The CFO – from number cruncher to heavy puncher

Prepared for

Cartesis®

FT Research Centre
FINANCIAL TIMES

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Executive Summary

Chief financial officers are torn between their ambitions and obligations. The executives, number two in the corporate hierarchy, are as eager as ever to get involved in commercial decisions and shape the strategy of their businesses.

But their responsibilities for compliance are also growing as they are tasked with understanding and implementing a series of regulations designed to bolster investor confidence and improve corporate reporting and governance.

The CFO's priorities & their role in strategy

The tension between the two roles emerges clearly in an FT-Cartesis research survey into the role of the finance executives, based on extensive interviews with 50 CFOs, finance directors and group financial controllers.

But the research also demonstrates how far the responsibilities of CFOs extend beyond strategy and regulation. They are often chief communicators and the face of a company to City investors, whose demands for dialogue and returns are rising incessantly.

Many CFOs are also in charge of risk management, systems development, and the subject at the traditional heart of the role: the financial health of their business. The complexities of pension funds have an increasingly significant bearing on finances, giving CFOs who started out as accountants another reason to be thankful for their training.

Most CFOs in the survey said the commercial component of their role was either significant already or rapidly becoming so: unsurprising given that business issues often provide the greatest intellectual challenge and satisfaction to the incumbents.

"The days of the bean-counter are long past," said the treasurer of a support services company. Forty-five per cent of those surveyed ranked formulating strategy and planning as their top priority today, and 52 per cent said it would be their top priority in three years.

The group financial director of a life assurance company added: "The level of accountability for the strategy part for the CFO is getting bigger. I've seen in my own role – and indeed in that of colleagues throughout the industry – that strategy is often delegated in a process sense completely to the CFO."

Others noted that as CFOs act as chief executives' right-hand men or women, the number later stepping up into the top job was growing.

But it was clear that even if strategy was the priority for some, it was not always easy to find enough time to devote to it.

Although compliance ranked as top priority for only 10 per cent of those surveyed, 84 per cent agreed that regulatory and compliance work was leaving CFOs less time to spend on other responsibilities.

"I think the CFOs are getting an awful lot more on their plates in terms of reporting and to try to put huge amounts of strategy on them, is in danger of overloading one particular person," said the group financial director of a retail company.

Regulatory responsibilities

From the melee of rules, the three most onerous were identified as International Financial Reporting Standards, the Sarbanes-Oxley Act (applicable to companies listed in the US), and the recently withdrawn Operating and Financial Review.

Following Enron and other corporate scandals at the turn of the millennium, the three were introduced to bolster corporate governance and improve the clarity and utility of the data companies dish out to investors.

Some 54 per cent of those surveyed described IFRS as the most onerous of the regulatory requirements, ahead of Sarbanes-Oxley with 36 per cent. The results underlined a shift in sentiment during 2005.

In January 2005, Sarbanes-Oxley was the focus of much discontent and enthusiasm for IFRS was widespread. But as companies began to prepare their first results under IFRS, more and more started to wonder out loud whether the costs and hassles of doing so justified the benefits.

At the time of survey the OFR was in process. The Operating and Financial Review, which was meant to add a forward-looking narrative to financial statements, was valued - just over half of respondents said OFRs would provide “some value” to investors in terms of insight into their companies. But asked about the biggest challenges in implementing the review, 32 per cent identified a need to improve the reliability of forward-looking statements – a particular concern given fears that misleading statements could open companies up to lawsuits.

Measurement & KPIs

Finance executives also expressed concerns about the need to report new key performance indicators (KPIs), which should giving investors an insight into non-financial issues such as customer turnover and employee morale.

“KPIs are a continually evolving subject as the business impetus is changed,” said the treasurer of a support services group. “Yesterday’s imperative is less important than today’s, which will be less important than tomorrow’s. Nothing is cast in stone these days.”

The vast majority of those surveyed rejected the idea that they should have sole responsibility for company accounts. “It's very, very clear. The responsibility of the accounts is the Board’s,” said the group finance director of a life assurance firm. “It is typical that the CFO's team produces the numbers, but responsibility is with the Board, and that is absolutely right.”

CFOs share a greater burden of responsibility for communicating with the market, as they are often tasked with standing in front of analysts and investors to present interim and full year results.

Only 10 per cent ranked market communication as their top priority, but it was a clear second priority for 42 per cent. That is unsurprising given anecdotal evidence from the FTSE 100 this year suggesting some finance directors were ousted for poor performance and profit warnings, or at least for failing to warn the market earlier that things were turning sour.

Financial management and reporting also emerged as a consistently high priority for finance executives. They are rising in importance not only because of new regulations, but also because risk management is increasingly important as both investors and market watchdogs become more intolerant of unexpected business surprises.

Survey responses also suggested that CFOs were becoming more preoccupied by their often-giant pension fund deficits. New accounting standards have forced greater disclosure of the deficits, and the UK’s pensions regulator is making sure markets understand the grave threat they pose to some businesses.

So even as the breadth of the role expands, calculating pension deficits and working out how to fund them seems guaranteed to put the “financial” back into the heart of the CFO.

Introduction

CFOs are the rising superstars of the corporate scene. They have transformed themselves from number-crunchers to heavy punchers and they are often the power behind the CEO's throne.

The stern accountants of yesteryear have given way to a new generation of corporate heavyweights, whose empire grows inexorably. The CFO hegemony now covers compliance, corporate governance, investor relations, communications and strategy.

