Inside the Mind of the CFO
Rigor in motion and balance

Russell Reynolds Associates’ Inside the Mind of ... series addresses the leadership and behavioral attributes of various groups of executives.
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Inside the Mind of the CFO

Russell Reynolds Associates’ Inside the Mind of ... series addresses the leadership and behavioral attributes of various groups of executives. In this installment, we examine the CFO—rigor in motion and balance.

Of all C-suite figures, chief financial officers (CFO) often are tasked with the most difficult balancing act. They are asked to be detail-oriented experts in everything from accounting to information technology, while, at the same time, they are expected to generate a strategic vision at the highest level for a company’s financial path forward. With each passing year, the CFO role grows in complexity and accountability, and the robust and rich capabilities of those filling the role reflect this expanding responsibility.

METHODOLOGY

The Russell Reynolds Associates database—unique in that it contains more than 5,000 data points from the top ranks of corporations worldwide—allows us to make statistically driven observations about the characteristics possessed by leaders in a particular field.

Our methodology was straightforward: We compared 129 CFOs with our broader database of executives (as well as with chief executive officers (CEO)) on 60 psychometric scales from well-validated leadership assessments to understand on which scales the CFOs showed statistical differences from the other populations. We then conducted similar analysis comparing CFOs assessed in various years, public vs. private CFOs and enterprise vs. divisional CFOs.

EXECUTIVE SUMMARY

1. According to our analysis of psychometric data, CFOs’ rapid-fire analytics skills and personal gravitas play a key role in keeping the C-suite in balance.

2. CFOs aspiring to become a CEO bring meaningful leadership attributes to the table but also should be aware of key developmental areas that may need to be improved.

3. CFOs with dissimilar personality attributes have served the needs of the full spectrum of the economic cycle: more unassuming before the recent recession, bolder during the recession and perfectionistic in the post-recession era.

4. Public and private company CFOs had virtually identical leadership and behavioral styles, while enterprise CFOs showed greater composure and action orientation than their divisional counterparts.
Inside the Mind of the CFO

**CFOs are rapid-fire analytical engines and play a key role in keeping the C-suite in balance.**

Unsurprisingly, CFOs have the greatest data orientation in the C-suite. What’s interesting, though, is that this strong analytical bent serves them for far more than just crunching numbers—it drives an objective and logical approach to problem solving that nicely counterbalances the more emotionally inflected nature of figures such as chief marketing officers. Coupled with an interpersonally centered temperament, CFOs’ ability to take action rapidly is a tremendous asset to their senior team colleagues. Not surprisingly, we see the same trait when we examine successful CEOs.

### CFOs vs. other executives

<table>
<thead>
<tr>
<th>Statistically Significant Percentage Differences in Attribute Scores</th>
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</thead>
<tbody>
<tr>
<td><strong>Objective and logical</strong></td>
</tr>
<tr>
<td><strong>Guided by process</strong></td>
</tr>
<tr>
<td><strong>Data powered</strong></td>
</tr>
<tr>
<td><strong>Detail oriented</strong></td>
</tr>
<tr>
<td><strong>Diligent</strong></td>
</tr>
<tr>
<td><strong>Accelerate actions as needed</strong></td>
</tr>
<tr>
<td><strong>Thrive on activity</strong></td>
</tr>
<tr>
<td><strong>Believe in the impact of rules</strong></td>
</tr>
<tr>
<td><strong>Reserved</strong></td>
</tr>
<tr>
<td><strong>Modest</strong></td>
</tr>
<tr>
<td><strong>Attend to structure</strong></td>
</tr>
<tr>
<td><strong>Take others at face value</strong></td>
</tr>
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- **Analytical core**
- **Comfortable in motion**
- **Balance, steadiness, reserve**
Inside the Mind of the CFO

CFOs eyeing the CEO job bring both significant assets and developmental challenges to the role.

When we examined CFOs’ leadership and behavioral attributes vs. those of CEOs, a fascinating picture emerged. As the CEO role changes under ever more competitive and chaotic business conditions, CFOs have a number of traits that will equip them to truly flourish in the CEO role. To succeed, though, they will have to address certain behavioral facets that may hold them back from optimal performance as a CEO.

### CFOs vs. CEOs

**Attributes that could positively impact CFO performance in the CEO role**

- **In a data analytics-driven world:**
  - 12% More data powered
  - 12% More detail conscious
  - 16% More objective and logical

- **As company cultures move toward collaboration and away from command and control:**
  - 12% More likely to build on the ideas of others
  - 18% More likely to prefer acting in concert with others

- **In an ever more uncertain environment:**
  - 12% More concerned about the future

**Attributes that could hinder CFO performance in the CEO role**

- **In a business environment that demands quicker and more innovative action:**
  - 13% More cautious
  - 12% More conventional
  - 11% More rule following

- **As organizations call for more personally dynamic leadership:**
  - 15% Less likely to enjoy selling
  - 12% More conventional
  - 11% More likely to dislike being the center of attention

### How can CFOs address these developmental challenges?

1. Find their “innovation sweet spot”—bringing new data-driven ideas to life.
2. Embrace the power of introverted leadership. Significant recent research shows that introverts can be compelling and highly effective leaders when they leverage their contemplative authenticity properly.
Inside the Mind of the CFO

CFOs turned CEO have found the transition challenging but rewarding.

