The DNA of the CFO
A study of what makes a chief financial officer
2010
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The DNA of the CFO provides fresh insight into what it is to be a CFO today by talking to today’s CFOs. This Ernst & Young report is based on our analysis of a survey of 669 senior finance professionals in Europe, the Middle East, India and Africa, and a program of in-depth interviews with leading CFOs and finance directors from these regions – allowing us to explore the distinctive qualities of this broad community of professionals. The research was conducted by the Economist Intelligence Unit.

The DNA of the CFO explores the expectations and aspirations of those in the job – and the skills and relationships that successful CFOs need to master the challenges and opportunities of the role. It is one of a series of Ernst & Young initiatives that seek to understand and support CFOs in their evolving – and unique – position.

Our thanks to nearly 700 CFOs who participated in the study and, in particular, to those who shared their insights and personal experience of the role in a series of interviews:

Giacomo Balzini
CFO, Evraz
Srikanth Balachander
CFO, Bharti Airtel
Evelyn Bourke
CFO, Friends Provident
Stephen Carver
Media and crisis management expert, Cranfield School of Management
Ian Dyson
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Luigi Ferraris
CFO, Enel
Andy Halford
CFO, Vodafone
Simon Henry
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Patrick Regan
CFO, Aviva
Simon Ridley
FD, Standard Bank
Hans-Peter Ring
CFO, EADS
Sue Round
Head of Investments, Ecclesiastical
Robin J Stalker
CFO, Adidas
Firoz Tarapore
CFO, Dubai Aerospace Enterprise
Tim Tookey
CFO, Lloyds Banking Group
Executive summary

The DNA of the CFO

It’s become fashionable to say that any ambitious CFO wants to be a CEO. But, in The DNA of the CFO a quite different picture emerges. We see a group of people whose unique optic on the business has rightly earned them promotion to the forefront. A group who are embracing their increasingly strategic remit. And, who see their career choice as one to be celebrated - not a staging post to the role of CEO.

Unprecedented demand for the CFO’s unique perspective and discipline

Traditional finance skills of analysis, reporting and control are in demand outside of the finance function and the job of the CFO is broadening far beyond its technical heartland into a role that is much more “strategic” - in the broadest sense of the word. Leading CFOs are overturning outdated perceptions of finance as “business prevention units” and repositioning the function as an enabling partner to the business. For many CFOs, the acid test is the extent to which business managers consult them for advice on key aspects of strategy. Just over half of respondents agree that this now takes place routinely.

What does strategic contribution really mean?

There is a wide variation among different finance leaders on the exact nature of their contribution to strategy. Around one-third of CFOs say they play an active role in developing and defining the overall strategy for their company. But, for a greater proportion, their contribution focuses on providing insight and analysis to support the CEO and ensuring that business decisions are grounded in sound financial criteria. For leading CFOs, this goes beyond being an “information provider” or “aggregator presenter.” Their commercial understanding and analytical skills mean that this proactive, yet supporting, role is a vital part of understanding how different decisions will lead to certain outcomes.

The balance between objectivity and operational leadership

There is a delicate balance to strike between being the “objective, independent voice” of the business and assuming a broader responsibility for operations. A growing number of CFOs are adding operational responsibilities for functions such as IT and property to their portfolios. Given their firm grasp of finance fundamentals and their management strengths, it is easy to see why their roles are expanding. But, it also has the potential to increase the possibility of a conflict of interest. CFOs have a duty to be the independent, objective voice of the executive management suite and this can be tested by having an additional operational role that requires winning resource allocation to be successful.

A continued focus on the fundamentals

The CFO role is now more embedded in the development and enablement of corporate strategy and yet the financial crisis has forced CFOs to increase their focus on the fundamentals of finance as well. Compared with three years ago, it’s the core tasks of cost management, risk management, cash flow and controls that dominate the CFO’s priority list. This prevents CFOs from playing as big a role in broader corporate strategy as they would like. Only 37% of CFOs agree that they have enough time to focus on this area, while just under half agree that the crisis has caused them to refocus on controls and reporting. at the expense of more strategic activities. This is despite the fact that 75% of respondents say they currently spend 50% or more of their time on strategic aspects of the role.

A career destination in itself

The broadening scope of the CFO role, and the potential to influence corporate strategy and drive business change, means that most finance leaders enjoy a high level of career satisfaction. Yet, most believe that the challenges of the role mean that the ideal length of tenure within a particular company is only five years. Seventy-three percent of CFOs surveyed see their role as a destination in its own right and only 10% harbor an ambition to be the CEO. Interestingly, they report few “heroes” or role models within their own community from which to learn, which may be a reflection of the degree to which CFOs have historically invested in their external profile.

The CFO is playing an increasingly broad and vital role within today’s organizations. The DNA of the CFO sheds an interesting light on what that role is and how CFOs can excel within it.

35% play a leading role in developing corporate strategy

61% believe that finance’s standing has improved in the last 3 years

65% agree that cost management is the No. 1 priority compared to 3 years ago

2/3 agree that increasing the CFO’s key role as the face of company performance

50%+ see handling a complex stakeholder universe to be their greatest challenge

73% want to remain a CFO
Much has been reported about the increasingly strategic nature of a CFO’s role. And, our research confirms a continuation of this trend with 75% of respondents saying that they spend 50% or more of their time on strategic aspects of the role, a number which increases to 83% of respondents in the future (see chart 1). However, the commentary on the CFO’s migration from scorekeeper to strategist is now in need of an update, or at least, a clarification. What is the precise contribution that the CFO makes to strategy? Is the role of managing the numbers of less value than strategic advisor? Does developing strategy mean setting the long-term vision, or is this still the domain of the CEO - to be the big “blue sky” thinker?

The CFO we interviewed described the role of developing strategy as driving the process of setting the strategy and of bringing the vision set by the CEO to life, whether that is by building a rationale for international expansion or a major M&A deal for example. What it doesn’t appear to be is setting the broader five-year vision which remains the role of the CEO. However, to coin the expression of a leading CFO, they act as “co-pilot” in making that vision a reality. Caroline Raggett, a Managing Director from the London financial officers’ practice of Russell Reynolds Associates, a global executive search and assessment firm, comments: “They may not be setting the strategy but they are an integral part of its formulation - challenging it, assessing it, monitoring it for risk, investment, rates of return, assessing the competitive landscape.”

Yet, while different CFOs - depending on the individual and the organisation - weight their contribution differently across the spectrum from developing strategy to a focus on the numbers, all elements were reported of value. As Ian Dyson, who at the time of interview was CFO of Marks & Spencer, one of the largest clothing and food retailers in the UK, commented: “In order to be able to take on that broader role you have to be clear that first and foremost as a CFO you live and die on finance and if you have a problem in finance then it doesn’t matter how good you’ve been in operations, you’re finished.” This view was also emphasised by Robin J Stalker, CFO of Europe’s largest sportswear manufacturer, Adidas: “It’s still really important that people have good, old-fashioned basic finance. We’ve seen what can happen if you don’t.”

