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Finance forte

The future of
finance leadership



Our thanks to over 530 senior finance professionals who participated in the study and, in particular, to those finance leaders and experts who shared their insights in a series of interviews:

Mark Armour
Group CFO, Reed Elsevier

Gilles Bogaert
Managing Director of Finance,
Pernod-Ricard

Evelyn Bourke
CFO, Friends Provident

Louisa Burdett
CFO, Financial Times Group

John Cryan
Group CFO, UBS

Jim Dewar
Former CFO, Dana Gas and Non Executive
Director, East West Petroleum Corporation

Santiago Fernández Valbuena
Group CFO, Telefónica

Hartmut Hillebrand
Senior Vice President,
Global Head of HR for Finance and
Administration, SAP

Jean-Marc Huët
Group CFO, Unilever

Slawomir Jedrzejczyk
CFO, PKN Orlen

Andrew Kakabadse
Professor of International Management
Development, Cranfield School of
Management

Helen Kilpatrick
Director-General of Financial and
Commerical, Home Office

Harry Kirsch
CFO, pharmaceuticals division, Novartis

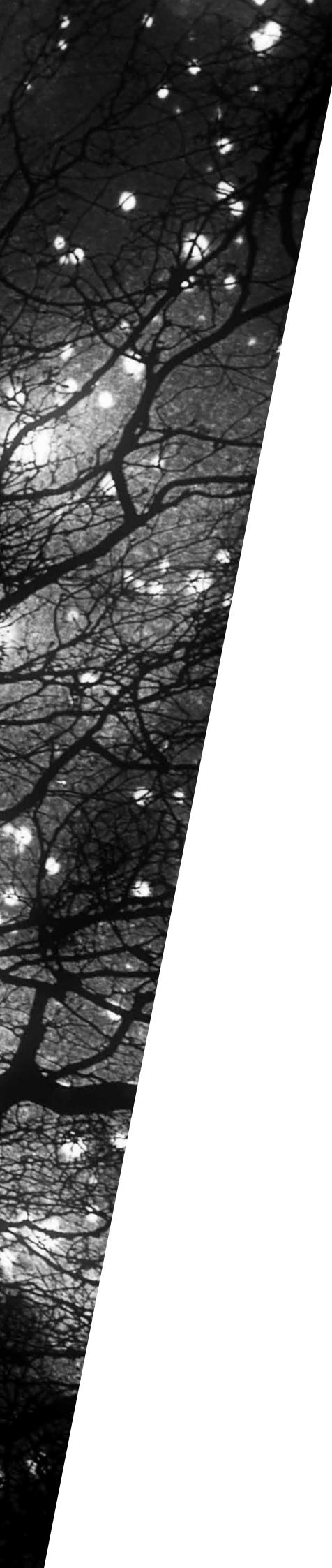
Caroline Raggett
Managing Director, Russell Reynolds
Associates

R. Shankar Raman
Executive Vice-President for Finance,
Larsen & Toubro Ltd

Jussi Siitonen
Group CFO, Amer Sports

Vsevolod Starukhin
CFO, DTEK

Rob Wilkie
Group CFO, Softline



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Finance forte provides insight into the future requirements of the Group CFO position and the skills and capabilities needed by those in the role, as well as those who aspire to the role. In addition, it addresses the responsibility of the aspirant, the CFO and the organization in sustaining the pipeline of future finance leaders.

The study is based on a survey of over 530 Group CFOs and their direct reports from across Europe, the Middle East, India and Africa (EMEIA), as well as a program of in-depth interviews with leading CFOs and future finance leaders from across these regions. It is one of a series of Ernst & Young initiatives that seek to understand and support CFOs in their evolving – and unique – position. The survey was conducted with the Economist Intelligence Unit.

A tough job, but someone's got to do it

In our previous study, *The DNA of the CFO*,¹ we showed that most senior finance professionals see the position of CFO as a career destination and not a staging post to the role of CEO. Understandably so. Few jobs today can rival the role's breadth, influence and profile. So much so that "CFO" is fast becoming a misnomer. *Finance forte* looks at how this aspiration can be realized and what candidates need in their toolkit to be successful in their bid for the top job. It also addresses the role incumbent CFOs and organizations have in equipping their top talent and securing the future pipeline of finance leaders. This is not a position which organizations can leave to chance. And yet too many are.

The responsibility between aspirants, the Group CFO and the organization is clearly a shared one. For the candidate, it is about career ownership not management. While organizations clearly need to provide investment in a formalized approach to talent management, they do not make Group CFOs. Individuals build careers that make them the obvious choice. Those who build a diverse CV, with both experience of the business as well as Group functions, will be at an advantage. Those who master the skills of communication, stakeholder management and team leadership, will stand clear from the crowd.

Group CFOs in the role need beneath them the right skill mix to deliver to the evolving demands of the job. In doing so, they cultivate those who will follow. However, there is clearly an appreciation that they need to do more and a desire amongst aspirants that they formalize their approach.

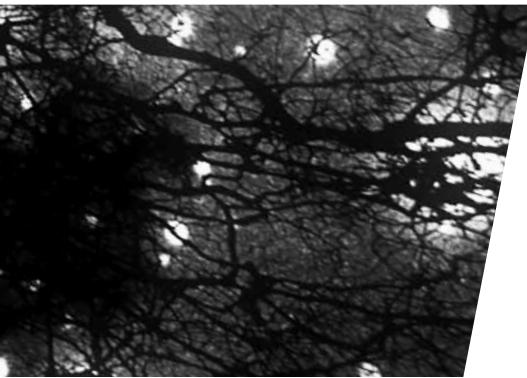
Organizational performance is linked to investment in a formal framework that provides high-potential finance professionals with exposure to the stakeholders and activities that are critical to the evolving CFO role. There is not a lack of finance talent. There is a lack of structure around the opportunities for channeling that talent. This is not just about preparing future finance leaders. As the role continues to transform, this is increasingly about preparing leaders full stop.

¹ *The DNA of the CFO: A study of what makes a chief financial officer*, Ernst & Young, 2010.

66%
of respondents
believe the
title "CFO" is
inadequate

72%
agree that the role's
breadth and profile
make it a more
attractive aspiration

73%
believe that very few people
in their organization have
the broad skills required to
be Group CFO



A complex environment calls for a multi-faceted CFO

It is well understood that the CFO role is more broad and complex than ever before. And this is a trend that will continue. In fact, 66% of survey respondents believe the title "CFO" doesn't adequately convey the diversity of the role. In an increasingly complex and ambiguous world, the challenges will only increase. The implications for those who seek the role are profound. In addition to a volatile financial market and regulatory change, globalization and the rise of emerging markets continue to reshape the competitive landscape and redefine organizational strategy. Group CFOs must become accustomed to operating in markets at varying stages of maturity – with emerging markets growing rapidly and some developed markets either mature, or even in decline. This will require the emergence of an ambidextrous CFO who is comfortable with balancing very different demands across the company's key markets. Yet, talent development programs need to catch up with the globalization of businesses in order to support the exposure of candidates to diverse markets.

Structural change can limit opportunities for candidates to develop the right credentials

The breadth and profile of the modern CFO role has made it an attractive proposition. Seventy-two percent of respondents agree. But, despite strong competition for the role, most senior finance professionals think that there are very few people in their organization who have the skills to succeed at it. More than half think that the talent pool is actually shrinking. The leading CFOs and expert advisors we interviewed do not believe that there is a

shortage of talent as such, but that structural changes within the finance function may limit the opportunities for talented candidates to develop the right portfolio of experience needed for the top job. In view of this, they argue that formal identification and development of talent will ensure that there is a strong pipeline of candidates with the right credentials to meet the challenges of the evolving role.

Finance transformation initiatives are impacting the long-term talent pipeline

In recent years, organizations have restructured their finance functions to improve their effectiveness and efficiency. The implementation of shared services centers has helped to reduce duplication and standardize processes, while at the same time enabling finance functions to focus on the "business partner" aspects of the role. But despite the sizeable benefits, these transformation efforts could impact the long-term talent pipeline. By migrating transactional processes to centralized or outsourced providers, organizations may no longer be giving finance professionals experience of the fundamental skills of finance. Also, the big project experience of implementing and managing a shared service center is increasingly becoming a core competence for senior finance professionals. Talent management programs that enable finance professionals to manage this type of project and include temporary rotation into shared service centers can help to fill these gaps.

Nine steps to preparing for the Group CFO role

Findings from our study suggest there are nine important steps that aspiring Group CFOs can take to ensure they are well prepared to meet the future challenges of the role:

1. Gain a breadth of finance experience
2. Develop commercial insight
3. Seek out M&A experience
4. Obtain a balance of traditional and non-traditional skills
5. Develop leadership and team-building skills
6. Get international exposure, particularly in emerging markets
7. Gain experience of finance transformation initiatives
8. Get exposure to the market and its stakeholders
9. Build effective relationships with the board

67% believe that CFO candidates who have spent their entire career in the finance function are at a disadvantage to those with direct commercial experience

58% believe that the increasing breadth of the role will lead to the appointment of more deputy CFOs

71% of CFOs would like to improve their talent development skills

A tough job, but someone's got to do it

Experience beyond pure finance will define the top contenders

Much of the traditional CFO role will remain central. Successful candidates for the position will still need a firm grasp of finance fundamentals and most will continue to originate from a finance background. However, it will be those who can demonstrate experience in key areas over and above core finance who will shine. Individuals who are proactive in building the right mix of experiences will be at an advantage over those who have focused on one vertical finance stream. Respondents consider the best stepping stones for the job to be deputy CFO, group CFO of another organization or group financial controller. The qualities and experience needed to lead diverse teams, to give commercial insight, to lead major projects and build trusted relationships with internal and external stakeholders are those which will set the top contenders apart.

Gaining direct commercial experience can be the biggest challenge

Sixty-seven percent of respondents believe that prospective CFOs who have spent their entire career in the finance function are at a disadvantage to those with direct commercial experience. Yet, only a slim majority of companies create opportunities for junior finance professionals to gain broad commercial skills, although higher-performing companies are more likely to do so. In addition, many managers may be reluctant to lose high performers, even temporarily, at a time when finance functions have been downsized and resource is tight.

CFOs play a crucial role in talent development, but need to do more

Four-fifths of CFOs who responded to the survey believe that they have a duty to mentor and coach potential CFOs within their company, and most are measured on this aspect of their role. While the majority of Group CFOs are likely to approach it in an informal way, potential candidates for the job consider that mentoring should in fact be more formal. The demands of the role are such, however, that nearly 50% feel they don't have sufficient time to devote to this element. But while this may save time in the short term, leading CFOs argue that this will store up problems for later by thinning out the talent pipeline.

Organizations must build a bridge to the Group CFO position

By some margin the CEO is considered the principal stakeholder in selecting the Group CFO. In partnership with other board members, their selection of the right candidate can be a challenging prospect given the demands and importance of the role. While there are often very good reasons to look externally – not least to validate internal candidates – our survey suggests there is a correlation between strong performance and internal recruitment.

Organizations that have reported revenue growth of 5% or greater over the past 12 months are considerably more likely than those with static or declining revenues to show a preference for internal candidates for the CFO position over external ones. This emphasizes the need for organizations to formalize succession planning and talent development processes in order to cultivate a healthy pipeline of future candidates. At present, however, it appears that organizational focus in this area has not kept pace with role evolution.



The future of the top job

No one expects the top finance job to be easy. When problems get to the CFO's desk, they are inherently difficult ones – otherwise they would have been addressed earlier. Nevertheless, there is no doubt that the scope of responsibilities held by the CFO continues to widen. In addition to being the leader of a complex and diverse finance function, the CFO is increasingly the public face of the organization and at the heart of the strategic debate. As organizations look ahead to an uncertain future, the responsibilities of the role will only build. Finance leaders will respond to the evolving external environment with changes to finance operating models. Increasingly, the leadership and implementation of these initiatives will become a core part of the future role.

A turbulent external environment creates significant challenges for today's CFO. Although the worst of the financial crisis may now be over, governments continue to face severe fiscal strains, which will alter the relationship between private and public sector. The banking system, while stabilized, will face a new regulatory environment and the need to deleverage and rebuild balance sheets. Meanwhile, globalization and the rise of emerging markets continue to reshape the competitive landscape and redefine organizational strategy.

A shift in strategy to reflect the growth in emerging markets requires Group CFOs to revisit their business and operating model. With some economies around the world growing rapidly and others either static or in decline, CFOs will need to balance competing priorities across markets at varying stages of maturity. "Finance leaders need to strike a balance across four quadrants: transaction processing; reporting – both internal and external; controls and compliance; and business partnering," says James Meader, a Partner in Advisory Services at Ernst & Young LLP. "At some points, they will need to give more emphasis to controls and compliance, as we saw after Sarbanes-Oxley, but at other times they may need to strengthen their commercial focus. This can be a difficult balance to strike."

The title no longer does the role justice

Asked how they expected the importance of various skills and capabilities to change as part of the Group CFO role, respondents to our survey sent out a clear message. Put simply, everything is becoming more important, although the ability to lead teams, to design as well as execute strategy, and to innovate are forecast to be of greatest importance (see figure 1).

In light of this role stretch, two-thirds of respondents agree that the title "CFO" is inadequate (see figure 2). And while only one-third of respondent organizations currently have a deputy CFO, the majority also believe that the increasing breadth and complexity of the role will mean that more organizations will appoint this role (see figure 4 on page 10). "CFOs have many roles: they help to drive the strategic agenda; own the financial model and all the risks associated with it; act as the head of HR for finance, and serve as a member of a management team as well as being its conscience," says Jean-Marc Huet, Group CFO of Unilever. "To cut a long story short, there are just so many different skills required to drive all these different initiatives that the good old-fashioned numbers-based CFO is now becoming obsolete."

