Survival of the Fittest

How C-suite roles are evolving —
and what it means for top teams

PART THREE | The CFO

Amrop

Leaders For What's Next

Survival of the Fittest

How C-suite roles are evolving — and what it means for top teams

PART THREE | The CFO

There has been a slow but steady evolution in the scope of the CFO role: from 'bean counter' to 'business strategist'. Today's fittest players are guided by wise and purposeful leadership, working hand in hand with the CEO. But a volatile operating context is setting the CFO at the epicenter of a risk storm, with regulatory and ESG reporting proving burdensome.

In the finance domain, the CFO role is still by far the most sought-after by hiring organizations. Although an accounting background remains the most common, other tracks are now opening up. Looking forward, the CFO will remain a top contender for the CEO role, even if the succession slate is broadening to encompass other CXOs.

This Amrop series examines the evolution in C-suite roles and the composition of the optimal Leadership Team For What's Next. Based on the insights of senior Amrop Partners from across the world and the Amrop global data set, we consider five roles: the CEO, the CFO, the COO, the CHRO and the CIO.

In this article we ask: what will the CFO For What's Next look like? What factors determine the survival of the fittest?

Amrop

Key Questions

1. How has the CFO role evolved over the past 10 years? What of the other C-suite 'species' in the finance domain?

2. What are the defining qualities of the fittest CFOs For What's Next?

3. What relationships need to be cultivated by CFOs today in today's governance setting?

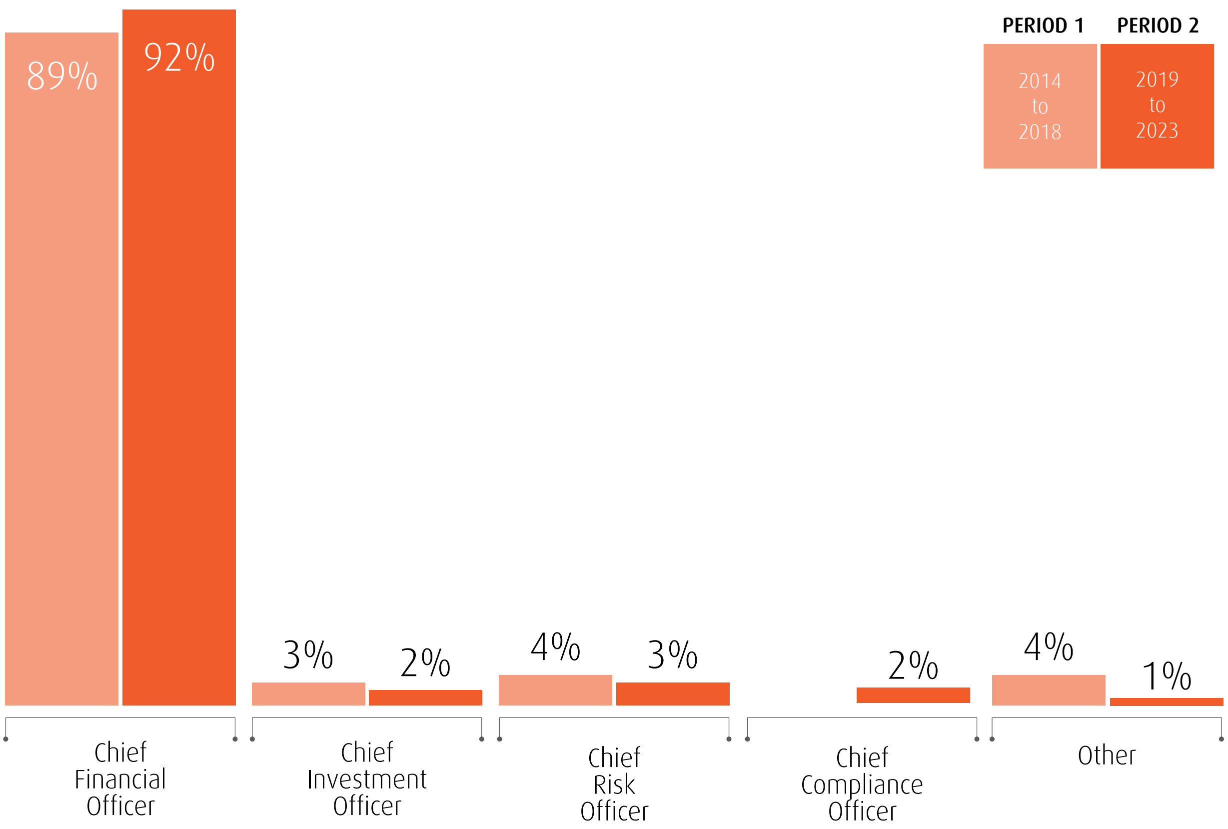
4. How are the twin forces of risk and reporting affecting the finance domain and the C-suite mandate?

