resumes. When we take a closer look by industry, the energy and financial sectors have hired the greatest proportions of CEOs with a CFO background. Which sector had the fewest? Technology.
Endnotes

1. Structured interviews were conducted with 18 individuals, representing the following groups: CEOs, assessed as “successful,” of $1 billion+ firms, who had served as a CFO earlier in their careers; former CEOs of $1 billion+ firms; board directors of $1 billion+ firms; nationally acknowledged experts in CEO-level retained searches; executive coaches to CEOs; CHROs with significant CEO on-boarding experience. A structured interview was used with each interviewee, who was asked the same questions. Responses were transcribed and the authors (who did not lead the interview process) conducted a content analysis of interviews. Unless otherwise specified, all quotes from individuals given in this report were collected during these interviews.


5. For more information on developing talent, see the Talent section on Deloitte University Press, http://dupress.com/?s=talent&taxonomy=category&term=talent.


14. Proprietary Deloitte research carried out in the CEO Program.


16. Ibid.
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Cover art by Matthieu Fornichon

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