A key role in enabling growth

With companies becoming gradually more optimistic about the future, they will once again turn their attention to growth initiatives, such as M&A. This gives CFOs a valuable opportunity to capitalize on their current standing and play a deeper role in the organization’s key strategic decisions. But, while many CFOs crave this kind of role, it is not an easy responsibility to fulfill. “Managing growth innovation is one of the key challenges for the finance function,” says René Hoefl Graafland, CFO of Heineken, a Dutch brewer that is the world’s third biggest by volume. “If you are too strict you will never put a product on the market because it is always too risky. If you are too lax, you would get this ‘hobbyism’ in the company where everyone is on tap to innovate. You need these kinds of processes to be rational and strict, but judgment is much more difficult.”

Even when CFOs do find themselves at the top table of strategic decision-making, the sheer demands of their role can restrict the input they are able to make. Many will find themselves juggling the demands of cost management, budgeting, forecasting and compliance, in addition to any strategic role they may assume. No wonder then that only 37% of respondents agree that they have enough time to focus on broader corporate strategy (see chart 3).
The CFO’s more prominent position at the top table of the organization has improved in the last three years (see chart 3). This can be partly attributed to the structural changes that CFOs have made to bring finance closer to the business, and partly to a recognition that strong financial discipline has been key to corporate performance during the recent crisis. “Respect for finance and recognition of the role on the board increases when you start playing a proactive and positive, front-line role on business issues and are really business partners,” he explains. “On the other hand, you see the new generation of finance managers who are much closer to the business and are really business partners.”

Mr Hooft Graafland of Heineken sees business partnership as a two-way process, whereby finance managers form a stronger bond with the business, and operational managers also become more financially literate and aware. “On the one hand, you see the new generation of finance managers who are much closer to the business and are really business partners,” he explains. “On the other hand, you see the business leaders and senior executive team are more financially oriented. It comes from both sides and this means that, ultimately, companies are much more financially managed than they were before.” Robin J Stalker of Adidas emphasised the need for finance professionals to be embedded in the business. “It’s important to have one finance team acting as a team, but also sitting – virtually or remotely – with the business and identifying as much with their local marketing guy or local MD as with their finance team.”

One measure of the improved standing for finance is the extent to which business managers consult the CFO and his team. “Over half of survey respondents agree that other business managers in the organization routinely turn to finance for advice.”

The DNA of the CFO

The greater attention being paid to business issues means that CFOs are increasingly best placed to take on broader change management roles. “I’m currently leading a huge enterprise resource planning (ERP) system swap-out, which is impacting the way we procure across the business and the way we manage our people,” says Mr Halford of Vodafone. “The ability for a technical specialist CFO to be able to assume real leadership in pushing business change is a dimension that is much more prevalent than a few years ago.”

There are, however, barriers to this relationship becoming deeper. Asked about the main obstacles to the effectiveness of their role, respondents pointed to organizational culture as being the biggest problem (see chart 4), inflexible processes, a bureaucratic mindset, an outdated perception of the finance function or poor communication between different functions can impede the “business partnership” role of the CFO.

A closer relationship between the CFO and the business also means rethinking traditional organizational structures. “We have a very decentralized model which, by definition, embeds a lot of the functions very close to where our decision clusters are located,” says Mr Tarapore of Dubai Aerospace Enterprise. “We have found that embedding a dedicated finance team that understands the business in a deep enough way creates a good outcome, so long as they are supported with the right management tools.”

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**A broader business role (continued)**

**A change in the measures**

A remaking of the CFO role has also fed through into a broadening of the measures used to gauge organizational and individual performance. An important change has been the sheer number of metrics used nowadays. Almost 70% of respondents say that more measures are used now than before (see chart 5). The speed and accuracy of processes has become an important benchmark. “We have put in place cross-functional measures to look at processes, such as order to cash, across the business,” says Robert Murray, CFO of Coca-Cola Hellenic, a bottler of beverages that is one of Greece’s biggest companies by market value. “We want to know how quick it is, how efficient it is and how accurate it is. The finance organization plays a key role in understanding those processes and it has been a big change management process for our company.”

The financial crisis has also had a dramatic impact on performance measurement across the board. Sixty-nine percent of survey respondents say that they look to the personal contribution that their CFO makes to major business projects, and 55% say they look at the ability to recruit, retain and develop talented people in finance. Some CFOs are paying greater attention to benchmarking their organizations against their peers. “We are actually taking a lot more interest in external parameters,” says Mr Henry. “We compare how we perform versus competitors in terms of how our suppliers are performing and what our customers are really looking for. That has been a gradual but significant shift over time.”

When it comes to measuring personal performance, financial metrics remain the most important benchmark, but more qualitative considerations also figure high on the list. For example, respondents say that they look to the personal contribution that they make to major business projects and, echoing Mr Henry’s comments about benchmarking against peers, the organization’s reputation for excellent financial management in the marketplace (see chart 6).

**CFOs get operational**

In many respects, the CFO is a good candidate for taking on operational responsibilities. They combine strong financial and analytical skills, a unique perspective over the entire business and the leadership and management qualities needed to run a large function. “It’s increasingly the case that finance directors, because of their skills, are put in charge of areas like IT, property and logistics,” says Mr Dyson, who himself is responsible for IT and property as CFO of Marks & Spencer.

Even though operational responsibilities are more commonly becoming part of the CFO’s remit, not everyone believes this is a positive development. “I do not think you should have operational businesses reporting directly to the CFO because it confuses the role of evaluating business performance and value creation,” says Mr Hooft Graafland.

For those opposed to this development, the concern is that greater operational responsibility may create a conflict of interest and compromise the CFO’s ability to remain an independent voice of reason within the organization.

In practice, however, most CFOs interviewed for this report do not perceive this to be an unmanageable issue. “It is in the nature of the CFO to be reasonably dispassionate about these things,” says Patrick Regan, CFO of British insurer Aroco, who is also responsible for the IT function at the company. “You look at it with the same standards as you do with any of the businesses and I don’t think that it creates enormous frictional challenges.”

**Larger companies compared with small and medium companies**

- CFOs from larger companies (those with at least US$10bn in revenues) say that strategy is now more of a priority than three years ago and they believe they need to improve on their skills in designing and executing strategy.
- Large company CFOs are the least satisfied with the allocation of resources to finance (headcount, budgets, etc.) and work-life balance.
- Large company CFOs want bigger CFO roles (44% vs. 35%) but believe they need to gain experience in another part of the company to get there (42% vs. 21%).
- More of the larger company CFOs believe that, increasingly, the CFO has to act as the face of the company on all issues relating to its overall financial performance (89% vs. 63% agree or strongly agree). Yet, they also have the worst opinion of their relationships with external stakeholders such as investors, analysts, regulators, creditors and governments.
- They are more likely to cite building relationships with internal stakeholders and skills to manage upwards as areas that need improvement.
- Large company CFOs are the most likely to measure their own performance by personal contributions to major business projects within the company (46% vs. 32%).
While the overall trend is for CFOs to expand their activities across both strategy and operations, this does not mean that the fundamental responsibilities of a finance department have become less of a concern for them. If anything, the recent financial crisis has reinforced the need for CFOs to pay close attention to cash, cost management and working capital.

