

The new corner office favourite

As India Inc corner rooms witness rapid changes across sectors, the question of who the ideal occupant of a top office should be is keeping executive search firms and consultants busy. According to reports based on data from Primeinfobase, chief executive officer (CEO) exits have increased significantly in both listed and unlisted firms in the midst of tech sector challenges and opportunities in other sectors like manufacturing. While the number of CEO exits was up 18 per cent from the previous year to 166 in 2022, the first three months of the current calendar year itself saw as many as 43 departures.

In the rush to fill up the topmost post, many companies are increasingly looking at their own organisations to find suitable candidates. And there's a growing preference for a chief financial officer (CFO) within the organisation to take up the CEO's post. Among the list of the prominent CEOs who quit recently, some were CFOs earlier. And some other CFOs have recently been appointed CEOs.

Rajesh Gopinathan, who resigned as Tata Consultancy Services (TCS) CEO recently, was earlier CFO of the company. When N Chandrasekaran moved from being the TCS CEO to Tata Sons chairman in 2017, Mr Gopinathan was moved up from CFO to CEO at the country's largest IT company. In other recent examples, Hero MotoCorp CFO Niranjan Gupta was named CEO of the company. BharatPe, too, named its CFO Nalin Negi as interim CEO as Suhail Sameer stepped down as CEO. Mohit Joshi, who was president and head of banking, financial services at Infosys, was

named CEO of Tech Mahindra. And last year, Vodafone Idea elevated its CFO Akshaya Moondra as CEO after Ravinder Takkar stepped down as MD and CEO of the debt-ridden telecom firm.

Of course, the CFO to CEO shuffle is not just an India-specific phenomenon. Around the world, some of the biggest multinationals have promoted their CFOs as CEOs. For one, Vodafone plc headquartered in Newbury, has been a believer of CFO-to-CEO transition. Nick Read, who stepped down as Vodafone group CEO in December 2022, had been a CFO not just in Vodafone UK but in some other companies too. After 21 years at Vodafone, Mr Read said at the time of moving out that he agreed with the board that "now is the right moment to hand over to a new leader who can build on Vodafone's strengths and capture the significant opportunities ahead". During Mr Read's tenure as CEO, Vodafone assets had to be sold to focus more on Europe and Africa business. The company even sold its British headquarters and rented a part of it. Incidentally, it was Mr Read who once said Vodafone wouldn't throw good money after bad, while referring to the India telecom business. Mr Read was replaced by CFO Margherita Della Valle as Vodafone's interim CEO.

When HSBC in a sudden move announced last year that Georges Elhedery would be the new CFO, the commentary around it was that he was set to be the next CEO to succeed the current CEO Noel Quinn. By naming him the CFO, the bank had moved him to

the front of the queue for the CEO's post, according to a *Reuters* report in October 2022.

That brings us to the question: Must CFOs be the natural choice to be at the front of the queue for CEOs' position?

Media reports earlier this year cited executive search firm Kolder Associates' study to say that more than 8 per cent of 681 CFOs among both Fortune 500 and S&P 500 companies were promoted to the role of CEO in the first half of 2022. The number was 5.6 per cent a decade ago. Many consultants believe that knowing the finances well, as a CFO is expected to, doesn't necessarily qualify someone for the post of CEO. A *Fortune* report quoted Richard Berlin, associate professor in the practice of organisation and management at Emory University's Goizueta Business School, to point out that while CFOs bring financial expertise and perhaps strategic thinking to the top job, it's necessary for CEOs to have a range of soft skills. He goes on to say that when people advance in their careers, it's not because they are technically skilled but it's because they have some strong emotional quotient (EQ). He sums up that CFOs are about looking at the numbers and being realistic, but a large majority of CEOs are seen as optimistic.

That difference in outlook — running a company with a realistic look at hard numbers versus leading an organisation with strong EQ and many soft skills — plays out in a business over a period of time. The choice between a CEO groomed in people skills and a hard-nosed CFO-turned-into-a-CEO to steer the ship will determine the future of a company in the long run. An able CEO with a good EQ score is likely to handle challenging business scenarios better than a brilliant numbers man who's low on EQ.



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