



The DNA of the CFO

When ambition meets reality

June 2013

What is “Finance”

- ▶ What happens when Finance Team define “What is Finance”
- ▶ What happens when Non-Finance Team define “What is Finance”



Finance Reporting Journals Banks
Accounting Cash Money Payroll SOX
Budget Books Payment Excel

The Finance Arena

Roles, Responsibilities and Expectations

Commentator

- Monthly & Quarterly Reporting
- Annual Budgeting
- Capital Investment / Approvals
- KPIs
- Cash/Working Capital

Business Partner

- Strategic Planning & Forecasting
- Acquisitions & Disposals
- Marketing Investment
- Brand Analysis
- New Product Development
- Distribution strategy
- Customer/Channel/Market Profitability

Score Keeper

- Accounts Payable & Receivable
- Travel and Expenses
- Fixed Assets Management
- General Accounting
- Finance and Administration
- Project Accounting

Custodian

- Treasury Management
- Tax Planning
- Risk Management
- Internal Audit & Controls
- Regulatory Compliance
- Governance Compliance
- Accounting Policy
- Transfer Pricing

Few things that we need to think about....

- ▶ No CFO got the medal for the most successful balanced journal
- ▶ The line is a wall. No Visibility, No Fame
- ▶ Finance is the end of the road of all business transactions
- ▶ The bless and the curse of Excel
- ▶ Lead cost optimization by example



The Finance Arena

What makes my team busy, Where do I play, Where do I spend

Commentator

- Excel Solutions
- Reconciliation to Financial Reporting
- Mostly reactive based analysis
- Dependency on Costing analysis
- Dependency on Accounting records
- **Business / Economic skills**

Business Partner

- Mostly Proactive based analysis
- High quality / value offering
- Working closely with other CXOs
- **Industry / Business skills**

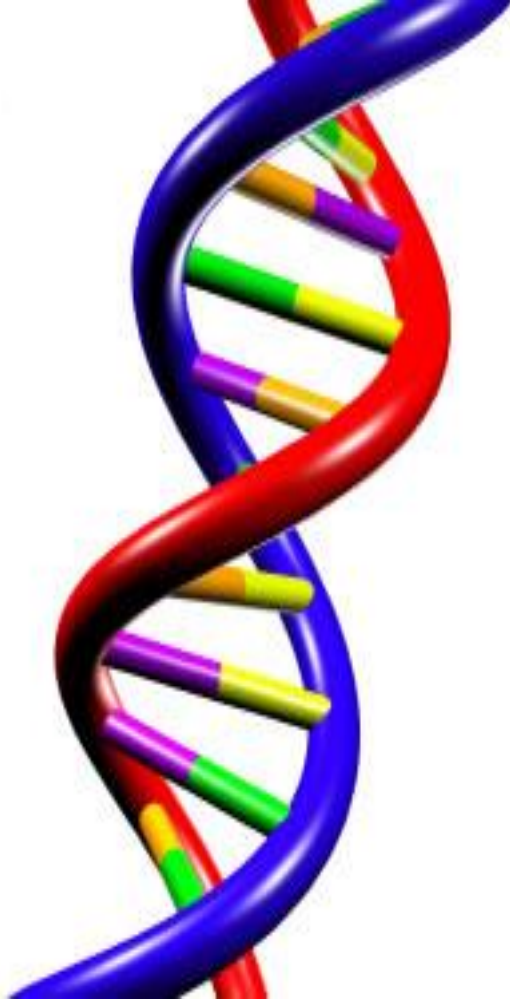
Score Keeper

- Basis for the entire Actual analysis
- Based on ERP solutions
- Efficiency1 - Shorten the FSCP timing
- Efficiency2 - do the same with less
- **Commodity**
- **GAAP Master, Process & Controls**

Custodian

- Strive for Optimization (Tax / Treasury)
- Regulations and compliance uncertainty
- Working with consultants
- **Specialty**
- **Master Of My Domain**

This is the average CFO...



- ▶ Average CFO is male
- ▶ Aged 42Y & 8M
- ▶ In his current role for 5Y & 9M
- ▶ 5Y & 10M is the appropriate shift
- ▶ Education is:
 - ▶ Degree in Finance (29%)
 - ▶ MBA (27%)
 - ▶ Accountancy Qualification (27%).

