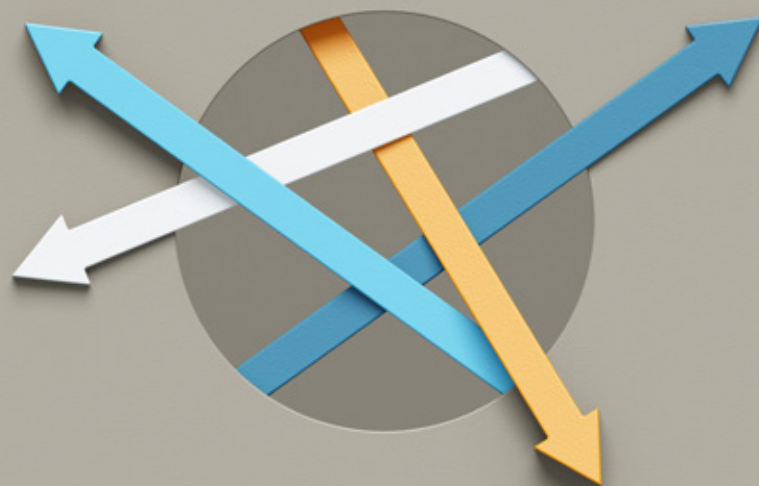


Finding a Fortune 500 CFO: Looking Outward and Turning Inward



In the two years since we released [Looking Ahead to Your Next Fortune 500 CFO?](#), the world has become a dramatically different place. Chief financial officers now lead in organizations that are facing a range of unprecedented issues: an ever-rising focus on ESG (environmental, social and governance), economic and political upheaval, the lingering impact of the COVID-19 pandemic and discussions about the future of work.

Perhaps then it's not surprising that, two years later, companies still aim for experienced CFOs to fill open positions. Nor is it surprising that it's still rare to find an experienced CFO

who will take another CFO job for another large company — and that if anything, it's gotten harder to find. In 2021, only two F500 CFOs transitioned to another F500 CFO role, compared to six in 2019.

In this sequel to our 2020 piece, we have once again interviewed past and current CFOs for their insights on the job, why it's hard to find experienced CFOs to fill positions, how the position fits into their longer career trajectory, and how they believe the CFO role has changed since 2019. The interviewees represent a fascinating cross-section of finance experience across industries, including companies central to the fight against the pandemic, as well as some leaders who ascended from CFO to CEO.

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Number of F500 CFOs transitioned to another F500 CFO role in 2021

29%

Percentage of the 84 F500 CFOs who left their jobs in 2021 who moved to a CEO or GM position

11%

Percentage of all F500 CFOs who entered the job with previous F500 CFO experience

18%

Percentage of F500 CFOs who sit on a corporate board

The CFO's widening impact

That the CFO is a highly strategic position in the modern C-suite is hardly news, but the trend has only accelerated in this time of uncertainty and disruption. Today's CFO is not just charged with mastering the finance function, but is a critical leader in charting the company's future. Fortune 500 CFOs today are partnering with the CEO and board in areas far more strategic than may have been common in the past.

"You're on equal par on those business decisions, influence on strategy, and financial policy and capital deployment policy as it links into the strategy," said Eva Boratto, the CFO of Opentrons Labworks, and prior to that the CFO at CVS Health. "I think that contribution continues to add and drive value as a CFO."

General Motors CFO Paul Jacobson, who previously held the same position at Delta Air Lines, said that his goal is "disciplined optimism." He said that he aims to be a conduit for helping his company make great investments and innovations, rather than someone who just says no to expensive proposals.

"I actually tend to look at the CFO role as more of a portfolio manager than as a bookkeeper," Jacobson said. "We've got a portfolio of investments that we're managing, and we have to track that and we have to make sure that the company is performing the way it should. We spend a lot more time doing that."

While finance prowess will always be the key skill for a CFO, there are a variety of other key issues where the CFO's potential impact is bigger than ever before.

A key management voice externally and before the board

The CFO has become more prominent to external audiences — increasingly a public figure whose statements are scrutinized in the news and on social media, and who can bear the brunt of the fallout when numbers fall short of expectations.