These added responsibilities are demanding yet more capabilities and skills. The new-model CFO has to be a high-profile manager, a diplomatic communicator, a strong foil to the CEO and a corporate soothsayer. They also need to have legal minds to deal with the increasing complexity of reporting corporate financial figures. In addition there is the emerging trend to report on non-financial issues and the fast-growing use of key performance indicators (KPIs). These have complicated the CFO's life even more.

This survey of 50 CFOs, financial directors and group financial controllers from 500 of the UK's top companies explores how their role is expanding and how they are having to learn to punch above their weight to cope with the ever-growing demands of the job.

Key Findings

The survey is divided into four main sections: the CFO's priorities, strategy, regulation and measurement & KPIs.

The CFO's Priorities

We began the survey with an open-ended question asking respondents about the modern CFO's main concerns and how these may have changed recently.

How have the priorities or the balance between the various CFO responsibilities changed over the past few years?

The majority of CFOs said that the most pressing issue is the increasing burden of regulation and the associated compliance responsibilities. This is by far their greatest concern.

They are also spending more time on an ever-widening range of tasks, especially corporate strategy. They are being asked to see the bigger picture and then to help communicate this story to stakeholders.

At the same time, they still have to keep an eye on reporting, business systems, pensions and risk management.

Regulation and compliance

CFOs are spending much more time fulfilling the requirements of onerous legislation, especially international financial reporting standards (IFRS) and Sarbanes-Oxley. With the inexorable move towards more compliance, their workloads have increased significantly and the focus has shifted back to governance.

"There is no doubt that the company has had to pay more attention to corporate governance. By how much is hard to say because it has been a steady process with certain bursts of activity. Once done, it has to be put into perspective and the CFO must not be bogged down in it," said the Group Financial Director of a company in the healthcare sector. "The CFO has to be the workhorse. You have got to manage, delegate, have good people and really understand what you are doing."

The increasing complexity of disclosure requirements means that they are spending more time on box-ticking and administration. This leaves less time to spend on other issues such as strategy, analysis and planning.

"I think the role is threatened with a move towards increased governance," a CFO in the mining sector commented. "Clearly that must be accommodated, but we mustn't let it obscure or undermine the CFO's role as a strategist, not just as a steward. There is a much wider remit which does also include coping with governance issues as a CFO."

CFOs are still struggling to balance the requirements of communicating with stakeholders and their responsibilities under the weight of new legislation.

"What we are experiencing is clearly that a huge body of legitimate stakeholders need different shareholder requirements. How this can be achieved and with what approach is key in terms of meeting external regulatory requirements," said a CFO in the construction sector.

The onus to set up procedures and disclosures in the public eye is "not necessarily a chosen responsibility or role a CFO would relish maybe," according to a Financial Controller in the leisure sector.

An ever-widening strategic role

While coping with the burden of regulation, CFOs must also keep an eye on the bigger picture. They need to be strategically adept rather than just functioning as number-crunchers.

"The CFO has become far less hands on if you like, in terms of the historical nature of the role," said a CFO in the healthcare sector. "I like to use the football analogy. The CFO has become much more like a sweeper - essentially the person who you'd go to get anything done at whatever level."

There has been a broadening of line management responsibilities as CFOs become more involved in strategy, planning and marketing.

"I think we are moving more towards the North American management structure of CEO/CFO and wearing more of a corporate hat," the Group Financial Director of a large property firm said. "Other operational directors are having input, but basically it's more the burden of the CFO. Finance has broadened, becoming far more analytical for making decisions."

As they have become more involved in strategy, they have gained a higher profile both inside and outside their organisations. There has been a "widening role of the CFO generally…perhaps sometimes characterised as a sort of No. 2 CEO, but with a much wider strategic role," according to the Group Financial Director of a life assurance company.

However, the CFO of a pharmaceutical company thought the opposite: "I would say the strategic content of the role has gone down in the last few years - in direct relation to the increasing compliance and regulatory issues. Something has to give. The matters tabled at the Board meetings are less strategic."

Communication & investor relations

On top of the primary responsibilities of compliance and strategy, CFOs have to communicate with stakeholders including analysts, shareholders, customers and employees.

"I would say there is a lot more emphasis on investor relations. I spend more time on it and have to be more proactive," a Group Finance Director in the financial services sector said.

A CFO in the health sector remarked: "A CFO who is not an investor relations expert is in trouble."

Reporting & business systems

CFOs also have a duty to ensure that reliable control systems are in place and that the financial reporting structure is evolving with the business needs.

"The focus has shifted away from what's happening in the business & more to 'how do we report what's happening in the business' to interested parties," said a CFO in the media sector.

There is more investment in the broader commercial issues and more regular reporting. As one CFO in the financial services sector commented: "the timeline of expectations has changed in the last five years and so quarterly reporting is a waste of time."

Other issues

Several CFOs said that they had not seen any change in priorities over the past few years. “I don't think it has changed much in the last couple of years,” said a CFO in the financial services sector. “The FD has to be a strong foil and counterpart to the CEO. Investors like to see a strong CFO.”

Others said that the business climate had intensified and the pace of change had quickened. Several commented on the increasing complexity of pension issues and the huge amount of time they spent worrying about financing pension deficits.

The Finance Director of a utility company said that there is now a greater emphasis on risk management: “There has been much more focus on risk management of one form or another, not solely in the corporate governance area, but also in commercial risk management. The CFO, in defining parameters for risk management, has become more significant.”

