2012

CFO and beyond

The possibilities and pathways outside finance

Ernst & Young
Quality In Everything We Do

CFO and beyond

addresses the unprecedented demand for CFOs to serve in roles on top of their job as finance leader, and as an onward step. In this edition of our CFO series, we explore some of these possibilities and pathways, providing insight into the appetite for CFOs in these other roles, and how those who have gone before have navigated the transition.

In this report

The basis of the study

This study is based on three main elements: a survey of 800 CFOs from around the world, a study of the career paths of group CFOs at 347 of the world's largest companies over the past decade, and a series of in-depth interviews with leading CFOs, governance experts and academics.

We are very grateful to all those who participated in this study and, in particular, to those finance leaders and experts who shared their insights in a series of interviews.

1

Survey of 800 CFOs globally, including:[1]

- Group CFOs: 36%
- Regional and divisional CFOs: 64%
- All major sectors
- 53% of companies over US$1b annual global revenue
- Respondents from Europe, Middle East, India and Africa (EMEIA): 64%, Americas: 21% and Asia-Pacific: 15%

2

Research into group CFOs of 347 of the world's largest companies:[2]

- All companies have global annual revenues over US$5b. 60% are in the Fortune 500
- Companies headquartered in:
  US: 102, UK: 50, France: 40, Germany: 35, Italy and Spain: 30, Scandinavia: 30, China: 30, Australia: 30

We looked at:

- The career paths of group CFOs in role in 2002 (class of 2002) over the past decade, and
- Compared them to their counterparts, if different, in the same role in 2012 (class of 2012)

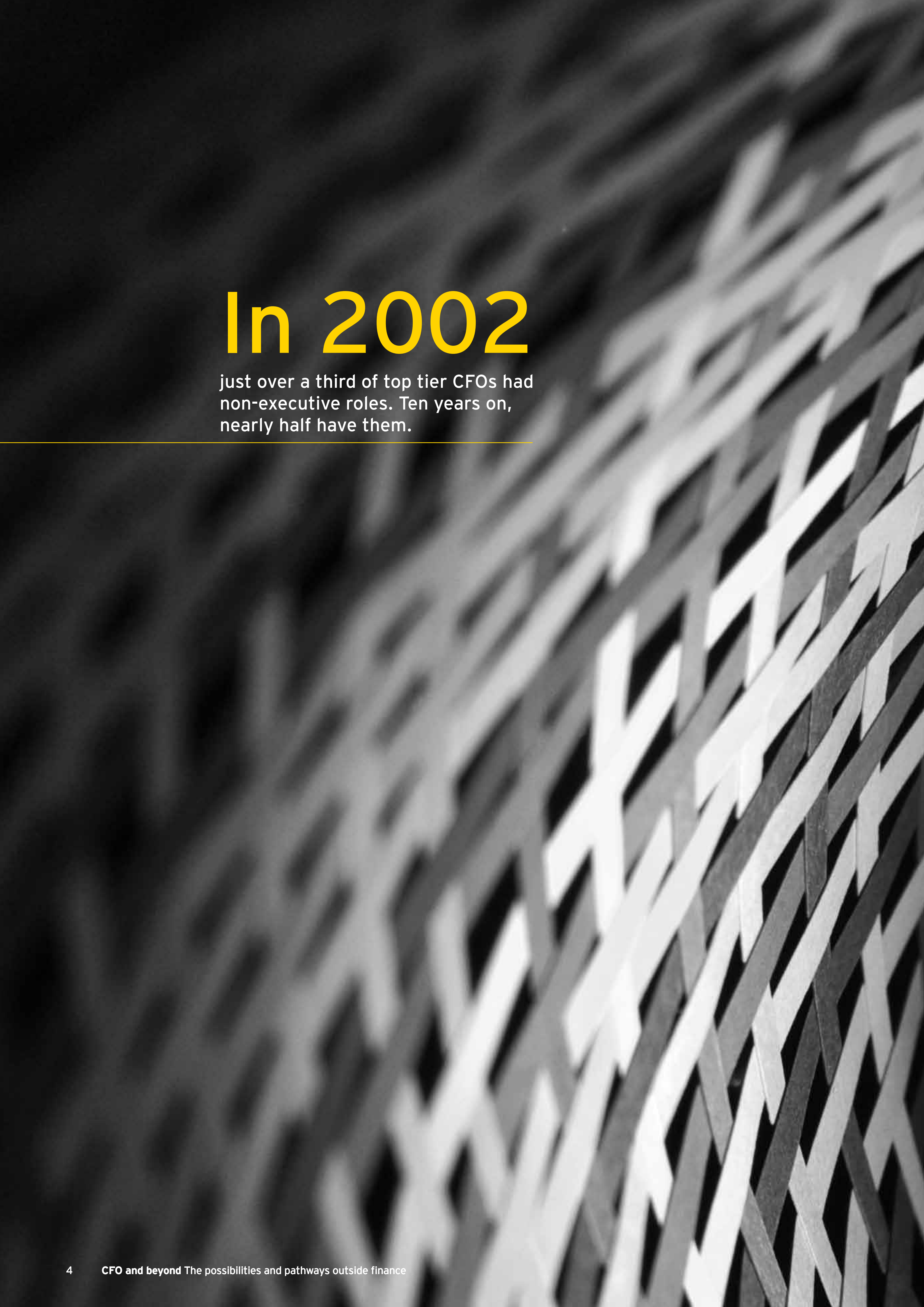
1 The survey was conducted by the Economist Intelligence Unit. See page 56 for further detail on survey demographics.

