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*Partners*

# Mastering the transition from CFO to CEO

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Refreshingly  
*human*

# When the team at Eton Bridge Partners recently produced our inaugural CEO Pathways report, one area we were eager to explore was the journey of a Chief Financial Officer to the Chief Executive Officer position.

This edition of our Pathways series, produced in partnership with leading global data company, BoardEx, analysed data on over 1500 CEO appointments in UK businesses across 2022 and 2023.

A surprising statistic according to the data shows that only 20% of first time CEOs, were previously a CFO (just behind the COO as the most common route to a first-time CEO). I was personally surprised as I anticipated this number to be considerably higher having known several CEOs who have transitioned from CFO to the CEO position.

This is consistent with a recent ICAEW report which stated that the proportion of CFOs becoming CEOs in the UK has increased to 30% in 2023 from 21% in 2019. And roughly 15% of the current FTSE 100 CEOs stepped up to the top job directly from a CFO position.

Recent examples of this in the public domain include BP's CFO stepping up from Group Chief Financial Officer to Group Chief Executive Officer in January 2024, a similar decision was made by Unite Group plc (FTSE100) with a departure of the CEO in late 2023 resulting in the appointment of the CFO in the number one position for the Student Housing developer in January 2024. Although these are very recent internal moves showing the rise in the pathway from financier to chief it is somewhat of a well-trodden path that has been apparent across businesses for a number of years.

The data from our report also showed that over half of CEO appointments are made internally (54%), this naturally narrows the field for executive appointments being made with existing leadership team members in their respective functional positions.

In this article, I am keen to explore further the reasons why this move is so well regarded but also explore the dynamics that face a CFO transitioning into a different discipline.



## Why is the *move* from CFO to CEO becoming so popular?

CFOs have always been seen as one of the strongest partners to their Chief Executive counterparts.

Traditionally, as the fellow executive around the board table facing the panel of non-executive directors, these individuals work hand in hand with the CEO to carry out day to day leadership and strategic decision-making tasks. In the listed environment, more often than not, the CFO and CEO will both face out to investors and city analysts to discuss business performance and decisions.

Whilst most businesses are bolstered by a highly strategic leadership or management team, the CFO will tend to be the first port of call for the CEO to discuss business requirements. Equally the CFO tends to be one of the only members of the executive leadership team that can hold the CEO to account which is a very important factor in this discussion. Therefore, given the level of exposure the CFO has with business wide operations; some might argue it's a very natural transition.

# What does it take for a CFO to be a *successful* CEO?

Within my many years of carrying out searches for CFOs, a number of people in my network have conquered this common transition and obtained the top job in organisations, having previously sat in the finance seat. Often what I hear from them is the significant difference in role and scope. As a Finance Officer of an organisation, it naturally blends with the fundamental skillset of analytics, mathematics, transformation and problem solving that make up the genes of most accountants. A role that is required to ensure the company spends money appropriately and efficiently, keeps within budget and forecasts projected revenues, and controls the company's financial performance on a day-to-day basis. Transitioning from a role that is very focussed on the running of an organisation through a finance lens, often self-proclaimed by many as being a "hands on role", to a role that touches every function on a strategic and tactical level, whilst ultimately being the custodian of the business can prove rather challenging.

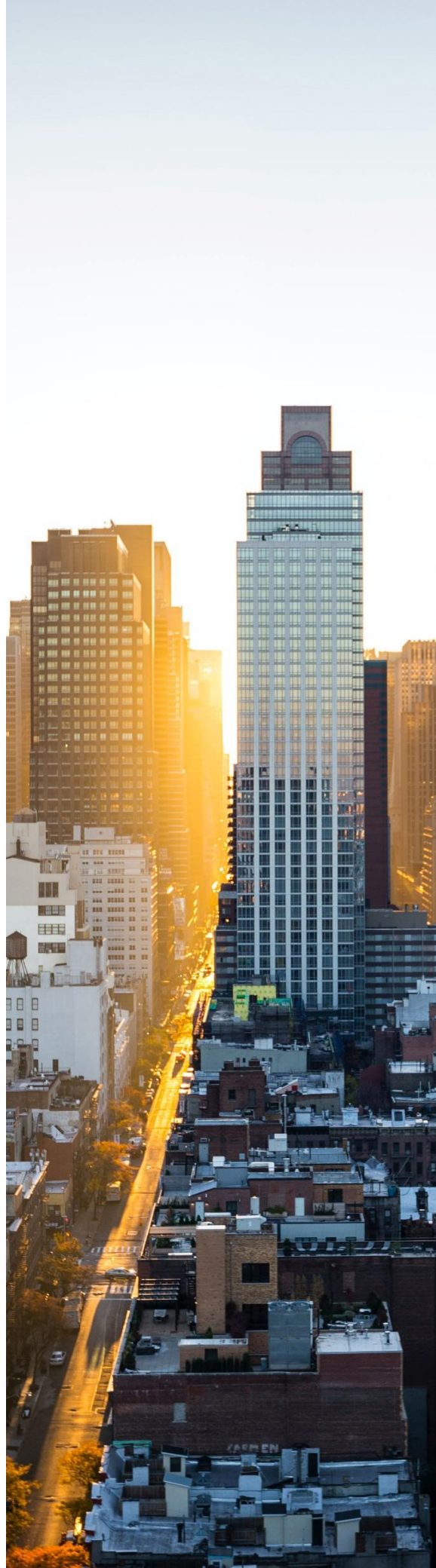
CEOs cover the full breadth of a company's operations, supervising all areas of a business from legal, HR, technology, marketing, sales, finance, transformation and many more. Driving the direction of a business by supervising other executives and overseeing challenges or growth plans is a task that sits more broadly and entails wider general supervision than the Chief Financial Officer position.