5. What are the evolutionary perspectives for the CFO, particularly with regard to the CEO position?

Amrop

At global level, the CFO still dominates the finance domain

How has the finance domain evolved over ten years? To find out, Amrop analyzed its global database of C-suite assignments[1], looking at the proportion of total assignments accounted for by each role type. We then compared the picture for two periods: 2014 to 2018 and 2019 to 2023. There is some concentration in role types, the analysis reveals: whilst the Chief Financial Officer is still by far the most sought-after by organizations, the number of 'other' role types has dropped, from 10 to 4.



Going deeper

Diving further into the data for the major C-suite domains to examine their 'sub-species', we also find interesting developments in the IT/Digital. We share the insights in a further article: the Evolution of the CIO.

[1]Large mid-caps account for the majority of the data analyzed.

Survival of the Fittest | Topline Messages

The context is volatile for the finance domain and CFOs.

Geopolitical and environmental factors are reducing the flow of available capital, interest rates are fluctuating and financial measures are restrictive.

The CFO role is evolving from 'bean counter' to 'business strategist'.

The fittest players have moved from retrospective reporting to forward-looking business partnering. They propose avenues for future value creation in areas such as investment, divestment or restructuring. Driven by skilled CFOs, 'strategizing with data' informs existential decisions, confronting opinions with facts.

The CFO must exercise wise and purposeful leadership, pursuing health and wealth.

The new CFO holistically combines individual, socio-environmental, and business purpose. The core aim is to drive impact and long-term value creation for people, the planet and profit. Their visible commitment and authenticity inspire others. A sense of purpose also guides the CFO to resolving a core paradox; the pursuit of health and wealth: 'doing well by doing good'.

Accountancy remains the main path to the CFO role, but others are opening up.

There is a growing appetite for candidates with a background in investment banking, M&A and FP&A, with a deal-making mindset. Yet it remains vital for C-suite designers to build a qualified accounting resource into the finance domain. Financial acumen is critical for credibility, not only facing the CEO and board, but shareholders and the wider stakeholder community.

CFO presence on boards varies widely, but top-level relationships are changing.

CFO board membership is associated with better investment decisions. Wherever they sit, all CFOs must fully engage with their board, fellow CXOs and the Chair of the Audit Committee. The CFO/CEO relationship is paramount. It unites the CEO's global and board insight with the financial-strategic knowhow of the CFO. And this duo is increasingly one of equals.

The CFO still dominates the finance domain, role species are concentrating.

Amrop analyzed its global database of C-suite assignments, looking at the proportion accounted for by each role type. Comparing two five-year periods from 2014 to 2023 we found some concentration in financial 'species': whilst the core role of Chief Financial Officer is still by far the most sought-after by hiring organizations, the number of role types has dropped from 13 to 7.

The CFO is at the epicenter of a risk storm.

Geopolitical, cyber, operational, supply chain: the need to anticipate and manage risk is at its zenith. Risk may be a distinct domain working with finance, or part of the CFO's mandate. Whilst this depends on an organization's size and sector, the need for Chief Risk Officers (or equivalents) is ticking up. And whilst reputational risk is not yet a formal consideration for most CFOs, it may well become one, given the financial stakes of a fallout.

Regulatory and ESG reporting is placing a heavy burden on many CFOs.

The Financial Times has signaled a 'decade-high turnover' of CFOs, with burdensome reporting as a factor. In Europe, thousands more organizations must now comply with ESG reporting directives and the focus on ESG reporting is not set to soften for some time. Meanwhile, ESG factors are playing an increasingly important role in investment and acquisition decisions.

The CFO is still a top contender for CEO, but faces competition from other domains.

Given the growing emphasis on culture, values, and sustainability, any CXO could be eligible for CEO, based on the executive's capacity to drive these topics, credibility and ability to occupy the public podium. But as their role also widens, today's CFO is probably even fitter than his or her predecessors.

1 Bandwidth

The CFO role is evolving from 'bean counter' to 'business strategist'. The fittest have moved from retrospective reporting to forward-looking business partnering. They propose avenues for future value creation in areas such as investment, divestment or restructuring. Driven by skilled CFOs, 'strategizing with data' informs existential decisions, confronting opinions with facts.

Welcome to a new level of VUCA

From his interactions with C-suite teams and boards across a wide array of industries, an Amrop Partner draws a vivid picture of the volatility and unpredictability re-shaping the finance domain over the last few years.

“Risk and business impact have come from places where traditionally we would not have seen them, and definitely not at this pace. Consider Covid, how fast the world shut down and supply chains changed. Ways of working and different industries were impacted tremendously.

