Leading by the Numbers

Finance professionals sometimes have difficulty making the transition to broader leadership roles. There are five critical changes they need to navigate to succeed.
A FEW YEARS AGO, the chief financial officer of a large company told me that he estimated that his organization had only about a 30% success rate when promoting finance people to leadership roles in or across business units. The CFO wasn’t happy with that rate; he wanted a better pipeline of executives with a finance background, because the company’s business model and strategic choices required leaders to be well versed in finance.

That conversation prompted me to explore — through a combination of interviews, a survey of 35 finance professionals, and a literature review — the question of whether leadership development is different for people from finance backgrounds. In the process, I identified five critical transitions that finance professionals need to navigate when taking on a broader role in an organization.

**TRANSITION 1: From Expert to Leveraging Expertise** Finance professionals pride themselves on their expertise. As Colin Pavlovich, executive general manager of group accounting, assurance, and risk at Wesfarmers Ltd., a conglomerate based in Perth, Australia, said:

> When I came into a senior leadership role, in the first six months I had to get used to just having to let go … that you’re not in a technical role day to day with a set agenda, that you’re a professional manager and need to step away from being the expert to [being] a leader in strategy development and execution.

Transitioning out of being the expert can be challenging. It is how your worth was evaluated early in your career and is often the basis by which you got promoted. However, finance professionals are able to leverage their expertise directly in leadership roles, since budgets, strategic direction, and business metrics are all communicated in financial terms. So finance people need to realize that the transition to leadership does not mean a loss of expertise but rather an opportunity to leverage the skills they have honed in a much more valued way. As Terry Bowen, finance director of Wesfarmers, explained, finance professionals “already have the language of business, which they can uniquely use in day-to-day leadership.”

**TRANSITION 2: From Apprenticeship to Coaching** The finance profession, especially accounting, has in many ways involved a white-collar apprenticeship model. You young professionals learn through observing and working with senior professionals, who provide heavy oversight of their subordinates’ work to ensure that mistakes are minimal. Tasks are often assigned to individuals with checks and balances once the task is completed, and if the work becomes too complex or is deemed too critical for the
Leading by the Numbers (Continued from page 96)

junior finance professional, the senior professional will feel compelled to take over the task.

A “doing the work for your team” and apprenticeship framework may serve a finance professional well when building a team’s technical skills. But finance executives need to transition to more of a coaching model when they take on broader leadership roles. Delegating, trusting, and empowering are all part of a coaching framework that finance professionals are capable of — but they must first recognize that this is how they can add the most value once they are in a leadership role.

TRANSITION 3: From Reporter to Translator

The monthly routine of gathering, calculating, and presenting the financial data for an organization is a core requirement for and a critical element to strategic decisions. Financial analysis on potential new deals, products, segments, and efficiencies is also part of the value that finance professionals bring to their companies. However, the true value that financial leaders need to offer is not in the accuracy or timeliness of the data but in the translation of the numbers — the ability to create meaning and simplicity from them as well as communicate a point of view about how the numbers will inform a strategic decision. As financial translators, finance executives will give voice to the numbers and offer a type of leadership only they can provide.

TRANSITION 4: From the Right Answer to Multiple Possibilities

Finance professionals are taught to see problems as complicated but having a correct answer. As leaders, they must navigate complex problems that have multiple plausible answers. Paul Sims, finance director at Auctus Minerals Pty. Ltd., a resource development company based in Perth, Australia, spoke to this in discussing his dealings with his finance people:

“They will usually come to me and say, “I’ve analyzed this and come up with this answer,” and I look at it and say, “Well … but have you thought about other things that may impact and change that view?” And they say, “Well, no, because this is my approach,” and they just give you one answer. And I tell them, “You’ve got to understand your environment and the context in which you’re presenting these numbers, and is that really the right answer … Is it? You need to unleash your thinking a bit.”

TRANSITION 5: From Value Protector to Value Creator

A final leadership transition for finance professionals is the transition from seeing the world through a finance lens to seeing the world through a business lens. How financial leaders transition their thinking from a conservative and risk-averse perspective is crucial to how successful they will be. As Simon Trott, managing director of diamonds, salt, and uranium for the mining and metals company Rio Tinto, said:

“It is critical to see that actually my role in the business is to create wealth. It is quite different thinking than how finance traditionally sees their role in the business — as the protector of wealth … But business leadership is trying to turn one dollar into two dollars, and that is quite different.

Creating value is essential to how a leader’s success is measured. This can be a difficult transition for finance professionals, because they have been assigned roles early in their careers that lean toward risk mitigation and stewardship. There is of course balance between mitigating risk and taking risk, but if a finance professional is inclined to opt for the former, value creation opportunities can be missed.

When finance professionals are able to make these five leadership transitions successfully, they can provide an important advantage to their organization. As organizations become more data-driven and intensify their use of financial analysis in strategic decisions, finance professionals are well equipped to leverage their capabilities into wider leadership capacities — and companies that help them develop as leaders can benefit accordingly.

Byron Hanson is an associate professor at Curtin Graduate School of Business at Curtin University in Perth, Australia. Comment on this article at http://sloanreview.mit.edu/x/57301, or contact the author at smrfeedback@mit.edu.

Reprint 57301.

Copyright © Massachusetts Institute of Technology, 2016. All rights reserved.
Articles published in MIT Sloan Management Review are copyrighted by the Massachusetts Institute of Technology unless otherwise specified at the end of an article.

MIT Sloan Management Review articles, permissions, and back issues can be purchased on our Web site: sloanreview.mit.edu or you may order through our Business Service Center (9 a.m.-5 p.m. ET) at the phone numbers listed below. Paper reprints are available in quantities of 250 or more.

To reproduce or transmit one or more MIT Sloan Management Review articles by electronic or mechanical means (including photocopying or archiving in any information storage or retrieval system) requires written permission.

To request permission, use our Web site: sloanreview.mit.edu
or
E-mail: smr-help@mit.edu
Call (US and International): 617-253-7170 Fax: 617-258-9739

Posting of full-text SMR articles on publicly accessible Internet sites is prohibited. To obtain permission to post articles on secure and/or password-protected intranet sites, e-mail your request to smr-help@mit.edu.