Finally, a CFO in the construction sector said that it depends on what each individual wants to focus on: “It is clear that with the nature of the beast it depends very much on the individual. It can range right from the classic City type through to the other spectrum where you have the CFO sitting alongside and doing deals with the CEO.”

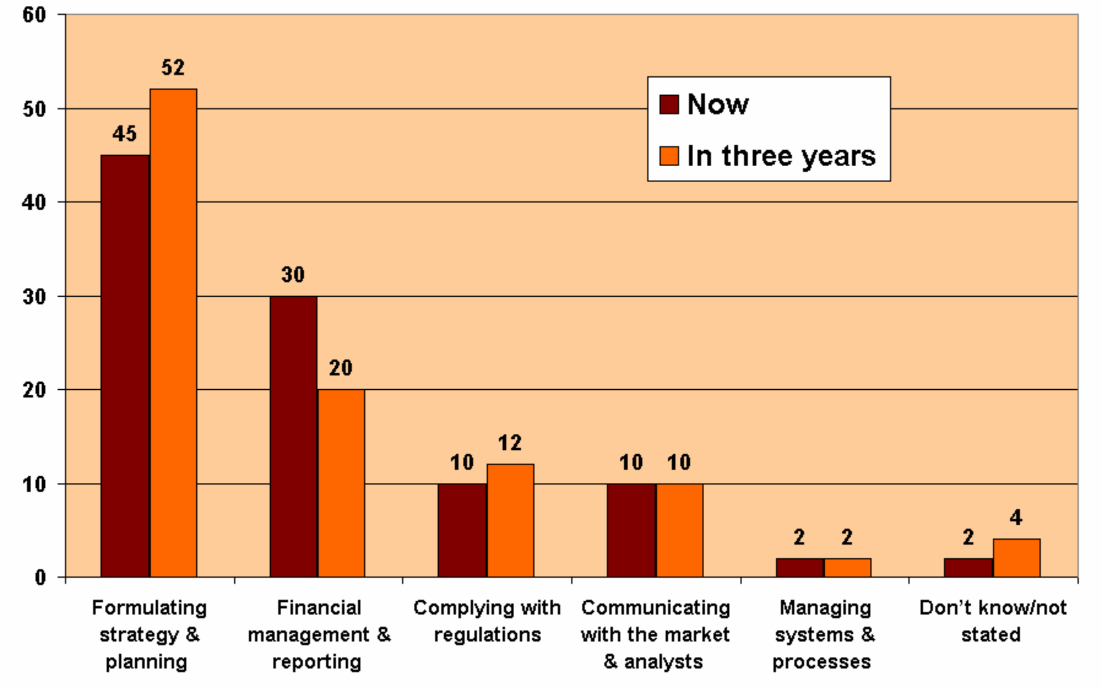
After asking the question in an open-ended manner, we then gave respondents a list of priorities and asked them to rank which they thought are most important now and which will be most important in three years from now.

Please rank your top two priorities now and in three years time from the following list:

- **Formulating strategy & planning**
- **Complying with regulations**
- **Financial management & reporting**
- **Managing systems & processes**
- **Communicating with the market & analysts**
- **Other**

Top priorities

We first ranked the top priorities now versus in three years time in percentage terms.



Despite the fact that most respondents said that regulations and compliance are their main concern in answering the previous question, when given a closed list of choices, most ranked formulating strategy & planning and financial management & reporting as their top priorities. Complying with regulations came in third position closely followed by communicating with the market and analysts.

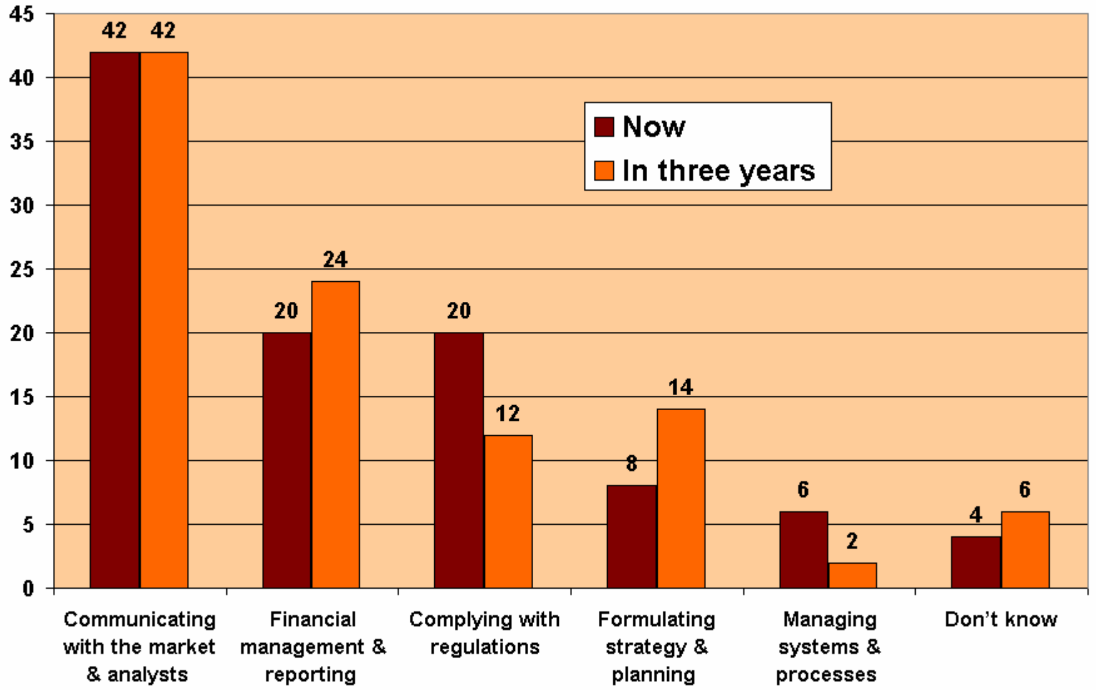
Forty-five per cent ranked formulating strategy & planning as their top priority now and even more (52%) thought it would be their top priority in the near future.