“Financing is now being affected by the regional conflicts, the lack of money compared to before and the restrictive financial measures we are seeing in many places, with interest rates rising significantly in a very short time.

“Suddenly, geopolitical and environmental factors are becoming major issues. And that means that risk is fast evolving into a strategic priority for many. If you looked at risk in the past, there was a little on the people side (flight risk) and maybe some countries where it was risky doing business. Now we’re looking at cyber risk and geopolitical risk.”

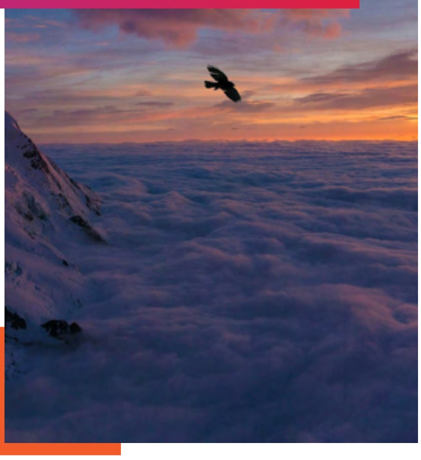
“Risk and business impact have come from places where traditionally we would not have seen them, and definitely not at this pace.”

A strategic shift

The turbulent business environment is compounding a slow but steady evolution in the finance domain: the scope of the CFO role has broadened from ‘bean counter’ to ‘business strategist’. As one Amrop Managing Partner puts it: “the CFO role is not just about managing the accounts, the cash. They need to know how to manage defense now, not just offense.”

Another Amrop Managing Partner confirms the evolution: “The main change is that everybody wants not an accountant but a strategic CFO, understanding the business drivers and able to help shape the organization by understanding the financial forces and risks. So that’s been the big shift within the last fifteen years.”

The perspective of the CFO role has fundamentally changed, "From a retrospective reporting CFO role to a forward-looking business partner; much closer to the organization."



This Amrop Partner has observed a move towards a "business partner discussion with business cases, strategizing with data." It is also about informing the decision-making process: "helping the organization speak data and numbers, as opposed to 'people with opinions'."

The perspective of the CFO role has fundamentally changed, he says: "From a retrospective reporting CFO role to a forward-looking business partner; much closer to the organization. And that has really lifted the CFO domain a lot over the last years." The CFO now analyses past financial performance not only to forecast for future performance, but to propose avenues to the board for future value creation in areas such as investment, divestment, or restructuring.

The CFO needs a true north as never before

In our article exploring the ecosystem of the C-suite[2] we saw an unprecedented need for today's C-suite to foster the organizational purpose, a compelling organizational culture and value system.

This means that all C-suite members must embody wise and purposeful leadership.

Purposeful leaders holistically combine individual, socio-environmental, and business purpose. They are distinguished by five competencies and mindsets: 1) vision, 2) courage, integrity and authenticity, 3) learning, 4) empathy and 5) accountability.

Their core aim is to drive impact and long-term value creation for people, the planet and profit. A Purposeful Leader balances all three with a commitment and authenticity that inspires others to follow suit.

The CFO For What's Next is no exception, guided by a sense of purpose to resolve the paradoxes that rise up in the course of business. Of these strategic tensions, the most dominant in the finance domain is, of course, that of 'health versus wealth'.

Resolving it means combining the pursuit of profitability with the wider sustainability (and ESG) agenda: 'doing well by doing good.' Especially in times of crisis, painful choices must be navigated. For example, meeting shareholder expectations whilst also preserving jobs and paying suppliers.

Today's CFO needs an outstanding ability to identify paradoxes, examine the stakes, and move beyond 'either/or' thinking to 'and/and' thinking: devising innovative solutions. These enable the organization to get the best of both worlds, whilst still managing the rising tide of risk.

[2] Survival of the Fittest Part One: The C-suite Ecosystem, (2024), Amrop

The accountant is quietly evolving

An Amrop Board Member confirms the shift in the CFO role: "Historically the CFO was someone trained as a chartered or certified public accountant who worked their way up to being a controller and then to a treasurer and then the CFO role."

Whilst this is still the most common track, things are moving: "I am seeing more of an appetite to bring in people who grew up more with an investment banking, M&A-type background." It is particularly effective to bring in these profiles when an organization can also draw on the technical skills of "more typical accountants who've grown up in the accounting stream."

Another Amrop Partner agrees that fewer CFOs will be growing up in accounting. Even if many candidates still come from major accounting firms and then transfer over to CFO roles, "I think that's going to be less and less. Whilst accountancy is also moving in a different direction, growing up in finance, it's clear that you need to come from FP&A, [financial planning and analysis] the business side, the M&A side, investment banking, as opposed to accounting. A lot of executives are now coming from the forward looking part of the economic space, as opposed to the rearward looking."