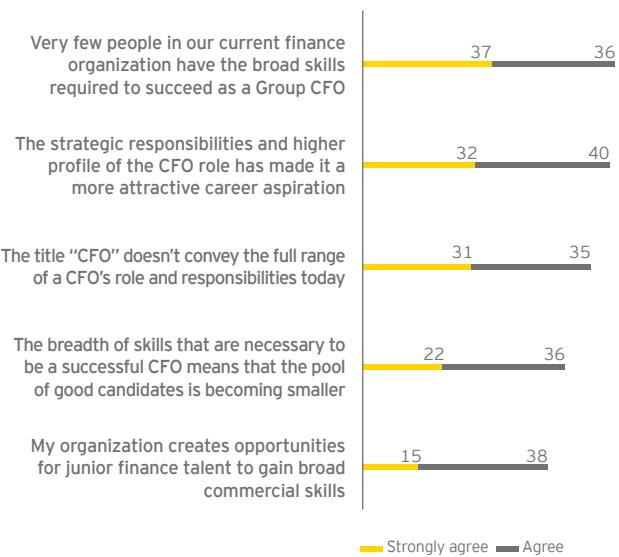
"The more the issues of finance, cost discipline and meeting shareholder value rise in importance, the more we will see the CFO become regarded as the most important individual in the corporate hierarchy."

Andrew Kakabadse, Professor of International Management Development,
Cranfield School of Management

Figure 1: In three years' time, what change do you expect to the importance of the following skills and capabilities as part of the Group CFO role? (percentage)



Figure 2: Percentage of respondents who either strongly agree or agree with these statements



Indeed, the CFO is now arguably the most influential role in the organization, particularly at a time when economic uncertainty continues to cause unpredictable demand, capital availability and cash flows. "The more the issues of finance, cost discipline and meeting shareholder value rise in importance, the more we will see the CFO become regarded as the most important individual in the corporate hierarchy," says Andrew Kakabadse, Professor of International Management Development at Cranfield School of Management.

Structural change can limit opportunities for candidates to develop the right credentials

As we discovered in our previous study *The DNA of the CFO*² the role, for most, is a destination and not a staging post to the role of CEO. Seventy-two percent of respondents for the *Finance forte* study agree that the strategic responsibilities and higher profile of the CFO role have made it a more attractive career aspiration (see figure 2).

But despite its obvious appeal, there are concerns that the pool of individuals with the appropriate skills and experience to succeed in the position is not sufficient for the expanding role. Seventy-three percent of respondents agree that very few people in their current finance organization have the broad skills required to succeed as Group CFO. Fifty-eight percent agree that the breadth of skills that are necessary to be a successful CFO means that the pool of good candidates is shrinking (see figure 2).

Those leading CFOs we spoke to do not believe that there is a lack of talented finance professionals. Instead, a number point out that structural changes within the finance function may limit the opportunities for talented candidates to develop the right portfolio of experience needed for the top job. In view of this, they argue that formal identification and development of talent is critical to ensure that there is a strong pipeline of candidates with the right credentials for the role. "A shortage of talent is not the issue," says Mr. Huët. "The question is identifying people, supporting them, giving them enough oxygen and letting them develop."

² *The DNA of the CFO: A study of what makes a chief financial officer*, Ernst & Young, 2010.

Preparing tomorrow's leaders

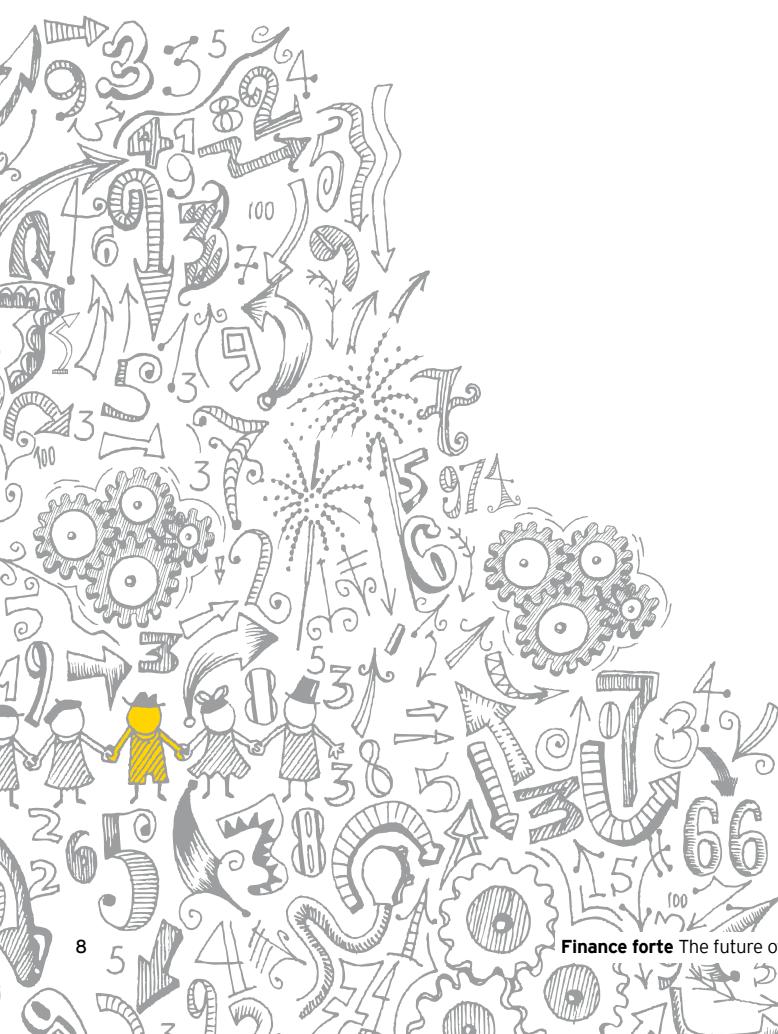


As the Group CFO position evolves, those in the role face the challenge of ensuring they have the right portfolio of talent beneath them, and those who aspire to the role face a daunting task of building the skills and experience that will enable them to move up. Aspirants must build relationships with the right stakeholders, gain broad commercial and strategic experience and learn how to build and lead diverse teams of specialists from across the full spectrum of finance capabilities. Regardless of whether a candidate comes from a divisional CFO, financial controller or head of treasury role, moving into the top job is a big leap.

Our study suggests that there are nine key steps that aspiring Group CFOs can take to ensure that they are well prepared to meet the future challenges of the role.

1. Gain a breadth of finance experience *Diversity is more important than vertical focus*

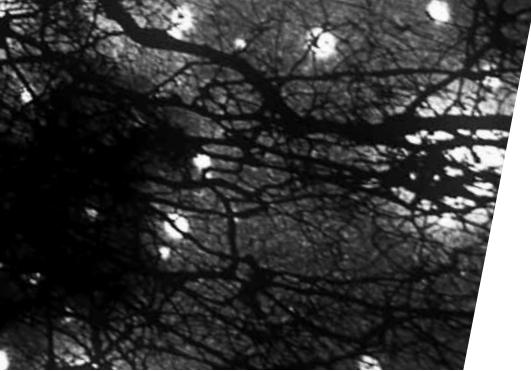
Preparation for the Group CFO role needs to start early. Prospective candidates must gain exposure to a broad range of different roles within the company, both at head office, across the core finance functions and ideally out in the business. "I would advise candidates to get as broad a set of experiences as possible, which would mean working out in the operations business unit, but equally it means getting some senior level exposure at corporate head office, and that's particularly important for quoted company CFOs," says Caroline Raggett, a Managing Director at Russell Reynolds Associates, a global executive search and assessment firm.



According to survey respondents, it is most important for prospective candidates to gain experience in a wide range of roles within the finance function (see figure 3). "For individuals who want to become a CFO, it's less about doing one job for a long time, and more about moving around every three to five years, although not just for the sake of it. The goal should be to gain relevant experience of all the different skill sets required," says Mr. Huët of Unilever. "Diversity of experience is more important than ever."

While broad experience across tax, treasury and other vertical disciplines within finance is important, it is not enough. Many CFOs are likely to delegate specialist finance responsibility to members of their team, assuming they have the right expertise within their team and enough of an understanding of the specialism to speak a common language. It does not mean that aspirants need to slavishly rotate through each of the central functions. It is far more important to build on skills acquired at the head office and gain broader commercial and strategic experience, often in divisional or operational roles. "Aspiring CFOs need to work in an environment where they're dealing with complexity, including managing change, leading transactions, negotiating deals, delivering tangible successes and handling failure," says Mark Armour, Group CFO at Reed Elsevier. "You need to have good practical experience of engaging with the commercial dynamics."

Indeed, some CFOs interviewed for this report argue that aspiring CFOs who have spent their entire career in specialist finance functions will find themselves at a disadvantage. "I think it's almost impossible, and therefore inadvisable, for potential CFOs to try and build their career by working in every single financial discipline, from treasury to tax and investor relations," says Ms. Raggett. "It's almost impossible to have the flexibility and technical capacity to be equally effective across all those areas."



"I think it's almost impossible, and therefore inadvisable, for potential CFOs to try and build their career by working in every single financial discipline, from treasury to tax and investor relations."

Caroline Raggett, A Managing Director, Russell Reynolds Associates

Figure 3: How important is it for future Group CFOs to have experience in the following areas? Select up to three (percentage)



Equally, future finance leaders with an operational background may not have had sufficient exposure to Group functions, such as tax and treasury, and may not have the necessary relationships with internal and external stakeholders. "You're pretty protected from analysts and shareholders when you're in an operational role," says Rob Wilkie, Group CFO of Softline. "But as the Group CFO in a listed company you'll be speaking with shareholders and analysts all the time."

Reporting lines and matrix organizations can help to overcome some of the blind spots in the development of future finance leaders. "Some years ago, we decided to globalize the finance function, which means the regional CFOs report directly to the Group CFO," says Hartmut Hillebrand, Global Head of HR for Finance and Administration at SAP. "They also have a second reporting line to the regional heads. So it's a dual reporting line that also reflects the dual role of a regional CFO. They have on the one hand a responsibility for business support and partnership. But they also have a compliance role and there can be no compromises on that."

Although both head office and commercial experience matter, some CFOs argue that it is the latter that is more valuable for the Group CFO role. "You may have someone with excellent treasury skills for instance that may not have the commercial experience to drive the strategic agenda," says Mr. Armour. "Conversely, business

division CFOs may have limited exposure to areas like tax and treasury if that is dealt with at Group level. On balance, I believe it is easier for someone who has strong commercial and strategic experience to move into the Group CFO role than from a central finance function, although that will vary by company and sector and, of course, by individual."

Personalities also make a difference. Some leading CFOs interviewed for this report argue that the skills that make an individual effective in a specialist finance role are unlikely to make them right for the Group CFO role. "My own analogy is that of sumo wrestlers and marathon runners," says Santiago Fernández Valbuena, Group CFO of Telefónica. "They are both athletes but they will fare poorly at each other's sport. In the same way, the kind of people you want to do auditing, accounting and reporting will not possess the same leadership skills you need for someone to be a successful Group CFO."

The best stepping stones to the top job

Reflecting the need for candidates to build a breadth of experience, respondents consider the best stepping stones for the job to be deputy CFO, Group CFO of another organization and financial controller (see figure 12, page 20).

2. Develop commercial insight

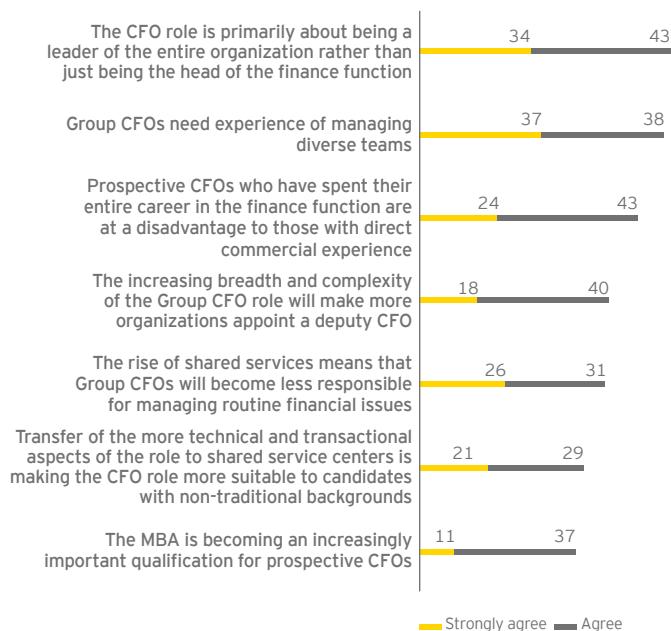
Consider the option of temporarily stepping out of finance

The commercial and strategic demands of the CFO role are encouraging a growing, albeit still small, number of future finance leaders to step out of the finance function into purely commercial roles. "For future CFOs, I would be looking for candidates who've stepped out of finance and acted as a business leader," says Jim Dewar, former CFO of Dana Gas and Non Executive Director of East West Petroleum Corporation. "This ensures that they have had accountability for a business in the past, they've had the negotiating experience, they've had the M&A experience, and they've had to sink or swim in those businesses based on their leadership capabilities."

Preparing tomorrow's leaders (continued)

More than two-thirds of respondents agree that candidates for the CFO role who have spent their entire career in the finance function are likely to find themselves at a disadvantage to those with direct commercial experience (see figure 4).

Figure 4: Percentage of respondents who either strongly agree or agree with these statements



But not everyone agrees that future finance leaders need to step out of finance altogether. Some interviewees argue that it is possible to obtain sufficient commercial experience within the finance function, so long as it is properly embedded within the business. "I think it's possible to get strong commercial experience with a finance role, as long as it's one that works closely with the business," says Louisa Burdett, CFO of the Financial Times Group.

Whether gained in a purely commercial role or within the finance function, this experience helps to provide a broader perspective and enables future finance leaders to build better relationships with key internal and external stakeholders. For example, prior to becoming Managing Director of Finance for Pernod-Ricard in July 2009, Gilles Bogaert was the Chairman and CEO of the Brazilian business. "Spending time as a divisional CEO, where you manage a large team and business, gives you the confidence to deal with important challenges and manage key stakeholders in the company," he says.

