

BUSINESS GUIDE

5 Insights for CFOs Seeking the CEO Seat

Finance chiefs seeking the top job have ambition.
Here's what else they need to know.





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During the first half of 2022, about 8% of 681 CFOs at Fortune 500 and S&P 500 companies surveyed were promoted to the role of CEO. That's an all-time high, according to the 2022 Volatility Report from executive search firm Crist Kolder Associates. A decade ago, the number was just 5.6%.

It's a modest increase, but the trend is clear. Leadership consultancy Spencer Stuart says in its The Last Mile to the Top report that in the early 2000s, the COO role was the almost-exclusive steppingstone to CEO, launching 76% of new chief executives into their roles. Since then, the number of COO promotions has declined to 38% even as divisional CEOs and CFOs gain ground.

"With rising interest rates and inflation and supply chains continuing to be a challenge, I think that causes boards to be even more interested in getting somebody who can really guide the ship from a financial perspective," said Stephen Konstans, SVP and financial officers practice leader at executive search firm Pearson Partners International.

In fact, the CFO has always been a natural successor to the CEO, says Konstans.

"That's by default, because of all the things that they're brought in on in typical companies," he said.

That breadth of remit is reflected in a December 2022 CFO.com survey, done in partnership with NetSuite, of 500 business leaders in firms with annual revenues

About Our Experts

Stephen Konstans is senior vice president and financial officers practice leader at Pearson Partners International. An experienced veteran of the retained executive search business, Konstans has spent more than 20 years helping companies secure candidates for critical executive roles. He has special expertise in filling high-level finance and accounting positions such as chief financial officer or controller.

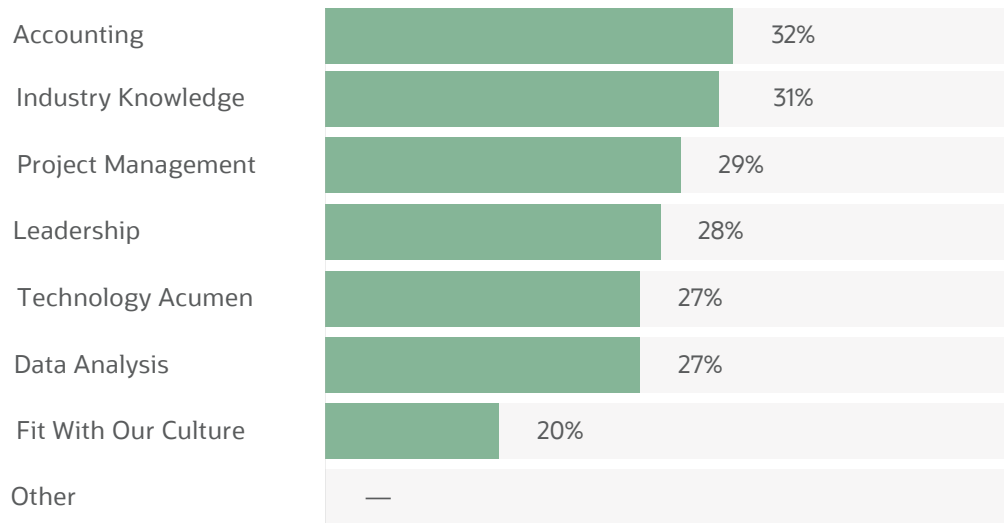
Kirby Perkins is a managing director of Crist Kolder Associates. She joined the firm in 2017 and has a dozen years of experience in the search industry. She has executed C-level engagements across all functional areas with an emphasis in finance and operations. Her work is primarily focused on consumer and industrial manufacturing, technology, and professional services.

ranging from less than \$10 million up to \$250 million. Accounting is the top desired skill for finance leaders, but by only a small margin: Industry knowledge, leadership, technology acumen, and data analysis are all just a few points behind in importance.

They're also, not coincidentally, the traits needed to succeed in the CEO role.

When recruiting for the finance team, what skills or attributes are most important to you?