He also observes a trend to divest CFOs of certain operational aspects of the role, giving them more space to fulfill their strategic mandate. "What we're witnessing is also what has driven the entire offshoring; a realization that the accounting side can either go to robotics or offshore centers, where a lot of the general accounting, number crunching, retrospective consolidating of accounts and so on can move to. Then the finance people in leadership can focus on being there for the leadership and decision-making. I think that's one of the major points."

Drawing a T-shape — sourcing the CFO For What's Next

Even if fewer CFOs reach the role via the accounting track, it remains vital to build an accounting resource into the finance domain. "You need to have that mastery in some element of finance," warns an Amrop Board Member. "If you're not an accountant by training, that's fine as long as you have a really strong controller or financial director — well versed in the accounting and treasury side. People who can manage cashflow and finances and so on.

"And then, depending on the size of your business and your strategy, if you're going to be acquisitive or looking at different deals, you need people with a deals mindset, M&A, corporate finance, aspects of that nature. So, if you don't have that kind of experience, it's very hard to be effective as the CFO. Because it's less of a generalist role than for example a CHRO."

Financial acumen is critical for credibility

Technical prowess is important not only when facing the CEO and board, says the Amrop Board Member, "but from an investor relation perspective. So, you definitely need that discipline."

In conclusion: "It's rare that I see someone who doesn't have a finance background in some way shape or form taking on the CFO-type role, but it's either the accounting track, maybe a financial analytical track or the investment banking track." In most cases, he says, one of the key educational backgrounds remains a national accounting qualification. He admits that hiring organizations prefer to stay in their safety zone. Understandably so. "Certainly, if you're a public company, just to have the requisite experience to be acceptable to your regulators, your investor community, and the stock exchange on which you're listed. And so, it almost requires that you be a financial expert as defined by that jurisdiction."

BoardEx is a global data company specializing in executive relationship mapping and intelligence. It reports on a further source: many leading CFOs at US and UK-listed companies have worked at the 'Big Four' professional services firms, it says, with PwC leading the list.[3]

[3] The Role of the CFO 2022, BoardEx, Based on data visualization of the BoardEx Discovery product used by BoardEx clients to analyze and report on ESG metrics and explore important skill set experiences of executive leaders

2

Relationships

CFO presence on boards varies widely, but top-level relationships are changing. Wherever they sit, all CFOs must fully engage with their board, fellow CXOs and the Chair of the Audit Committee. The CFO/CEO relationship is paramount. It unites the CEO's global and board insight with the financial-strategic knowhow of the CFO. The duo is increasingly one of equals.

The widening role of the CFO will affect relationships

When it comes to the CFO's formal presence on a board there are significant variations. In the UK, for example, 83 per cent have a seat in their boardroom, compared to only 1 per cent in the US. [4]

But the future may hold change for the CFO's prominence in the firm's ecosystem. A recent academic study empirically examined the relationship between a CFO's presence on the board and the firms' propensity to over- or underinvest. It confirmed that "CFO board membership is significantly associated with a decreased level of corporate over- and underinvestment."[5]

Regardless of where they sit, all CFOs need to fully (and in some cases better) engage with the board and their fellow CXOs. Of all these relationships, one is of paramount importance: that of the CFO/CEO.

"We often see now that the CFO is hired by the board. So, in the day-to-day he or she may be reporting to the CEO, but hired by the board, equally to the CEO. And the CEO no longer has the direct mandate to fire the CFO. You're seeing much more a leveling of power."

1 — The CEO and board

Amrop's exploration of the evolution of the CEO[6], argues that the fittest players combine a helicopter view of the organization, insight into its frontlines, and eyes on its surroundings.

Together with the Chair, the CEO is formally tasked with assuring good communication channels between the C-suite and board. The CEO therefore understands the board agenda, its subtle dynamics, and the meta-concerns of its individual members.

Given this, it makes sense for the CEO and CFO to form a close-knit team that unites the CEO's global insight with the financial-strategic knowhow of the savvy CFO — one who acts as a trusted advisor and brings facts and data to the decision-making table.

Together the CEO and CFO present a cohesive viewpoint to the board (and beyond). In Amrop's piece: 'Survival of the Fittest: C-suite ecosystem', we observe that the CFO/CFO duo is a key to high performance. As an Amrop Board Member explains: "I find that some of the most successful companies have a strong relationship between the CEO and the CHRO, the CEO and the CFO, and the CEO and the COO. Those three roles are absolutely critical to the success of that leadership team and the CEO in accomplishing what they need to do."