Whilst the CFO role is one where a large proportion of business decisions cross their desk of a similar nature to the CEO role, one clear difference between the two positions is that accountability for the final decision ultimately sits with the CEO. This fact in turn presents a rather new landscape for a first time CEO. Whilst sat in a CFO position you ultimately report directly to a full-time manager/ leader/ supervisor / supporter (the CEO) whose key objective in their direct line management is to ensure they get the best possible performance and outcome from their direct report. When sitting in your first CEO position, this is one thing that has been commented on before in my discussions - the stark reality of no longer having a full-time line manager/ supporter. All of a sudden, having leadership and guidance being in the form of a part-time or plural capacity (Chair or Non-Executive Director), can be a daunting and alien prospect.

Individuals from quoted companies which are widely discussed in the public domain, or those businesses that are not listed but, given the nature of the company, attract significant public interest, have often spoken about the rather startling exposure you get from being in the Chief Executive position as opposed to one step back in the finance role. Often the appeal of achieving career greatness in obtaining the top seat can feel less attractive once you are very much at the spearhead of the company rather than in the supporting role.

This is reflected in the BoardEx data, showing in the last 12 months there were 7 reverse moves of CEOs moving back into the CFO role that they had previously held. This is something I have also seen across my network having worked closely with several qualified accountants in Chief Executive positions who have come back onto the market with a request to move into their previous discipline of CFO, a role which they felt more suited their skillset.

Clearly it must be said, not all CEOs want to move back into CFO positions and many financiers successfully manage the transition. Reputable examples of where such transitions have led to highly successful CEO careers include the likes of Sir Jeremy Darroch (Sky/ Comcast), Margherita Della Valle (Vodafone), Tom Greenwood (Helois Towers), Nick Hampton (Tate & Lyle), and Susan Davy (Pennon) all of whom were appointed internally at their respective businesses from the Group CFO position.





## Now you're the *CEO*, who do you hire to replace yourself?

Once you have been appointed either externally or internally as Chief Executive from your previous appointment as Chief Financial Officer, building the right team around you is critical. One of the key questions will be who to hire into the pivotal right-hand role as your finance partner? This marriage, as you might imagine, is highly important.

CEOs with a background in finance tend to fall into two camps; they are either excited to immediately let go of their previous financial responsibilities or they wish to remain very much in the detail of the numbers. Careful consideration of this point is needed to ensure the correct CFO hire is made to compliment the newly appointed CEO.

It's important at this stage to understand the right individual to have working alongside you to ensure you develop as a partnership in unison. Where this partnership might come into turbulence is when both CFO and CEO have the intentions of carrying out the same tasks and responsibilities.

# Conclusion

The journey from Chief Financial Officer to Chief Executive Officer is a notable career path that has garnered increasing attention in recent years, whilst being statistically proven to be a popular decision made by Boards.

Whilst the data reveals a significant proportion of CEOs once held the CFO position, there are nuanced challenges and considerations accompanying this shift. The attraction of broader responsibilities, strategic oversight, and career advancement often beckons CFOs to pursue the CEO role. Yet, the transition demands a comprehensive understanding of the expanded scope and demands of the CEO position.

Success hinges on meticulous planning, a strategic approach to team-building, and alignment between the CEO and their successor in the finance role. Despite the appeal, it's essential for everyone involved to navigate this transition thoughtfully; ensuring it supports long-term success, not just for the new CEO, but also for the wider business.



Meet the author

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Mike sits within our Interim Management practice, offering a tailored service around advisory, projects and executive solutions.

Mike is passionate about challenging traditions in the executive and non-executive markets, offering solutions to board-level hiring where discretion, efficiency, and flexibility the highest priority. Mike is a strong believer in building long-lasting relationships with his clients and candidates. Honesty and integrity have been vital to his long-term success; he takes great enjoyment from the time spent investing in his network.



Get in touch.



## Our specialist Finance Practice

As a result of our deep functional expertise and exceptional networks, we have a strong track record of finding exceptional CFOs and their direct reports in the UK and around the world.

We have grown to become one of Europe's leading finance executive solutions businesses. Our specialist team understands what is needed to deliver success, providing carefully hand-picked candidates who match a client's culture and business priorities. We genuinely care about looking across a diverse range of candidates to ensure the best fit, focusing on finance leaders who are defined by their personality and impact, regardless of background. Balancing technical competency with cultural fit and prioritising chemistry with the CEO and wider leadership team is key.

For companies in a period of transition or with specific project needs, we have a trusted network of highly experienced, senior finance professionals who can start at short notice to support our clients on an interim basis.



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