Just under one-third of respondents (30%) said that financial management & reporting is their top priority now, but only one-fifth (20%) predicted that it would remain so in three years time.

Complying with regulations and communicating with the market are given lower priority and are forecast to retain their positions in the future.

Secondary priorities

Then we ranked the secondary priority now versus three years time in percentage terms.



While strategy emerged as the top priority, communicating with the market is the second most important for many CFOs.

Forty-two per cent of CFOs ranked communicating with the market & analysts as their second priority both now and in the near future. This compares with only 10% who ranked it as their top priority now and in three years time in the previous question.

Financial management & reporting came in second position once again. One-fifth said it is their second most important concern rising to just under one-quarter (24%) who thought it would be in three years time.

Perhaps wistfully, many said that complying with regulation will become a lesser priority in three years (12%) than it is now (20%). On the same note, some are hoping that formulating strategy & planning will become more important, rising from 8% now to 14% in three years time.

Strategy

After ascertaining the role and priorities of the CFO, we then focused on their role as strategists.

In terms of creating company strategy, would you say the role of CFO is expanding? Why or why not?

Many more CFOs thought that the role in creating strategy is expanding compared to those who thought the opposite. Relatively few said that it is staying the same.

Most said their role in strategy is expanding

The traditional role of the CFO as “score-keeper” or “number-cruncher” has been transformed into a wider role that requires more skills. “The days of the bean-counter are long past,” said the Treasurer of a support services company.

The CFO now must be a planner, an analyst, a marketer and a communicator as well as being a strategist. As the role has diverged into new areas, CFOs have had to acquire a broader business understanding and to learn how to articulate their findings to the market.

“The role of CFO is to collate then aggregate data and then start to formulate what the picture means for the industry and for businesses competing in that industry,” said a CFO in the mining sector. “In the past, it has been more of a data-collating and then presenting, rather than interpreting. So the interpretation role is definitely something that has changed in the last three or four years.”

In many firms, the strategy planners now report through the finance department. “Our strategic planner reports directly to myself, that wasn't the case four years ago where he went directly to the CEO,” the CFO of a financial services company explained. “Today we have to marry an understanding of financial considerations, evaluation pieces and a broad vision and direction to make it clear in real financial terms what is the desirable path for the company to take.”

Another Group Financial Director of a life assurance company said: “The level of accountability for the strategy part for the CFO is getting bigger. I've seen in my own role - and indeed in that of colleagues throughout the industry - that strategy is often delegated in a process sense completely to the CFO. Or if indeed a group has a Director of Strategy, that Director of Strategy often reports to the CFO rather than the CEO.”

The CFO is now seen as a core part of the management team as he is the one with the information at his fingertips. As regulation and compliance become much more complex, people are looking to the CFO to make a more proactive contribution. CFOs are not only being listened to more by the CEO and the Board, but also by the market.

“The CFO is now very much the right hand man to the CEO. In fact, there is an increasing succession from there to the post of CEO,” a CFO in the mining sector remarked. “The CFO probably has the key position enabling him to maintain the stewardship of a company whilst also providing leadership in strategy. By 'stewardship' I mean he doesn't let his company go on a mad buying extravaganza, but does nonetheless promote coherent growth.”

But some said the role is not expanding

Some CFOs said that strategy is the responsibility of the CEO and the Board. Some smaller firms do not have the specialist resources of larger companies, so their CFOs have to concentrate on accounting and reporting. They do not have much time left over to devote to strategy.

A CFO in the pharmaceutical sector said that the role is not expanding because “there is an acute focus on governance, compliance and accounting.”

"I think the CFOs are getting an awful lot more on their plates in terms of reporting and to try to put huge amounts of strategy on them, is in danger of overloading one particular person," said the Group Financial Director of a firm in the retail sector. "I think that the role is more likely to contract than expand."

Others said that the role is not expanding now because it already went through an expansion over a decade ago. CFOs have been involved in formulating strategy for 15 years or more in some companies.

"I see it as always just striking the correct balance. To me the CFO has always been instrumental in strategy generally speaking," said the CFO of a company in the construction sector.

Others said it is the same as it ever was

Finally, some CFOs said that not much has changed. "I think it is the same as it was before, but there has been an increase in the regulatory environment. Companies are under pressure now," said the Director of Corporate Finance in the mining sector.

Another CFO in the electronics sector observed: "There is an increasing concern not to be perceived as number crunchers. But, from my point of view, I have never seen my role as that of an accountant. It is far from being narrow. Indeed my company has always expected a much broader contribution, so in my personal experience there has been no real change there."

We next asked about how often companies update their business plans and how they saw this changing in the future.

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Regulation

After covering the widening role of the CFO, we next moved onto regulatory issues and began by asking about the contentious Sarbanes-Oxley Act.

Do you feel it is appropriate for the CFO to have sole responsibility for company accounts as in Sarbanes-Oxley in the US? Why or why not?

