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.

Early in my career as CFO, I was prone to walking down the hallway deep in thought, and I would perhaps not notice people or take the time to speak with them. Once I became aware of that, and of the effect it could have on people, I adopted Walmart founder Sam Walton’s “10-foot rule”—which is to look up and acknowledge whomever comes within 10 feet of me, regardless of whether that person is a customer, a janitor, or the chairman of the board. I saw what a difference being approachable made to my interactions with others, and that changed my outlook as a leader.

**What makes a great bench?**

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.

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

<table>
<thead>
<tr>
<th>Experience</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Corporate strategy</td>
<td>60%</td>
</tr>
<tr>
<td>Industry experience</td>
<td>50%</td>
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<tr>
<td>Investor relations</td>
<td>40%</td>
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<tr>
<td>Corporate development/M&amp;A</td>
<td>30%</td>
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<tr>
<td>Internal/company experience</td>
<td>20%</td>
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<tr>
<td>General/BU management</td>
<td>10%</td>
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<tr>
<td>Restructuring/transformation</td>
<td>5%</td>
</tr>
<tr>
<td>International experience</td>
<td>0%</td>
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<tr>
<td>Operations</td>
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<td>Enterprise risk</td>
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<td>IT/Systems</td>
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<td>Cybersecurity</td>
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<td>Internal audit</td>
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Accept that people are watching you—
al 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,
CFOs need to build credibility that they
understand the business as well as anyone.
That credibility comes from getting out into
the business and seeing it in person, not
from company headquarters. As the author
John Le Carre wrote, “A desk is a dangerous
place from which to view the world.”¹

Communicate effectively. Whether
communicating with employees, the board,
shareholders, analysts, and regulators,
it’s important to tailor messaging and
dialogue with each set of stakeholders.
Above all, ensure those communications
are clear, accurate, and consistent. If
your communications skills and public
speaking are not strengths, work on those
skills now, utilizing professional training.
Communication remains one of the
undervalued skills in the CFO toolkit, and it is
only becoming more important as the CFO
role becomes increasingly strategic
and public-facing.

Don’t try to be expert in everything.
Especially at a time of fast-changing
technologies, it’s not possible to be expert
in every function the CFO oversees. In areas
that report directly to the CFO, such as tax
or, in some cases, IT, the CFO should
understand the underlying principles of
those disciplines; be aware of emerging
developments and technologies and how
the company and finance could use them;
and hire the strongest people for those
areas as much as possible.

Finally, maintain the highest integrity
possible. No matter how much the CFO’s
job changes, integrity always has been and
will continue to be the foundation. CFOs are
the truth-teller for their organization and the
person the CEO and the board in particular
trust above all to deliver an informed, frank,
honest, and objective perspective. Doing
that, in my opinion, requires gravitas. As
CFO, you should possess and be able to
convey that sense of authority, wisdom,
and depth of knowledge of the business
when discussing and deciding issues of
great importance to the company. And
remember, as CFO your decisions impact
a host of stakeholders, including employees,
shareholders, analysts, customers,
regulators—and, as I mentioned earlier,
they will be watching your words and
actions 24/7.

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 supersars
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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