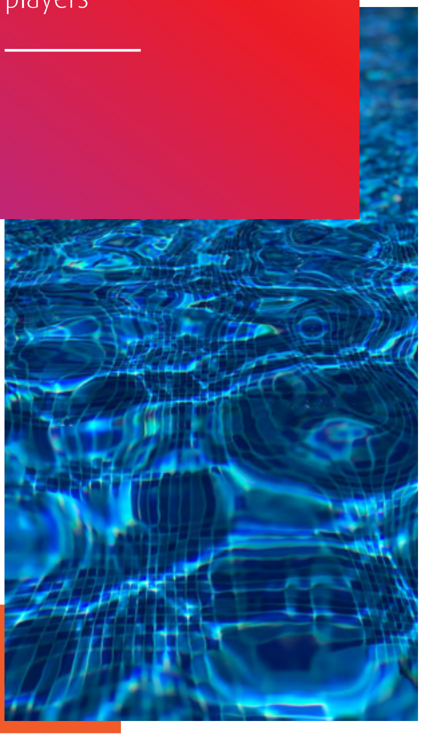
Whereas the CFO was typically subordinate to the CEO, this is increasingly a relationship of equals, says this Amrop Partner. "We often see now that the CFO is hired by the board. So, in the day-to-day he or she may be reporting to the CEO, but hired by the board, equally to the CEO. And the CEO no longer has the direct mandate to fire the CFO. You're seeing much more a leveling of power."

[4] The Role of the CFO 2022, BoardEx.

[5] Liu, Y., Gan, H. & Karim, K. The effectiveness of chief financial officer board membership in improving corporate investment efficiency. Review of Quantitative Finance and Accounting 57, 487–521 (2021).

[6] Survival of the Fittest Part Two, the CEO (2024), Amrop.

Given the concentrated nature and focus of the CFO role, the need to rise above mental compartments may be particularly challenging. The ability to do so will distinguish the very best players



2 — The audit committee

If the CFO's relationships with the board and CEO are crucial, the connectivity with the audit committee is also important. As McKinsey puts it: "Audit committee chairs are often the board's biggest advocates for value creation, cash protection, and the board's fiduciary responsibility. Here, too, the relationship varies from company to company. But the one constant is that the audit committee chair is typically very engaged and often asks questions regarding value creation, the company's use of cash, payments back to shareholders, and the investors' perspectives." [7]

3 — The C-suite

In 'Survival of the Fittest: C-suite Ecosystem', Amrop partners argued that the team needs to balance specialism and generalism, clear areas of responsibility and seamless interfaces, with role holders supporting and inspiring each other. But the top team still risks extremes: role ambiguity or silo thinking and human biology is one reason.

As one Amrop Partner pointed out: "The thing working against closer relationships and fluidity is the natural human side of compartmentalizing and the human brain, even though we're a smart bunch. In understanding every possible type of risk that could hit, you couldn't do anything else. And it would burn your mental capacity just thinking about it."

Given the concentration, stakes and focus of the CFO role, it may be particularly challenging to rise above mental compartments. The ability to combine vertical and horizontal thinking will distinguish the very best players.

[7] McKinsey&Company (2018), How CFOs can better support board directors — and vice versa.

3

Risk

The CFO is at the epicenter of a risk storm. From geopolitical, cyber, operational, to supply chain: the need to anticipate and manage risk is at its zenith. Risk may be a distinct domain working with finance, or part of the CFO's mandate. Whilst it depends on an organization's size and sector, the need for Chief Risk Officers (or equivalents) is ticking up. And whilst reputational risk is not yet a formal consideration for most CFOs, it may well become one, given the financial stakes of a fallout.

Stormy weather

Volatility in the financial markets, fluctuating interest rates, cyber- and geopolitical threats. These forces have rapidly coalesced into the perfect storm, and CFO's are at its epicenter.

As one Amrop Partner puts it: "Typically the most measurable impact of risk tends to be financial, so it ends up in the CFO domain. Obviously the people risk is equally important. If you have 5000 factory workers in conflict zones right now, or regions hit by anything from flooding to extreme weather."

As if this were not enough, "The energy crisis is also a risk. In 2023, for many companies, cost and supply suddenly became a factor in terms of their ability to survive. So you suddenly have all sorts of exposures that you have to plan for."

An Amrop Partner piles still more rocks onto the risk table. "The whole IT security, IT cyber risk aspect is going to remain the big topic. Then operational risks, complicated by digitization and digital channels."

He points to another form of risk: reputation. He admits that this is primarily a board concern — for now. "The CFO would usually not look at that. Geopolitical risks, cyber risks, operational risks are big themes. And obviously logistics and supply chain risks, are connected to operational risks."

Reputational risk is not yet a formal part of the mandate for most CFOs. And yet, given the increasingly strategic nature of the role, it may well become one, especially given the financial costs of a reputational misstep.

> "Typically the most measurable impact of risk tends to be financial, so it ends up in the CFO domain."