Asked about their main priorities compared with three years ago, respondents point to cost management, risk management and cash flow as their primary concerns (see chart 7). They also consider the delivery of significant cost efficiencies to be the aspect of the business where they have been able to deliver the greatest value (see chart 8). “We all feel that the market’s still very uncertain,” says Mr Dyson. “This makes it very important to keep a tight control over costs and cash flow, improve our balance sheet and reduce our net debt.”

Luigi Ferraris, CFO of Enel, an Italian energy provider, sees his role as one that combines a focus on the fundamentals with a more strategic outlook. “The CFO must guarantee the stability of cash flow, ensuring financial controls and reducing risks,” he says. “They occupy a crucial role, both for stakeholders and within the management team. CFOs are responsible for guaranteeing a good control, and management, of companies’ financial assets. At the same time, they must ensure that strategic planning and all decisions are made on the basis of well-supported analysis.”

Larger companies in the survey — those with revenues of US$10b or more — are more likely than smaller ones to see cost management as a priority. This may be because there is more opportunity for cost cutting at larger companies; smaller firms may have greater visibility into their operations and have already taken a greater proportion of costs out of the business. For many CFOs, the financial crisis provided an opportunity to instil a culture of cost consciousness that had been sorely lacking during the boom years. “I think it has been a huge positive that the external environment has made it so clear that the cost side is a must in business,” says Mr Halford. “It’s enabled us to get the message across that actually, being profitable and successful doesn’t mean to say that one hasn’t got to focus on nasty things like costs.”

Many CFOs hope that this renewed enthusiasm for cost management will be a permanent change that remains enshrined in business practice through both good times and bad. Achieving this will require CFOs to promote awareness of cost and control throughout the business. “The challenge now is to systematize the process of constantly looking for new, better and more effective ways to do things and to engrain it in the process and fabric of the business,” says Mr Halford.

Chart 7: Percentage of respondents who believe these tasks are more of a priority compared with three years ago

<table>
<thead>
<tr>
<th>Task</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost management</td>
<td>64</td>
</tr>
<tr>
<td>Improving risk management</td>
<td>63</td>
</tr>
<tr>
<td>Cash flow</td>
<td>62</td>
</tr>
<tr>
<td>Improving financial controls</td>
<td>59</td>
</tr>
<tr>
<td>Advising management/board on</td>
<td>50</td>
</tr>
<tr>
<td>business fundamentals/growth strategy</td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td>43</td>
</tr>
<tr>
<td>Project management/business transformation programs</td>
<td>38</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>35</td>
</tr>
<tr>
<td>Fundraising</td>
<td>34</td>
</tr>
<tr>
<td>Investor relations and stakeholder management</td>
<td>30</td>
</tr>
<tr>
<td>Regulatory compliance</td>
<td>29</td>
</tr>
<tr>
<td>Focus on emerging markets</td>
<td>24</td>
</tr>
</tbody>
</table>

A CFO is only as good as their team

The combination of a broadening role and a renewed focus on the fundamentals has highlighted the importance for CFOs to build a strong and effective support network around them. The structure of this network takes many forms, but common to all is the goal of enabling the CFO and their team to focus on the aspects of the role that really matter. “There are certain things the CFO can individually impact, but what you’ve got to do is mobilize a large group of people to understand what you’re trying to do and take action on the important things you are trying to achieve,” says Mr Regan.

Some organizations are investing in shared service centers so that they can hive off some of the more administrative and transactional aspects of the finance role. “We have set up a shared service center for all the finance activities, from record-keeping right up to financial reporting,” says Mr Balachander. “Now the finance guys spend 70% of their time on core business issues and 30% on the transactional issues.”

Mr Ridley says that his bank has appointed an executive reporting to him, titled CFO, who is a dedicated head of finance. “This allows me to spend more time on strategic issues such as our own corporate finance, problem-solving and assisting with governance processes.” At Royal Dutch Shell, the finance department is divided into three distinct areas. The more administrative and transactional aspects of the role are handled in offshore centers in locations such as Manila and Kuala Lumpur. The goal here is to achieve low cost and maximum efficiency, and to enable the core finance team to focus on higher-value activities. The second group are the specialists, who cover areas such as tax, treasury and audit. And the third group, which is fully embedded in the business, consists of more commercially minded professionals who combine a deep knowledge of the business with a strong financial background.

“Every one of them sits on the appropriate business leadership team,” says Mr Henry. “They are number two to me and I see myself as a close number two to the chief executive.”

Chart 8: Where respondents believe they personally created the most value for their organization in the past three years (percentage)

<table>
<thead>
<tr>
<th>Task</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering significant cost</td>
<td>20</td>
</tr>
<tr>
<td>efficiencies</td>
<td></td>
</tr>
<tr>
<td>Providing strategic analysis and</td>
<td>14</td>
</tr>
<tr>
<td>advice to management</td>
<td></td>
</tr>
<tr>
<td>Improving quality of financial</td>
<td>12</td>
</tr>
<tr>
<td>reporting</td>
<td></td>
</tr>
<tr>
<td>Supporting and funding growth</td>
<td>9</td>
</tr>
<tr>
<td>opportunities for the organization</td>
<td></td>
</tr>
<tr>
<td>Steering the organization through</td>
<td>8</td>
</tr>
<tr>
<td>the financial crisis</td>
<td></td>
</tr>
<tr>
<td>Ensuring effective risk management</td>
<td>8</td>
</tr>
<tr>
<td>Building the organization’s external</td>
<td>5</td>
</tr>
<tr>
<td>reputation for excellence in</td>
<td></td>
</tr>
<tr>
<td>financial management</td>
<td></td>
</tr>
<tr>
<td>Implementing stronger governance</td>
<td>5</td>
</tr>
<tr>
<td>and controls</td>
<td></td>
</tr>
<tr>
<td>Prudent management of tax-related</td>
<td>4</td>
</tr>
<tr>
<td>issues</td>
<td></td>
</tr>
<tr>
<td>Improving investor returns</td>
<td>4</td>
</tr>
<tr>
<td>Effective oversight of treasury</td>
<td>4</td>
</tr>
<tr>
<td>department</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
</tbody>
</table>
CFOs handle tomorrow’s challenges better

Although the dynamic of these stakeholder relationships varies widely, there is one common thread running through all of them – particularly in the wake of the financial crisis – and that is the importance of building and retaining trust. More than two-thirds of respondents agree that, following the financial crisis, a key priority for the CFO is to increase trust in a company’s financial statements and reassure stakeholders about the health of the business (see chart 9). “Creating the right bridge of trust and credibility is essential because, unless you have that, none of the stakeholders are going to get comfortably behind what you are trying to say,” says Mr Tarapore.

Chart 9: Percentage of respondents who either strongly agree or agree with these statements

<table>
<thead>
<tr>
<th>Metric</th>
<th>Strongly Agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post crisis, the CFO’s key priority is to increase trust in the financial health of their organization</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>Increasingly, the CFO has to act as the face of the organization on all issues relating to its overall financial performance</td>
<td>20</td>
<td>37</td>
</tr>
<tr>
<td>CFO-focused training could help today’s CFOs handle tomorrow’s challenges better</td>
<td>19</td>
<td>36</td>
</tr>
<tr>
<td>The shift from focusing on financial performance to being able to manage a complex stakeholder universe is one of the most difficult challenges for CFOs</td>
<td>19</td>
<td>34</td>
</tr>
<tr>
<td>CFOs are better placed than CEOs to provide stakeholders with accurate guidance on the organization’s financial performance</td>
<td>29</td>
<td>38</td>
</tr>
</tbody>
</table>

CFOs in financial services have a particularly steep mountain to climb in order to rebuild the trust of their key stakeholders. Among survey respondents from the industry, 71% agree that their key priority is to restore trust among their stakeholders. “Rebuilding trust has to be the primary responsibility of any banking CFO following a period of turbulence like the one that we have been through over the past two and a half years,” says Tim Tooke, CFO of Lloyds Banking Group, the largest retail bank in the UK.