The vast majority of respondents did not think that the CFO should have sole responsibility for company accounts. A handful thought they should.

An overwhelming majority said no

Most CFOs think that responsibility for company accounts should be shared collectively. As information is passed along reporting lines by hundreds or even thousands of individuals, they suggested that it is not appropriate for all of the accountability to rest with one individual. The Board, the CEO, the CFO, the audit committees and senior managers of the business units all have a role to play, but many said that ultimate responsibility has to lie with the Board.

“It's very, very clear. The responsibility of the accounts is the Board's,” the Group Finance Director of a life assurance firm said. “It is typical that the CFO's team produces the numbers, but responsibility is with the Board, and that is absolutely right.”

Another CFO in the financial services sector observed: “All directors should have shared responsibility and if they don't feel able to sign off, they shouldn't be on the Board. The very meaning of the Board should be representing the shareholder and their variety of interests.”

As company accounts are judgements based on estimates, it is difficult for CFOs alone to certify that all of the information is correct. They have to rely on the knowledge and views of others.

“The audit committee signs it off before it gets published. It is essential to have objective input from those with technical expertise – non-executive specialists and the audit committee,” said the CFO of a pharmaceutical company. “It is invaluable. It is just not possible for the CFO to be up to speed on all critical components.”

Some CFOs said that not only is Sarbanes-Oxley onerous for companies with a US listing, but also it is artificial because it gives the illusion that the CEO and CFO share the responsibility alone. Some organisations have actually expanded the number of people who have to sign-off accounts. Personal liability and loss of reputation are clearly concerns for CEOs and CFOs in organisations that are consensus-led.

As another CFO observed, Sarbanes-Oxley also compels companies to divulge a lot of information that can only benefit competitors as most shareholders are not interested in that level of detail.

“Many of our shareholders do not even attend our AGM. We have 35,000 shareholders and only 350 turned up to the meeting,” the CFO of a telecoms company remarked. “The only ones who read this information are our competitors. The level of care and cost rises disproportionately. We are here to make money.”

Very few said yes

Some respondents said that responsibility can not be shared collectively in practice and that ultimately one person has to be in charge. As it is the CFO who is responsible for the figures, the job falls to him.

“Ultimately it is the nature of the beast, it comes with the territory. The buck stops here!” said the CFO of a construction firm.

The Head of Finance of a support services group commented: “Somebody has to take responsibility otherwise there's not much point in having a CFO.”

The CFO is the primary guardian, but others still have their parts to play. In some cases, the CFO’s role may be more internal while that of the CEO and the Board are more external, especially in smaller firms.

We next asked which piece of regulation, including Sarbanes-Oxley, CFOs found most burdensome.

From your organisation’s perspective, which regulatory requirements do you think are most onerous?

Some respondents mentioned more than one piece of regulation from the choices below.

IFRS	54%
Sarbanes-Oxley	36%
OFR	30%
Turnbull guidance	14%
Basel II	4%
Other	6%
Don't know	2%

Over half of respondents (54%) said that the IFRS requirements are the most wearing. Approximately one-third said that Sarbanes-Oxley (36%) and the Operating and Financial Review (30%) are the most onerous.

Very few thought that the Turnbull guidance (14%) and Basel II (4%) are the worst regulations.

Measurement & KPIs

After asking about the CFO’s role, strategy and regulation, we then moved on to ask about how companies will be measuring their performance in the future.

How do you feel your current measurement of company performance will change in the foreseeable future?

Most CFOs said that they did not foresee any major changes in how they measure performance. However, many said that they would be moving away from traditional methods and examining new ones. A few said that legislation and regulation would dictate what measures they will use.

There will be no significant change

A majority of CFOs thought that change would be a transitional process involving a slow evolution rather than an abrupt transformation. The measures used in future will depend on what analysts and the investment community find most valuable. A few suggested that change will be driven by IFRS and OFR, but there will not be much impact on fundamentals from an internal point-of-view.

“Other than adjusting to the different ways the numbers will work out, I think things will stay the same over the next couple of years,” said the Group Financial Controller of a utility company.

“I don't think the way we measure the performance will change that much. I think as we get more data we'll be more sophisticated,” a Group Financial Director in the retail sector said. “The challenge of OFR is that you have to publish so much. I don't think the way we run our company will change at all.”

The market is interested in share prices and dividend growth, and how companies are performing against their peers, not other measurements. Many companies are satisfied with their current evaluation systems, but they may have to do more work in the compliance area.

“In terms of overall business performance, I don't see that will change a great deal,” the CFO of a mining company said. “We focus on value, ensuring we understand value. We will need to do additional work to make sure we also monitor compliance issues.”

Begin to use new measures

Again, CFOs reiterated that change would be an evolutionary process. Many respondents said that there would be a move away from traditional measures such as earnings per share to more sophisticated and transparent measures like cash flow per share. They added that more non-financial key performance indicators (KPI) will also be gathered in areas like corporate social responsibility (CSR), but there will be challenges in how they are collected and analysed.

“KPIs are a continually evolving subject as the business impetus is changed,” said the Treasurer of a support services group. “Yesterday's imperative is less important than today's, which will be less important than tomorrow's. Nothing is cast in stone these days.”

As the practice becomes increasingly sophisticated through a constant refinement of the planning process, more non-specific financial measurements may be used instead of the traditional strictly financial ones. But firms will still be wary of giving away too much information to their competitors.

