SESSION 2
From CFO to CEO: Knowing When & How to Make the Transition
FOR YOUR REFERENCE:

All slides & reference material can be downloaded: crgroup.com/CFO-Bootcamp

Comment card has been provided. Please provide your feedback and hand-in at the end of the session. Thank you!
ABOUT ME:

An interesting background:

- Chemical engineering degrees, Bachelors and masters (McGill)
- MBA (marketing and finance) and Ph.D. (finance) from McGill
- Worked as market research consultant for Bell Canada in the late 70s early 80s
- After Ph.D., Worked for the Department of Finance on Mega projects and budgets (corporate tax policy) – 1982-1992 (full time and then part time)
- Started teaching at Sprott School - 1985 to 2017
- Started CRGroup in 1989/90 www.crgroup.com
- Have consulted around the world for large and medium size enterprises and many government departments
AGENDA:

Assumptions about you
   *You have gone right....*

The role of the CEO
   *CFO DNA*

Bridging the Gap
   *Introspection*

Action items
   *Reflections*
And what is expected to be considered a trusting CFO?

Since:

A CFO can’t be a CEO unless one gains trust of the Board members
Assumption: You Have Gone Right (before you can go to the Top!)

From Elemental/operation to Tactical/Strategic Role

- Budget control
- Focus on numbers
- Report Generator
- Value Drivers
- Shareholder value metrics
- High performing finance team
- Strategic understanding of the business
- Deep understanding of the business models
- From G/L to sub ledgers and finance to MD view

Finance Maturity

- Focus on budget & past performance
- Member of Executive Committee
- Trusted advisor to the CEO
- Trusted advisor to the Board

Focus on budget & past performance

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What Do We Know About the CEO Role?

CEO designs strategy and the road map to create a successful enterprise.
CEO is expected to lead and challenge.
CEO is the “driver” of performance and enterprise success.

But how does one create a successful enterprise?
What Do We Know About Successful Enterprises?

Jack Welch, Steve Jobs, Satya Nadella, Mark Zuckerberg, Jeff Bezos .......
### What Is The CEO Role?

<table>
<thead>
<tr>
<th>Vision, strategy and “Claim to Fame”</th>
<th>VISIONARY LEADERS</th>
<th>ESTABLISH DIRECTION</th>
<th>RAISE THE YARDSTICK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business insight and capital allocation/ ST and LT</td>
<td>RESPONSIVE STRATEGY</td>
<td>RESOURCE DEPLOYMENT</td>
<td>BUILD COMPETENCIES</td>
</tr>
<tr>
<td>Environmental scan and market intelligence</td>
<td>INNOVATIVE APPROACH</td>
<td>CREATE NEW RULES</td>
<td>OUTWIT THE COMPETITION</td>
</tr>
<tr>
<td>People skills and story telling and contextual, ethical, honest, consensus builder, silo breaker ....</td>
<td>RESPONSIVE CULTURE</td>
<td>PRIDE AND PASSION</td>
<td>ENERGY</td>
</tr>
</tbody>
</table>

- **ABILITY TO INVENT THE FUTURE**
- **ABILITY TO MAKE IT HAPPEN**
What Is Strategy?

Strategy results in a set of choices that if executed correctly leads to success in presence of other competing firms/organisations.

It also allows to say “NO”

Applicable to all firms/organisations – private and public, domestic and global.

Note: just because a firm has a strategy (ies) does not mean it will be successful.
Crafting a Strategy

Through identifying, creating, and maintaining a competitive advantage – Uniqueness

Through impacting industry and its structure and creating value for shareholders/stakeholders – Courage

By creating a “lock-in” effect with its customer by giving them an unbeatable value proposition that is sticky - Stickiness

**Result:** Creating an unbeatable value proposition (for customers) that is sticky that gives a sustainable
Note: Vision/Mission and Strategy are intrinsically linked
What is Apple’s vision/mission?

To make the very best products in the world that really deeply enrich people’s lives. That’s what we’re about. And now it’s not to make the most. It’s not to have the highest market cap, but that’s the result of doing the first one well. That’s what we’re about. And hopefully you can see that in our products and, more importantly, feel that in the experience you have using them. That’s what we’re about. And everybody here knows that. That’s the beauty of this place. We don’t have to put posters on the wall to remind people of that. Everybody knows it.
A Vision without a strategy and a realistic execution plan and without the right people with the right attitude can be termed as “Corporate hallucination.”
Note: Research Has Identified 4 Barriers to Successful Execution of Strategy

- **The Vision Barrier**: Only 5% of the workforce understands the strategy.
- **The People Barrier**: Only 25% of managers have incentives linked to strategy.
- **The Resource Barrier**: 60% of organisations don't link budgets to strategy.
- **The Management Barrier**: 85% of executive teams spend less than one hour per month discussing strategy.
## A Quick Test

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Low 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>High 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity of Vision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Clarity of Mission</td>
<td></td>
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<tr>
<td>Clarity of Core Values</td>
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<tr>
<td>Communication of Vision/ Mission/ Values</td>
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<tr>
<td>Overall Rank (sum of the above)</td>
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</table>
Next: Let us focus on this elusive term called “leadership”
What do we know about Leaders and Leadership From an Immense Body of Literature and From Gurus?