Communications and relationship management have shot up in importance ...

Every stakeholder is looking for more transparency in information, more robust analysis and reassurance that the right decisions are being taken. These new demands are making a significant impact on the CFO’s to-do list. “We took the approach that we didn’t want to cut back at all on the amount of interactions we have with external stakeholders,” says Giacomo Baizini, CFO of Evraz, a Russian steel production and mining company. “In fact, we increased the frequency and disclosure and held discussions at a much deeper level.”

With a wide range of external stakeholders seeking deeper and more frequent interaction with the key management team, it follows that CFOs are playing a more public role than they did in the past. Almost two-thirds of respondents agree that, increasingly, the CFO has to act as the face of the company on all issues relating to its financial performance (see chart 9). “I think the Chief Executive and I are the external face of the company to a large extent,” says Mr Henry. “Certainly with investors and the media, we do most of the legwork. ... but the shift is presenting challenges

Given the importance of both internal and external stakeholder engagement to the role, one might expect that CFOs are generally comfortable with their communication skills. And, yet, just over half of respondents agree that the shift from focusing on financial performance to the need to manage a complex stakeholder universe is one of the most difficult challenges they face (see chart 9). “Finance communication is becoming more and more important in CFO activities. You absolutely need to be an effective communicator,” says Mr Ferraris. There is a clear dividing line between their effectiveness at internal and external stakeholder management (see chart 10). On the whole, CFOs think that their relationships with internal stakeholders are good; 65% think that their relationship with the CEO is effective; and 62% offer a similar assessment for the relationship with the management board – although these relationships are still recognized as an area for continued investment. CFOs who say that they play a leading role in developing, rather than supporting, strategy, have a particularly strong relationship with their CEO. By contrast, they are far less satisfied with their external stakeholder relationships. Less than half rate their relationships with investors as good or excellent, while just 25% offer a similar assessment for the media and 21% for politicians or government.

Chart 10: Percentage of respondents who believe these stakeholder relationships are in need of improvement

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Needed Improvement</th>
<th>Good or Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politicians/government</td>
<td>29</td>
<td>22</td>
</tr>
<tr>
<td>Media</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Analysts</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Creditors</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Regulators</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Auditors</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Management board</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>CEO</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Chief Operations Officer</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Other C-level colleagues</td>
<td>20</td>
<td>16</td>
</tr>
</tbody>
</table>

Further evidence of the difficulty that CFOs have with external stakeholder relationships comes from the finding that, out of all the areas where respondents say that they need to improve their skills or knowledge, communication is seen as the most pressing (see chart 11). Presentation skills, such as media and broadcast training, also figure highly on the list.

Chart 11: Percentage of respondents who believe these skills they need to develop most

<table>
<thead>
<tr>
<th>Skill</th>
<th>Needed Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications and influencing skills</td>
<td>32</td>
</tr>
<tr>
<td>Skills to manage upwards (e.g., relationship with CEO/board)</td>
<td>15</td>
</tr>
<tr>
<td>Presentational skills (e.g., media and broadcast training)</td>
<td>27</td>
</tr>
<tr>
<td>Deeper insight into the industry to which your organization belongs</td>
<td>27</td>
</tr>
<tr>
<td>Project or change management skills</td>
<td>22</td>
</tr>
<tr>
<td>Designing and executing strategy</td>
<td>22</td>
</tr>
<tr>
<td>People management skills (in your department)</td>
<td>21</td>
</tr>
<tr>
<td>Deeper insight into key country markets for your organization</td>
<td>21</td>
</tr>
<tr>
<td>New trends and techniques in financial management</td>
<td>20</td>
</tr>
<tr>
<td>Stakeholder management</td>
<td>16</td>
</tr>
<tr>
<td>Analysis and advisory skills</td>
<td>15</td>
</tr>
</tbody>
</table>

Relationship with the CEO – there has to be trust and mutual respect

The relationship between a CEO and the CFO is always critical. “I suspect if you spoke to most CEOs and said you could only take one member of your management team with you, the CFO role would appear more times than any other,” says Mr Halford. A successful relationship between the two top executives of a company depends on a high level of trust and mutual respect. “The trust has to be almost implicit. Everything needs to be transparent and open and the minuses are on the table as well as the pluses for any decision,” says Mr Henry.
The CFO’s contribution

The CFO’s contribution is broad from developing to enabling to executing strategy. We believe these six segments represent the full breadth of the CFO’s remit. The leading CFOs we work with typically have some involvement in each of these six – either directly or through their team. While the weighting of that involvement will depend on the maturity and ambition of the individual, the sector and scale of the finance function and economic stability, they are all critical to leadership.
The CFO’s contribution (continued)

We believe there are core skills, areas of knowledge, experiences and relationships to cultivate in order to excel in each of these six areas of the role:

Ensuring business decisions are grounded in sound financial criteria

Core skills
• Taking a commercial view in partnership with the business
• Identifying commercial, financial and economic risks from business propositions
• Establishing profitable business propositions
• Providing robust but constructive challenge to business stakeholders
• Communicating clearly the financial implications of proposals

Key experiences
• Business case appraisal
• Benefits tracking and realisation
• Experience in pricing and profitability analysis
• Cost management
• Planning and forecasting

Core knowledge
• Knowledge of the organization’s business
• Detailed knowledge of products/service lines
• Awareness of market trends, risks and issues
• Knowledge of key performance indicators (KPIs) in relation to the strategic plan
• Knowledge of corporate performance

Providing insight and analysis to support CEO and other senior managers

Core skills
• Communicating financial information effectively
• Assessing drivers of profitability
• Identifying and communicating areas of risk
• Forecasting future performance based on knowledge of past performance
• Identifying corrective actions where required
• Operating at Executive level
• Markets trends analysis

Key experiences
• Financial planning and reporting
• Accounting and reporting for projects and other non-recurring initiatives
• Experience in identifying non-financial drivers of financial performance
• Experience of identifying issues and corrective actions
• Operating at Executive level

Core knowledge
• Knowledge of the organization’s business
• Detailed knowledge of products/service lines
• Awareness of market trends, risks and issues
• Knowledge of key performance indicators (KPIs) in relation to the strategic plan
• Knowledge of corporate performance

Developing key initiatives in finance that support overall strategic goals

Core skills
• Leadership skills to drive through change in finance
• Setting and communicating the vision and strategy for finance
• Able to engage with business stakeholders to determine the appropriate role for finance
• Bringing together disparate stakeholders within finance and the business
• Sponsoring delivery of major change in the finance function