But even if candidates wanted to gain experience of a purely commercial role, there can often be organizational and cultural barriers that prevent this kind of cross-fertilization of talent. Despite recognizing the importance of commercial experience, only a slim majority of respondents believe their organization creates opportunities for junior finance talent to develop these skills (see figure 2 on page 7). "It's often difficult to move into a commercial role because the business continues to see finance primarily as a specialist function," says Jussi Siitonens, Group CFO of Amer Sports. "This makes them reluctant to hire finance team members into business positions."

The finance function itself must play a role in breaking down these barriers and creating opportunities for greater fluidity between finance and business roles. Telefónica, for example, has run courses in its corporate university to teach finance to non-financial students. The courses are run by executives within the finance function, rather than external trainers, with the aim of building stronger bridges and understanding between the two sides. "The aim of the initiative has been to communicate what we do to the rest of the company," says CFO, Mr. Fernández Valbuena.

The current economic environment also stands in the way of job rotation. With many finance functions having been reduced as a result of downsizing initiatives, managers are more reluctant than ever to allow high performers to leave, even if the long-term benefits of job rotation are clearly understood. "Managers are now much more clingy to their high-performers than they were," says Mr. Armour. "It's a challenge to ensure that there is sufficient mobility."

3. Seek out M&A experience

Get post- as well as pre-deal exposure

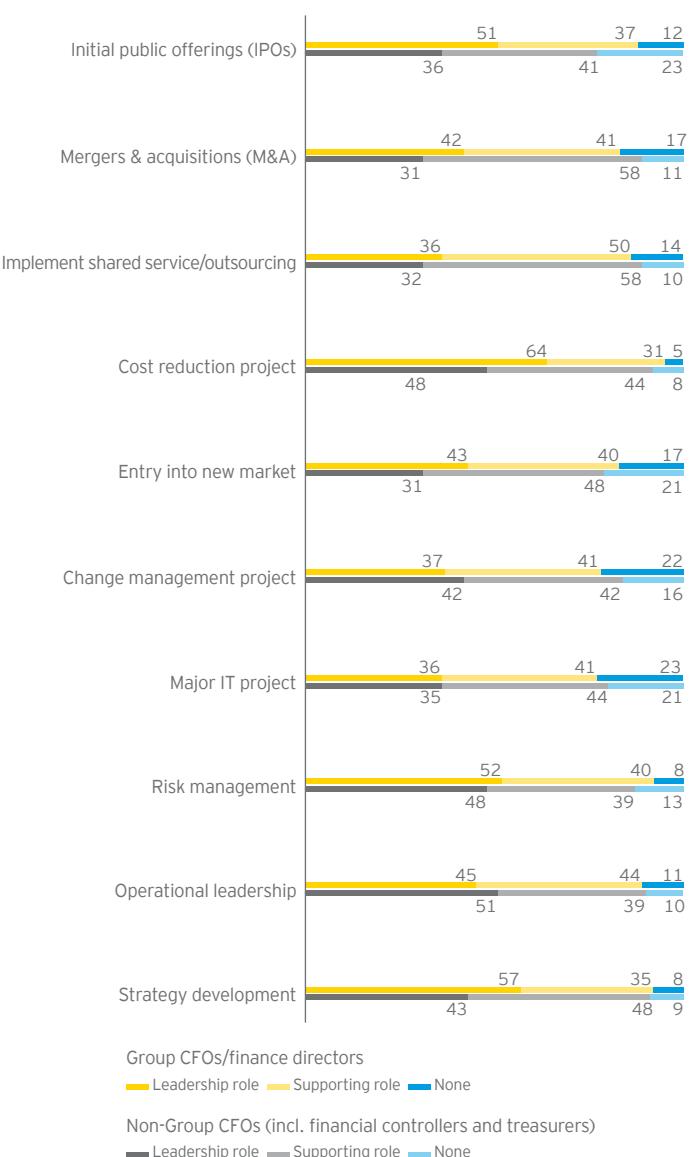
Most leading CFOs interviewed for this report see M&A experience as a prerequisite to the role. Although deals have been few and far between during the financial crisis, the economic recovery should herald a return of M&A activity, giving future finance leaders a good opportunity to demonstrate their strategic and leadership skills.

Among our survey respondents, 31% of non-Group CFOs say that they have had experience of M&A in a leadership role, and 58% in a supporting role (see figure 5). "I think transaction experience is one of the best ways to really plug into the broader considerations of stakeholders because a big part of any transaction is persuading the shareholders that you should do it," says Evelyn Bourke, CFO of Friends Provident.

"The numeracy skills are even more in demand than ever, but the numeracy mindset is not."

Andrew Kakabadse, Professor of International Management Development, Cranfield School of Management

Figure 5: What experience have you had of the following activities or initiatives in your career? (percentage)



"Normally, when a deal is done, all the finance guys tend to leave the integration to the business. By continuing to support this process, which brings in a broader set of commercial and soft skills, you gain valuable experience that can be useful in future as a CFO."

Understandably Group CFOs have greater experience of leading activities across the board. However, perhaps most interesting is the disparity between their experience of leading non-traditional finance activities such as strategy development and entry into new markets, compared to their potential successors. This is an important consideration if candidates are not to transition to the top job with critical experience gaps.

4. Obtain a balance of traditional and non-traditional skills

Traditional finance skills remain critical, but will not differentiate

The recent experience of the financial crisis is one that few boards will forget. In many companies, the CFO played a starring role in steering the business through rocky waters and, in some cases, preventing outright shipwreck. The traditional skills of cost management, cash flow and controls were key to survival during the crisis and they are likely to remain priorities for boards seeking to recruit future Group CFOs. Indeed, several interviewees questioned for this report suggested that, in a climate of continued uncertainty, boards will first and foremost be looking for a safe pair of hands at the tiller when appointing finance leaders. This focus on the fundamental skills means that traditional career paths are likely to be valued for some while to come.

However, this requirement for traditional finance skills, while critical, is considered by a number of the leaders we spoke to, as hygiene. Successful candidates will be distinguished by their ability to communicate effectively and build strong stakeholder relationships and networks, to design as well as execute strategy and to lead teams with diverse skills. While not impossible to develop both the traditional and non-traditional skills in tandem, it certainly reduces the pool of candidates who will be considered suitable to perform the role. "The numeracy skills are even more in demand than ever," says Mr. Kakabadse. "But the numeracy mindset is not."

When they are involved with M&A projects, most finance professionals will participate in the pre-deal stage of valuation, due diligence and assessment of potential synergies. Far fewer will be involved in the post-merger integration phase. This is a missed opportunity, according to Mr. Siitonens. "The more experience you have of the post-merger integration stage, the better," he explains.

Preparing tomorrow's leaders (continued)

5. Develop leadership skills

Build teams with diverse skills

Individual performance criteria are no longer the basis for selection of a Group CFO. Increasingly, boards are looking for evidence of leadership skills and the ability to build effective teams. Three-quarters of respondents agree that Group CFOs need experience of managing diverse teams, while almost 80% think that the CFO role is primarily about being a leader of the entire organization rather than just being head of the finance function (see figure 4 on page 10).

It is almost impossible for a CFO to be an expert in the complete range of activities under his or her control, especially when IT, sourcing, and other functions are added to the CFO's remit. Finance leaders must therefore be highly adept at building and leading effective teams around them. "Capabilities such as accounting, audit, compliance, IT, sourcing, strategic planning, M&A, resource allocation, etc are all very important elements of a CFO's responsibility, but it's hard to be a thought-leader or expert in every area," says Harry Kirsch, CFO for the pharmaceuticals division at Novartis. "It's therefore essential for CFOs to be able to build the right team dynamics around them and to have superb talent development and coaching skills."

Mr. Bogaert of Pernod-Ricard also highlights the importance of building complementary and effective teams. "It's very important to have the right people but it is up to the CFO to be able to give the direction and to ensure that this is consistent with the global group strategy," he explains. "I see the CFO role as a maestro, conducting a range of experts with strong skills in different areas."

Despite the importance of leadership ability, future finance leaders can find it difficult to gain the experience they need in this area. "It is not easy for prospective CFOs to develop these capabilities because usually finance people tend to be focused on details and on numbers," says Slawomir Jedrzejczyk, CFO of PKN Orlen. "But to reach the top role, they need to look beyond this framework and focus more on leadership, and on dealing with complexities and uncertainties."

6. Get international exposure

An understanding of emerging market dynamics is important

A divergence in the economic prospects of developed and developing economies has encouraged many companies to rethink their strategy and business model. The importance of fast growing, emerging markets, both as a source of growth and a destination for offshoring and shared service centers, highlights the importance for Group CFOs to gain experience and an understanding of different international business environments.

Survey respondents see international experience as a key area of development for future finance leaders (see figure 3 on page 9). "Where possible, it's important to get international experience so that you get a sense of how the same business model may be operating in a different country," says Vsevolod Starukhin, CFO of DTEK. "As global CFO, you have to recognize that a decision taken at headquarters may have different implications for different environments."

While most companies are already taking account of the rising prominence of emerging markets in their overall business strategy, talent development and succession planning have been slower to adapt. "The support mechanism of talent management hasn't really caught up with the rapid globalization of businesses or the breadth of the CFO role," says Bill Leisy, a principal in the Global Human Capital practice of Ernst & Young. "If your company is moving into an emerging market, have you defined the core skills and competencies that you need within the finance function in order to execute and support your strategy?"

As global companies become increasingly polarized between fast-growing, immature markets and slow-growing, mature ones, CFOs who have experience of managing both will be in high demand. "Different markets will require different priorities and as a Group CFO you will need an appreciation of that," says Mr. Leisy. "Ideally, you want someone who's performed well in emerging markets, and then has had an opportunity to work with part of the business that's in a mature market or even in decline."

Companies should anticipate this requirement by putting in place career paths for future finance leaders that include periods in both developed and emerging markets. From a talent management perspective, this means thinking about how the specific needs of the finance function might evolve. "It's becoming best practice to take younger finance people, put them into emerging markets with a lot of training from a general practitioner standpoint and then move that person to a market at the next level of maturity so that they're gaining experience and knowledge along the way," continues Mr. Leisy.

"Managing a shared service center is becoming a competence in itself. If you're not able to manage relationships with shared service providers and drive performance, you're not going to be good at finance."

Jean-Marc Huët, Group CFO, Unilever

Some finance professionals, especially those in the latter stages of their career, may be more reluctant to take on international assignments, particularly to emerging markets. There may be a lingering, but outmoded, perception that an overseas posting is tantamount to being sidelined, rather than being a core part of the future CFO's career path. This highlights the importance of a structured career plan, so that candidates understand that the posting is both positive and temporary.

"There is a risk that individuals can become isolated from the head office but that's why it is important to have the whole formality of talent management," says Mr. Leisy. "So, if you are working in Africa for two years there needs to be an understanding that your next assignment is back into Europe. The whole effectiveness of talent management is around having a career plan, and formalizing the leadership development and succession planning process."

7. Gain experience of finance transformation initiatives

Get exposure to the full range of finance activities as well as big project experience

Over the past decade, a growing number of organizations have set up shared service centers to handle the more transactional aspects of finance. This trend reflects a broader agenda of finance transformation. An increasing number of organizations are seeking to realign their finance operating model with a changing corporate strategy. This may include the centralization of key finance activities, the restructuring of the finance function or the establishment of a more rigorous performance management framework.

But, while this restructuring of finance can increase cost-efficiency and drive productivity in the function as a whole, it does have a material impact on career planning and talent development. The centralization of tax, treasury and other core functions, along with the hiving off of commoditized tasks into shared service centers, means that finance professionals are less likely to get exposure to these activities than they would have in the past, when these functions were decentralized and replicated across divisions and regions.

"Years ago, as a business CFO you would have treasury, tax and other specialist finance functions reporting to you," says Mr. Armour of Reed Elsevier. "Through training and experience as you moved around the organization, you were developing those skills. Now, with the development of specialist centres and shared service functions, there is a danger that the range of business CFO experience narrows, although this has freed time to focus more on supporting CEOs on commercial and strategic development."

Mr. Kirsch of Novartis agrees, and points out that the trend toward greater outsourcing, offshoring and finance specialization has made it more difficult for companies to construct an effective career path for finance professionals. "It makes it more difficult to gain the broad experience of different finance activities," he says. "Companies need to ensure that finance executives get exposure to these different building blocks early on in their career."

Leading organizations are addressing this problem by redesigning the career path that managers must take. Increasingly, they require finance professionals to spend some time either managing, or seconded within, a shared service center. This helps to drive an awareness of the importance of shared services to the finance function, and embeds an appreciation for standardization, technology and the core finance skills.

A number of interviewees also commented on the value for aspiring CFOs to experience the implementation of a shared service center in terms of building their capabilities around large-scale project management. "Spending time within a shared service center before coming back out into the core divisions gives people an industrial-strength appreciation of processes, plus strong experience of managing very tough projects. These skills are absolutely essential for up-and-coming CFOs," says Paul Wood, EMEA Finance Leader, Performance Improvement at Ernst & Young.

Equally, experience of managing the ongoing relationship with the shared service provider has become an important part of the toolkit for aspirants. "Managing a shared service center is becoming a competence in itself," says Mr. Huët. "If you're not able to manage relationships with shared service providers and drive performance, you're not going to be good at finance."

Preparing tomorrow's leaders (continued)

8. Get exposure to the market and its stakeholders

Communication and networking skills will distinguish the top contenders

The CFO is increasingly becoming the public face of the organization. In *The DNA of the CFO*,³ we found that almost two-thirds of senior finance professionals see the CFO as the face of the organization on all issues related to overall financial performance. "It is impossible now to be a successful CFO and not be a good communicator," says Mr. John Cryan, Group CFO of UBS. "CFOs who do not have these skills but excel in the traditional aspects of finance are now regarded as rather quaint and antiquated. They may be very good at what they do, but they wouldn't be their own replacement."