Three views:
View 1: Bass, Sharks and Dolphins

* Source: John Burdett, Orxestra
What Do We Know About Bass, Sharks, and Dolphins?

**Bass:** Particularly adept at warding off attack by muddying the waters in which they swim.

**Sharks:** Aggressive, action-oriented, generate some interpersonal debris along the way. Feared for their size and voracity.

**Dolphins:** Elegant, highly intelligent, fast and adaptive, dolphins seek collaboration – rise in unison.
Who Should You Prefer As Your Leaders for Your Enterprise Today?

Bass, Sharks, or Dolphins?

And what are you?
View 2: Head - Spirit – Hand - Heart

* Source: John Burdett, Orxestra

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What Do People Need From a Leader?

<table>
<thead>
<tr>
<th>Business Dimensions</th>
<th>People Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business Acumen</td>
<td>• Admiration &amp; Respect</td>
</tr>
<tr>
<td>• Innovation</td>
<td>• Demonstrates Personal Leadership</td>
</tr>
<tr>
<td>• New ideas</td>
<td>• Develop Organization Capability</td>
</tr>
<tr>
<td>• Delivers Results</td>
<td>• Team Collaboration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Head</th>
<th>Spirit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• See emerging patterns</td>
<td>• Caring</td>
</tr>
<tr>
<td>• Customers Voice</td>
<td>• Authentic</td>
</tr>
<tr>
<td>• Strategy</td>
<td>• Collaborative</td>
</tr>
<tr>
<td>• Clear goals</td>
<td>• Supportive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hand</th>
<th>Heart</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Results</td>
<td>• Listen</td>
</tr>
<tr>
<td>• Commitment</td>
<td>• Coach</td>
</tr>
<tr>
<td>• Consistent</td>
<td>• Stretch</td>
</tr>
<tr>
<td>• Discipline</td>
<td>• Affirm</td>
</tr>
</tbody>
</table>

What about you?

*Source: John Burdett, Orxestra*
View 3: A Competency Centric Model
What Competencies Do We Need From a Leader?

<table>
<thead>
<tr>
<th>Character</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traits</td>
<td>Aspiration</td>
</tr>
<tr>
<td>values</td>
<td>Engagement</td>
</tr>
<tr>
<td>Virtues</td>
<td>Sacrifice</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People competencies</th>
<th>Organizational competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Competencies</td>
<td>Strategic competencies</td>
</tr>
</tbody>
</table>

What about you?

* According to Gandz et al ICD 167, May 2013
What Do We Want From Our Leaders?

Some Hints:

<table>
<thead>
<tr>
<th>INSPIRATIONAL</th>
<th>CONFIDENT</th>
<th>CHARISMATIC</th>
<th>PARENTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>VISIONING &amp; PROVIDING STRATEGIC DIRECTION</td>
<td>KNOWLEDGE</td>
<td>TO LEAD THE WAY</td>
<td>TO MOTIVATE</td>
</tr>
<tr>
<td>TO LAY OUT EXECUTION PLAN</td>
<td>TO PROVIDE SECURITY BLANKET IN TIMES OF CHANGE</td>
<td>TO CREATE A TRUSTING ENVIRONMENT</td>
<td>TO NAVIGATE UNCHARTED TERRITORIES</td>
</tr>
</tbody>
</table>
So What Specific Competencies Are Required by the CEO?

**Business Perspective**
Using an understanding of business issues, processes, outcomes and financial information to enhance business performance.

**Results Management**
Organizes time, work and resources to accomplish objectives in the most effective and efficient way.

**Decision Making**
Making Decisions involving varied level risk and ambiguity.

**Governance & Compliance**
Driving and complying with Policies and procedures to ensure sustainable and risk-managed business operations.

**Leading and Developing Self**
Ability to develop and demonstrate personal flexibility though the willingness and ability to manage self and overall learning endeavors.

**Leading and Developing Others**
Fostering employee development by providing a supportive learning environment.

**Respect for Others**
Driving organizational success by treating others with dignity and appreciation for their contributions.

**Strategic Thinking**
Understands and processes complex information and exercises sound judgment, considering the situation, the issues, the key players and the levels of authority involved. Proposes course of action that furthers the objectives, priorities and vision of the organization while promoting and ensuring alignment with the organization's visions and goals.
Key Observations/Conclusions

• *Not every CFO can & should aspire to be a CEO – it requires a different DNA*
  • *Do a self assessment using the three different views*
• Leadership is complex beast – some characteristics are innate: some can be acquired
• Leaders must demonstrate ‘leadership’ (not managerialship)
• Must demonstrate and lead a vision about the enterprise
• Needs the ability to create positive pressure and a sense of urgency
• Culture matters – so need to know how to create a responsive culture
• Change is hard but leaders must drive and execute the change
Questions for you?

