

---

# “Leading” CFOs

## Today's CFO: Charting a growth path

In recent years, a lot has been said about the evolving role of the CFO in the global corporate world. Alongside their traditional mandate to provide financial insights and analysis, CFOs today have taken on a greater involvement in supporting and developing strategy as well as guiding key business initiatives. As the CFO role becomes all consuming – debating strategy with the CEO, looking at capital allocation, building control frameworks, dealing with external stakeholders – allocation of time and priority have also become paramount.

It has been observed that CFOs tend to dedicate their time to the dictates of their profession and organization, and many consider it a final career destination. However, in a world where their growing responsibilities and evolving mandate have brought them to the forefront, there has emerged a need for CFOs to look beyond – What is their contribution to different facets of the business? Can they handle a business unit independently? Do they understand their clients? What is their ability and appetite for general management and Board responsibilities? What should they be doing to gain these experiences? These are the insights and questions that David Cookson, Russell Reynolds Associates, invited our CFO roundtable panelists to discuss. Participants shared their opinions and experiences in a lively discussion, excerpts of which follow.

## The changing role of today's CFO

*The biggest change in the CFO role has been the shift from financial reporting to enabling value creation.*

Parameswaran Ramakrishnan, L&T Technology Services says, "Today, it's all about how we are enabling value creation for our stakeholders. How do we balance the company's growth aspirations with profits and returns, which means managing growth as well as managing the balance sheet." In addition to overseeing the company's financial health, CFOs are increasingly involved in setting operational and commercial strategy, navigating their companies safely through tighter credit markets, more complex regulation and changing trading conditions. Even in cases where CFOs do not hold board positions, they are increasingly called upon to provide expert advice to support boardroom decisions. In fact, they are uniquely positioned to offer this level of strategic counsel because of their ability to gather information from disparate parts of the company.

*In India, the change in the CFO role is recognizable, but is not yet widespread. "So far, we are highly skewed towards stewardship and compliance, company accounting, GST<sup>1</sup>, taxation and reporting.*



<sup>1</sup> GST is Goods and Services Tax, a recently introduced indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and state governments.

We need to slowly bring in the right kind of culture that enables us to step into macro-management, where we delegate appropriately, but at the same time fulfil our control obligations”, says Prashant Bhatnagar, Procter & Gamble.

### **The next step: CEO?**

In terms of exposure, CFOs have a unique view of what goes on in their companies – and they need to leverage that. As Ravi Bhagvathula, Pfizer India explains, “Of all the individuals that are part of the leadership profile of a company, the CFO is probably the one person who is not personally invested with a particular initiative, but invested with the business overall.” This gives them a holistic view of the company and its functioning, making them frontrunners for the CEO role.

*Furthermore, in today’s times, especially for listed companies, the CFO has virtually become the face of the company for external stakeholders.*

Says Parameswaran R, “Besides the CEO, the CFO also needs to articulate the vision and the strategy and ensures that the visibility of the organization in the external landscape, especially amongst investors, is maintained.”

Even if the CFO is not a board member, the committees within the board provide ample opportunities for contribution to debates and discussions. As Ravi Bhamidipaty, Adani Group, explains, “Being on the board committees is equally important, as whatever you discuss is inevitably elevated to the board discussion anyway.”

The CEO-CFO relationship has also changed over the years. “With the CFO getting a 360-degree view of operations, problems are no longer the only issues the CFO is offering solutions for. S/he is now coming up with proactive solutions for various aspects of the business and being seen as a best partner to the CEO,” says Hiranya Ashar, former Joint MD and Group CFO for Rolta.

*The fact of the matter is that the CFO is best placed on the leadership team to convert a qualitative assumption into a quantifiable solution.*

This growth within the CFO role has been highly satisfying, but has also resulted in a new challenge – time management. And for individuals looking to explore opportunities beyond their traditional responsibilities, this is increasingly so. But is that all? Is time management the only hurdle for CFOs looking to step into a CEO’s role?

The shift to becoming advisors has helped CFOs add tremendous value to their work experience and this route to the top needs to continue. However, many CFOs agree that it is not enough. CFOs are in a unique position but they cannot be complacent about it. “I think knowledge and business acumen are key contributors to becoming a CEO candidate and we do have an edge there. But it’s not a done deal. There is a whole spectrum of other parameters that need attention – personal qualities, team development, recruitment and spotting talent, to name a few,” says Andrew Aristidou, GlaxoSmithKline Pharmaceuticals. Developing a risk taking ability is also important. Safeguarding the bottom-line tends to make CFOs conservative in their outlooks. Ravi Bhamidipaty explains, “If we want to pursue the CEO career path, we have to develop an appetite for taking risk and trusting our instincts to complement the financial focus.”

Not many CFOs are also actually exposed to the front-end of their businesses – their consumers. According to Thomas Reisten, Vodafone Limited, “On the enterprise side (B2B), it is easier for us to understand our customers. But on the consumer side (B2C), we need to get more involved.