Aspiring CFOs should seek to build relationships with a wide range of stakeholders including banks, equity and bond investors, regulators, rating agencies, analysts and the media.⁴ Organizations need to take a structured approach to providing the necessary exposure and building these opportunities into the talent management process. Our survey suggests, however, that more attention needs to be paid to this aspect of development. While non-Group CFOs see networking and profile building as the key area where they need to develop their skills and experience, Group CFOs barely register it as a factor for consideration (see figure 6).

Figure 6: Developing skills and experience

Question asked of Group CFOs/finance directors: In which of the following areas do your direct reports most need to develop their skills and experience in order to progress to a Group CFO role?

— Group CFOs/finance directors

Question asked of non-Group CFOs: In which of the following areas do you feel that you most need to develop your skills and experience in order to progress to a Group CFO role?

— Non-Group CFOs (incl. financial controllers and treasurers)



9. Build effective relationships with the board

Find the project to give you access

Perhaps the most crucial set of stakeholders for aspiring CFOs is the board. When Group CFOs first take on the role, they must become attuned to boardroom dynamics, and build effective relationships with key board members, including the CEO, the Chairman, and the Chair of the Audit Committee. By kick-starting these relationships as part of the succession planning process, companies will ensure a much smoother transition for the incoming CFO.

Continued on page 15

³ *The DNA of the CFO: A study of what makes a chief financial officer*, Ernst & Young, 2010.

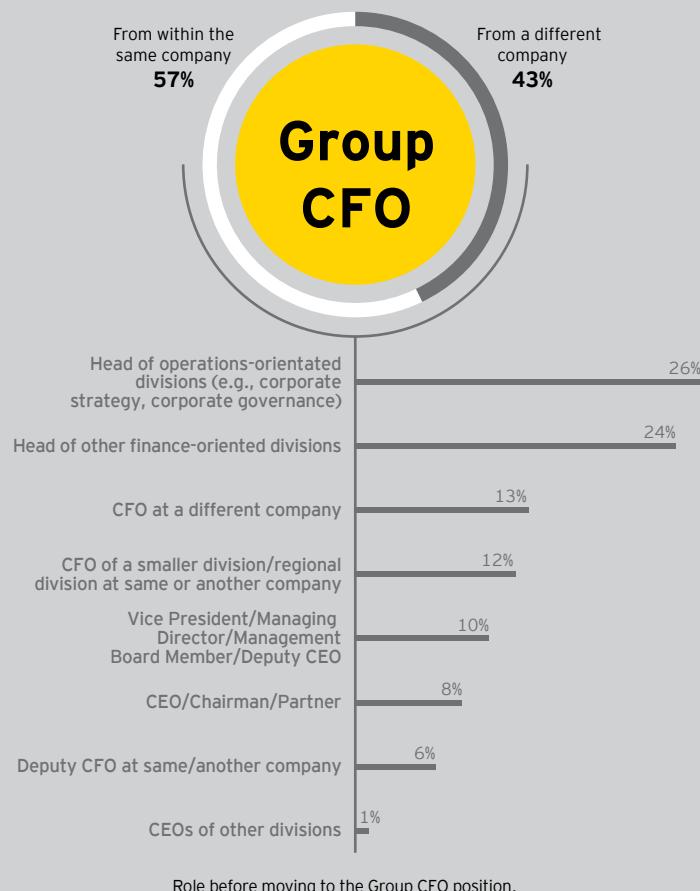
⁴ To read the Ernst & Young study *Back seat or center stage? CFOs and the media*, go to www.ey.com/master-cfo

Career paths of the EMEIA top 100

To provide a context for our study into the future requirements for the CFO role, we analyzed the career paths of the current crop of Group CFOs at the top 100 EMEIA companies in the Fortune 500⁵ to see what we could learn from the routes they had taken. While not mutually exclusive, we found that there were certain defining aspects to the routes taken amongst this group of CFOs, including educational background, international experience and sector specialism.

Stepping stones

Where did they come from?



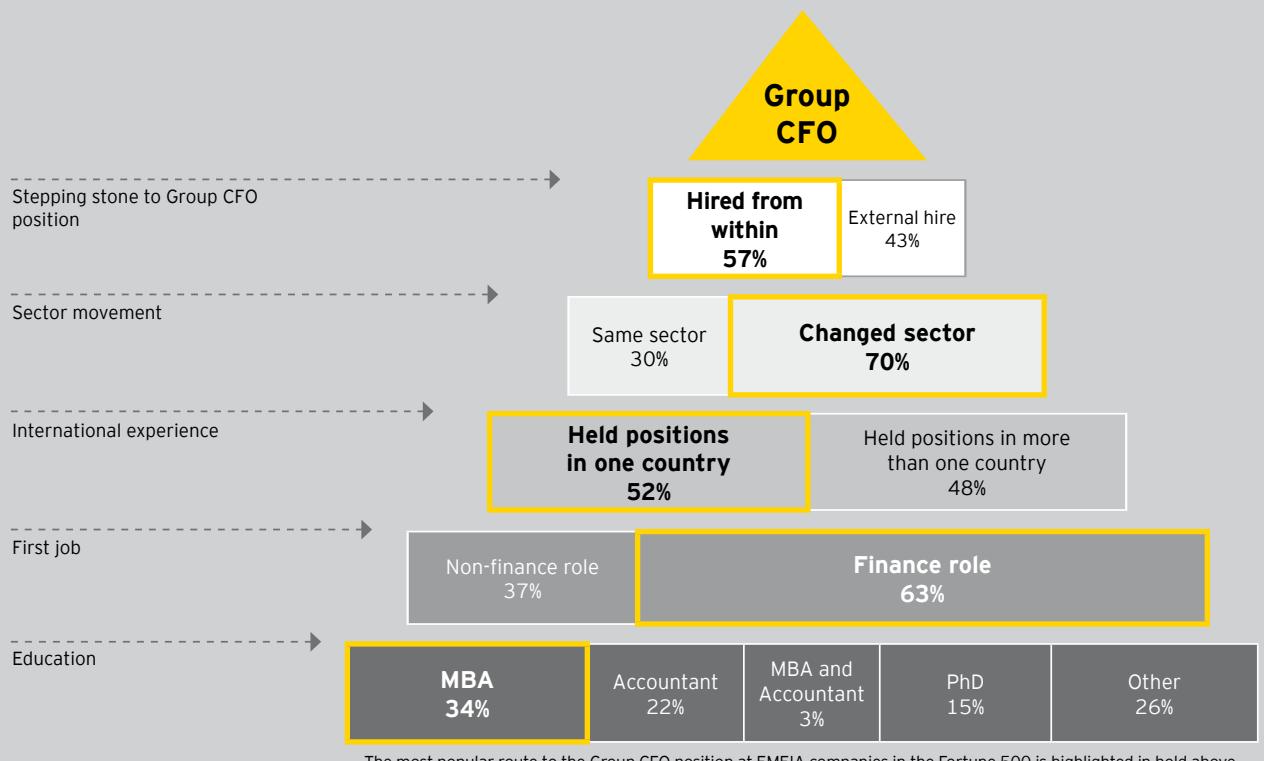
⁵ The list of CFOs within the top 100 EMEIA organizations of the Fortune 500 is based on data as at October 2010. The biographical details of the CFOs featured in this report are based on information in the public domain and, in most instances, on information provided by their organizations.



Career paths of the EMEIA top 100 (continued)

Route to the top

How did they get there?



Education

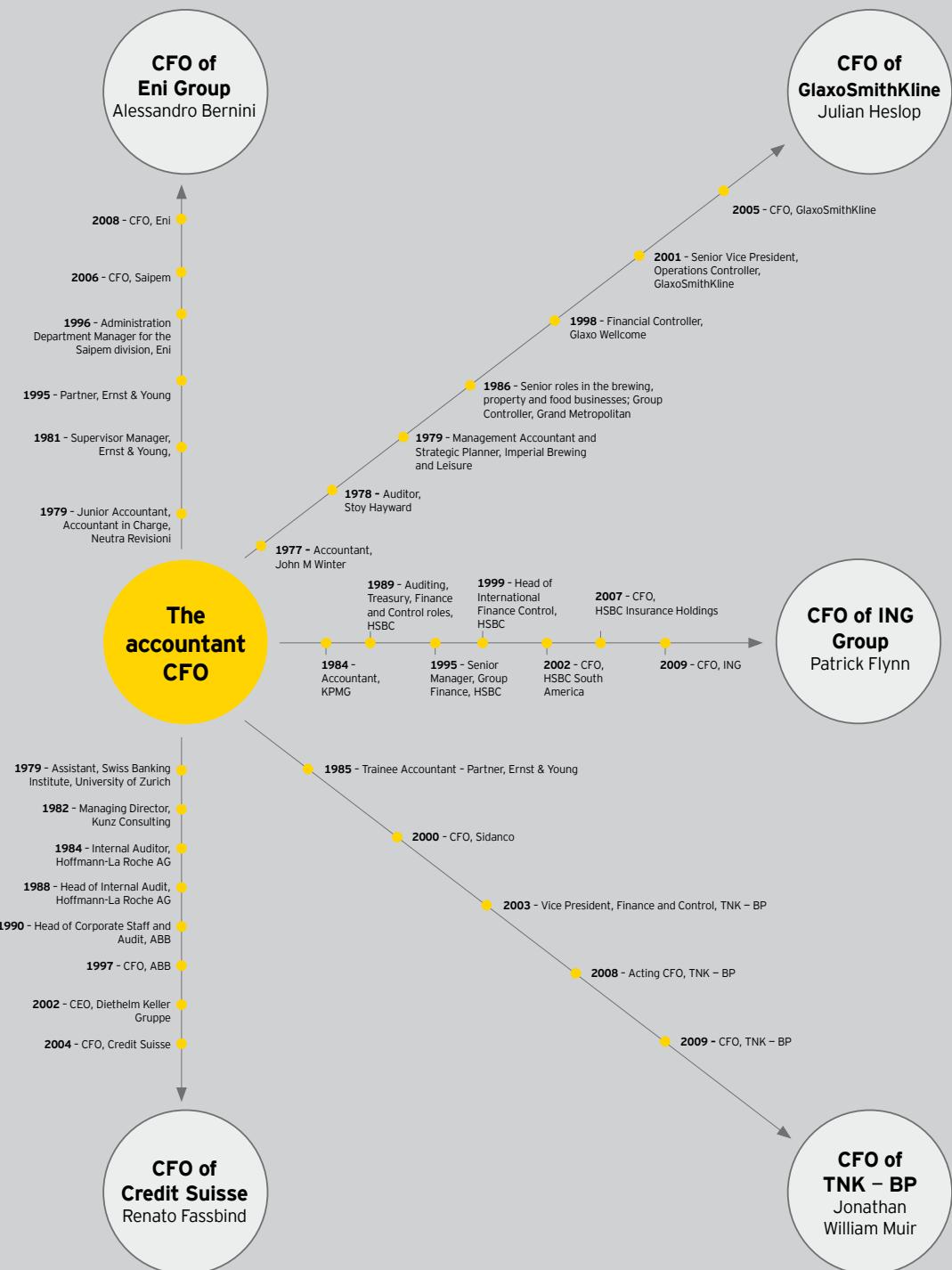
The group is educationally diverse and explodes any stereotype that all CFOs are accountants. Only 22% of the top 100 are. Despite this diversity, two-thirds have finance-related qualifications, be it an accountancy qualification, MBA or finance-related PhD. Two-thirds is also the proportion who started their career within a finance related role, the remaining one-third moving into a finance role very early in their career.

A relatively high proportion have MBAs. Although finance qualifications will remain the educational foundation for many future CFOs, education that demonstrates broader commercial awareness is likely to be seen as an advantage in many organizations. The MBA, while not yet an expected

requirement for the CFO, does demonstrate a broad business awareness that could prove valuable for what is an increasingly commercial and strategic role. It may also give the CFO greater scope for mobility between sectors.

Over 40 of this group are neither MBAs nor accountants. This population includes holders of bachelor's and master's degrees in a range of subjects including Economics, Business Economics, Engineering and Law. A significant percentage hold a PhD in subjects such as Economics, Finance and Engineering.