"The key thing that needs to be reviewed is the breadth of the KPIs. They have been around for a long time now. The nuance is that now there are other aspects to the balance scorecard," said a CFO in the electronics sector. "We will have to spend time collecting data in non-financial areas. This could be seen as a process undermining OFRs, which clearly ought to be present in the business. It is not a prescribed departure from the current status quo, but expectations will differ. To be very honest, it is not in our interest to and we will not divulge more than we currently do."

Others said that the driver is risk and that measurements would be more geared towards capital management underlying the whole process. Some suggested that capital guidance and planning will be more risk-reward focused. The challenge is not letting capital investment dry up as it has in the US according to a CFO in the mining sector.

"It will as we get more sophisticated in risk. The major drive is risk related, return on capital measures and economic profit measures," the Group Financial Director of a life assurance company said. "So we will still be using return on capital based measures, but the sophistication with which we measure both return and capital will increase. The real driver is risk."

With more forward-looking measures in place, CFOs will have to be careful not to bind themselves too much into projections.

"I've already met people in a business context who have been to our website and said it's more than just a brochure - it has really enhanced shareholder understanding," said a CFO in the construction sector. "We are fairly explicit whilst we do clearly have to be careful to couch forward statements in careful legal language, so that they don't sue us. It will help companies to be more open in their dealings."

Regulation and other legislation will play a role in deciding what is measured

Some CFOs said that changes will be driven by IFRS and other regulations, and that they will change their measurements when they are mandated to do so. Other factors such as changes in the tax environment will also have an impact.

A Financial Director in the IT sector said that it would depend on what becomes "best practice under the IFRS and the extent to which people make up new lines to track. It will take the analysts and investment community a while to work out what they think is important."

Others said that it would depend on what financial statements look like in the future according to what the international accounting standards board (IASB) does. There is a possibility that there will be no profit and loss accounts for example and this will naturally promote change. There is also a worry that the statements may become very dry and technical, so the story the tell will become less compelling.

A CFO in the oil & gas sector said he would "be inclined to make sure the narrative element is well balanced. There is a concern that proscriptive legislation will result in semi-bland statements."

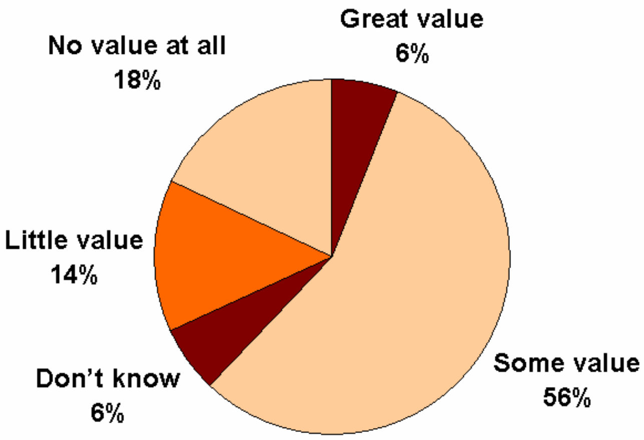
Other observations

One CFO in the support services sector foresees matters going downhill under IFRS: "I think transparency of figures will deteriorate. I think that many of the IFRS requirements are very misleading."

Another CFO in the media said there is only one measure that people are concerned with: "In the final analysis, the thing people are interested in is the bottom line profit. They always have been and always will be."

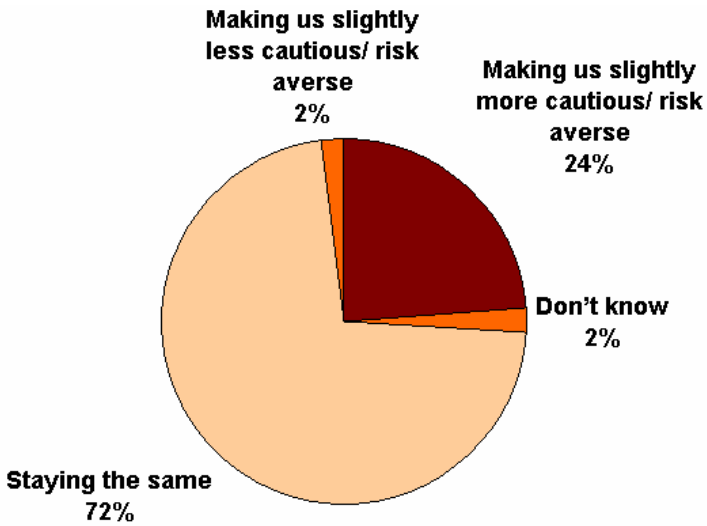
We then asked about what value OFR would add for all stakeholders.

How valuable would the OFR requirements have been in giving your stakeholders (i.e. employees, analysts, shareholders) an insight into company performance?



OFR requirements have some value, but not too much. Over half of respondents said that they would provide some value (56%), but almost one-fifth (18%) said they would give no value at all. Only 6% said they would be great value while 14% said they would provide little value.