*“Being involved in the consumer aspects is crucial to understand and deepen our understanding of the business. Unless we do that, I don’t think we can be very good CEO candidates.”*

Hence, there is a need to develop a different mindset. CFOs need to be able to understand the link between company processes and its consumers and develop the required skill sets – which are essential for a CEO – in order to drive the company in the right direction.

Orienting outward does not come naturally to a CFO but is essential for a CEO. “It is about benchmarking, talking to peers and understanding best practices. It is also about building a team that is energized with the vision of growth,” explains Soumen Ray, Viacom18 Media Private Limited. A motivated and qualified team will ultimately free up the CFO’s time – time that can be well utilized in other areas.

Putting on a different functional hat also helps to break the traditional finance mindset. “As finance professionals, we are used to people coming and explaining things to us,” says Akshaya Moondra, Idea Cellular Limited. “I think we need to seek opportunities and projects within the organization that make us go out and convince others.”

***For the CFO who wants to grow into a larger role, taking steps early on is also important.***

Vibha Padalkar, HDFC Standard Life Insurance says, “We need to step into the operations and sales processes and understand the ground realities. It’s a humbling experience and makes us realise that each function comes with its own mindsets. It not only keeps one busy but also keeps one in check, making us realise that it takes all sorts in an organization to make it work.”

***At the end of the day, however, there is also the question of succession planning within Indian corporates.***

While things are changing, there are a number of promoter-driven companies that do not have an unbiased, open succession planning policy. “In spite of the fact that we drive board discussions and have the required qualifications, there is no communication within many companies telling us that we are a potential candidate for CEO. This will change only when the company changes its succession culture,” says Tushar Karnik, Metropolis Health Services.

However, in the case of companies with formal CEO and Board Director appointment processes in place, the discussion has been quite detailed. As Sachin Rajan, Russell Reynolds, explains, “The dialogue on credentials for specific board roles has shifted tremendously. Not only are there detailed scorecards in place, they now go beyond regular qualification based parameters.

***For CFO profiles to the board, it is no longer only about finance credentials. The questions are increasingly about context – understanding of global markets, handling integrations, digital strategy exposure, global growth experience, promoter management, to name a few.”***

For a CFO to even introspect and gauge their own impact in these situations, turns out to be a self-revelatory exercise.

In general, the migration from CFO to CEO begins with the individual pushing herself/himself out of the comfort zone. Growing one’s own skill sets and paving their growth path within their companies are necessary for CFOs who are looking to embrace a CEO role in their careers. But is that enough?

### **The role of external board memberships**

Over the last decade or so, the tenure of executives on boards has become more short term in nature. This has forced chairmen and boards to spend more time on succession planning, which in turn has become a more sophisticated process. According to David Cookson,

***“Due to regulation, international organizations have had to increase the seniority of their boards, at a local and regional level. This has opened up opportunities for CFOs to become standalone board members, instead of being slotted into audit committees.***

There has also been an increased interest in CFOs as potential CEO candidates.” As a result, CFOs also need to think and work on their own succession planning as well. Creating a leadership pipeline in one’s own function, building an effective team and utilizing one’s freed up time to develop a wide spectrum of skills has emerged as an effective growth strategy.

In this scenario, external board roles have come into focus. Key questions faced by CFOs at this juncture include – Is an external board role preferable over being on one’s own company or a subsidiary board of an international business? Which role is a better investment of time? Which option holds more value for the individual and the organization?

*Getting on an external board – of an unrelated business – does have many returns on a CFO’s investment of time. Not only does it provide exposure and learnings about a completely new business, it also allows the individual to drop the CFO hat and develop a new perspective of that business.*

According to Vibha Padalkar, “It gives us the satisfaction of adding to another business while growing as an individual. At the same time, it disciplines the individual – to find time and utilize it constructively. Apart from being immensely enriching, it helps the person to become fairly fungible, in terms of understanding and contributing to any industry.”

As an independent director on an external board, one has the opportunity to gain a broader business vision and an external view of the marketplace – insights every CEO needs to have. Andrew Aristidou puts in perspective when he says, “having cross-functional experience prevents stagnation in one’s current organization. It actually helps bring back innovation and serves as a benchmark to refer to – important when considering the investment of time.” At the same time, one needs to choose the company boards carefully. “It is a question of evolution. Independent directorships today are associated with a lot of responsibility. If you choose a board where

compliance or corporate governance issues come up, the responsibilities can become quite onerous,” cautions Ramesh Swaminathan, Lupin Laboratories.

Individuals also question whether the limited time they are able to provide as independent directors actually benefits the external organization – especially as businesses become more complex. It is important to remember that getting invited to an external board should serve as a reminder to today’s CFO of the value they can provide to other organizations. Even with limited time investment, the objective is to give advice from one’s own experience, while understanding the nuances of the new business. “On an external board, one removes the CFO hat and looks at the discussion holistically. The aim is to give advice from one’s experience in similar situations while using one’s skills of balancing compliance along with statutory changes in the environment. This is something that affects every company,” says Rajiv Sonalkar, Abbott India.