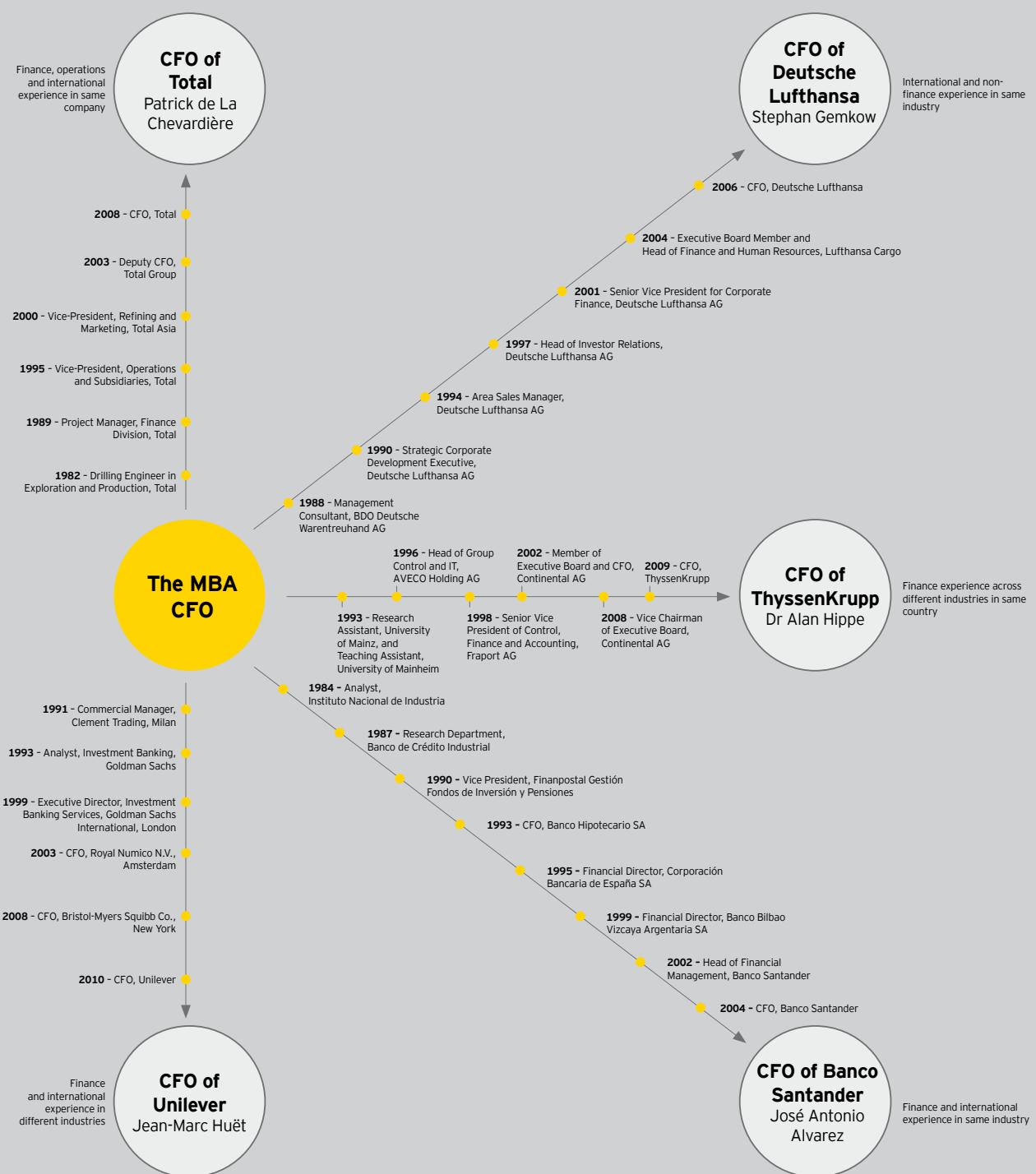
Education – The accountant CFO



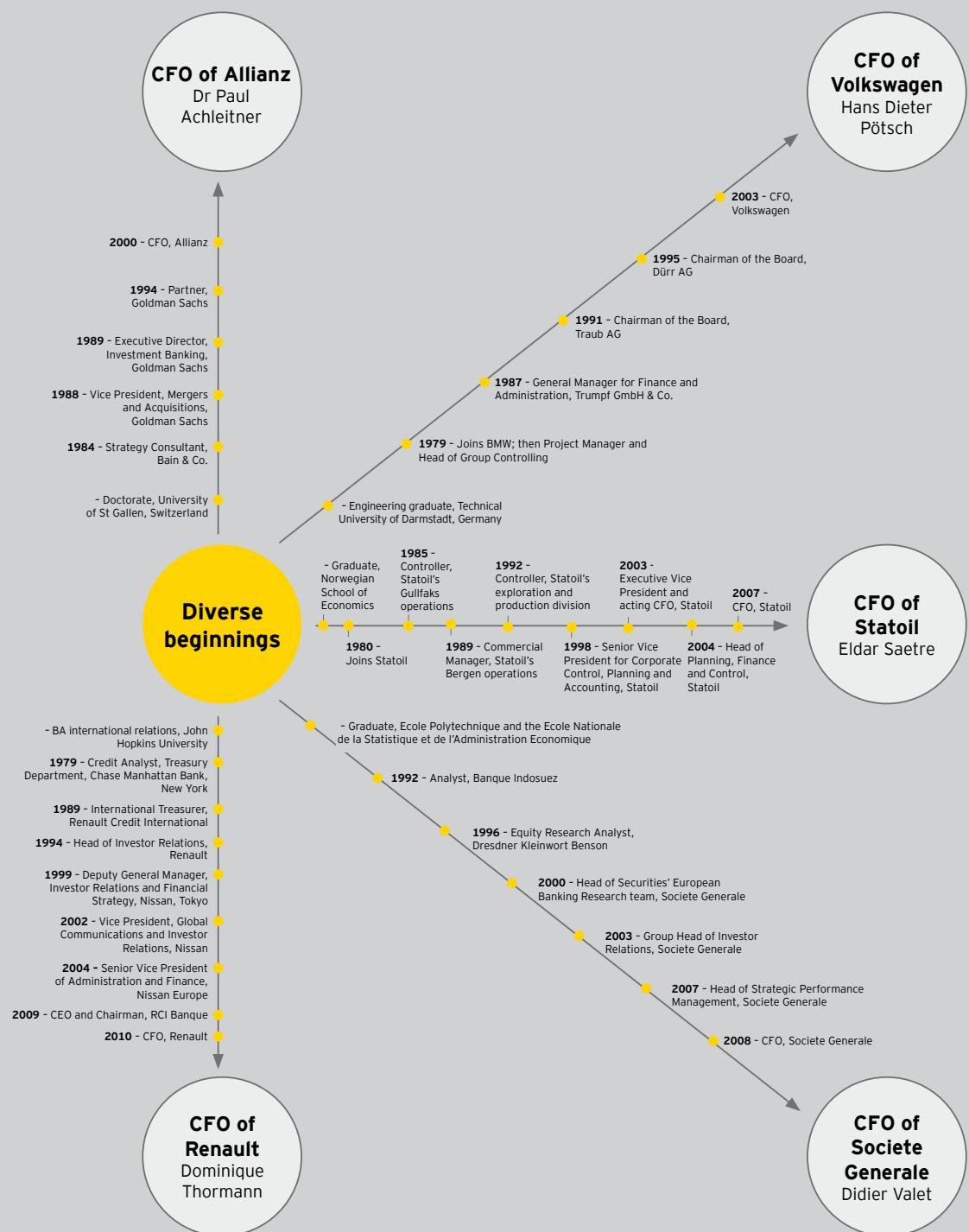
These groups are neither mutually exclusive nor reflect all who have followed a similar path.

Career paths of the EMEA top 100 (continued)

Education – The MBA CFO



Education – Neither accountant, nor MBA CFO



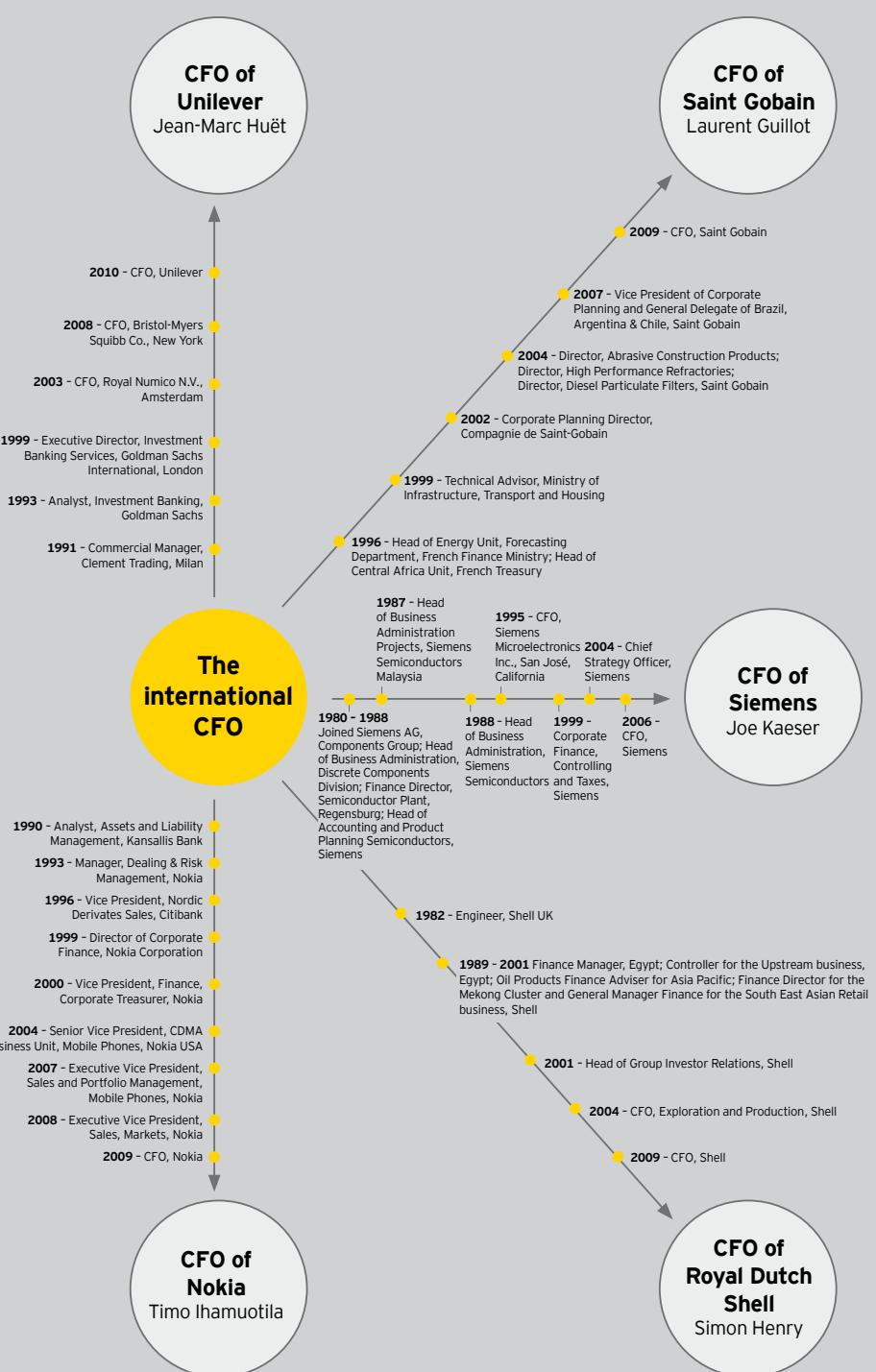
Career paths of the EMEA top 100 (continued)

International experience

Forty-eight percent of CFOs from the top EMEIA organizations of the Fortune 500 have held jobs in multiple countries. The highest occurrence of this mobility is to be found in the oil and gas and the diversified industrial products industries.

As companies derive an increasing proportion of their revenues and growth from overseas markets, international experience will become an increasingly important part of the Group CFO role. The divergence of economic growth prospects between developed and emerging markets will also have a material impact. In future, aspiring CFOs with experience of managing high-growth markets may find themselves at an advantage over those with more traditional, developed market experience.

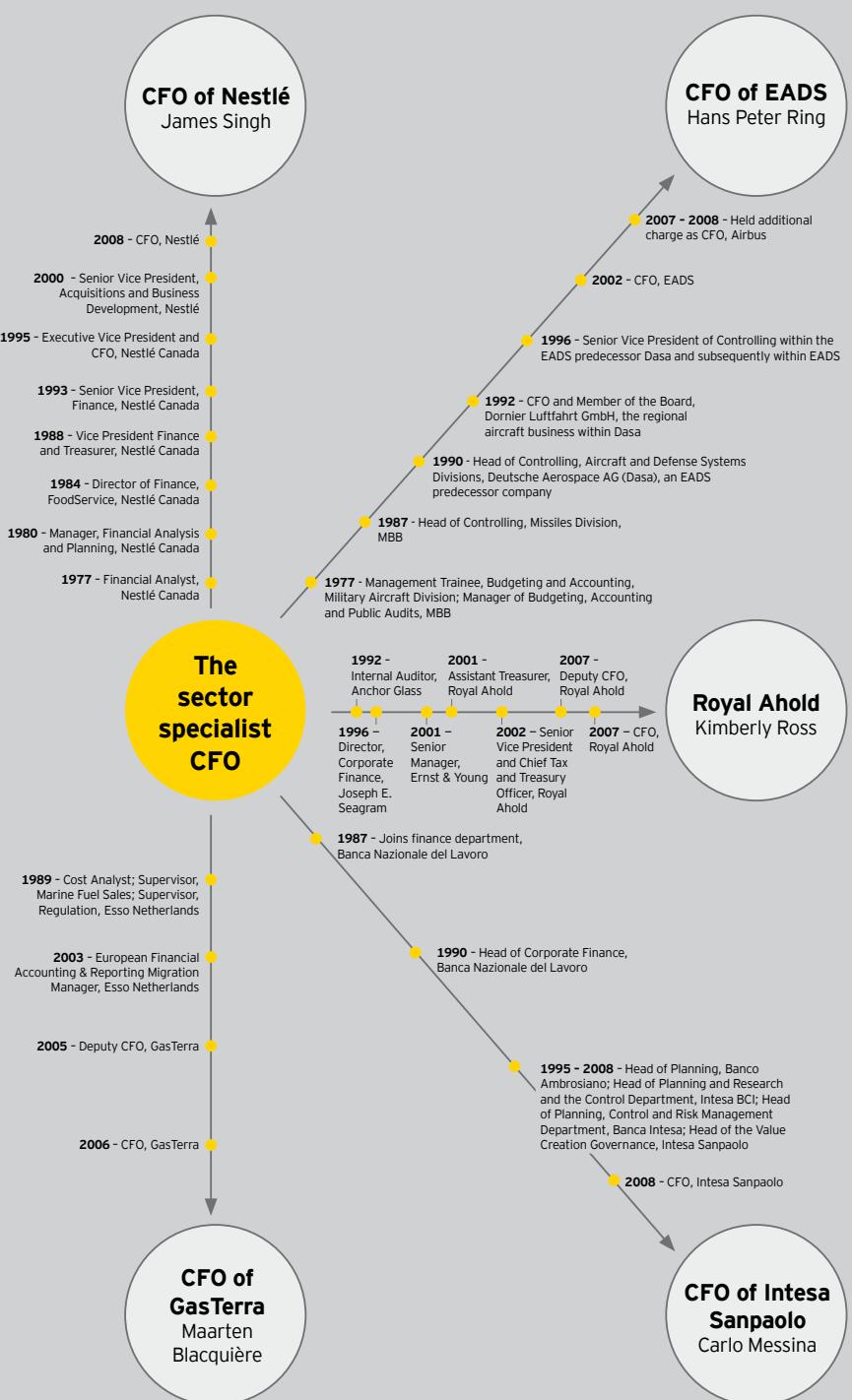
The international CFO



Sector experience

The split between CFOs within this population who have stayed in the same industry since the start of their career and those who have changed industries is one-third to two-thirds. The extent to which CFOs are able to move from one sector to another will vary from industry to industry. In general, it is less common for CFOs in heavily regulated industries, such as financial services, to be recruited from outside the sector.