"The CFO has become a leader and more of a company representative than ever before — at times more important than anyone else in the company," said David Klein, CEO of Canopy Growth, and former CFO for Constellation Brands.

The CFO's exposure to the board has also risen in recent years, as boards seek to not just have the numbers, but to have them distilled so they can make the best decisions on behalf of the company. It has also made top CFOs invaluable board members themselves — although only 18 percent of Fortune 500 CFOs currently sit on a corporate board, in part due to some company policies that prohibit CFOs from sitting on boards. Those we spoke with who do sit on boards described the experience as invaluable to their success as finance leaders.

“It broadens your thinking, and it gives you an external perspective,” said Boratto, who has been a director on UPS’s board since 2020. “Joining an external board was important to me because I saw how some of my other colleagues benefited from it, whether it’s current topics that you hadn’t thought of yet, or best practices you could see.”

ESG

Companies increasingly face scrutiny from investors, customers and employees on ESG issues such as environmental sustainability and diversity, equity and inclusion (DE&I). Finance leaders are on the front lines on some of the tangible solutions to these issues, particularly as areas such as ESG investing gain prominence. They are expected not only to be well versed on these issues, but also to offer up ways to address them.

“I think this is an area where the CFO has to be much, much more of a strategic contributor than just a bookkeeper,” Jacobson said. “It’s at a whole new level, and you can’t get caught behind. The CFO is a big part of that.”

Teams and culture

Having strong and diverse teams has never been more important. With CFOs needing to be experts in areas not traditionally under the finance umbrella, such as data science and artificial intelligence, a strong team is critical in the short term — and in the long term, as they develop well-rounded finance talent that can lead the function in the future.

“I think it’s really important to get people not just with a diversity of backgrounds but also diversity in thinking, and having really transparent conversations,” said Pfizer CFO Dave Denton. “From a management perspective, allocating time so that your team is working with business partners to be more productive can make a huge impact.”

The future of work

The past two years have brought unprecedented change to the workplace, and remote and/or hybrid work settings can complicate succession planning and apprenticeship efforts. With unscripted, unplanned in-office meetings fewer and further between, leaders are forced to be more playful about ensuring meaningful connections, which has an impact on both learning and internal culture.



I came for purpose. I came for the mission and what’s going on at GM. I came for leadership. I knew it would be a values-oriented position with a strategic seat at the table.”

PAUL JACOBSON
CFO, GENERAL MOTORS



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DAVE DENTON
CFO, PFIZER

“We’ve lost a lot of the impromptu learning that you get when you catch someone in the hallway for five minutes,” said Denise Paulonis, president and CEO of Sally Beauty Holdings and former CFO for Sprouts Farmers Markets and, before that, the retailer Michaels. “Those two people never would have had that conversation working from home. So, we’re really focused on that for junior team members. It’s more than just getting each job done, it’s about developing people’s careers.”

Why experienced CFOs are hard to find

The CFO’s high-profile role is a clue to how hard it is to find an experienced CFO to fill an open position. It’s a high-stakes, high-impact position, where excellent

finance skills must be matched with strong leadership, business partnership, communication and influencing skills.

Top CFOs are often the natural leading candidates for CEO positions, either internally or externally. Similarly, the CFO position has become such a huge responsibility that many in the role are looking to their next challenge — whether it’s CEO or something else — rather than considering other CFO opportunities. This bears out in the data. Of the 84 Fortune 500 CFOs who left their jobs in 2021, 24 (29%) became CEOs or took a GM position.

“The CFO roles I was always interested in were those where the role was very broad in nature,” Paulonis said. “I wanted to be right there with the CEO — a second in command, or a key confidante — in driving the company forward with a strategic view on shareholder communications. And when I really thought about next steps, it didn’t feel at all unnatural to think about a CEO opportunity.”

For those who do seek out and take new CFO positions, there are some common themes. First and foremost is a passion for the position and the potential impact it can have. The CFOs who take similar jobs at other large-cap companies are excited by the opportunity to take their expertise to new arenas, to challenge themselves in a different context and to ultimately succeed in those new environments.

