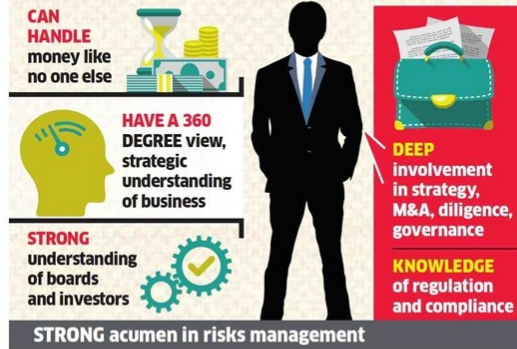


# Chief Number Crunchers Take Over as CEOs

## Why CFOs Make Good CEOs



Rica.Bhattacharyya  
@timesgroup.com

**Mumbai:** A few years ago, when an organisation wanted to appoint a new chief executive, the search would mostly centre on marketing or sales head. But today, chief financial officers (CFOs) are the most sought-after candidates to occupy the corner room, thanks to changed business environment and evolved role of chief financial officers.

The number of CFOs taking on the mantle of CEO has increased 20% over the last three years, shows a survey by global executive search firm Russell Reynolds Associates. Rajesh Gopinathan of Tata Consultancy Services, Sunil Mathur of Siemens, Umang Vohra of Cipla, and S Sridhar of Pfizer were all CFOs before taking over as CEOs.

Experts attribute this change in preference to today's business environment where topline and margins are always under pressure. The CFO's acumen in dealing with money and managing risks gives him/her an edge over the chief of sales or marketing in taking over the top job, they said.

"Earlier, a marketing or sales guy would have had an edge over the CFO who was more of a bean counter," said Harsh Goenka, chairman at RPG Enterprises. "But the changing role of a CFO as a strategic partner in business and a greater 360 degree view of the entire business gives the person an edge in the race for the CEO role," he said.

In certain businesses, such as a commodity-led organisation, for example, where cost is an important factor, a CEO should be someone with solid understanding of financial and risk management, Goenka said. "And the CFO understands money better than anybody else."

Navnit Singh, India chairman at executive search firm Korn Ferry International, said chief of marketing or sales and CFO have always been contenders for CEO's role, but if the former used to win the race mostly earlier, now the latter has an advantage, at least in certain industries. "No one can be a better fit for CEO role than a CFO who has exposure to business realities as well as on-ground action," Singh said.

CFOs today are no longer just number crunchers. They have wholesome view of the business with their involvement in strategy, mergers and acquisitions (M&As), diligence,

governance, and investments, experts said.

The basic CFO functional jobs such as accounting, taxation, corporate finance and treasury are today more of a maintenance job. Therefore, CFOs today are tuned in to the business contours and make good CEOs as well because they understand the levers of business well, they said.

"Overtime, the CFO's evolution, exposure, and acceptance by promoters and boards are rising," said Prabir Jha, global chief people officer at drug-maker Cipla.

Sachin Rajan, managing director for India office at search firm Russell Reynolds Associates, said the change is due to CFOs' appetite to move out of their comfort zone and embrace other functions, including sales and marketing, and more importantly their ability to lead and motivate large teams in these functions.

Vimal Kejriwal, CEO at KEC International, the flagship company of RPG Group, said the kind of talent that best fits the CEO role depends on the industry.

"For instance, if it is something like an FMCG firm, a marketing guy might be more suitable," he said. Some businesses like engineering, procurement and construction, where there is huge element of risk and financial management, you need someone who understands risk, financing and working capital, he added.

Another attribute that goes in favour of CFOs is their attention to detail. "As a CFO, you pay a lot of attention to detail which really comes in handy," said Kejriwal, who dealt with spreadsheets and revenue projections for 24 years of his career.

Citing the example of Kejriwal, who took over as head of international business before transitioning into the CEO role, Harsh Goenka said it makes sense to rotate the CFO in business roles and see how the person performs out of his/her comfort zone.

Also, in the current environment of investor relation and compliances, a CFO would be interacting a lot more with investors and all stakeholders that give them a real outside view of what the stakeholders actually want from the company.