2 The research was based on data from BoardEx, a global online database holding biographic information on executives based on publicly available information.

3

Interviews with leading CFOs, governance experts and academics:

- **Robbie Barr**, COO, Terra Firma
- **Carl Berquist**, Executive Vice President and CFO, Marriott International
- **Robert Blain**, CFO, Cirque du Soleil
- **Ritchy Drost**, CFO, European Broadband Operations, Liberty Global
- **Richard Emerton**, Managing Partner, Board and CEO Services, EMEA, Korn/Ferry
- **Kevin Farr**, CFO, Mattel
- **David Grigson**, Chairman, Trinity Mirror
- **Faisal Al Hajri**, CFO, Qatar Foundation
- **Steve Hare**, Head of the Portfolio Support Group, Apax Partners
- **Andy Hines**, Lecturer and Executive-in-Residence, University of Houston's Graduate Program in Futures Studies
- **Andrew Kakabadse**, Professor of International Management Development, Cranfield University School of Management
- **Birgitta Kantola**, Independent Director, Stora Enso
- **Christophe de Margerie**, CEO and Chairman, Total
- **Philip McHugh**, CFO, Barclaycard
- **Chris Pierce**, CEO, Global Governance Services
- **Michael Sen**, CFO, Sector Healthcare, Siemens
- **Bhavesh Shah**, Vice-President Asia-Pacific, Johnson & Johnson
- **N.P. Singh**, COO, Sony Entertainment Network
- **Susan Stautberg**, President, PartnerCom Corporation
- **Kees Storm**, Chairman of the Supervisory Board of KLM and Anheuser-Busch InBev, Vice-Chairman of Unilever, and a member of the Supervisory Board of AEGON
- **Dominique Thormann**, CFO, Renault
- **Lawrie Tremaine**, Executive Vice-President and CFO, Woodside
- **Ashley Whipman**, Director, Robert Half Management Resources



In 2002

just over a third of top tier CFOs had non-executive roles. Ten years on, nearly half have them.

1

Executive summary

As companies grapple with the aftermath of the financial crisis and a two-speed global economy, they want leaders who can provide comfort and confidence in an uncertain world. The CFO is arguably best placed to provide it.

In our earlier study, *The DNA of the CFO*,[3] we showed that most finance leaders see their job as a career destination and not a staging-post to the job of CEO. It is a paradox, therefore, that unprecedented demand for their unique skill-set outside of the finance role — both as a complement to their serving position and as an onward transition — makes them arguably the individual with the most career options in the corporate hierarchy.