The sector specialist CFO



Career paths of the EMEA top 100 (continued)

The multiple sector CFO



"CFOs who do not have [communication] skills but excel in the traditional aspects of finance are now regarded as rather quaint and antiquated. They may be very good at what they do, but they wouldn't be their own replacement."

John Cryan, Group CFO, UBS

Continued from page 14

"We give high-potential professionals early contact to our board members," says Mr. Hillebrand of SAP. "We make them visible and invite them to present and I think that this is something that management teams should encourage. If you are discussing a high-potential employee with a board member but that board member has no knowledge of him or her, then there is a gap in your talent development processes."

An important personal reason for aspiring CFOs to build relationships with the board is that, ultimately, these will be the decision-makers when it comes to choosing a successor to the Group CFO role (see figure 7). The CEO is particularly important in this regard as, not only will they be instrumental in choosing a new CFO, but the relationship between the CFO and CEO is perhaps the most important in the company.

Figure 7: Which of the following stakeholders are likely to be involved in the CFO succession planning process in your organization? (percentage)



As well as helping future CFOs build personal relationships with board members, experience at the top table also prepares candidates for taking on a more strategic role. "Board-level exposure means that you become more involved in strategic matters," says Ms. Bourke. "Effectively, it's all about moving from the technical, narrow financial professional to being someone who can sit at the board table and contribute on a strategic level."

The process by which future finance leaders are exposed to the board must have substance, so that board members have the opportunity to see those individuals in action. "Aspiring CFOs need to work on a key project, which could be anything from a transformation project to an acquisition," says Ms. Raggett. "It needs to be something sufficiently high profile that would give them the opportunity to present to the board in order to demonstrate their strategic thinking and communication skills."

Future finance leaders can show additional willingness to seek out board-level experience by taking on non-executive roles in other organizations. "I am fortunate that my employer encourages development both inside and outside the company. With such support, there's nothing stopping any of us from proactively seeking an opportunity as a non-executive or with a Trust," says Ms. Burdett of the Financial Times Group.

Group CFOs compared with non-Group CFOs

- ▶ Understandably, Group CFOs tend to lead more than support finance activities compared to non-Group CFOs. However, most noticeably, they have greater leadership experience in some of the more non-traditional activities which are now such a core part of the role, such as strategy development and new market entry.
- ▶ Group CFOs are significantly more likely than their reports to regard a proven track record of executing strategy as critical to progression. Non-Group CFOs are more likely to prioritize the importance of networking and exposure to key decision-makers

than their managers, who having reached the top job, may underestimate this aspect of development for their reports.

- ▶ Although they strongly believe that they have a duty to mentor and coach potential finance leaders within their company, Group CFOs are considerably less likely to think that they should adopt a formal approach to this.
- ▶ Around one-third of Group CFOs think that it is primarily the role of HR to coach and train future finance leaders, compared with less than one-quarter of non-Group CFOs.

Building the talent pipeline

At a time when the importance of the role has never been greater, the focus on cultivating the pipeline of future finance leaders needs to catch up with role evolution.

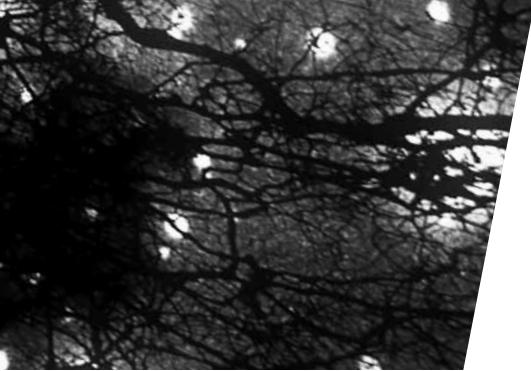
The vast majority of senior finance professionals agree that the CFO has a key role to play in succession planning and talent development. Among the survey respondents, 82% agree that CFOs have a duty to mentor and coach potential CFOs within their company (see figure 8). "It's a core function of the CFO role to make sure that you have capability in the organization, and that you get involved in that at all levels," says Helen Kilpatrick, Director-General of Financial and Commercial at the Home Office in the UK. "You need to make sure that you have that pipeline of talent over the long term."

Figure 8: Percentage of respondents who either strongly agree or agree with these statements



Despite the importance of coaching and mentoring, many CFOs recognize this is an aspect of the role where their skills may be lacking. More than 7 out of 10 respondents say that they would like to improve their talent management capabilities. Equally, a shortage of time to address talent management responsibilities can be a barrier. Among the survey respondents, 46% say that their schedule prevents them from devoting adequate time to talent development.

But CFOs interviewed for this report stress that a lack of time is no excuse for neglecting this aspect of the role. "You have to find the time for talent development, because it's too easy for it to slip down the agenda," says Mr. Huët. "In a large global organization, you're only as good as your team. If you don't invest energy in them, you might save time in the short term, but you're storing up problems for later."



"Future finance leaders cannot be found by accident. The company needs to institutionalize [its] process."

R. Shankar Raman, Executive Vice-President for Finance, Larsen & Toubro Ltd

Revenue growth is linked to a formalized approach to talent management

There is a correlation between revenue growth and the extent to which CFOs and their organization take a formal approach to talent development and succession planning. Companies with revenue growth of 5% or more over the past 12 months are considerably more likely to have identified potential successors to the CFO and to expect that current finance leaders should play a formal role in mentoring and coaching.

Yet, only a minority of companies currently adopts a formal approach. Just 28% of companies have either identified a specific candidate to succeed to the Group CFO position or have several candidates in mind. The remainder either has a broad pool of potential candidates but no shortlist, or no formal CFO succession program at all (see figure 9).

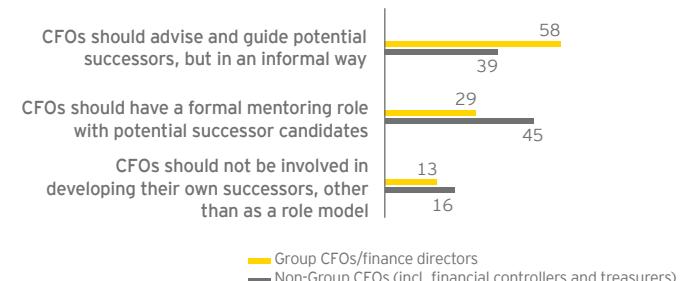
Figure 9: Which of the following statements best describes the CFO succession planning process in your organization? (percentage)



Given concerns about a shortage of potential candidates to succeed the existing CFO, this seems somewhat surprising. "Talent management and succession planning haven't developed internally as well as they should have, and they haven't kept up to speed with business strategy," says Mr. Leisy. "Organizations that have strong succession planning and are able to nurture their internal talent, retain them and promote them into senior positions are typically high-performing organizations."

Respondents are divided as to whether the CFO role in mentoring candidates should be a formal or informal one, although interestingly there is a divergence between Group and non-Group CFO beliefs, with non-Group respondents believing that Group CFOs should adopt a more formal approach.

Figure 10: Which of the following statements best describes your view of the role of the CFO in succession planning? (percentage)



While informal mentoring and coaching have their place, leading CFOs interviewed for this report believe that a formal approach is essential in order to develop candidates. "Future finance leaders cannot be found by accident," says R. Shankar Raman, Executive Vice-President for Finance, Larsen & Toubro Ltd. "The company needs to institutionalize this process."

Companies with a revenue increase of at least 5% over the last 12 months compared with those with no change or a decrease

- CFOs of companies that have increased revenue by at least 5% over the past 12 months are more likely to think that communication and presentation skills will be important for CFOs in the future than those with either no change or a decrease in revenue.
- Companies with a revenue increase are more likely to give junior finance talent the opportunity to gain broad commercial skills. They are also more likely to give finance leaders exposure to a range of initiatives, including M&A, IPOs and shared service and outsourcing projects.

- These companies are more likely to agree that prospective CFOs who have spent their entire career in the finance function are at a disadvantage to those with direct commercial experience.
- Higher revenue companies take a more formal approach to succession planning. They are more likely to recruit internally and to have identified successors to the CFO role. They are also more likely to agree that the CFO should play a formal role in mentoring and coaching.

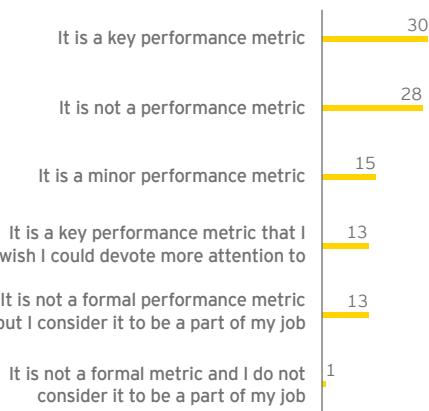
Building the talent pipeline (continued)

Talent development is a measure of individual CFO performance

Increasingly, there is a view that talent development should be a key performance indicator for the CFO. Nearly half of respondents currently have talent development as a key performance metric, while for 15% it is a minor performance metric (see figure 11). "Performance metrics that relate to talent development should be part of the balanced scorecard and should have a significant weight on the individual objectives of a CFO," says Mr. Kirsch.

But while there is support for metrics that measure the talent development performance of Group CFOs, there can be difficulties aligning what is inherently a long-term measure with the shorter-term metrics that typically make up the balanced scorecard. "The challenge is aligning the time horizons," says Mr. Starukhin, CFO of DTEK. "Scorecards tend to focus on one year, but talent development is a much longer-term issue. So you need to find ways of capturing a long-term performance metric on the scorecard."

Figure 11: To what extent is talent development within the finance function a performance metric in your current role? (percentage)



High potential programs need to be active and tailored to finance

A talent management approach that looks at the specific needs of the finance function can help to align it with the requirements of the broader corporate strategy. "Organizations tend to approach talent management from an enterprise-wide perspective and it hasn't dropped down into the finance function," says Mr. Leisy. "There is often not enough done to consider the specific skills within finance that need to be developed."

High-potential programs, which identify potential business leaders and provide a structured program of talent development that prepares them for top executive positions, can play a valuable role in formalizing this process. "High-potential programs should help individuals gain a better understanding of the business and market, be more challenged in leadership positions, and take on more P&L responsibility," says Mr. Leisy.

Mr. Leisy suggests that high-potential programs should not only focus on the top echelons of the company, as part of succession planning, but on middle-ranking managers as well. "It's important for companies to focus on that layer so that they can start to prepare these individuals for more senior roles," he explains.

High-potential programs that focus on younger employees help to instill an awareness of the complexity of senior roles, according to Mr. Hillebrand. "In order to build candidates that have the necessary breadth of experience, companies need to start very early," he explains. "If you rotate young, high-caliber professionals around into different functions and locations, they start to gather the experience that will give them the foundation for senior finance roles."

Mr. Armour points out that Reed Elsevier has a high-potential program, where each manager has a personal development program that has input from managers, direct reports and peers. "We look at succession, both on a divisional and functional basis," he says. "I see it very much as my responsibility to ensure that we end up with a finance function that has the talent to support the company and fill key positions as people move on."

"If you want to take that next step up, you're going to have to start managing those transitions yourself as well as asking for help to get there."

Louisa Burdett, CFO, Financial Times Group

But while there is broad support for high-potential programs, some senior finance leaders caution that there are risks associated with them. "My worry about these programs is that they can become a bit elitist, and in some cases they can almost become a self-fulfilling prophecy," says Mr. Dewar. "You put somebody in a role for a year and then they either may not do very much for fear of making mistakes, or they may do activities that they don't ultimately have to live with the consequences of."

The key, suggests Mr. Leisy, is to monitor these programs carefully. "There needs to be very active development of high-potential candidates," he says. "You need to provide a very specific plan of action from a talent management perspective, and evaluate people regularly. Sometimes, people will drop out from year to year because they may no longer be considered a high performer. At the same time, others may come in who have been subsequently recognized."

Although it is incumbent on organizations to put in place the succession planning and talent management processes that enable future finance leaders to develop the necessary skills and experience, candidates themselves also have a responsibility for self-development. "It's really about managing the experiences you have had and seeking out lateral or interesting opportunities once you've achieved a basic level of competence," says Ms. Burdett. "If you want to take that next step up, you're going to have to start managing those transitions yourself as well as asking for help to get there."

There is a correlation between strong performance and internal recruitment

By giving high-potential candidates exposure to the range of experiences that are necessary to fulfill the Group CFO role, companies can arm themselves with a choice of potential successors who are equipped to make the transition to the top finance job.

Of course in some circumstances, it may be preferable to recruit an external candidate. For example, a company that plans to change its business model or invest in an unfamiliar overseas market might conclude that it needs someone from a different background that more closely fits its new strategy. But more often than not, it will be preferable to recruit an internal candidate, provided that the individual has been prepared for the role through a formal talent development process.

Among the current crop of Group CFOs from EMEA companies in the Fortune 500, the majority have been recruited internally (see *Route to the top*, center pages, page ii). Yet for 52% of survey respondents, an external Group CFO represents the best potential stepping stone to the top finance job (see figure 12, on page 20). On one level, it is easy to understand why respondents draw this conclusion. Such is the leap to the Group CFO position from the next level down that one could conclude that it is generally better to recruit an external CFO who already understands the complexities and nuances of the role.