(Ask among those who have the title of Chief Financial Officer at their organization)



Oracle NetSuite Survey, Wakefield Research, December 2022

Here are five insights for finance chiefs looking to move into the CEO position.

1. When a CFO becomes CEO, it's almost always an internal promotion.

"Traditionally, CFOs have a much better chance of being promoted to CEO within their current company than they do of stepping in as CEO of a new company," said Perkins. "The reason is straightforward: When promoting a CFO to CEO, a company is betting on that executive's ability to come up to speed on a range of functional responsibilities."

Those include sales and marketing, operations, HR, legal, and other areas.

"If the executive is also going to have to come up to speed on a new enterprise model, the risk coefficient on that bet increases," she said.

CFOs who understand the ins and outs of their companies' business models and have demonstrated growth by adding to their scopes of responsibility are closer to a "sure thing" than any outside hire, even one who has held the CEO title.

And many companies are prioritizing continuity and institutional knowledge right now.

"In times of economic volatility, we often see a dip in external hiring at the CEO level," said Perkins. "In other words, when companies are faced with macro uncertainty, they are more likely to promote from within than hire a CEO from outside the business."

Konstans agrees but hedges by saying company culture is predictive.

"So for instance, if you're a really heavily sales-based culture, then the likelihood that the chief revenue officer gets promoted to that role is much higher," he said. "If you're an engineering-focused company, it might be a COO. But as a general rule, the CFO is a likely choice these days because the CFO has been asked to do so much more."

Experts advise being open to interim internal promotions, waypoints, and even dual roles.

Perkins says "divisional president" is a common precursor to "CEO" in companies that have both.

CFOs also commonly fill the COO, HR, and/or CIO functions in smaller firms, either permanently or on an interim basis.

Cari Thomas, CFO of Quatris Healthco, has just such an expansive remit. Thomas oversees three cross-functional teams — finance, IT, and HR — while managing strategic external relationships, including the company's board of directors. The job is a lot of work. But from her perch, she can connect the dots between salaries and benefits and HR metrics like revenue per employee. Wearing her IT hat, she directs spending to support initiatives that will grow the business.

No surprise, she also held the title of president for professional development company Financial Executives International.

Konstans says even if they don't fill the CIO or HR lead role, CFOs have plenty of opportunities to demonstrate leadership and show they're suited for the top job.

"Risk is really important, and that obviously encompasses cyber risk and making sure that the company is properly insured," he said. "The SEC and various regulatory bodies have also started asking publicly traded companies about their ESG — environmental, social, and governance — and diversity, equity, and inclusion initiatives."

Experience managing these will make a CFO a more attractive internal candidate.

If you want to be hired externally, the "CYA" factor will work against you. The instinct to make safe choices right now dissuades many boards from taking a shot on someone without chief executive experience.

"I need to be able to justify my decision because in today's world, everybody looks back and says, 'Well, why did you make that choice?'" Konstans said. "It's easy to armchair quarterback. If you've hired somebody who's already been a CEO, then it's a little bit easier to say, 'Okay, hey, I made this decision because this person had this experience already.'"

Learn More

Need to up your internal profile? Personal branding is the art and science of creating a brand around a person rather than a business entity. CFOs can use personal branding techniques to position themselves as experts within an industry and the business, and thus well-suited for the CEO role.

[Download the Free Report Now to Learn How](#)

Whereas if you're the board member who advocates for hiring an external CFO into the CEO role and the candidate fails ...

"Now you have to explain, 'Well, I know they never had any CEO experience, but we thought that they could do the job,'" he said. "You're going to end up with some egg on your face. That's the reality of the world that we live in."

2. Board and peer relationships are pivotal for both promotions and eventual success.

The good news is that most CFOs have close working relationships with their boards of directors, hinging on transparent communication, trust, and a shared vision. Many times, the CFO communicates with board members regularly, sending weekly updates or progress reports, and is the main point of contact for material financial insights.

A CEO at a medical devices company who was promoted from the CFO role was known for telling his company's directors hard truths.

