From CFO to CEO: Bridging the Gap

Wednesday 19 November 2008

80 The Strand, London

In association with
SPEAKERS

**Chair, John Willman**
UK Business Editor, *Financial Times*

**Ian McMillan**
Financial Management Consulting Leader, UK and Ireland, *IBM Global Business Services*

**Sara Longworth**
Strategy and Change Leader, North East Europe, *IBM Global Business Services*

**Ian Livingston**
CEO, *BT Group plc*

**Professor Colin Mayer**
Peter Moores Dean, Saïd Business School, *University of Oxford*
On 19 November 2008, a panel of experts convened at the Pearson Building in London to discuss how easy it is for CFOs to bridge the gap. Speaking at the FT CFO Dinner Forum were John Willman, UK Business Editor at the Financial Times; Sarah Longworth, Strategy and Change Leader from IBM Global Services; Ian Livingston, CEO of BT Group, who shared his experiences as a former CFO; and Professor Colin Mayer, of the Saïd Business School, who drew upon the movements of the stock market for inspiration on the potential of the CFO to lead. The audience comprised of over forty CFO’s from FTSE 100 companies and the Public Sector.

How easy it is for CFOs to become CEOs? And if the opportunity presents itself, how best should they cross that divide? As the likes of WPP’s Martin Sorrell show, this move can be a highly successful one, but how should we judge Gordon Brown in his climb from the treasury to Number 10? Despite
the enormous responsibilities that CFOs shoulder, there is nevertheless a considerable gap between running a business and actually leading one.

The forum began with a discussion of findings from IBM's 2008 Global CEO Study on the Enterprise of the Future, which was based on face-to-face interviews with more than 1,100 CEOs from around the world. Eight out of ten CEOs see significant change ahead, yet the gap between expected change and the ability to manage it has almost tripled since IBM’s last Global CEO Study in 2006. While this group did not predict the current financial crisis, would a group of CFOs have spotted the storm clouds on the horizon?

With the market consolidating and pretenders falling by the wayside, it could be argued that the time is right for a safe pair of hands at the helm that is less likely to take risks and more likely to build on core strengths. One speaker characterised CEOs as the fictional Tigger, bouncing around with new ideas, while CFOs are Eeyore, the practical realist who must reign in his Tiggerish boss. However, in a globally integrated business environment, is this distinction still a valid one?

According to the IBM Study, the Enterprises of the Future will proactively seek change. Instead of merely responding to trends, they will shape and lead them. The example was given of a small recycled paper company in Shropshire that is now suffering from the global financial crisis. Their main customer in Shanghai has stopped buying because it no longer ships toys to America, as there is no longer the demand. One speaker wondered how the Shropshire company could meet this challenge, with global connectivity driving far-reaching shifts in the market at a quickening pace. Should the Tigger/Eeyore dividing line still be drawn between CEO and CFO, as innovation and flexibility become the watchwords for business survival?
With the face of investment banking changing beyond recognition over the last nine months, evidencing a pace of change few would have thought possible only one short year ago, the Enterprise of the Future will need to be change leaders, proactively seeking to improve performance and willing to disrupt the status quo to out-manoeuvre the competition, even if this means quite radical business model change. Further more the Enterprise of the Future will be innovative beyond customer’s imagination, forming new partnerships with customers, suppliers and competitors to access new ideas, new research or products or win in new markets. It will be globally integrated, taking advantage of skills and assets wherever they may exist, and yet the most sophisticated will be sympathetic to local culture to win and retain both customers and staff. Finally the Enterprise of the Future will go
beyond philanthropy and compliance to reflect genuine concern for society in all actions and decisions for commercial and sustainability reasons.

With the findings of the IBM survey urging CEOs to position their businesses rapidly to capture growth opportunities while also avoiding the pitfalls, the speakers examined how change should be approached and structured within the current economic situation. These financial guardians need to ask themselves if they understand and care about the business, as well as looking at the skill sets they have acquired to see if they have enough experience.

While there are the technically good CFOs, who are good at keeping a close eye on the finances, there is another breed of CFO who knows more about the business and is both the CEO’s best friend and worst enemy. ‘They know what’s going on without divisional bias, are able to challenge the CEO and can make change happen. But they’re not seen as the guy who just gives background commentary,’ said the speaker, ‘they will feel the pain when sales figures are not good.’

Whether in retail, manufacturing or telecoms, the CFO has to be able to go around the business and get involved in the different facets of its operations. You do not dilute your role through doing this, said the speaker, but enhance it by becoming someone who can talk knowledgeably across all the functions, from marketing and HR through to IT and corporate strategy.

Having made the jump into the position of CEO, it is critical that the ex-CFO does not lapse into their old job function. The first thing that ex-CFOs have to get over in a managerial role is when people continue to approach them
about numbers when they now need to play a different role. The new CEO should therefore demonstrate other capabilities and how they stand for a set of values.

‘What separates the CFO from the CEO is that the CEO makes change happen. You need to be a leader of people, not just someone who challenges them,’ said one speaker. ‘Change is not about running the finance department with 5% less people but rather about leaving a footprint on the whole of an organisation.’