Key experiences
• Delivery of major change in finance
• Finance process improvement
• Designing changes to finance operating models
• Involvement with delivery of finance systems
• Engaging with internal customers around service delivery transformation

Core knowledge
• How finance should be organised to deliver value to the business
• Understanding of finance processes and implications for the operating model
• The components of the finance operating model and its interdependencies
• Finance systems and implications for change
• Drivers of cost and value in finance

Funding, enabling and executing strategy set by CEO

Core skills
• Funding the organization’s operations
• Prioritizing investments
• Developing strategic plans to achieve corporate goals
• Understanding the key value drivers
• Turning strategic plans into operational plans and targets (including defining KPIs)
• Designing the implementation program
• Monitoring progress against strategy

Key experiences
• Involved in determining funding requirements
• Securing funding for operations and major projects
• Management of working capital
• Implementing financial risk management strategy e.g., interest rate, foreign exchange and market risk
• Developing strategic plans
• Managing large and complex improvement/change programs
• Managing a merger or acquisition

Core knowledge
• Capital management
• Project financing
• Financial risk management
• Operational risk management
• Strategic and operational planning
• Performance management systems
• Program management
• Change management

Developing and defining the overall strategy for your organization

Core skills
• Translating corporate goals into a clear strategy
• Identifying financial and risk issues in relation to corporate strategy
• Delivering a workable strategic plan within known constraints
• Creativity/ability to think ‘out of the box’/conceptually strong
• Analyzing portfolio of opportunities
• Visionary story tellability to build trust and motivate people
• Effective communication of financial and risk issues to C-suite colleagues
• Providing robust financial challenge at C-suite level

Key experiences
• Strategy development
• Development and implementation of business plans
• Monitoring achievement of plans and targets and taking corrective actions where required
• Operational and financial risk management
• Product and market development

Core knowledge
• Strategic and operational planning
• Knowledge of the organization’s business
• Detailed knowledge of products/service lines
• Business model design
• Scenario planning
• Good overview of the industry structure and challenges
• Strategic frameworks and theory
• Awareness of the market and commercial environment
• Awareness of industry and organization risk profile
• Awareness of IT as an important business enabler

Representing the organization’s progress on strategic goals to external stakeholders

Core skills
• Clear communication of performance
• Perspectives on organization’s performance relative to main competitors
• Detailed knowledge about main value drivers/key KPIs and initiatives to improve them
• Positive communication around management of key risks
• Taking a forward looking view
• Anticipating and responding to questions from media, analysts and investor community
• Responding positively to issues raised by industry regulators

Key experiences
• Preparing financial information for external publication and communication to the capital markets
• Dealing with parties external to the organization
• Engaging with media
• Managing relationships with external auditors
• Managing resolution of key accounting and control issues

Core knowledge
• Knowledge of the organization’s business and deep insight into the industry
• Detailed knowledge of products/service lines
• Awareness of the market and commercial environment
• Awareness of impact of local regional and global economies on financial performance
• Accounting technical knowledge to support financial statements

Key relationships
• Chief Executive Officer
• Chairman
• Executive and non-executive boards
• Other key governance committees e.g., Audit, remuneration
• External auditors
• Media and Investor Relations
• Regulators
This is not to suggest that the CEO and CFO always need to be in agreement. Indeed, being a “sparring partner” to the CEO, as Patrick Regan from Aviva describes it, is a fundamental part of a CFO’s job. “You could say that the chief executive’s role is to create the strategy and vision of what the company will be like and then the CFO’s role is to ensure he does so within a financial framework,” says Mr. Henry. “I must be able to tell him if he does something, there will be these consequences and I have to be able to recommend he doesn’t do it.”

From the perspective of the CEO, a CFO must be flexible and have the ability to multitask. “In addition to all the qualifications that you would expect, you need a CFO who has the ability to move from the strategic to the practical to the operational level very fast and back again,” says Ben Noteboom, CEO of Randstad, a global recruitment and HR services company.

It is interesting to note that according to a number of studies, the average length of tenure for a CEO is around five years in any particular company. This is the same length of time that our average length of tenure for a CEO is around five years in any company, according to our research. And, with many companies at an inflexion point in the business cycle, it is important to strike the balance between an objective tone and a more positive growth story. “The institutions are expecting you to be the voice of reason and the safe pair of hands,” says Mr. Dyson. “But you also have to balance that with being positive about the equity story and the growth opportunities for the business. I think it is a difficult challenge to get that balance right.”

Sue Round, Head of Investments at Ecclesiastical, a UK financial advisor, says that investors respect CFOs who have an excellent grasp of the detail and yet at the same time can articulate a company’s prospects. “The CFO will need to be believable in setting out a realistic picture of the company’s prospects based on the market and the competition, and must demonstrate the highest standards of personal integrity and financial probity,” says Ms. Round. “It goes without saying that everything should be legally sound, but also, beyond that, ethically and morally sound. Investors will want to trust the financial competency of the CFO as well as their behavioral and management competencies.”

Increasingly, CFOs must also be able to articulate the corporate strategy and talk more broadly about the direction of the company over the longer term. “We have had a period where people thought they could only relate to investors if they showed better results every quarter,” says Mr. Hooft Graafland of Henkel. “I think what is more important going forward is to explain the business strategy and what your focus areas are.”

But this more qualitative assessment that equity investors are looking for may require a different kind of CFO. “You can have technically the best guy who can fully explain how the profit has been built up and where it is coming from, but if you cannot bring in a broader and more strategic assessment of where the company is heading to, then you can be in big trouble when the short term financial results are down,” continues Mr. Hooft Graafland.

What investors are looking for

The cornerstone of building trust with investors is excellent financial reporting - clean, clear, consistent and comprehensive information. Investors expect more than statutory or compliant reporting. Indeed, this alone is a sign of a lack of transparency. They demand metrics which are broader than just the financials and a forward, realistic view of company performance. In short, investors expect a joined-up story - linking company strategy, financial performance, risk management and operational effectiveness.

- Keep it simple: numbers should be clean and clear, without error. They should be consistent year to year, preferably adopting conservative accounting policies.
- Demonstrate how capital is managed.
- Go beyond the statutory reporting and provide a comprehensive and well-presented description of the business.

Relationship with the board – demands are increasing

A regulatory overhaul around the world in the aftermath of the financial crisis is forcing management and boards to pursue higher standards of corporate governance. No wonder then that boards are being more demanding of CFOs, requiring more frequent, granular reporting and a high degree of transparency on risks, performance and projections.

“Our board is more demanding,” says Mr. Ridley. “They haven’t said it but I can sense it. They’re more demanding particularly on understanding the potential for any negatives that could occur so it is important to understand well in advance if there is anything on the horizon that may affect results or appear in the public domain.”

The objective, semi-independent nature of the CFO role means that boards, and especially audit committees, will expect a high degree of trust and an open relationship with the leader of the finance function. “The CFO has a fairly unique position on a board in that they are, in many respects, a financial conscience for the non-executive members of the board,” says Mr. Halford. “If you have, which you must, a CFO who has integrity, the board has to be confident that they will hear both the good and the not so good about the business at any point in time.”