> "Risk is so complicated and multi-faceted today that managing it has become a must for any companies who want to not only prosper but survive."

Where the risk responsibility sits

Risk may be a distinct domain, its role holder working hand-in-hand with finance, or it may be part of the CFO's ever-expanding list of responsibilities. Of course, it all depends on the size and sector of the organization. But in general there is a growing need for Chief Risk Officers (or their equivalents).

"The Chief Risk Officer is someone that many are looking into in many different ways," says one Amrop Partner. This is a world of black swans: unknown unknowns: "Risk is coming from sides companies hadn't really considered. We're starting to. If a few years ago you had told people, your entire workforce is going to be sent home globally, they're going to remain home for a long time, they're not going to be able to meet physically, travel at all. And if you told an airline, there's not going to be any business travel in six months, they would have said, what are you talking about? Not possible."

The audit committee also has an important role in the risk domain, says an Amrop Managing Partner: "Let's assume that the CFO is not doing the risk side, then quite clearly the chair of the audit committee has to pick up the topics."

In financial services, the Chief Risk Officer is one of the most critical roles, says this Amrop Board Member: "It helps determine your credibility with the regulators." The need for outstanding people in financial services makes the sector a good source of Chief Risk Officers for hiring organizations operating in other sectors.

Risk creates shock waves. Real estate illustrates what happens when things go wrong. As one Amrop Managing Partner observes: "We get the domino effect: from the developers to the banks, to construction companies." The ripples impact the wallets of real estate owners and investors who then reduce their spend on items such as cars or smartphones. "So, you've got a major problem coming up here."

"And when the real estate price drops, you can imagine the negative equity and the effect on consumers. This will force CFOs to become much more compliant, risk sensitive, not risk averse.

"We're studying the Risk Officer, looking at various companies that have this role. Some got roped into a CFO role, some into general counsel." His examination includes commodity businesses who have to engage in defensive or offensive hedging. "But this is gambling with an educated mind and data back-up. So, Risk Officers are abundant. Fintech and traditional financial services will have such roles because they have been disrupted or have disrupted others. And then the risk comes."

Sanctions are a further risk, he says, citing the case of Huawei, who have been dealing with several waves of sanctions from the US over the past five years. "So the risk is so complicated and multi-faceted today that managing it has become a must for any companies who want to not only prosper but survive."

4 Reporting

Regulatory and ESG reporting is placing a heavy burden on many CFOs. The Financial Times has signaled a 'decade-high turnover' of CFOs, with burdensome reporting as a factor. In the EU, thousands more organizations must now comply with directives. ESG factors in particular are playing an increasing role in investment and acquisition decisions. And the focus on ESG reporting is not set to soften for some time.

Amrop

> "One factor that's most moving the needle and causing the most gray hair right now is the ESG agenda. There's so much measuring, reporting, data analysis coming out of the ESG domain, and most organizations are really struggling with that. How do we capture the right data, how do we verify the data and how do we report the data?"

Avalanche warning: Chief Financial Officers are struggling

The Financial Times recently reported on a 'decade-high turnover' of Chief Financial Officers. One reason for the exodus, it says, is the burden of reporting. Recent regulatory changes have broadened the scope of official themes: "depending on the jurisdiction, these involve climate change, diversity policies and cyber security."

As Paul Washington, executive director of The Conference Board's ESG Centre told the Financial Times: "It's a dramatic expansion of the responsibilities of CFO's. It was already a challenging role…Now the responsibilities that are going to rest on CFOs are enormous." He added: "CFOs do want additional responsibilities, but they want a choice of which ones." [8]

This Amrop Board Member argues that regulatory reporting should be a technical, rather than a strategic concern. He questions its place on the task list of today's CFO: "When it starts to take on more of a compliance mindset from the reporting perspective, you'll have people well versed in dealing with compliance — more the regulatory side. To me those elements of the role are the less value-added. Those are ones where you need the technical skill set to determine how compliant we are — doing the things we said we would do, course correction and so on."

One very time-consuming reporting issue on the desks of many CFOs is ESG. A recent Amrop report[9] explores the struggle of top management to deliver. It cites a Deloitte poll revealing the low confidence of professionals in the ability of reporting teams to gather and report on financial metrics for regulatory compliance: only 46% are satisfied with the performance of their organizations in this regard.[10]

Even private equity firms are unclear about their investments and the value creation chains of their portfolio companies, according to another Amrop study published in 2023. [10]

"One factor that's most moving the needle and causing the most gray hair right now is the ESG agenda," says an Amrop Partner. "There's so much measuring, reporting, data analysis coming out of the ESG domain, and most organizations are really struggling with that. How do we capture the right data, how do we verify the data and how do we report the data?"