For example, Dave Denton joined the biopharma giant Pfizer in May 2022 after almost four years as CFO at Lowe’s and, previously, a long career at CVS where he ultimately served

as CFO. Denton said he was invigorated by the return to healthcare, and by the interplay among the business, shareholders, regulators and others in the complex healthcare landscape.



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CEO, SALLY BEAUTY HOLDINGS

“All those cross-currents make it a very complicated environment, and you have to really think hard about how you navigate that,” Denton said. “It’s exciting and interesting, and it’s evolving. And you’re on a kind of a noble mission around impacting people’s health and people’s lives.”

Indeed, opportunities that tap into purpose, mission or otherwise unique circumstances can entice an existing CFO to consider a CFO opportunity elsewhere. Jacobson, who joined General Motors after a long career as Delta’s CFO, said that the opportunity to work for GM Chair and CEO Mary Barra and the chance to be a key player in GM’s pivot to electric vehicles were opportunities he could not pass up.

“I came for purpose,” Jacobson said. “I came for the mission and what’s going on at GM. I came for leadership. I knew it would be a values-oriented position with a strategic seat at the table.”

Aradhana Sarin, CFO at AstraZeneca, similarly said that the mission and fit at the company were just right for her.

“I had had the opportunity to join other companies and different areas, but, for me, healthcare and science and innovation were close to my heart,” Sarin said. “There was also a question of the right fit, considering where the company is in its life cycle versus where it is hoping to go, and your opportunity to help fulfill that need.”

Planning for the future

In total, 65 percent of CFOs in the Fortune 500 were hired internally. Of those hired from external sources, 34 percent — equal to only 11 percent of all Fortune 500 CFOs — entered the job with previous Fortune 500 CFO experience. The numbers demonstrate the relative scarcity of experienced CFOs to fill open positions as well as the corresponding importance of opening up avenues for promotion from internal ranks.

As we noted in our previous piece, more companies today are committed to developing an internal bench of future CFO candidates. In fact, there’s a good chance that your best candidates may already be at your company. That’s why it’s so important to have strong internal processes in place to ensure that future CFO candidates are being properly prepared for career progression.

“Succession in my view is a hands-on process where you need to be closely involved and talking to people all the time,” said David Klein. “In the back of your mind, you need to be thinking ahead of time about assignments that will help them down the line as leaders.”




Through our years of work advising Fortune 500 companies on the CFO position, we have seen how strong planning efforts can ensure that the best talent is in place to lead a finance function whose importance grows every day. Whether the result is an external hire or an internal promotion, we suggest a three-pronged strategy to ensuring you find the right leaders:

- 1. Start early.** Evaluating internal candidates early offers visibility into high-potential internal talent while also giving them the time to develop a wide range of skills through their assignments. It's important to expose your top people to different opportunities throughout their career, stretching their boundaries so they can thrive later as a leader.
- 2. Look outside... but understand your chances.** It absolutely makes sense to go after other CFOs with previous Fortune 500 CFO experience, but it's important to be aware of the dynamics at play. As mentioned earlier, CFOs will think twice about taking another CFO job — particularly going from one Fortune 500 company to another. When pursuing a Fortune 500 CFO candidate, it's important to emphasize mission and impact along with advancement, growth and learning opportunities.
- 3. Look at smaller-scale companies.** It's worth looking to smaller companies for CFO candidates, particularly for leaders who may have had previous experience at a large-cap company. Complexity can be as important as scale. Considering how many Fortune 500 CFOs have taken this path, there's a good chance that a deeper search at a wider range of companies could unearth the right candidate for the job.



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DAVID KLEIN
CEO, CANOPY GROWTH



In the end, the right candidate's sector knowledge may hold less importance than specific skills and experience, and their fit within the company at a particular moment in time.

“A lot of times people make a checklist of skills, where being a prior CFO meets a lot of those needs, but I think that really misses where the company is in their evolution,” Sarin said. “It misses the context of your company. What do you need at that point in time? What do you need in four or five years? The answer is a lot less about whether you have prior Fortune 500 experience, and a lot more about the skills and characteristics needed to make the company successful given that context. That's going to be different things for different companies at different points in time.”



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