While the regular board meeting will be the main forum for interaction between the CFO and board, there is an increasing expectation from both sides of a more informal, ad hoc relationship. “It’s important that the board have a regular engagement with me, not only in the formal setting of the board meeting, but also on a regular basis outside of that as well,” says Mr. Regan. “They need to feel they have a conduit both ways - me to them, and them to me - so that they’ll always know what’s going on and there won’t be any surprises.”

Relationship with investors – striking the right balance

In the depths of the financial crisis, extreme volatility in financial markets caused major concern for equity investors. And although stock markets around the world have since stabilized, it is clear that the relationship between shareholders and the investor relations team has changed markedly.

Alongside the broader investor relations team, the CFO plays a central role in maintaining good relationships with equity investors. And, with many companies at an inflexion point in the business cycle, it is important to strike the balance between an objective tone and a more positive growth story. “The institutions are expecting you to be the voice of reason and the safe pair of hands,” says Mr. Dyson. “But you also have to balance that with being positive about the equity story and the growth opportunities for the business. I think it is a difficult challenge to get that balance right.”

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The three Rs: regret, reason and remedy

When under fire during a crisis situation, executives should always remember the three Rs. They must first show empathy for those affected (regret); second, explain what happened (reason); and finally, state what measure will be taken to fix the problem (remedy).

So says Mr. Carver of the Cranfield School of Management: “Often the CEO is best at delivering the ‘Regret’ with the personality, empathy and drive required to carry this off. The ‘Reason’ is something that plays well to the strengths of the CFO. The ‘Remedy’ can be a joint effort between the two. If the CEO and CFO can be joined up and pitch an integrated point of view between them at a press conference, I think this can work extremely well.”

The DNA of the CFO
The CFO role is broad, challenging and, for most, one that is a destination, not a staging post.

A high proportion of respondents are satisfied or very satisfied with their remit and responsibilities, potential for career development and ability to influence broader company strategy. And, despite a climate of cost-consciousness that persists across almost every industry and region, CFOs generally feel that they have the right headcount and budget to do the job (see chart 12). Levels of satisfaction are particularly high among those respondents who say that they are involved in defining and developing strategy, rather than supporting it.

Chart 12: Respective satisfaction with aspects of their role

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Not satisfied</th>
<th>Quite satisfied</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work/life balance</td>
<td>26</td>
<td>51</td>
<td>16</td>
</tr>
<tr>
<td>Compensation, benefits and incentives</td>
<td>20</td>
<td>44</td>
<td>34</td>
</tr>
<tr>
<td>Allocation of resources to finance</td>
<td>19</td>
<td>46</td>
<td>17</td>
</tr>
<tr>
<td>Potential for career development</td>
<td>16</td>
<td>59</td>
<td>22</td>
</tr>
<tr>
<td>Ability to influence broader organization</td>
<td>15</td>
<td>50</td>
<td>35</td>
</tr>
<tr>
<td>Your remit and range of responsibilities</td>
<td>4</td>
<td>61</td>
<td>33</td>
</tr>
</tbody>
</table>

If CFOs do have a gripe, it is most likely to be the long hours that are required, with just over one-quarter of respondents saying that they are not satisfied with their work-life balance. This is particularly problematic for group CFOs of multinationals, who must be available around the clock to deal with issues across multiple time zones.

CFOs in the survey have been in the role for an average of five years and nine months (see chart 13), and consider an appropriate tenure to be a similar length of time (see chart 14). This is broadly similar to the average tenure for a CEO, according to most studies. Just over half of CFOs have spent the majority of their career within the finance function of their current company (see chart 15). One-quarter have moved into their current role from another industry.

Interviews conducted for this report suggest that, in general, it is relatively easy for CFOs to move from one industry to another, with the exception of manufacturing and financial services, where the industry-specific challenges make it difficult for an outsider to enter mid-stream.

“People do move quite freely across a broad range of industries,” says Caroline Raggett from Russell Reynolds Associates. “Financial services is something of its own world, while manufacturing and related industries can be more difficult to conquer by bringing people in from the outside, often because the cost accounting can be very complex.”

Chart 13: Time in current role

<table>
<thead>
<tr>
<th>Time in Current Role</th>
<th>(Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 15 years</td>
<td>11</td>
</tr>
<tr>
<td>11 to 15 years</td>
<td>9</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>32</td>
</tr>
<tr>
<td>2 to 5 years</td>
<td>39</td>
</tr>
<tr>
<td>Less than 2 years</td>
<td>17</td>
</tr>
</tbody>
</table>

Chart 14: Length of tenure that is considered appropriate

<table>
<thead>
<tr>
<th>Length of Tenure</th>
<th>(Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 10 years</td>
<td>10</td>
</tr>
<tr>
<td>8 to 10 years</td>
<td>15</td>
</tr>
<tr>
<td>6 to 7 years</td>
<td>12</td>
</tr>
<tr>
<td>5 years</td>
<td>25</td>
</tr>
<tr>
<td>4 years</td>
<td>17</td>
</tr>
<tr>
<td>3 years</td>
<td>16</td>
</tr>
</tbody>
</table>

Ideal length of tenure: 5 years, 10 months

The CFO role is broad, challenging and, for most, one that is a destination, not a staging post.

For those who want it, the financial crisis has given a boost to the chances of CFOs moving up to the position of CEO. Following a period of such severe dislocation, shareholders and boards will increasingly be looking for financial discipline and a “safe pair of hands” to steer the business through uncertain times. This makes the CFO a stronger candidate, perhaps, than other executives who might be more skilled at growing a business by taking risks.

“Shareholders need to know that they’ve got somebody running the business who’s absolutely control and numbers-driven, but is also capable of being a great leader,” says Ms Raggett. “Because the CFO’s role is continuing to shift towards strong communication and commercial focus, we may well see people continuing to make the move from CFO to CEO more easily.”

Only a tiny proportion of respondents consider the role of an independent director, or chairman, as their next logical step. Whereas historically, CFOs have often provided the financial expertise that is increasingly expected of Boards and Audit committees, our survey suggests that serving CFOs are less willing to take on executive roles because of the growing pressure on directors from tightening corporate governance legislation.

Chart 15: Where respondents have spent the majority of their career

<table>
<thead>
<tr>
<th>Where Respondents Spent the Majority of Their Career</th>
<th>(Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At my current organization in the finance function</td>
<td>51</td>
</tr>
<tr>
<td>At other organizations in different industries</td>
<td>22</td>
</tr>
<tr>
<td>In banking/financial services</td>
<td>4</td>
</tr>
<tr>
<td>At accounting firms</td>
<td>4</td>
</tr>
<tr>
<td>At my current organization in a department other than finance</td>
<td>22</td>
</tr>
<tr>
<td>At consulting firms</td>
<td>1</td>
</tr>
<tr>
<td>In public sector</td>
<td>2</td>
</tr>
<tr>
<td>In government</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
</tbody>
</table>

Chart 16: The role which respondents aspire to

<table>
<thead>
<tr>
<th>Role which Respondents Aspire to</th>
<th>(Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>36</td>
</tr>
<tr>
<td>Head of a business division</td>
<td>33</td>
</tr>
<tr>
<td>Start own business</td>
<td>22</td>
</tr>
<tr>
<td>Chief Operations Officer</td>
<td>13</td>
</tr>
<tr>
<td>Chairman</td>
<td>10</td>
</tr>
<tr>
<td>Non-executive Director</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
</tbody>
</table>

Ideal length of tenure: 5 years, 10 months

A career destination in itself

For those divisional CFOs seeking to make the move to a group position, the transition can be surprisingly difficult, according to some interviewees. “It’s a big step to move from a divisional CFO position to the top job, and I think it then becomes much more about the personal characteristics of the individual rather than their technical, accounting or financing skills,” says Juha Laaksonen, CFO of Fortum, a Finnish energy company.