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<th>CFOs vs. CEOs</th>
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<td>“The CFO often is the voice of restraint and caution (and sometimes the naysayer)—not the cheerleader. But the CEO needs to motivate, encourage and energize people and frequently urge them to take more chances than they are comfortable taking.” — Biotech CFO turned CEO</td>
<td>“When you’re CEO, everyone wants a piece of you all the time—you can’t switch off or relax. You have to get accustomed to being the center of attention. If you’re an introvert—as I am—this kind of intensity, being in front of people all day, can be exhausting.” — FTSE 100 CFO turned CEO</td>
</tr>
<tr>
<td>“My advice to CFOs who want to be a CEO is don’t wait until it’s too late. If you really want to be a CEO, you should be developing the skills required during your 20s, not during your 50s. Examine how you learn. Are you curious about people? Do you travel? Do you build networks?” — FTSE 100 CEO and former CFO, now Chairman and Non-executive Director</td>
<td>“As CEO, I made the conscious effort to become the leader, not the supporting actor, which meant being clear in decision making vs. being the advisor. This isn’t easy. CFOs typically have a lower ego than CEOs and are used to being No. 2.” — FTSE 100 CFO who became CEO for largest division within the group, member of main Board</td>
</tr>
<tr>
<td>“CFOs are highly professional and competent but don’t spend enough time on people/team development. They often look to solve problems by burning more hours. To prepare for the CEO role, CFOs need to work on themselves, get a coach (partly to keep sane) and develop their self-awareness/emotional intelligence.” — FTSE 100 Group CFO turned CEO in a smaller listed business and now Non-executive Director Chairman with a portfolio of non-executive work</td>
<td>“As the CFO, you’re used to analyzing what’s there. CEOs have to look at what’s NOT there and ask: How do we build it?” — CFO turned CEO, Non-executive Director</td>
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</table>
CFOs with different personality attributes have served the needs of the full spectrum of the economic cycle.

Our analysis of CFO data by year shows a fascinating relationship between CFO attributes and the global economic cycle. In boom times, CFOs were less cautious and more unassuming; when boom turned to bust in 2008, a new breed of CFOs used imagination and bold leadership to help their company through the recession. Today’s CFOs are focused on keeping things on track and out of trouble—often to the point of perfectionism. We might connect this trend to the rise of the qualified accountant as CFO. However, we see this characteristic manifested even among advisor CFOs (former bankers, consultants and the like) and thus also attribute this movement to ever greater regulatory pressure for CFOs to be absolutely crisp on the details.
Inside the Mind of the CFO

Do CFOs in divergent roles show marked personality differences?

Yes and no. Perhaps owing to the fact that the underlying talent pool is quite similar, public and private company CFOs showed very little differences from each other. When we compared enterprise vs. divisional CFOs, though, the enterprise CFO group was both calmer by nature and more willing to jump in and take the right risks.

In an era where private company governance rigor rivals that of public companies, public and private company CFOs had virtually identical leadership and behavioral styles. The sole attribute on which the two groups differed was that private company CFOs were 13% more thoughtful and reflective.

Traits where enterprise CFOs showed strong differences vs. their divisional peers

Enterprise CFOs—challenged ever more frequently by activist shareholders—manifested greater composure and action orientation than their divisional peers.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Statistically Significant Percentage Differences in Attribute Scores</th>
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<tbody>
<tr>
<td>Secure</td>
<td>17%</td>
</tr>
<tr>
<td>Confident in their path</td>
<td>10%</td>
</tr>
<tr>
<td>Emotionally stable</td>
<td>24%</td>
</tr>
<tr>
<td>Caring</td>
<td>16%</td>
</tr>
<tr>
<td>Low key regarding successes</td>
<td>12%</td>
</tr>
<tr>
<td>Innovative</td>
<td>11%</td>
</tr>
<tr>
<td>Socially bold</td>
<td>14%</td>
</tr>
<tr>
<td>Calculated risk taker</td>
<td>35%</td>
</tr>
</tbody>
</table>

Calm and composed  Enthusiastic approach to challenges
Inside the Mind of the CFO

What’s next for CFOs?

• Increasing complexity and regulation mean that boards are requiring CFOs to possess a strategic mindset in addition to technical/commercial/operational know-how:
  — In particular, a passion for complexity and deep intellectual curiosity characterizes the CFOs who succeed most prominently against this mandate.
  — This breed of CFOs truly can be considered a co-pilot alongside the CEO of their company.

• Growing stakeholder challenges may generate a class of CFOs with stronger attributes around interpersonal and written communications—and a more CEO-like lack of reserve.

• Continued swings in the economic cycle may continue to shift needed CFO attributes, with a higher degree of boldness emerging in more difficult economic times.

• CFOs have an ever greater range of options when they leave the CFO role—the most interesting of which is a pipeline becoming increasingly more direct to the board chairman role.
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