

Transition to Group CFO and how to maximise effectiveness in role.

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Hedley May recently hosted a Round Table event on the Transition to Group CFO and how to maximise effectiveness in role.

The discussion was led by Margherita Della Valle, CFO of Vodafone Group Plc, and Sally Johnson, CFO of Pearson Plc, who were joined by a group of recently appointed CFOs and succession candidates at FTSE organisations.



HM Round Table

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Below is a summary of the key themes discussed.

The areas in which the transition to CFO is felt most acutely:

Board – the overnight step up to the Board is significant. Honing the contribution expected from the CFO as an Executive Board Director can be facilitated by seeking exposure and building relationships in advance. Reaching out to non-executives can feel daunting, but the consensus was that they respond well to requests for interaction and advice.

Communication – on being appointed CFO, the core technical skillset developed throughout the finance career becomes the domain of others. Accountability for external delivery and interaction becomes the new priority and with it a shift from financial management to a communication capability, more akin to sales.

While the members of the finance team have responsibility for the numbers, the CFO shapes the messaging in anticipation of the reception it will have on the external market. In practice, regardless of prior experience of investor relations, leading your first preliminary results as CFO will be an unprecedented experience. Seeking out the support of a specialist coach to help you develop your communication skills and support you in view of your interactions with external stakeholders is a must.

M&A – M&A is another key area where the shift from advisory to accountability is felt acutely. The ultimate judgement call now sits squarely with you under significant scrutiny. Prior exposure to corporate finance and the ability to establish a circle of advisors you can trust are keys to success.

Factors which influence the appointment:

The CFO will need to complement the CEO and so who gets appointed will be influenced by the experience and tenure of the CEO, and to some extent the Chair, and the current perception on how the CEO is performing. Internal candidates will have visibility on this. However, CFO succession will almost certainly involve an external search and the internal candidates should remain open-minded to external opportunities – this also allows for interview practice.

The CEO is a critical decision maker for the CFO appointment. Developing the relationships with the different stakeholders avoids the CEO needing to go out on a limb and ensures better support for the early days in the role. Whilst internal candidates have an advantage with this, external candidates should be mindful to highlight, in the interview process, how they have built Board and executive relationships in their current organisation.

The Group Financial Controller role, in preparation for CFO, has many advantages, including valuable exposure to the audit committee and an opportunity to work closely with its Chair, who is another critical decision maker for the CFO appointment.

The biggest question on the minds of the Board in relation to your candidacy, will be whether you can handle the externally facing element of the role – investor relations, corporate finance and broader external stakeholders. We have already referenced that seeking to achieve prior exposure to these areas will strengthen your candidacy.

Below is a summary of the key themes discussed.

Access to advisors, mentors and individuals who you can draw upon as a high-quality sounding board. The transition to the top can feel both lonely and daunting and is instantly exposing because of the lens associated with having ultimate accountability. Don't be afraid of asking the silly questions or admitting that you don't know the answer. You are not expected to know everything; you have a team to leverage you on delivering the numbers and providing technical assurance.

Set the strategy you want to be known for as a CFO swiftly and stick to delivering it. This may be ROI or other balance sheet associated drivers. ESG was also discussed. There is only a short period of time to prove yourself in such a highly visible role.

A trusted relationship with the CEO is critical. Adjust your style to complement theirs. You are a double act and need to come across as a balanced pair when facing off to stakeholders - you could be the optimistic voice to their pessimistic one, or vice versa.

Concluding remarks

Based on recent appointment activity, the outlook for candidates stepping into the CFO role for the first time is positive. In 2021, 11 of the 17 FTSE 100 appointments went to candidates who had not previously held the role. These were split evenly between internal and external candidates. All of these appointees had, in their recent senior level experience, a predominance of commercial finance experience, alongside a group finance role which had afforded external exposure and/or to the Board. These roles were Group Financial Controller, Group Head of Investor Relations and Group Head of Financial Planning, Analytics and Strategy. The exceptions were either those with corporate finance backgrounds or those stepping straight into the role from the Big Four.

Ultimately, there is an element of luck in being appointed for the first time into the role of CFO. Whilst there are many factors out of your control, the trick is to nonetheless stack the odds in your favour by strategically positioning yourself and preparing the ground in advance. Once in the role, by surrounding yourself with good advisors, building a trusted and complementary relationship with your CEO, and swiftly establishing the strategy for which you want to be known for, you maximise your chances of success.

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