A much smaller proportion of around one in 10 respondents aspire to the CEO position. Once fairly rare, this is becoming an increasingly popular ambition. According to research from executive search firm Crist Kolder, 15% of Fortune 500 and S&P 500 companies have CEOs with CFO backgrounds, compared with 7% in 1999. Caroline Raggett comments: “For those who want to be CEO, the financial crisis has given them the opportunity to challenge, to bring solutions, to be a partner without having the full responsibility of the organization on their shoulders and have the depth that finance gives them as an insight into the business. On the other hand, there is some CFOs who want to, and go on to, become good CEOs.”

“It’s a big step to move from a divisional CFO position to the top job, and I think it then becomes much more about the personal characteristics of the individual rather than their technical, accounting or financing skills.” Juha Laaksonen, Fortum
Senior finance professionals hoping to reach a CFO position need to possess a rare combination of technical and interpersonal skills.

But, as they reach the top of the finance function, CFOs quickly realize that it is their communication skills that are most important. Asked what would be needed to reach the next step in their career, respondents point to the need to build stronger internal and external stakeholder relationships as among the key attributes (see chart 17).

These skills are not easily taught or acquired by means of a professional qualification, according to interviewees. They come through experience and through surrounding oneself with the right role models and mentors. “Leadership and communication skills don’t come by booking yourself on a course,” says Mr Regan of Aviva. “I believe you learn more from colleagues or bosses who are great communicators or good leaders. You have to try and be thoughtful enough to look at what they do that makes them effective.”

Mixed views on the need for business experience

Strong commercial awareness and experience of running or contributing to major strategic projects, such as M&A, are also highly valued. “Your up-and-coming, aspiring CFO needs to get themselves around a bit and get themselves on some interesting strategic projects,” says Evelyn Bourke, CFO of Friends Provident, a UK-based financial services group. “This helps them to see as having a worthwhile contribution to broader business issues.”

CFOs interviewed for this report are divided over whether it is valuable for those who aspire to the position to step outside of the finance function and gain direct commercial experience. “Stepping outside the finance function will help to give you the principles and the capabilities to become a real business partner,” says Mr Hooft Graafland. “It helps you learn how to cooperate and communicate with people outside the finance function and that gives you valuable experience for your career.” Hans-Peter Ring, CFO of EADS, parent of planemaker Airbus, agrees: “I think it is very helpful for people to gain direct business experience out of the finance function for a limited time and then come back later.”

Some respondents suggest that broad, commercial awareness can be gained within a finance function, so long as it is one that works closely with the business. “I don’t think it’s an essential requirement for CFOs to have had front-office experience,” says Mr Tookey. “But I do believe that almost all the experiences that a CFO has will offer something that is useful.”

Several of the CFOs interviewed have combined a period of operational experience with their finance career, including Mr Ridley of Standard Bank, Mr Halford of Vodafone, Mr Murray of Coca-Cola Hellenic and Mr Balachander of Bharti Airtel. “I was lucky enough in my previous role at Unilever to have several non-financial stints, including running a huge global information project in London,” says Mr Balachander. “The kind of 360 degree experience I have had has really shaped my thinking to look at business issues more positively and enthusiastically.”

It is even possible to become CFO having spent an entire career in a business role. For example, Mr Bascini took on the role of CFO at Evraz without any direct experience of working within a finance function. Until July 2009, he worked in operational, sales and planning roles, and was previously a strategy consultant at McKinsey. “The reason I was offered the role was because I knew the business very well,” he explains. “The board and executive management thought that it would be easier to get someone they trusted and who knew the business already to learn the language of the finance function than it would be to get an external CFO to learn the business.”

International experience is becoming an increasingly important part of the aspiring CFO’s skill-set. “It’s certainly beneficial to work in an international environment with people from other nationalities and cultures,” says Mr Lakshsonen. “In the mid-1990s, I spent five years in my former company, a chemicals business, working for a French boss. That was very beneficial for me to understand that people have grown up in different systems and with different management cultures.”

Senior Tookey has never come up against a period of adversity that he believes might have有所帮助 but has never come up against a period of adversity that he believes might have been as strong a candidate as someone who has had a few knocks,” says Mr Tookey.

Few recognized “heroes” within the community

The CFO role is often without a natural mentor within the organization and can be a lonely one. This is compounded by a seeming lack of role models within the community. When asked, 75% of respondents did not record having a fellow CFO they admired. This finding may reflect the fact that CFOs have not historically focused on external profile building and are not as well networked as a community, for example, CEOs are. This comparative lack of “heroes” within the community may change as CFOs focus more on their external communication and profile.

Companies with EBITDA increase of at least 5% compared with no change or a decrease

- CFOs of companies that have increased earnings before interest, taxes, depreciation and amortisation (EBITDA) have a greater focus on financial reporting than those that have decreased EBITDA levels or held them steady.
- The increase group is happier to stay in their current role.
- CFOs of companies that have increased EBITDA are less likely to see company culture and the economy as a barrier to their effectiveness.
- They are more likely to say that finance has increased in standing. A respected finance function seems to be correlated with stronger performance.
- Their companies are more likely to be focusing on longer-term metrics. The longer-term focus appears to be good for the financial health of the company.
- They believe in a longer tenure.
The perfect CFO

The 16 CFOs from leading organizations we interviewed all had insights to share on the essential ingredients of a leading CFO:

- First and foremost an extremely good finance professional
- A strong commercial sensibility
- Deep understanding of the business
- Good with people
- Able to think strategically
- Excellent communication skills – the ability to translate complex issues in a simple, straightforward way
- Able to manage conflict well
- A problem solver not creator
- International experience
- Language skills
- Experience of running major projects
- A business analyst
- Able to manage stress and complexity under pressure
- Good health
- Operational experience
- Ability to adapt to change
- Experience of adversity
- Passion

CFOs over 50 compared with CFOs under 40 years old

- CFOs over 50 are more likely to play a leading role in developing overall strategy (39% vs. 32%) while younger CFOs are more likely to fund, enable and execute the CEO’s strategy (42% vs. 33%). This reflects the likelihood that the over 50 CFOs tend to have more senior roles.
- There is much greater focus on risk management among CFOs over 50, perhaps because they have more experience of downturns and are more risk-aware than their younger peers.
- Mentoring has been more important to the careers of the younger CFOs (57%) - those over 50 are less likely to have experienced this (47%).
- Over 50 CFOs are generally more satisfied in their role.
- Over 50 CFOs seem to be more aware of the need to build relationships with internal and external stakeholders. Their greater experience means that they recognize the importance of these skills.
- Younger CFOs are looking for more experience in their current role (53% vs. 27%), internationally (32% vs. 21%) and in project management (29% vs. 22%) – as well as an MBA (11% vs. 3%). They also say they need deeper insight into their industry and key markets and skills to manage upwards.
- Younger CFOs are more likely to say performance measures are now longer term.