"I would sit in a board meeting and talk about our cash position and our requirements," he said. "They quickly realized that, unfortunately, the CEO was painting this rosy picture when it really wasn't all that rosy."

After that CEO left, he served as interim CEO for two years and recently was given the position permanently.

"I had direct conversations with my board and said flat out that I want it," he said.

If you're not on "How was your weekend?" terms with the decision-makers who will select the next CEO, you need to get there.

One way: Visit subsidiaries and board members in person, and if you have not already, get back into the office at least three days a week. A perk for many CFOs has been limited business travel and the ability to work from home. But boards look for operational and field experience, says Perkins. Face time matters.

They also look for intangible qualities. Our experts cited:

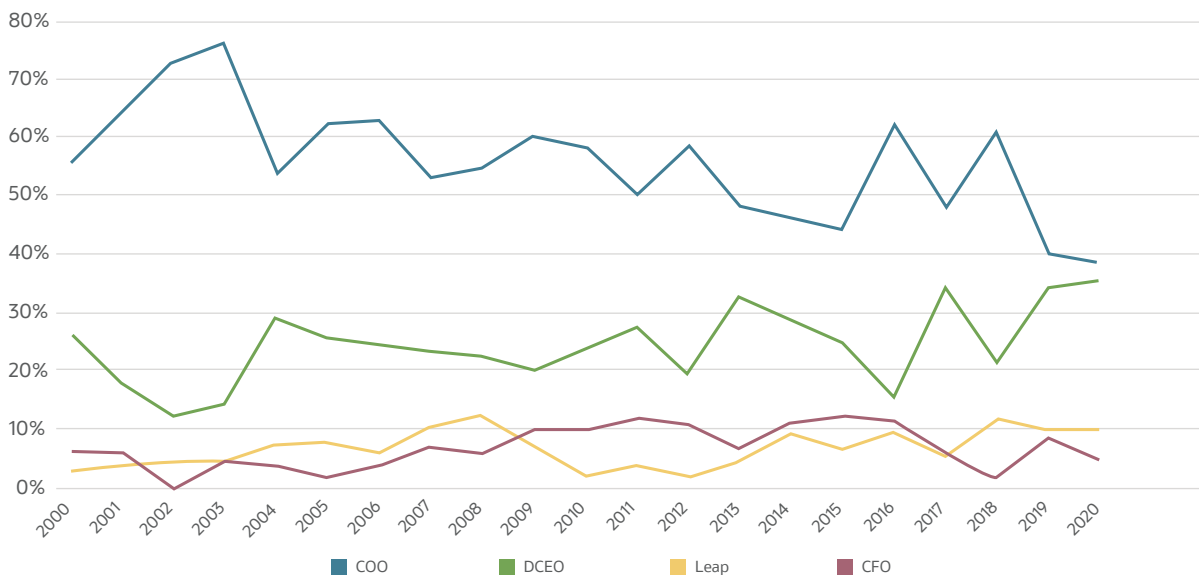
- **Emotional intelligence:** Showing empathy in challenging situations and demonstrating a positive attitude that leads others toward a common goal.
- **Informed prioritization:** Leaders want CFOs who use KPIs and metrics to deploy cash in a way that ensures customer service is prioritized and everyone in the organization has the tools and support to be as successful as possible in their jobs.
- **Problem-solving skills:** The analytical ability to drill down to the relevant points in complex business situations is critical. CFOs tend to be good at taking a complicated issue and understanding the key components.
- **Communication:** CFOs are often less adept at gaining buy-in throughout the organization than peers. Use your ability to distill the facts of new initiatives or challenges, then listen carefully to constituents, ask questions, and work to build consensus on a course of action.
- **Leadership traits:** Being willing to coach and mentor peers and subordinates is a great way to grow your own leadership skills. Demonstrate integrity. Challenge the status quo.

"The path from CFO to CEO is most likely in the financial services sector."

Kirby Perkins, Managing Director, Crist Kolder Associates



S&P 500 New CEO Backgrounds by Year*



*Percent of all CEO transitions in a given year, excluding CEOs appointed directly from another CEO role.