While choosing an external board, it is also important to analyse the working of the board that one is choosing to join. Global boards and Indian boards function quite differently. The former are more open in their functioning while the latter tend to be more controlling. However, both provide completely different perspectives and learnings and the decision rests on an individual’s personal choice. “In spite of the differences, I would very strongly urge that we continue to look for external board opportunities, especially to observe and learn how people work differently,” says Prashant Bhatnagar.

*Joint venture boards or strategic investment boards also offer tremendous learning opportunities.*

Ravi Bhamidipaty says, “External boards aside, it is equally beneficial for a CFO to be on joint venture boards. This not only enables the CFO to understand the overall functioning of that particular company, but also involves him in partner management.” Advisory boards in startup companies are another avenue for board roles. “Startups are looking for diversification and want people from completely different backgrounds and industries. For them, this is where innovation comes from and this is what brings new ideas to the table,” shares Hiranya Ashar.

The only challenge in this career growth strategy is the restrictions that many Indian corporates have towards allowing their executives to take up external board roles – especially in promoter-driven companies. In this case, it is important to build an open rapport with the leadership team. Farid Kazani, Majesco, says, “As long as you do not engage with a company that has competition-related issues with your company, it should be fine. And it is important to share the company background, the board profile, the time involved and the value that you will bring back with your management team.”

Vinita Katara, Russell Reynolds Associates, took the group through

*a recent analysis of BSE 100 listed companies, which revealed that only 13% of the BSE 100 CEOs came up the CFO route.*

Vinita summarized what they did differently from the other CFOs.

- First: Most of them held strategy, corporate planning or M&A kind of roles apart from the CFO roles
- Second: Most of them had a qualification apart from CA, in management or business administration
- Third: All were very well networked with the board and had a large component of external stakeholder management in their experience

Whether CFOs are satisfied in their current role, or looking to advance further in their careers, expansion of their roles within their companies continues to be a strong area of focus. However, there is a need to look beyond the financial skill set. No matter what path they choose, what cannot be denied is that today’s CFO finds herself/himself in a unique position, an important member of the leadership team, using her/his holistic vision to work in tandem with the CEO to keep the organization moving forward.

#### CFO ROUTE TO THE TOP



---

**PARTICIPANTS**

<b>Andrew Aristidou</b>	CFO, GlaxoSmithKline Pharmaceuticals India
<b>Hiranya Ashar</b>	Former Global CFO, Rolta
<b>Ravi Bhagvathula</b>	CFO, Pfizer India
<b>Ravi Bhamidipaty</b>	CFO, Adani Ports
<b>Prashant Bhatnagar</b>	CFO, Procter & Gamble Hygiene and Healthcare India
<b>Tushar Karnik</b>	CFO, Metropolis Health Services
<b>Farid Kazani</b>	MD, Majesco
<b>Akshaya Moondra</b>	CFO, Idea Cellular
<b>Vibha Padalkar</b>	CFO, HDFC Standard Life Insurance
<b>Parameswaran Ramakrishnan</b>	CFO, L&T Technology Services
<b>Soumen Ray</b>	CFO, Viacom18 Media
<b>Thomas Reisten</b>	CFO, Vodafone India
<b>Rajiv Sonalkar</b>	CFO, Abbott India
<b>Ramesh Swaminathan</b>	CFO, Lupin Laboratories
<b>Sachin Rajan</b>	Country Head India, Russell Reynolds Associates
<b>David Cookson</b>	Managing Director, Financial Services and Corporate Officers Practice, Russell Reynolds Associates
<b>Vinita Katara</b>	India CFO Practice Lead, Russell Reynolds Associates

Russell Reynolds Associates is a global search and leadership advisory firm. Our 400+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of experience to help clients solve their most complex leadership issues. Find out more at [www.russellreynolds.com](http://www.russellreynolds.com). Follow us on Twitter:

@RRAonLeadership



## GLOBAL OFFICES

### Americas

- Atlanta
- Boston
- Buenos Aires
- Calgary
- Chicago
- Dallas
- Houston
- Los Angeles
- Mexico City
- Miami
- Minneapolis/St. Paul
- Montréal
- New York
- Palo Alto
- San Francisco
- São Paulo
- Stamford
- Toronto
- Washington, D.C.

### EMEA

- Amsterdam
- Barcelona
- Brussels
- Copenhagen
- Dubai
- Frankfurt
- Hamburg
- Helsinki
- Istanbul
- London
- Madrid
- Milan
- Munich
- Oslo
- Paris
- Stockholm
- Warsaw
- Zürich

### Asia /Pacific

- Beijing
- Hong Kong
- Melbourne
- Mumbai
- New Delhi
- Shanghai
- Singapore
- Sydney
- Tokyo