Finance Priorities vs. Value Creation

*“...being profitable and successful doesn’t mean to say that one hasn’t got to focus on nasty things like costs.” **Andy Halford, Vodafone***

Priorities compared to three years ago

- ▶ Cost Management
- ▶ Improve Risk Management
- ▶ Cash Flow
- ▶ Improve Financial Controls

Where Value is Created

- ▶ Delivering Cost Efficiencies
- ▶ Providing Strategic Analysis
- ▶ Improving Quality of Financial Reporting
- ▶ Supporting and Funding growth opportunities

Where I need to be....

Where I want to be....

CFOs need time (and resources) to have broader business role

"I would say that 75% of my time is spent in meetings with business folk and 25% with finance folk." **Srikanth Balachander, Bharti Airtel**

Do you agree that....?

- ▶ Finance Standing with the organization Improved?
YES
- ▶ Business managers routinely turn to finance for advice?
YES
- ▶ You have enough time to focus on broader organizational Strategy?
NO

Biggest barriers are...

- ▶ Organizational Culture (relations, communications, reputation)
- ▶ Economic Environment
- ▶ Not Enough Resources (cost optimization – finance as example)
- ▶ Relationship with Senior Managers
- ▶ Unrealistic/overambitious targets (technology)

56% agree that business managers routinely turn to finance for advice on key aspects of strategy ... despite organizational barriers

So we have broader role....do we have broader measures?

How CFO's are changing the benchmark for corporate performance

The way Organization Performance is measured

- ▶ More financial measures than before
- ▶ More stakeholders are involve in performance appraisal
- ▶ Performance shift to more long term targets and benchmarks
- ▶ Emphasis on additional non-financial and operational metrics

The way CFOs measure their own performance

- ▶ Improvement in the Financial Metrics
- ▶ Personal contribution
- ▶ Organizational reputation....for excellent finance management
- ▶ Personal reputation....as business leader

The CFO's contribution to strategy

"They may not be setting the strategy but they are an integral part of its formation."

Caroline Raggett, Russell Reynolds Associates

Areas where finance play leading role in corporate strategy

- ▶ Providing insights and analysis to CEO to support strategy planning
 - ▶ Leading key initiatives in Finance that support strategic goals
 - ▶ Ensuring business decisions are grounded in sound financial criteria
 - ▶
-
- ▶ Presenting progress on strategic goals to *external stakeholders*

- ▶ Just over 33% of respondents believe they play a leading role in developing and defining organizational strategy.
- ▶ It does suggest a disconnect between reported aspiration and the reality, perhaps caused by a need by some to focus on finance fundamentals.
- ▶ Only 37% of respondents agree they have enough time to focus on broader organizational strategy.

Future focus on stakeholders communication

“There is an opportunity for the CFO who is largely more trusted than the CEO because of their more balanced, more factual view of the company.” **Stephen Carver, Cranfield School of Management**

- ▶ Metrics beyond finance are becoming increasingly important for CFO
- ▶ CFO has to act as the face of the organization on all issues relating to its overall performance
- ▶ Being able to manage complex stakeholders universe is one of the most difficult challenges for CFOs

Which Stakeholders

- ▶ Government / Politicians
- ▶ Media
- ▶ Analysts

Skills need to develop

- ▶ Communication / Influencing
- ▶ Manage upwards (CEO/Board)
- ▶ Presentation Skills
- ▶ Change Management & People Skills

“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.” **Firoz Tarapore, Dubai Aerospace Enterprise**

CFO – Staging post or career destination?

“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.” **Juga Laaksonen, Fortum**

Satisfaction with current role

- ▶ Need to improve work-life balance
- ▶ Compensation and benefits can be better
- ▶ Allocation of resources to finance should be a priority
- ▶ Potential for career development is clear
- ▶ Range of responsibilities is good

Role which CFOs aspire to....

- ▶ Happy to stay in current post
- ▶ Be in bigger CFO role

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- ▶ CEO (only 10%)

“Stepping outside the finance function will help to give you the principles and the capabilities to become a real business partner.” **Rene Hooft Graafland, Heineken**

How to achieve the next step

What CFOs believe they need to do to achieve the next step in their career

- ▶ Get more experience in current role
- ▶ Build relationship and trust with external and internal stakeholders
- ▶ Manage major project or change program
- ▶ Gain experience in another part of the organization
- ▶ Gain international experience

“Your up-and-coming, aspiring CFO needs to get themselves around a bit and get on some interesting strategic projects.”

*Evelyn Bourke,
Friends Provident*

Lack of role models to assist with personal development: 75% of respondents did not name a fellow CFO they admired when asked.



Thank You