• How many of these traits you have?

• What traits does your enterprise need today and in the near future?

And

• Is there a Match?
Evidence from Survey Conducted by the National Association of Corporate Directors

- Two-thirds of US public and private companies still admit that they have no formal CEO succession plan in place.
- One in three CEO successions fails.
- More broadly, three clusters of criteria are used:
  - know-how, such as technical knowledge and industry experience;
  - leadership skills, such as the ability to execute strategies, manage change, or inspire others; and
  - personal attributes, such as personality traits and values.
Evidence from Survey Conducted by the National Association of Corporate Directors – CEO Choices are Industry and Context Specific

• CEO choices are industry and context specific and with a five- to eight-year view.

• Mandates for CEOs change with the times and the teams they work with. The evaluation criteria should change, as well.
  
  • For example, the leadership style of a CEO in an e-commerce business would be very different from a CEO requirement for a utility.

• Requirements for publicly listed companies are very different from privately held companies.
## Where to Look for a CEO Position?

<table>
<thead>
<tr>
<th>Size matters</th>
<th>Mature industry/non-disruptive environment</th>
<th>Nascent/emerging industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publicly listed</td>
<td>Steady hand, statesmanlike, industry contacts, within industry experience</td>
<td>Deep (even if short) knowledge of the space, story teller, relationships matter, valuation focused</td>
</tr>
<tr>
<td>Privately held</td>
<td>Ability to work with owners, personal relationship, willing to work in a slow pace – organic growth</td>
<td>deep (even if short) knowledge of the space, ability to turn on a dime, task/deadline focused, 100 hour work weeks, must show experience in similar companies</td>
</tr>
</tbody>
</table>
And finally – fighting the biases in CEO selection
Managing the BOARD for CEO Succession
Evidence on CEO/Board Biases
Managing the BOARD for CEO Succession
Evidence on CEO/Board Biases

**MOM:**

“More of me” - look for or try to develop a copy of themselves.
Managing the BOARD for CEO Succession
Evidence on CEO/Board Biases

**Sabotage:**
Consciously or unconsciously undermine the process by promoting a candidate who may not be ready for the top job (or is otherwise weak) and therefore seems likely to prolong the current CEO’s reign.
Managing the BOARD for CEO Succession
Evidence on CEO/Board Biases

**Herding:**
Members of the committee in charge of the process consciously or unconsciously adjust their views to those of the incumbent CEO or the chairman of the board.
## Checklist: Sample CEO Criteria and Your Score

1: Low 5: High

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>1= Low, 5= high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>Key stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deep industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drivers of performance</td>
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</tr>
<tr>
<td>Leadership Skills</td>
<td>Attracts and develops talent</td>
<td></td>
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<tr>
<td></td>
<td>Drives high performance</td>
<td></td>
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<tr>
<td></td>
<td>Able to articulate vision and change story</td>
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<tr>
<td>Mind-set and personal Attributes</td>
<td>engaging and inspiring</td>
<td></td>
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<tr>
<td></td>
<td>Open minded</td>
<td></td>
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<tr>
<td></td>
<td>Culturally sensitive</td>
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</table>
Final Thoughts

- .........
Questions?
ABOUT CRGROUP: HELPING CLIENTS BUILD BUSINESS SUCCESS – LEVEL BY LEVEL

CRGroup offers **complete business systems** as well as the consultancy and technical expertise needed for businesses to deploy better financial & operational processes & systems.

We do sell many standalone solutions; however, it is our intent to engage clients in a long-term, full systems partnership, where we work together to build their financial and operational technology platforms, advising them on best-practice processes, configuring them to suit their needs, and ensuring everything is integrated & accessible.
WHAT PRODUCTS/SOLUTIONS DO WE OFFER?

Level 7™ Enterprise Solutions
Leading Business Technology Platforms: On-Premise or in the Cloud

- **Enterprise Resource Planning**
  Dynamics GP • Dynamics 365 Financials • Dynamics 365 Operations

- **Process/System Optimization**
  Add-Ons for Dynamics GP • FlexABM • Cost Allocator • Cloud Migration • KEMP Load Balancers • SQL Servers/Reporting

- **Collaboration/Sharing/Productivity**
  Dynamics CRM • Office 365 • SharePoint • Atlassian (JIRA, Confluence, HipChat)

- **Business Intelligence & Analytics**
  BOARD • Tableau • PowerBI • Data Warehouse

- **Corporate Performance Management & Budgeting**
  BOARD • Adaptive Insights • Rapidstart

- **Talent Management**
  CRG emPerform • Confidential Insight

- **Value-Based Management**
  Strategy & Corporate Planning • Executive Compensation • Profitability Analytics • Shared Services
Thank you for joining!
Please take a moment to complete the comment card.

Contact us!
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Michael Sparling | msparling@crgroup.com

Access great resources at
crgroup.com/CFO-Bootcamp