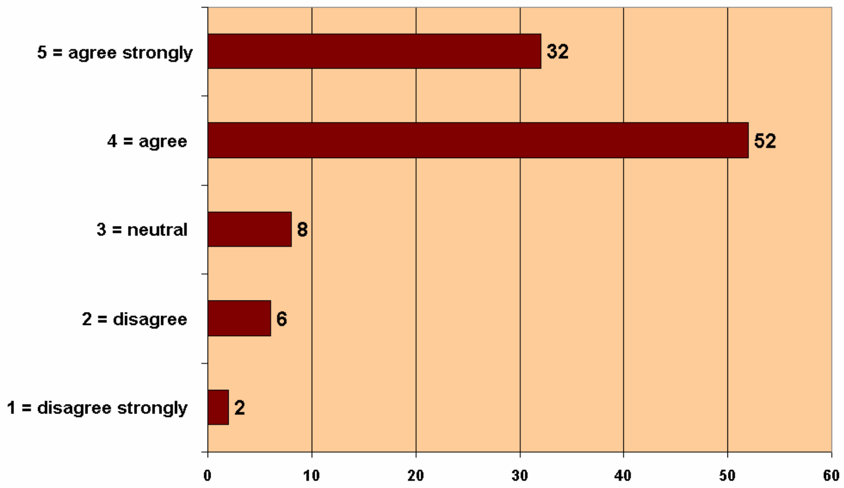
As the OFR would have required more forward-looking and qualitative statements, what overall effect would this have on your company's outlook?



OFR is having no effect or a moderate effect on company outlooks. Almost three-quarters of respondents said it is having no effect and things are staying the same (72%). Just under one-quarter said it is making them slightly more cautious or risk averse. No one came out on the extreme and said that OFR is making them far more or far less cautious or risk averse, which were two other options given to them.

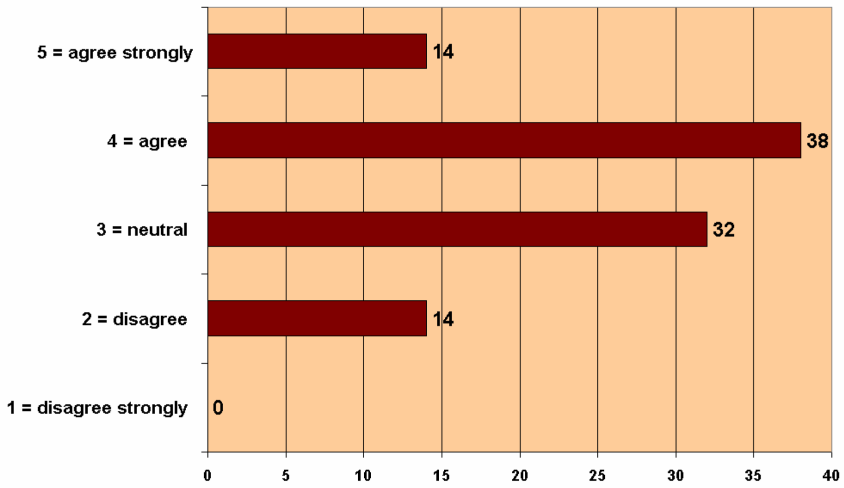
We next read out a series of statements about the role of a CFO and asked respondents to rank them on a five-point scale where 5 = agree strongly and 1 = disagree strongly.

Regulatory and compliance issues give CFOs less time to spend on other responsibilities



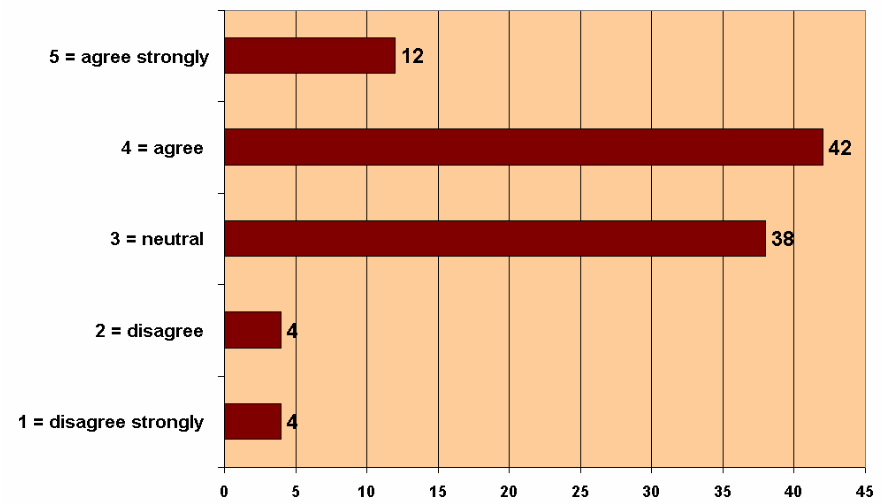
A majority of respondents agree (52%) or strongly agree (32%) that regulatory and compliance issues are taking up more of their time, so they have less to devote to strategy, communication and other responsibilities.

The role has evolved from administrator to strategist



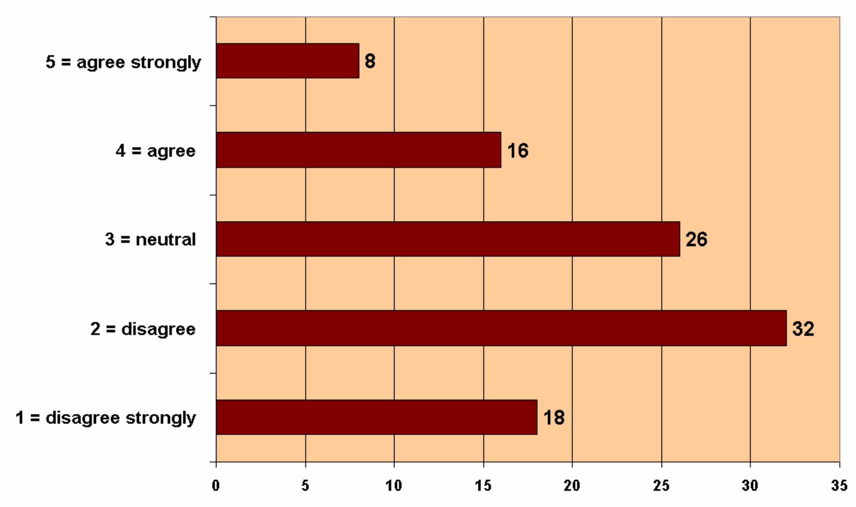
Over one-half of respondents agree (38%) or strongly agree (14%) that the CFOs role has evolved from administrator to strategist. Just under one-third neither agreed nor disagreed (32%).