3. An Ivy League degree is not a requirement. An MBA likely is.

An expansive study and thousands of hours of interviews by the authors of [the CEO Genome project](#) revealed that, of 6 million CEOs of American companies, only 7% went to elite schools. Eight percent didn't even graduate from college.

The authors discount the stereotype of a “charismatic six-foot-tall white man with a degree from a top university.”

What CEO advisers Elena Botelho and Kim Powell say successful CEOs do have in common: They make decisions with conviction and speed. They’re “relentlessly” reliable. They build strong relationships, and they’re able to adapt to changing circumstances.

We’ve addressed the relationship part. For CFOs looking to move up, education-wise, an MBA is a plus, according to Crist Kolder.

“In our study of Fortune and S&P 500 companies, we have found that the number of CFOs with an MBA has increased over the past five years, while the number with CPAs has declined,” said Perkins. “More than half of the CFOs in our data set earned an MBA.”

Compare that to the roughly one-third who are CPAs.

“Clients are hoping to see executives who have rotated beyond accounting and spent time in other corporate functions like FP&A, treasury, investor relations, strategy, M&A, and, perhaps most importantly, in operating finance roles embedded as CFO of a business unit or geographic region,” said Perkins.

She says MBAs are on the rise because CFOs are expected to be strategic business partners to P&L holders in today’s market.

“Rather than sit in the proverbial ‘ivory tower of finance,’ the most highly sought-after CFOs are forward thinking, partner cross-functionally, and possess a broad base of business knowledge,” she said.

Among smaller firms, Konstans sees a similar trend.

“The only credential that would matter at all for a CEO would be an MBA, or some level of master’s to show that you’ve taken professional development seriously,” he said. “I think it’s kind of a cherry on top.”

Once you’re talking CEO level, it’s much more about “what have you done in your career” than what boxes you’ve checked in terms of education.

Still, time spent on training or a degree that helps you earn a promotion will pay off.

“The CFO is typically your second-highest-paid position in a company, unless you’re a sales-based organization and you uncap your salespeople,” said Konstans. “I’d say you’re talking a better part of a 30% jump from CFO to CEO.”

“Uncertain economic times put more emphasis on getting somebody who’s a financial expert into that CEO seat.”

Stephen Konstans, Senior Vice President,
Pearson Partners International

4. You need to take the cliches by the horns.

“Risk-averse.” “Introverted.” “A poor manager.”
“Not all that creative.”

Look around at what knocks peers or board members have made about finance, and go at the stereotypes head-first.

“As a CFO, I have to be more risk-focused and mitigating, trying to ensure that we’re stepping on the brakes when we need to,” said the medical-device maker CFO turned CEO. “In the CEO role, I feel like I need to step on the gas more.”



He's done that by formulating an innovative selling model for the company's products, launching a new subscription program that's, frankly, a departure from the company's original business plan.

Konstans says the CFOs he's worked with who sought the top job are rarely driven by ego, but rather a desire to leave the company better than they found it.

"Typically, it's the opportunity to build something, to leave your imprint on something, to feel like you're doing something meaningful," he said.

"I find really good leaders get intrinsic value by putting their stamp on organization and helping the people behind them achieve. There is a much more natural tendency among those CFOs to want to bring others along."

Stephen Konstans, Senior Vice President,
Pearson Partners International

CFO.com surveys have shown that one area of deficiency for CFOs in the eyes of their peers is staff development. That's why Konstans says recruiters, especially for top executive roles, talk to subordinates just as often as well as peers and bosses.

"We always can relate to somebody who's coming up, maybe showing some extra gumption," he said. "When I've got a really good candidate, I hear, 'This person really cares about their people. They really want to help people grow, they really invest in their people.'"

Of course, some stereotypes can work in your favor.

"My CFO knowledge helps me think in terms of a scalable solution," said the recently promoted CEO. "When we sell a unit, we gain 10 days of cash runway. Great, but now I need to look 12, 24, 36 months out. My ability to quote the numbers has helped get the board to buy into the strategy. Understanding financials also helps me understand the barriers faced by customers."