Seemingly contradicting this point is the example of Gordon Brown – a CEO who has regained popularity by being a good CFO again. However, will this popularity only last for as long as the financial crisis does? At the
moment, Brown’s financial pedigree is standing him in good stead on both the national and global stage, but does he have the experience to take a strategic view?

Looking at the performance of the FTSE 100, one speaker highlighted the fact that the P/E ratios of companies with CEOs who were not previously CFOs comfortably outperformed those who did have CEOs with prior CFO experience. While there are arguably better ways of measuring CFO performance in the role of CEO, the transition is clearly not one to be taken lightly.

As the dinner forum drew to a close, one speaker advised that CFOs look to make the move into divisional CEO if the group role is not available, as it is very difficult to jump both job function and company at the same time. While a CFO may not get the opportunity to move into the position of CEO, they should still try and be the sort of manager who could be. Despite the many obstacles, aspiring CEOs were urged to make the jump from CFO if they felt passionate about the business, as if they did not try they would might spend the rest of their careers regretting it.
John Willman
UK Business Editor
Financial Times

John Willman was appointed UK Business Editor of the Financial Times in April 2006, with responsibility for a seven-strong team of specialist industrial reporters and the FT’s unique network of British regional correspondents.

Joining the FT in 1991, he has held several positions, including chief leader-writer, banking editor, consumer industries editor, features editor and public policy editor. His first jobs in journalism were on Which? magazine and Assessment. Before that, he was an economics teacher.

In the Business Journalist of the Year awards in March 2002, John was named the winner in the banking category. He was Financial Journalist of the Year at the 2001 British Press Awards and winner of the Norwich Union Healthcare/Medical Journalists’ Association Awards in 1998.

Ian McMillan
Financial Management Consulting Leader, UK and Ireland
IBM Global Business Services

In over 20 years of consulting Ian has worked with a wide range of organisations (including recently BP, Sony, BBC, Siemens, Chevron and Wolseley). He has helped these clients improve their financial performance and effectiveness through leading complex change programmes to deliver global finance function operating models and systems, improved risk management processes and new management information systems.

He leads IBM’s Financial Management consulting practice in the UK and Ireland. In this role he continues to work with clients as well as leading IBM’s continuing development of innovative solutions in response to today’s CFO challenges of globalisation and increasing compliance.
BIOGRAPHIES

Sara Longworth
Strategy and Change Leader, North East Europe
IBM Global Business Services

Sara joined Price Waterhouse in 1998, which was subsequently acquired by IBM in 2002. As the Managing Partner of the Strategy and Change Group for North East Europe, Sara manages Partners and Staff who specialise in Business Strategy, Organisation Change Strategy, Operations Strategy and Technology Strategy across a full range of business sectors. She is particularly interested in business model innovation; and in how corporate strategy can be achieved and accelerated by competitively advantageous operating structures.

She contributed to a major publication on the latter ‘A Thousand Tribes and How Technology Unites People in Great Companies’.

Sara’s experience is in the management of the transformational change incumbent upon organisations as a result of industry or market shifts. Her core expertise is in business operating model design, process and culture change.

She has led engagements for American, Japanese and European multinationals to achieve corporate divestment, merger, acquisition and restructuring, global technology change, culture change, cost reduction and organisation effectiveness programs, in e-enabled and in traditional environments.

Ian Livingston
CEO
BT Group plc

Ian Livingston was appointed chief executive of BT Group on June 1st, 2008. Previously, he was Chief Executive of BT Retail, a position he held from February 2005. Prior to this, Ian was Group Finance Director for BT Group from April 2002. Before joining BT, Ian was, from 1997, Group Finance Director of the Dixons Group. He joined Dixons in 1991 and his career with the electrical retailer spanned a number of operational and financial roles, both in the UK and overseas.

Earlier in his career Ian held senior management positions at the 3i Group and the Bank of America International. He was a Director of Freeserve from its inception.

Ian is also a Non-Executive Director of Celtic plc. He holds a BA in economics from Manchester University and qualified as a chartered accountant in 1987.
Professor Colin Mayer

*Peter Moores Dean and Professor of Management Studies*

Colin Mayer is Peter Moores Dean of the Saïd Business School, Professor of Management Studies and Professorial Fellow of St Edmund Hall, Oxford.

Colin has been at the Said Business School since its inception in 1994 and was its first professor – the Peter Moores Professor of Management Studies. He has built an international reputation in the field of finance and has published widely on corporate finance, taxation and governance. He has served on the editorial boards of several leading academic journals and was instrumental in creating the largest and most prestigious networks of economics, law and finance academics in Europe at the Centre for Economic Policy Research (CEPR) and the European Corporate Governance Institute (ECGI). He has held visiting fellowships at Stanford, MIT and Brussels University (ULB), where he was the first Leo Goldschmidt Visiting Professor of Corporate Governance. He is a Fellow of the European Corporate Governance Institute and an Honorary Fellow of St Anne’s College, Oxford.

Colin is Chairman of Oxera Holdings Ltd and was instrumental in building the firm into what is now one of the largest independent economics consultancies in the UK. He has consulted for numerous large firms and for governments, regulators and international agencies around the world.

Colin researches in the fields of corporate finance, governance, regulation and taxation. He has worked on international comparisons of financial systems and corporate governance and their effects on the financing and control of corporations.
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