Larger companies compared with small and medium-sized companies

- ▶ CFOs from larger companies (those with at least US\$5b in annual, global revenue) are more likely to prioritize the skills to manage stakeholders and to lead teams with diverse skills.
- ▶ Small and medium company respondents attach much more importance to technical finance skills and the ability to execute strategy than those within larger companies.
- ▶ Unsurprisingly, larger companies are more likely to have a clear deputy CFO compared to medium or small companies.
- ▶ Finance executives in larger companies have more leadership experience in non-traditional tasks, such as implementing shared service initiatives and change management, than in small or medium-sized companies.
- ▶ Larger companies have a much greater preference for internal candidates, and are more likely to have a more institutionalized approach to succession planning.

Building the talent pipeline (continued)

Figure 12: Which of the following are the best stepping stones to the Group CFO role in your current organization? (percentage)



External candidates bring a fresh perspective and the ability to embark on the role with a clean slate. "It can be very difficult to leave behind the previous, functional aspects of the role and move up to the next level," says Mr. Siitonens. "In some ways, it's easier for someone to come from outside the company into the Group CFO role because they don't have that legacy. They can build a team without having that history and expectation that they know how things are done."

Yet equally, external recruitment for the Group CFO role can have shortcomings. First, it is usually more costly than internal recruitment. And second, there is strong evidence to suggest that external recruitment is not always as effective. Studies conducted by the Center for Creative Leadership, the leadership education and research organization, have concluded that up to two-thirds of senior managers hired from another organization fail within the first 18 months.

External recruits often struggle because it takes so long to become familiar with the company and the role. "If you recruit somebody to the top team from outside, the average transition time is about 30 to 33 months," says Professor Kakabadse. "It is a long transition. You can misjudge the culture, you can misjudge the dynamics, you can misjudge some of your colleagues, get rid of them and find out later that they were the best people you had. But by this time you have lost the trust of the top team and the board."

Finding a candidate who can get to grips with the business and who has the breadth of skills required to fulfill the role is becoming increasingly challenging. "If our company went outside for a successor I think they would struggle to find the right person," says Mr. Wilkie of Softline. "Provided the person is mentored, looking inside the business is a lot easier than going outside."

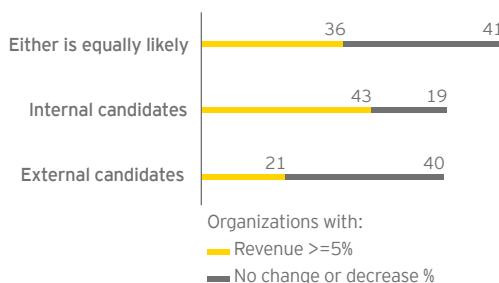
As a corollary, companies that have well-developed succession plans and recruit executives internally tend to perform better as a whole. In their book *Built to Last: Successful Habits of Visionary Companies*, James Collins and Jerry Porras conclude that one of the key reasons why market-leading companies retain their pole position over the long term is their focus on developing and promoting internal talent.

"If our company went outside for a successor I think they would struggle to find the right person. Provided the person is mentored, looking inside the business is a lot easier than going outside."

Rob Wilkie, Group CFO, Softline

Our survey also suggests that there is a correlation between strong performance and internal recruitment. Companies that have reported revenue growth of 5% or greater over the past 12 months are considerably more likely than those with static or declining revenues to show a preference for internal candidates for the CFO position over external ones (see figure 13).

Figure 13: Which of the following types of candidate is your organization more likely to appoint as Group CFO? (percentage)



So although external recruitment for the top job is still a common choice for sourcing candidates, this may be down to a lack of formal succession planning rather than because external candidates are inherently better. In addition to destabilizing the top team over the transition period, the selection of an external candidate over internal prospects can cause resentment within the company. "I see more and more companies going externally, and I think that must be quite demoralizing for people who are working in that organization," says Mr. Dewar. "Why are they not being considered? Is it because there's a bias to go externally or are we simply not recognizing what we have in our own backyard?"

Fast growing markets compared with mature markets

- CFOs from fast growing markets are more likely to think that the ability to design and execute business strategy will become more important skills for CFOs in future. They also think it will be more important for CFOs to have international exposure and experience of managing change.
- Concerns about the availability of prospective candidates with the skills to succeed as Group CFO are greater among the respondents from fast growing markets.
- Skills to manage diverse teams is seen as much more important in mature markets, which suggests the CFO role has

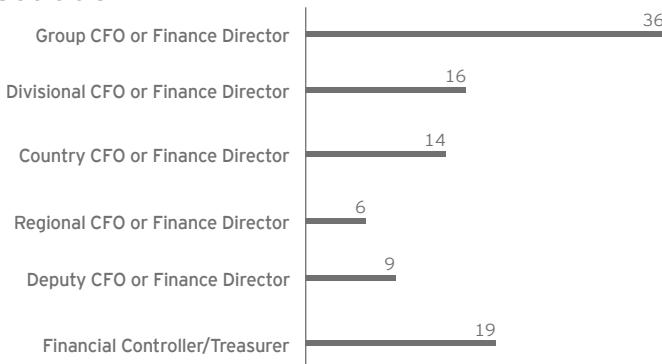
broadened more in these markets than in fast growing ones. But in three years' time, respondents in even emerging markets expect the CFO to be much more of a strategic and organizational leader than now.

- CFOs in fast growing markets have more leadership experience in IPO and new market entry (reflecting the boom in emerging market economies stock markets), while CFOs in mature markets have more leadership experience in M&A (reflecting the greater pursuit of inorganic growth by mature market companies).

Survey demographics

The following charts show the profile of the 530 senior finance professionals we surveyed and the organizations they represent.

Job title

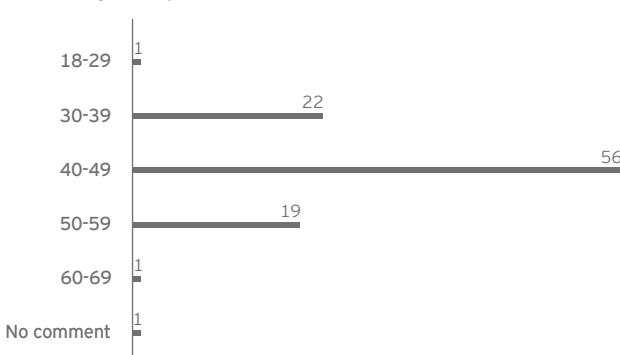


Gender, age and qualifications

What is your gender?



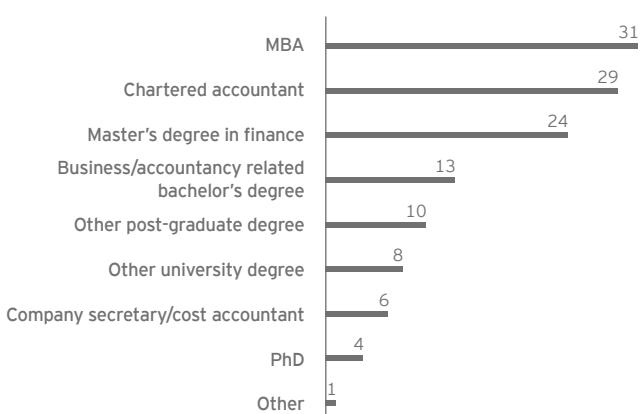
What is your age?



Shown: percentage of respondents

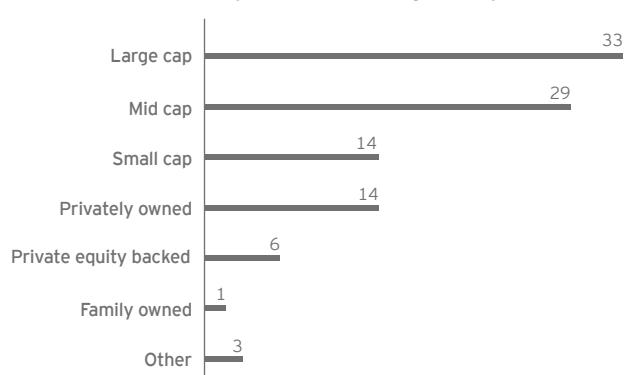
What level of education have you obtained?

(Select all that apply)

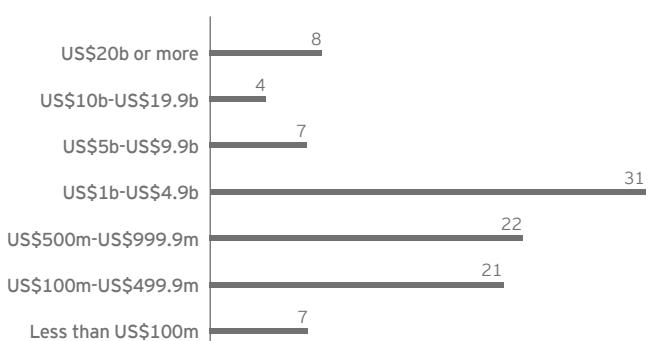


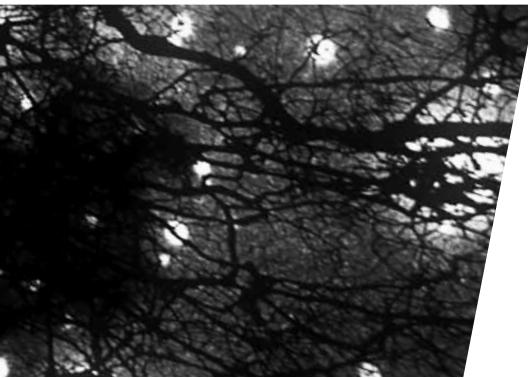
Organization ownership and revenue

Which of the following best describes your organization?

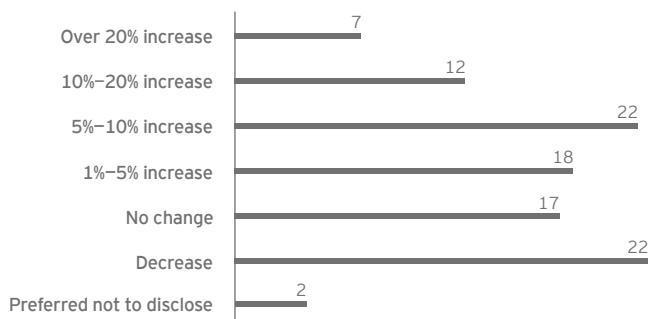


What is your organization's annual global revenue?

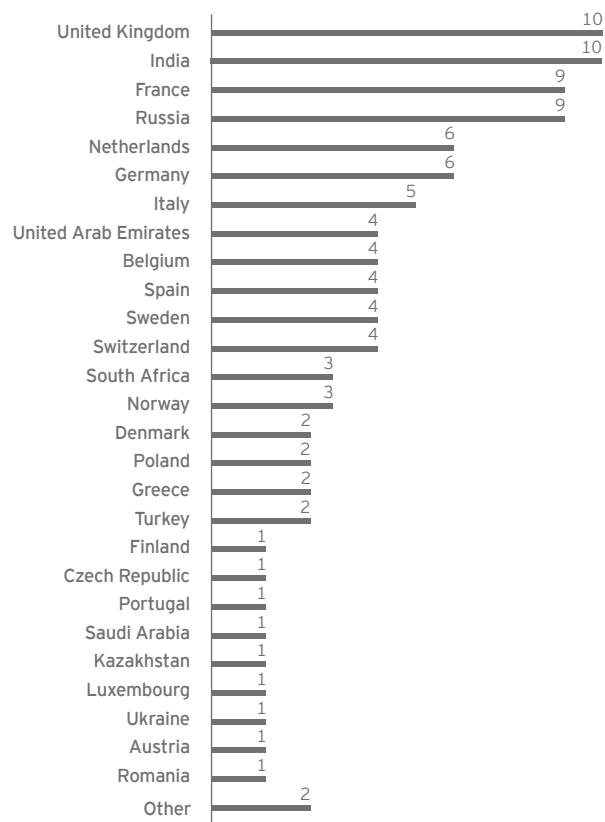




How has your organization's revenue changed over the past 12 months?

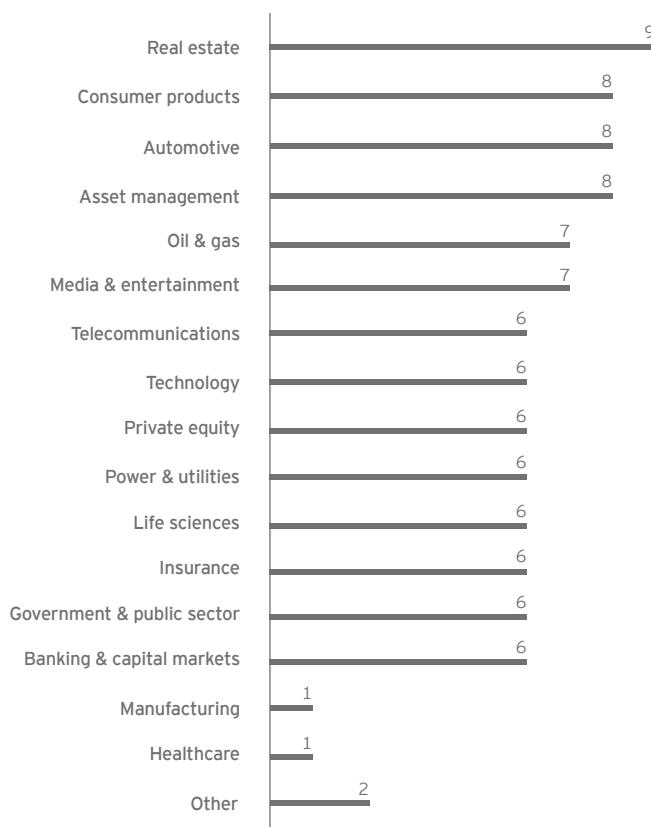


In which country are you personally located?



Country and sector

What is the primary industry for your organization?