Our company is well enough positioned to adapt and respond to an ever-changing regulatory environment



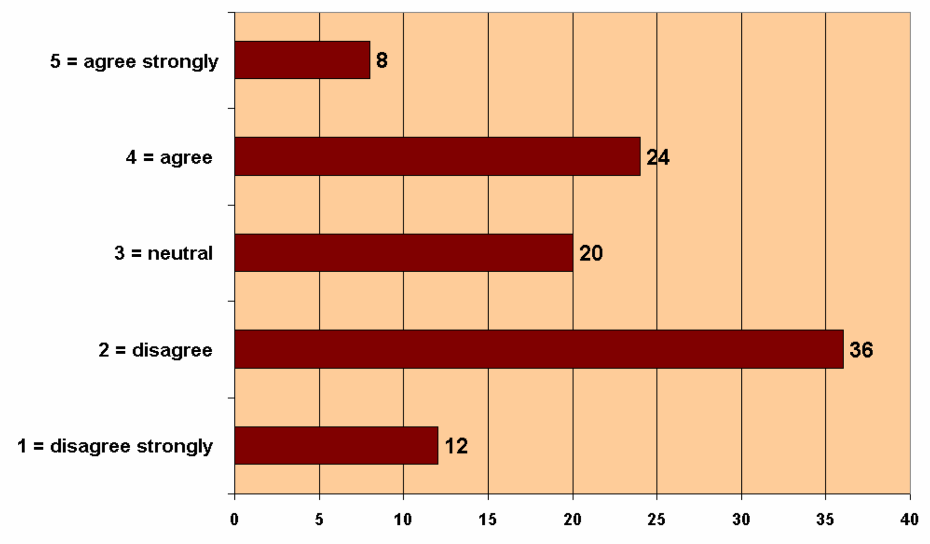
Over half of respondents agree (42%) or strongly agree (12%) that their organisation is well positioned to adapt to new regulations. Almost two-fifths said they neither agreed nor disagreed (38%).

I would like greater insight into what the numbers from each part of the company mean



Half of respondents disagree (32%) or strongly disagree (18%) that the need greater insight into what figures from their business units mean. Over one-quarter neither agree nor disagree (26%).

We need greater control of our financials and processes to improve our performance



Almost one-half disagree (36%) or strongly disagree (12%) that they need greater control of their financials and processes. Just under one-quarter (24%) said they do need greater control. One-fifth (20%) neither agree nor disagree with the statement.

Conclusion

CFOs, just like accountants, sometimes have to put up with being called “bean-counters”. But big changes in the breadth and content of their jobs in recent years mean the term is no longer fair.

The survey demonstrates that CFOs have to deal with such a range of tasks, and offer such a mix of skills, that it led at least one respondent to ask whether the job was too much for one person alone.

The risk looming large in the minds of many, however, is that having moved from bean-counting to multi-tasking, the pressure of regulation could push them into another form of drudgery: box-ticking.

Regulations such as International Financial Reporting Standards, the US Sarbanes-Oxley Act and Basel II are taking up an increasing amount of CFO time.

It is not always obvious the regulations fulfil their promise of improving transparency and investor confidence, but it is clear that each new reporting requirement creates an unnerving risk of getting something wrong.

Still, one source of solace is that the survey was carried out at what many say was the high water mark of regulation. Resistance from industry has become so strong that most regulators accept they should not create more rules, but instead let companies get used to the existing ones.

That would leave CFOs more time and space to pursue what is clearly the most exciting and rewarding part of their jobs: formulating strategy and helping to make big commercial decisions.

As they become more proficient than other executives at carving out that niche, it is no surprise that more and more CFOs are stepping up to be chief executives of their present companies, or being poached to go elsewhere.

But they are also left under no illusions about who their real bosses are: shareholders. Talking to the market ranks high on the list of priorities: both communicating performance clearly in written reports and going out on the road to meet analysts and investors.

For CFOs know that no matter how adept they are at managing their burgeoning portfolios, if investors do not see or appreciate the results their tenure will very quickly come into question.

Survey Background

We interviewed 50 CFOs, Financial Directors and Group Financial Controllers from the top 500 companies in the UK.

The survey was conducted in the weeks before the announcement to withdraw the Operating and financial Review as legislation, the write up was subsequently completed in the aftermath.

Sixty per cent of these are from companies with turnovers under £1 billion. Twenty-eight per cent are from companies with sales of between £1-5 billion and 12% are from companies with turnover of more than £5 billion.

In terms of sectors, the breakdown is as follows:

Sector	No. of respondents
Real estate renting & business services	13
Financial intermediation	9
Electricity, gas & water supply	8
Wholesale & retail	5
Transport, storage & communication	5
Manufacturing & Construction	4
Agriculture, Fishing & Mining	3
Social security, health, education and personal services	3

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