7 Keys to Navigating the CEO Relationship

In a planned exit, the current CEO is often an influential voice in choosing a successor. We talked to a dozen chief executives about what makes a top finance partner.

- 1. Fundraising prowess:** CFOs are expected to help find and vet funding sources. And once those wheels are turning, CEOs expect their CFOs to tell the company's financial story in a compelling fashion through data and illustrate where the business is headed.
- 2. Strong communications:** Company leaders need their CFOs to explain complex concepts clearly to employees, partners, and those potential investors. But this is an area where CEOs say their finance chiefs often fall short.
- 3. Holistic view of the business:** CFOs with deep knowledge of customers, competitors, and the company's place in the market ecosystem simply make better decisions and are much more likely to be promoted.
- 4. Proactiveness and flexibility:** CEOs we spoke with cited the need for a visionary planner not only oriented to big-picture growth but also with the foresight to anticipate and prepare for possible financial setbacks.
- 5. Tech-savviness:** CFOs don't need to become technologists. The CIO will be the expert. However, finance leaders do need to understand the capabilities provided by technology and what investments make sense.
- 6. Calculated risk taking:** CEOs want their finance leaders to be active drivers of growth. While that may mean occasionally saying no, it's more about being solutions-oriented and figuring out how to seize opportunities.
- 7. Cultural chameleon:** A seamless cultural fit is crucial at the executive level. A company's leadership is a team, and the chemistry between them dictates how effective they'll be.

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More real-world advice from that former CFO: Get help for the “pure numbers” accounting work so you can pull yourself out of the weeds. Even as a finance person, build strategy into all budgeting and forecasting exercises. Look at finance like it’s a service provided to your vendors and your customers.

In larger enterprises with clearer delineations, CFOs would do well to seek the president or divisional president title as a waystation, and recognize that the COO is still their top rival.

“Our research shows that within Fortune and S&P 500 companies, over 40% of sitting CEOs held a president or COO role within the same company immediately prior to their appointment as CEO,” said Perkins. “The president or COO chair has long been viewed as a staging area of sorts for CEO succession planning.”

5. Make it an easy decision.

Speaking of succession, founders, funders, and boards are going to do what’s best for the company. So make it an easy call for the nominating committee to release you from the CFO role by ensuring you have a strong successor in mind.

You may be thinking, “We have a great controller. What’s the problem?”

It’s that, unlike with the internal nature of CEO hires, a significant number of the CFO respondents in a Pearson study — 72% — were recruited from outside their companies, with only 28% promoted from within. This indicates that companies are seeking replacement CFOs with varied experiences.

They’re looking for you, the multifaceted executive. And they’re having trouble finding you.

“Demand for accounting, financial talent is just off the charts right now,” said Konstans. “If you want that opportunity, you need to show that you can build, develop, mentor, and have the right people in the right seats.”

The CFO turned CEO we spoke with saw that need coming when he picked up the “interim” tag.

“I quickly realized I needed to backfill on the finance side, so I hired a corporate controller,” he said. He then focused on getting that hire up to the point where he could take over as CFO.

The Bottom Line

The CFOs who boards hire as CEOs have shown that they can drive success for the entire company. They’ve consistently expanded their spheres of influence and demonstrated initiative beyond the formal authority of the CFO role. For example, you might lead the effort, alongside the CIO or head of HR, to upgrade the company’s ERP technology or assess the competitiveness of your pay and benefits structure.

You’ll expand your reach and visibility beyond the walls of the company by building a personal brand within your industry. And, you’ll think big.

“When we went through the Great Recession, I was certainly younger in my career, but I still said to myself, ‘There’s gonna be a lot of CFOs who come out of this as CEOs because companies recognized the importance of financials,’” said the CFO turned CEO. “Now, with the supply chain, inflation, pandemic fatigue, as CFOs have worked through the consequences of that, I think it’s going to open up doors for CFOs to step into CEO roles — more so than any other decade that you and I have been alive for.”