[8] The scramble to find CFOs as departures hit decade high. Financial Times, January 11, 2024

[9] The C-suite Sustainability Struggle, (2023), Amrop.

[10] Trainor, D., Hurley, M. (2023). Few are Confident in Their Organizations' Ability to Report on ESG Financials. Deloitte

[11] Van Eijck, E., Theuws, R., Moenaar, T., van Voorst tot Voorst, M. (2023), ESG Leadership in Private Equity, . Amrop.

What's Next for ESG reporting?

Although efforts are underway to improve the situation, the inconsistency of reporting methodologies and standards is still complicating the life of ESG reporting teams. It is incumbent on boards to decide on priority areas, ensure access to data and synthesize it. Amrop Partners confirm the relentless demands of ESG reporting on many CFOs. Will the load lighten as reporting measures become more coherent?

"Yes, but then you have the same partnering discussions as with other financial measures, right?" says this Amrop Partner. "How do we turn these ESG measures into business? How do we make decisions, bring this into our value proposition, consider these matters as equal to financial measures? Business cases, opportunities, choices between A and B, acquisitions? If this acquisition may be financially sound, but it's going to put us back five years ESG-wise do we want to do it? Those discussions are equally important and in most places not yet there on the ESG side. That's going to be the next part."

An Amrop Managing Partner also sees ESG reporting as a major topic for the finance domain. He differentiates between compliance and moral excellence: "Of course, reporting and transparency standards are definitely going to be very much on the agenda on the CFO. What kind do we need to adhere to, or want to voluntarily adhere to?"

> "If this acquisition may be financially sound, but it's going to put us back five years ESG-wise do we want to do it? Those kinds of discussions are equally important and, in most places not yet there on the ESG side. That's going to be the next part."

Amrop

An Amrop Board Member agrees that “the whole world is focused on ESG in some shape or form.” However, “I think it’ll depend on the size of the organization as to whether ESG measurement should be part of the CFO role or whether it should be a stand-alone.”

But as far as size is concerned, the bar is dropping: thousands of organizations operating in the EU previously unaffected by reporting directives will now become liable to comply. With Europe on a drive to become the first climate-neutral region by 2050, large companies operating in the region must now disclose information about their impact on people and the environment.

This is because the Corporate Sustainability Reporting Directive (CSRD) takes the existing Non-Financial Reporting Directive (NFRD) to a higher level, with more detailed reporting requirements. The rules apply from 2024 to all companies with over 250 employees, listed or not, including non-EU companies making more than €150 million in the EU. If 11,000 companies were covered by the NFRD rules, 50,000 companies in the EU are expected to fall under the new scope and will need the capacity to deal with the increased reporting workload.

The focus on ESG reporting will not soften for some time, says the Amrop Board Member. “I think it is going to continue until we see that next generation of people who are skilled around all the elements of sustainability and every aspect of the E, the S, and the G in ESG. Being very much environmental, but moving into the social and the governance side.”

Ultimately, CFOs on whose desk ESG reporting now sits may see it move away, he says, as the sustainability topic evolves into an even larger beast than it is today: “As it takes on more relevance and attention it’s going to be too big to be part of the CFO’s domain. That is one area we’ll all be watching over the next few years. Because it is evolutionary, that’s for sure.”

“As ESG takes on more relevance and attention it’s going to be too big to be part of the CFO’s domain. That is one area we’ll all be watching over the next few years. Because it is evolutionary, that’s for sure.”

5

Development Perspectives

The CFO is still a top contender for the CEO seat, but faces competition from other domains. Given the growing emphasis on culture, values, and sustainability, any CXO could be eligible for CEO, based on the executive's capacity to drive these topics, credibility and ability to occupy the public podium. But as their role also widens, today's CFO is probably even fitter than his or her predecessors.

Amrop

The CFO's evolution into CEO — a recap

Exploring the evolution of the CEO[12] we see that the CFO has traditionally been a lead contender for the top role (together with the COO). Furthermore, the slate was limited, as other C-suite role-holders such as the CHRO were rarely in play. For now, this largely remains the case. The usual rise to the CEO seat is still via the CFO (or COO) route.

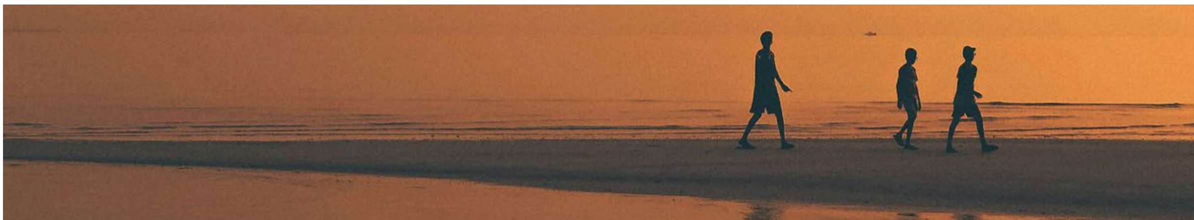
However, things are changing.

