Journey to CFO: Lessons for the next generation

EDITOR’S NOTE:
As the CFO role continues to evolve beyond its traditional responsibilities, the career journey to CFO also is diverging from the traditional route of back-office finance and accounting. Speaking recently to participants at Deloitte’s “Next Generation CFO Academy” at Deloitte University, Charles Holley, independent senior advisor to Deloitte and retired CFO of Walmart, describes his own path to CFO. And in this issue of CFO Insights, we share his lessons about what it takes to attain the CFO role and be effective as the business environment and expectations of CFOs change.

Looking back on my career path to CFO, if I had to name one thing that set me up for success, it would be my passion for international business. Even while I was in public accounting for 10-plus years, I was on the lookout for an opportunity for international work. That opportunity came when Tandy Corporation hired me as the director of finance and accounting for their international operations. In that position, I worked on greenfield startups, negotiated overseas joint ventures, and learned a great deal about doing business abroad.

Subsequently, I was asked to become managing director in Europe for one of Tandy’s consumer electronics divisions. At first, I was reluctant to leave home and to leave finance. But, taking that position was an important career step for me; it gave me both the opportunity to take my growing international expertise to the next level and provided operational experience running a company.
My combination of finance, international, and operational skillsets made me an attractive candidate when Walmart was looking to hire a CFO for its new international division in 1994. From there, I added corporate controller and treasurer—which included responsibilities for tax, investor relations, and risk—to my career portfolio before becoming CFO of Walmart in 2010.

In retrospect, though, I believe two primary, interconnected lessons from my journey to CFO are especially applicable to the next generation of CFOs. First is the importance of constantly looking to broaden your skillset and experiences. From my perspective, the next generation of CFOs should possess not only experience in international business and operations, but also a solid understanding of digital and other technologies. And tomorrow, it could be another skillset, so aspiring CFOs should either have or cultivate a passion for continuous learning.

The second lesson is to be willing to take some calculated career risks. If you aspire to the CFO role, you have to stretch yourself and be open to opportunities outside your comfort zone that could broaden your skills and experiences. Don’t hesitate because the opportunity might be a lateral move; by and large, the typical climb to the CFO position of a large company is no longer via the traditional ladder, one stairstep at a time.

Of course, attaining a CFO position is just the first milestone of the journey. All the time, effort, and skills-building that go into reaching that level is really about learning to be an effective CFO for the long-term. I have found that the following attributes can take those seeking a CFO position a long way.

Develop a strategic mindset. These days, CFO candidates are expected to bring strategic skills to the table, but cultivating a strategic mindset can be challenging given the CFO’s responsibilities to keep the company within its guardrails, play healthy skeptic to the business’s optimistic tendencies, and steward the bottom line. Learn to consider strategic opportunities and how they might outweigh any risks. If they do, be willing to say “yes” to investments that can help drive strategic growth.

Be approachable. It’s particularly important finance and other staff feel comfortable coming to talk to the CFO.

In my view, succession planning is a critical differentiator between a good and great CFO. CEOs expect their CFOs to have a great bench, and having a great bench of talent prepared to step into any leadership gap is worth its weight in gold to the entire enterprise, not only the finance organization.

Other than technical experience, there is a range of experiences that qualify someone to be a worthy successor (see Figure 1). But integral to the decision process is the ability to assess whether people are capable of making the jump from the manager and director level to an officer position, which requires strong “soft” skills, such as leadership, communication, and teamwork. In addition, as CFO, it’s important to communicate your succession plan up, to the CEO and board, to make sure they are aware of the plan, and down, to your officers to make sure they understand what is expected of them to carry out your agenda.

Based on my experiences, I’ve also found the following considerations integral to effective succession planning:

- **Development and assessment go hand-in-hand with succession planning.** Providing high-potentials the training and experience they’ll need to be effective leaders helps in assessing how they are progressing toward readiness to fill future gaps and retaining them. That’s why I helped to establish a finance leadership academy, focused in part on helping finance team members build their soft skills, as well as strategic capabilities.

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**Figure 1. Key experience for CFOs’ successors**

Other than technical financial experience, what experience is most important for your successor? Percent of CFOs selecting each type of experience in their top three

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Accept that people are watching you—all the time. As CFO, you represent your company 24/7. If you can’t embrace that mentality, and if you think “my time is my own when I leave this office,” you may want to reconsider whether you should be a CFO.

Lead like a maestro. As leaders, CFOs have to make sure they have the right people in the right places, working together to perform at a high level. That applies beyond the finance team to working with the business leaders and the executive committee. Some of the best leaders—the ones who build sustainably successful companies—are humble. They know it’s not about them; it’s about the company, and it’s about the people. One example of that mindset is a rule I followed when hiring talent, which was to look for people who were smarter than me. If those aspiring to be CFO are afraid of that, they may not be a strong leader.

Focus on, and invest in, talent. As I just noted, my success as CFO was all about the people on my team, so expect talent issues to take up a huge part of your time and focus as a finance chief. As CFO, I spent 30% to 40% of my time on talent. By its nature, the CFO’s role will likely require staffing changes, which can be one of the hardest parts of the job. On the flip side, one of the most rewarding aspects of being a CFO for me was developing talent and seeing people grow and succeed in their careers.

Be the CEO’s confidante. The CEO chair can be very lonely and isolating; CEOs need someone in management with whom they can freely discuss and debate company issues. CFOs are uniquely qualified to serve as confidante because they are positioned to see both deeply into, and broadly across, the company. That makes it a priority to develop a relationship with their CEO based on candor and trust.

Serve as a true partner to the business. In addition to ensuring that finance provides actionable insights the business can use to see around corners, improve performance, and seize new opportunities, being a good business partner means helping segment CEOs understand their business in the context of the bigger picture of the best interests of the company. To do that,

What makes a great bench? (cont.)

• Succession planning should start at the recruitment and entry levels, with undergraduate and MBA development programs that draw in and develop people who could someday be officers. It should include development and rotational programs to provide the training, feedback, and experiences they need to be ready to jump to the next level. Then, at the higher levels, development programs should provide appropriate experiences for senior people. For example, I gave my officers exposure to the board and audit committee. That was important for their development and benefited the board as well.

• Make external hiring part of your succession plan. Even the most effective development efforts won’t cover all leadership gaps. Plus, over time, I came to appreciate the importance and benefit of recruiting outside talent in order to bring new ideas and experiences to the organization. If you can’t identify one or two successors for a critical role from inside the organization, you may have to go outside for someone who could fill that gap immediately or be developed to fill the role in a short amount of time. In fact, I had an open-spend policy on talent, so if I found someone who could be a real difference-maker, I hired them and got them ready for a bigger job.

• Today’s high-potential superstars might not fit your succession plan for tomorrow for any number of reasons in this fast-changing business environment. Making that determination requires constant assessment of your talent and being brutally honest in that assessment. Those kind of talent decisions are among the hardest to make, but if you don’t, your succession plan, your organization, and you could suffer.
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Endnotes


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