The DNA of the CFO

“The perfect finance person has mastered the technical, they’re strong on the interpersonal, they have worked in different countries and done operational roles and seen finance from the other side of the fence.” Andy Halford, Vodafone

The first 100 days as CFO

From working with our clients, and from a recent study we conducted with CFOs in the UK,* we believe there are some critical areas to address in the first 100 days as a CFO, to make the best impact.

1. Expect the unexpected

The role you signed up for might not be the one that was sold at interview. You may find that the reality of the issues facing you is of a different magnitude and nature than described. The underlying systems, processes and performance; the relationship with the bank; the knowledge and capability of the finance team, may all be different to what you thought they were. As such, it is important to do your due diligence to understand the function of the role and begin to identify the key issues that are to be inherited prior to commencement.

2. Act promptly

A new placement is often a rare opportunity to quickly implement necessary change. The presupposition of change which often follows the appointment of a new CFO is something to capitalize on. There is a clear distinction between starting the role in a crisis situation and in one that is more stable. Where a turnaround situation is required, there is a certain expectation that significant change will be made early on. In a stable environment where the business is already performing well, you should establish the reasons for this and what the “next big thing” is to deliver on.

3. Ask the stupid questions

There are advantages and disadvantages of being appointed internally or externally. An existing knowledge of the business, ability to leverage existing networks and inherent knowledge of systems, people and processes are some of the advantages of an internal appointment. However, the advantages of an external placement include no previous history to impair initial credibility, the ability to move easily “command the change” and the opportunity to ask the stupid questions. An external appointment is the platform to ask the straightforward questions which can throw light on fundamental issues previously overlooked.

4. Make friends and influence people

Considering the wide spectrum of CFO stakeholders, it is important to prioritize those relationships which are critical for investment during the first 100 days - and to get to know their expectations of you. Obviously you need to understand what the CEOs and senior management expect of you. You may also want to consider getting out and about in the organization - particularly in one that is multi-location – and meeting with senior finance and commercial managers. Given that your first 100 days may feel a little lonely, you may also want identify a mentor to guide you and act as an independent confidant.

5. Get your team behind you

Spend time up front in understanding your teams’ issues, responsibilities and competencies. Identify who you can rely on to support you with the detail, so you can focus on the bigger picture.

6. Make your mark

It is imperative that you put your individual stamp onto the strategy of the organization. How a CFO establishes credibility is heavily influenced by the circumstances of appointment. An external recruit will need to focus on immersing themselves in the business and rapidly understanding how it makes money. If joining from another sector, you will want to quickly become familiar with the sector-specific terminology and reporting measures. The focus of an internal hire to establish credibility will be to build your external network and profile with shareholders, analysts and fund managers. Whether moving into the position as an internal or external appointee, a key to making an early mark is to identify and tackle the quick wins.

* Finance Director: the first 100 days – Ernst & Young, 2010
The following charts show the attributes of the 669 CFOs and FDs we surveyed and the characteristics of the organizations they represent.

**Career history and job title:**

Where respondents have spent the majority of their career? (percentage)

- At my current organization in the finance function: 10%
- In government: 1%
- At my current organization in a department other than finance: 1%
- At accounting firms: 4%
- At consulting firms: 3%
- In public sector: 1%
- In banking/financial services: 4%
- At other organizations in the same industry: 13%
- At other organizations in different industries: 22%
- At my current organization in the finance function: 51%

**Gender, age, qualifications and tenure:**

- Gender: 88% male, 12% female
- Age (years) (percentage): 18 to 29: 1%, 30 to 39: 35%, 40 to 49: 44%, 50 to 59: 16%, 60 to 69: 7%

**Highest qualification (percentage):**

- Finance degree: 29%
- MBA: 27%
- Chartered accountant: 13%
- Other post-graduate degree: 13%
- Other university degree: 11%
- Business/accountancy related bachelor’s degree: 8%
- PhD: 6%
- Company secretary/cost accountant: 5%

**Time in current role (percentage):**

- More than 15 years: 2%
- 11 to 15 years: 7%
- 6 to 10 years: 32%
- 2 to 5 years: 39%
- Less than 2 years: 17%

**Company ownership, revenue and EBITDA:**

- Ownership (percentage): Privately owned: 36%, Large cap: 29%, Mid cap: 19%, Small cap: 7%
- Revenue (USD) (percentage): Less than $100 million: 29%, $10 - $49 million: 17%, $500 - $99 million: 14%, $1 - $4.9 billion: 13%
- EBITDA change over the last 12 months (percentage): Over 20% increase: 11%, 10% to 20% increase: 11%, 5% to 10% increase: 11%, 1% to 5% increase: 11%， No change: 3%, Decrease: 20%

**Country and sector:**

- Country (percentage): United Kingdom: 19%, France: 10%, Germany: 8%, Russia: 8%, Italy: 7%, Spain: 6%
- Sector (percentage): Financial services: 20%, Consumer products: 9%, Technology: 8%, Government: 8%, Automotive: 6%

**Demographics**

- The average CFO is male, aged 42 years and eight months. He has been in his current role for five years and nine months.
- Five years and 10 months is considered to be the appropriate tenure.
- The most common level of education is a degree in finance (29%), followed by an MBA (27%) and chartered accountancy qualification (27%).
The DNA of the CFO

The CFO's unique optic across the business, their rare positioning as a purveyor of the truth and their fact-based discipline has raised their profile to an unprecedented degree. Variously described in interviews for this study as co-pilot to the CEO, conscience to the board and trusted spokesperson to the media, the title chief financial officer belies the sheer breadth and depth of the role. Caroline Raggett from Russell Reynolds describes the CFO at the center of a "virtuous triangle": "They may not be setting strategy, but they are integral to setting it. Through control of numbers, they are as responsible, some might argue even more so, as the CEO, for making sure that the organization executes that strategy to the highest level of performance that it can. And, at the third point of the triangle, the CFO needs to tie these two elements together and be the front face, with the CEO, to the market."

In the future, CFOs will need to balance these different elements of the role in order to retain their position at the top table: a continued focus on the fundamentals to embed a permanent culture of cost consciousness; an integral part of the process for formulating growth strategy, and the public face of performance to a shifting, and increasingly demanding, universe of stakeholders.

A unique community

Our survey of 669 finance professionals was drawn from a broad group of CFOs, representing countries across Europe, the Middle East, India and Africa, all major sectors and organizations generating annual revenues ranging from less than US$100 million to in excess of US$20 billion. Despite the breadth of this study, what is clear from the results is that the respondents represent a distinctive, and unique, community of professionals. The lack of diversity across segments was marked. He, or she (although they are predominately he) is highly educated, highly skilled and highly motivated. The average CFO is aged 42 years and eight months and believes the appropriate tenure for the role to be 5 years and 10 months. Most have spent the majority of their careers in the finance function, and most wish to stay, and develop, as a CFO. This is no staging post to the role of a CEO. For most, it is a career destination and a role that recognizes and rewards their unique offering.
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