First of all, the slate is broadening to encompass other C-suite roles. As one Amrop Managing Partner put it: "CEOs might come from all the CXO disciplines. It's not going to need to be the head of the biggest division or the CFO. I think if we look at culture, values, and sustainability then it could be any CXO who takes the role based on his or her ability to drive exactly these topics. And personal credibility. So, I think that's going to broaden."

Staying in the running for the top slot will place even more emphasis on the qualities today's CFO needs in a world where sustainability heads the agenda and all members of the C-suite must display a holistic and purposeful form of leadership: pursuing not just financial performance indicators, but ESG equivalents.

Financial acumen and strategic weight alone will no longer equip the CFO to lead an organization. The CFO will need to develop an ability to not only forge a compelling vision but communicate it, internally as well as externally. As this Amrop Partner puts it, if a highly competent CFO "is an introvert and not capable of communicating, of embracing the company with their personality and so on, that's taxing."

[12] Survival of the Fittest, the Evolution of the CEO (2024), Amrop



Financial acumen and strategic weight alone will not equip the CFO to lead an organization. The CFO will need to develop an ability to not only forge a compelling vision but communicate it, internally as well as externally. As this Amrop Partner puts it, if a highly competent CFO "is an introvert and not capable of communicating, of embracing the company with their personality and so on, that's taxing."

Amrop

The step from CFO to CEO has always required some deep breaths

Today, given the widening scope of the CEO role, it needs even more oxygen. To make the leap, the CFO will likely need coaching, training and/or the support of other CXOs. It will take emotional intelligence, self-awareness and humility for CFOs to know their limits, to listen, learn, and accept help.

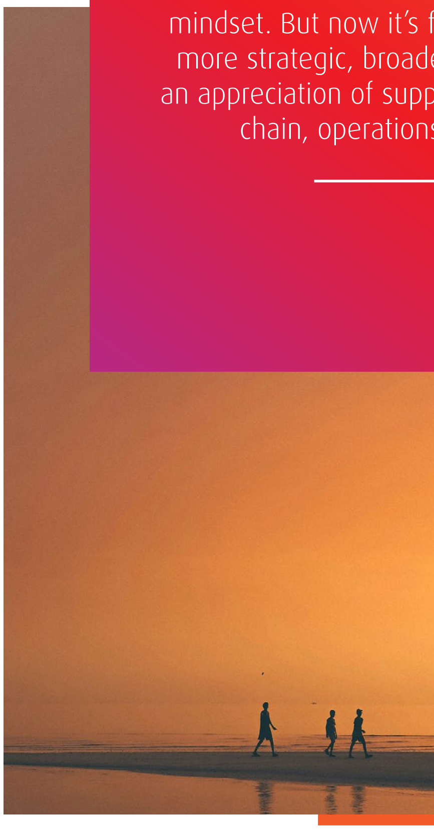
An Amrop Partner raises the example of how a major multinational appointed a 'quiet' CFO to the CEO position; a move that suddenly propelled him onto the public stage. "The company divided the tasks so that other people started speaking a bit more, so the CEO didn't become so much the center."

This Amrop Board Member is optimistic: "What we've seen over the last number of years is more and more CFO's moving into that CEO realm and doing it very effectively. And of course, depending on the discipline it would also talk to where their gaps might be and how they would need to bridge those gaps. It's a fascinating journey to see how that role has evolved."

Indeed, the widening nature of the CFO role means that today's CFO is better equipped to step up to the plate than his or her predecessors might have been. "I've seen a number of CFOs become CEOs because of the value brought to the table by virtue of their financial mindset," the Board Member continues. "But now it's far more strategic, broader, an appreciation of supply chain, operations."

This means that many CFOs have already developed a good understanding of what the role involves. An understanding, as we have seen, that is enriched and deepened by the close relationship between many CFOs and CEOs. There is everything to play for, and the stakes are rising.

> "I've seen a number of CFOs become CEOs because of the value brought to the table by virtue of their financial mindset. But now it's far more strategic, broader, an appreciation of supply chain, operations."



In other Amrop articles in this series, we examine the evolution of the CEO, COO, CHRO and CIO.

About Amrop

The Amrop Partnership is a premium leadership and executive search consultancy with 69 offices in 55 countries and a global team of more than 550 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

www.amrop.com

Cover photography by iStock.
Other images by Unsplash: p6 by Sylvain Mauroux; p10 by Miguel Delmar; p13 by Einar Storsul; p16 by Will Turner; p20 by Mishal Ibrahim.

Amrop
Leaders For What's Next