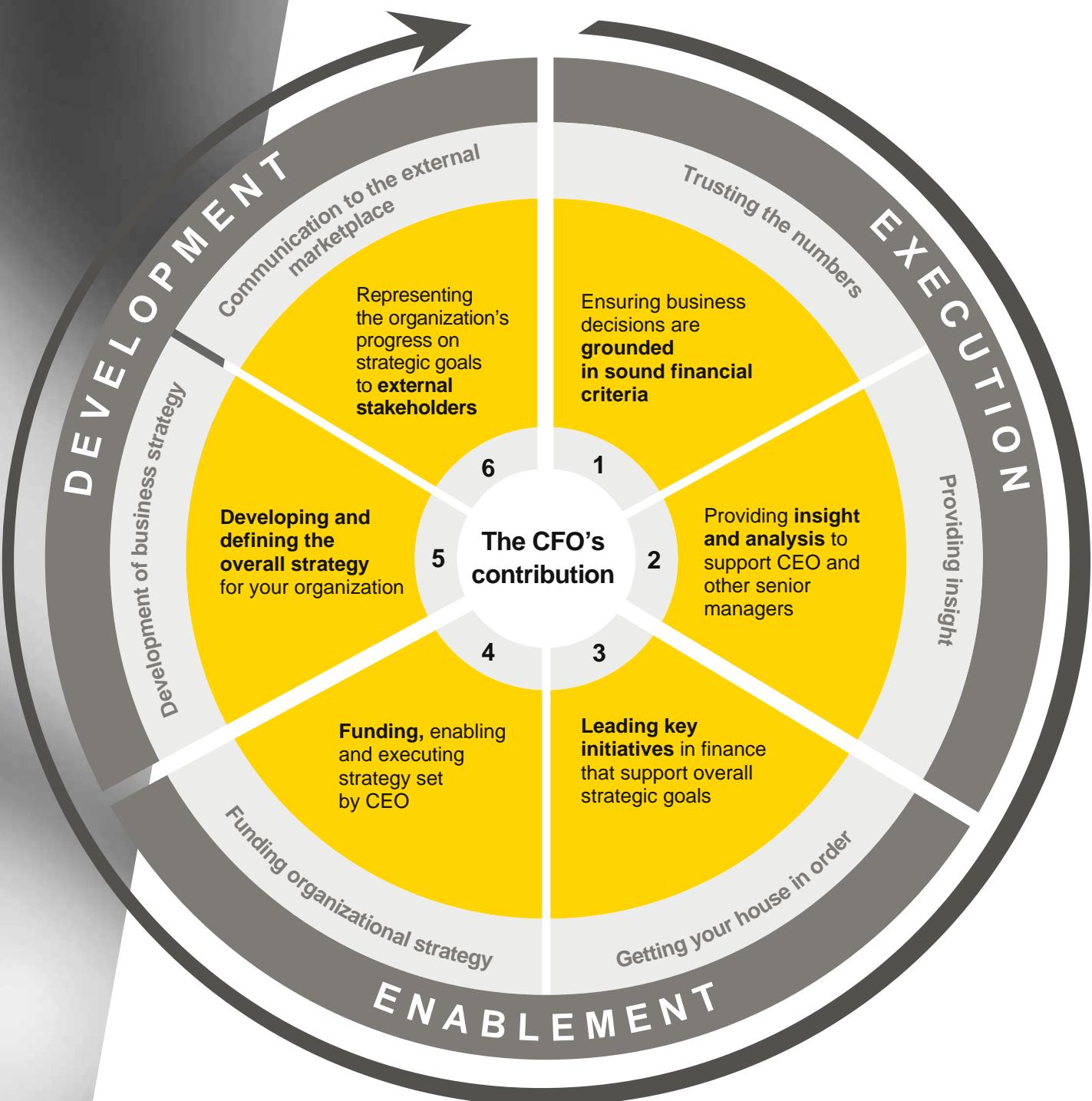
By analyzing the relationship between the type of organization where respondents have spent most of their careers to date with the type of organization they would be most attracted to, there is a clear correlation. Finance executives typically prefer working in organizations of a similar type, or one adjacent, to the one they have experience of.

- ▶ Most CFOs who have spent the majority of their careers within a large cap organization would like to work at another large cap organization. 25% are attracted by mid cap, and very few are interested in other organization types.
- ▶ 25% of respondents who work for small cap organizations would like to continue working for this type of organization. 56% would like to move to a role at a mid cap company.
- ▶ Family owned company CFOs are most likely to want to remain with a family run company or move to a mid cap organization.
- ▶ Private equity owned CFOs are most likely to want to be a large cap CFO or remain within the private equity field.



The component parts of the CFO's role

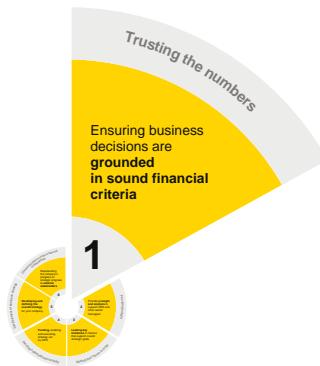
We believe these six segments represent the breadth of the CFO's remit. The leading CFOs we work with typically have some involvement in each of these six – either directly or through their team. While the weighting of that involvement will depend on the maturity and ambition of the individual, the sector and scale of the finance function and economic stability, they are all critical to effective leadership.



The component parts of the CFO's role (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	Core knowledge
<ul style="list-style-type: none"> ▶ Taking a commercial view in partnership with the business ▶ Identifying commercial, financial and economic risks from business propositions ▶ Establishing profitability of business propositions ▶ Providing robust but constructive challenge to business stakeholders ▶ Communicating clearly the financial implications of proposals 	<ul style="list-style-type: none"> ▶ Knowledge of the organization's business ▶ Detailed knowledge of products/service lines ▶ Awareness of the market and commercial environment ▶ Knowledge of investment appraisal ▶ Knowledge around approaches to profitability analysis
Key experiences	Key relationships
<ul style="list-style-type: none"> ▶ Business case appraisal ▶ Benefits tracking and realization ▶ Experience in pricing and profitability analysis ▶ Cost management ▶ Planning and forecasting 	<ul style="list-style-type: none"> ▶ Chief Executive Officer/Chief Operating Officer ▶ Business unit heads ▶ Heads of key support functions: Risk, IT, Operations, HR, Marketing and Sales ▶ Finance business partners ▶ Audit Committee

Providing insight and analysis to support CEO and other senior managers



Core skills	Core knowledge
<ul style="list-style-type: none"> ▶ 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 action where required 	<ul style="list-style-type: none"> ▶ 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 ▶ Business performance management ▶ Knowledge of competition performance
Key experiences	Key relationships
<ul style="list-style-type: none"> ▶ 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 ▶ Markets trends analysis 	<ul style="list-style-type: none"> ▶ Chief Executive Officer/Chief Operating Officer ▶ Business unit heads ▶ Heads of key support functions: Risk, IT, Operations, HR, Marketing and Sales ▶ Finance business partners ▶ Strategy Director ▶ Corporate Development Officer

Leading key initiatives in finance that support overall strategic goals



Core skills	Core knowledge
<ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ How finance should be organized to deliver value to the business ▶ Understanding of finance processes and implications for the operating model ▶ The components of the finance operating model and the interdependencies ▶ Finance systems and implications for change ▶ Drivers of cost and value in finance
Key experiences	Key relationships
<ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ Chief Executive Officer ▶ Business unit heads ▶ Heads of key support functions: IT, Marketing, Risk, Operations, HR ▶ Senior finance managers ▶ Business unit finance teams

Funding, enabling and executing strategy set by CEO



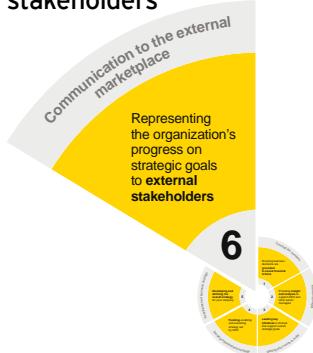
Core skills	Core knowledge
<ul style="list-style-type: none"> Funding the organization's operations Prioritizing investments Developing strategic plans to achieve corporate goals Understanding the key value drivers Turning strategic plans into operational plans and targets (including defining KPIs) Designing the implementation program Monitoring progress against strategy 	<ul style="list-style-type: none"> Capital management Project financing Financial risk management Operational risk management Strategic and operational planning Performance management systems Program management Change management
Key experiences	Key relationships
<ul style="list-style-type: none"> Involvement 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 	<ul style="list-style-type: none"> Chief Executive Officer/Chief Operating Officer Business unit heads Risk Director Operations Director External funding providers Key investors Treasurer

Developing and defining the overall strategy for your organization

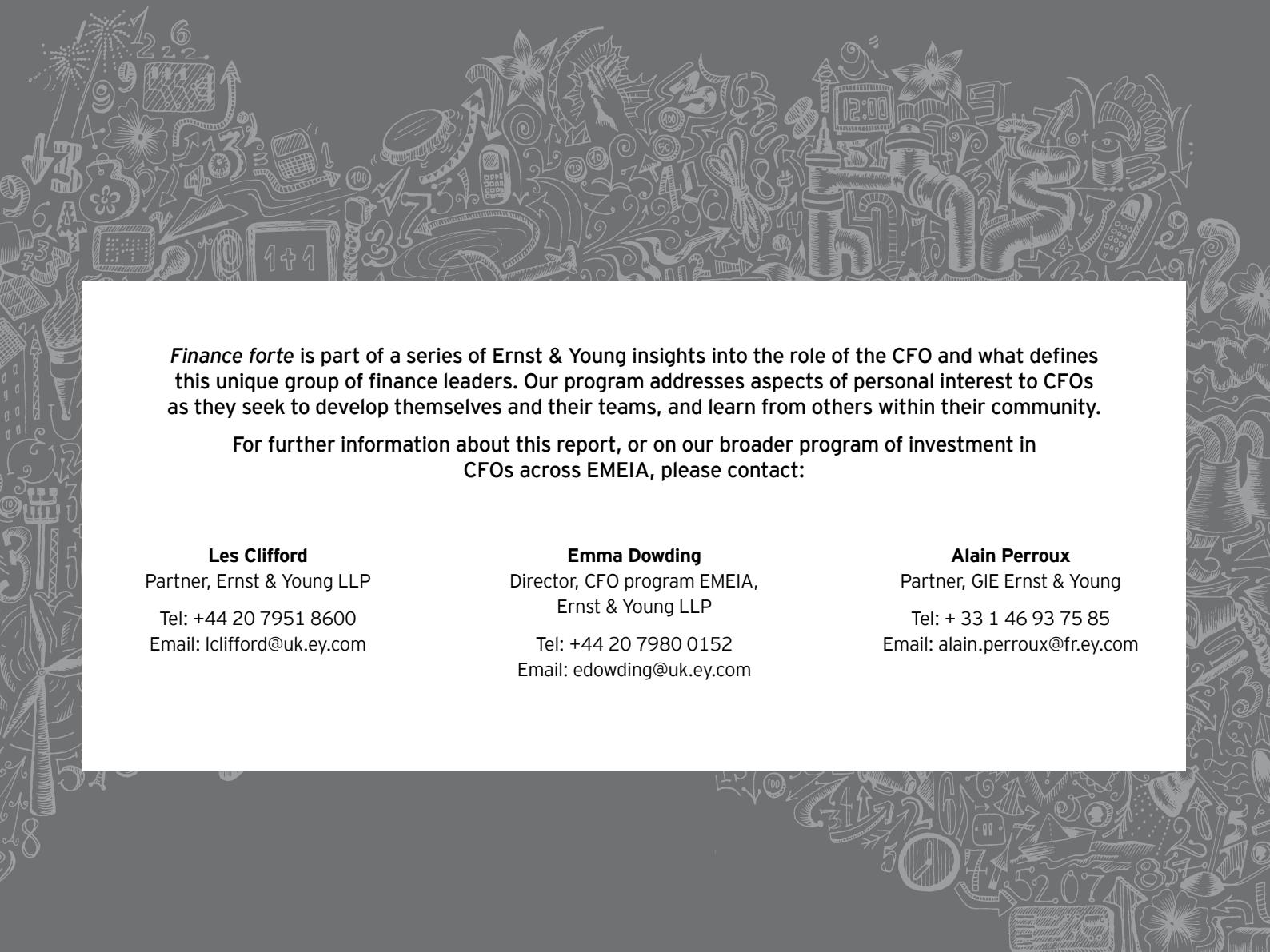


Core skills	Core knowledge
<ul style="list-style-type: none"> Translating corporate goals into a clear strategy Identifying financial and risk issues in relation to corporate strategy Delivering a workable strategic plan within known constraints Creativity/ability to think "out-of-the-box"/conceptually strong Analyzing portfolio of opportunities Visionary/a story teller/ability 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 	<ul style="list-style-type: none"> 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 Aware of industry and organization risk profile Awareness of IT as an important business enabler
Key experiences	Key relationships
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Chief Executive Officer Chief Operating Officer Business unit heads Chief Information Officer Risk Director Marketing Director HR Director Strategy Director Corporate Development Officer

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



Core skills	Core knowledge
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 supervise Financial Statements
Key experiences	Key relationships
<ul style="list-style-type: none"> Preparation of 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 	<ul style="list-style-type: none"> Chief Executive Officer Chairman Executive and non-executive boards Other key governance committees e.g., audit, remuneration External auditors Media and Investor Relations Regulators



Finance forte is part of a series of Ernst & Young insights into the role of the CFO and what defines this unique group of finance leaders. Our program addresses aspects of personal interest to CFOs as they seek to develop themselves and their teams, and learn from others within their community.

For further information about this report, or on our broader program of investment in CFOs across EMEIA, please contact:

Les Clifford

Partner, Ernst & Young LLP

Tel: +44 20 7951 8600

Email: lclifford@uk.ey.com

Emma Dowding

Director, CFO program EMEIA,
Ernst & Young LLP

Tel: +44 20 7980 0152

Email: edowding@uk.ey.com

Alain Perroux

Partner, GIE Ernst & Young

Tel: + 33 1 46 93 75 85

Email: alain.perroux@fr.ey.com

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