Not all will be drawn by this interest in their skills for roles outside of the top finance job. Many will understandably consider the job to offer all the opportunity and interest that they need. And yet, more and more CFOs are exploring the options open to them, and many are using the experience of these additional roles to enhance their performance as CFO.

This study, in our series that focuses on what it is to be a CFO, looks at some of the possibilities and pathways open to CFOs today. We explore the options for CFOs to take on non-executive directorships on corporate, charitable and cultural boards, as an addition to their finance role. We cover the opportunities for CFOs to transition to the role of chairman, CEO and to move from public to private ownership. We look back at how the careers of the leading CFOs from 2002 have unfolded over the past decade, and we look forward to how board composition will evolve in the decade to come. This is for CFOs who are interested in the experiences from others within their community, and for future finance leaders who need to plan now for a career in the long term and the broadest sense. The future of the finance leader has never been so full of possibility.

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

Unprecedented demand for the CFO skill-set on corporate boards

The appetite of shareholders and boards for CFOs to serve on corporate boards is big, and getting bigger. Seventy-nine percent of the 800 CFOs surveyed for this report agree that their financial expertise means that they are more in demand than ever for board-level roles. Analysis of how board composition has changed in the world's top companies over the past decade supports this view. In 2002, 36% of CFOs from the world's largest companies held non-executive directorships. A decade later, this proportion has increased to 46%.

As companies grapple with the aftermath of the financial crisis and a two-speed global economy, they want executive and non-executive leaders who can provide comfort and confidence in an uncertain world. The CFO's unique combination of analytical, technical and strategic capabilities means that they are arguably best placed to provide it. Regulatory pressure has also increased demand for financial expertise. In some countries, that knowledge is not only valued on corporate boards, but mandatory.

CFOs — and their employers — recognize the benefits of a board position ...

Despite the demands of the role, many CFOs still choose to allocate some of their time to non-executive or voluntary roles alongside their core job. More than a quarter of CFOs surveyed have already taken on an additional job and 40% would consider it in the future.

There is a great deal of personal and professional benefit for the CFO taking on supplementary positions, including exposure to different organizations and perspectives on the challenges dealt with by management and non-executives. Experience in a different sector is seen by many of those we spoke to as particularly valuable, with the opportunity to gain new knowledge and transfer best-practice across sectors. For those CFOs that are fortunate enough to serve on the board of a very large, well-respected company, there is also a "halo effect," whereby the organization on which a CFO serves in their executive role also benefits.

... but lack of time is a major constraint

More than 40% of CFOs think that it is inappropriate for them to take on part-time roles. For many, the demands of their core responsibilities are simply too great and the risk of overstretch too significant. As corporate governance legislation becomes more stringent, the time required to be an effective non-executive director is increasing. Despite CFOs' appetite to take on non-executive roles, there is a growing mismatch between the amount of time they feel able to dedicate to such a role — on average around four hours a week — and the time recommended by corporate governance best practice to fulfill the role appropriately. The UK Walker Report, for example, recommends between 30 and 36 days per year. Therefore, success for the CFO seeking an extracurricular position depends on two factors: choosing the right role and timing it well.

CFOs and future finance leaders need to take a long-term view

Among our respondents, those who identified themselves as long-term planners were significantly more likely to have taken on supplementary roles than those who are more career 'opportunistic.' The guidance from recruiters, and from serving and former CFOs who have successfully secured board roles, is to start planning early. To start positioning yourself for such a role at the time you want it may be too late, especially when boards are looking for an increasingly specific skill-set.

Our research shows that CFOs have started to secure non-executive directorships at a younger age. When comparing group CFOs of some of the largest companies in role in 2002 with those in role in 2012, we notice that the likelihood of the latter group to hold non-executive roles is much greater — across all age groups. But, the difference is most marked with those under 50 years old.

Candidates need to prepare for shifts in board composition

Part of planning is anticipating future change. Over the next decade, boards will increasingly value knowledge of rapid-

The appetite of shareholders and boards for CFOs to serve on corporate boards is big, and getting bigger.

growth markets, analytics and social media, as structural shifts in the global economy and ever greater use of technology impact business practice. And, as boards become more diverse in terms of gender, background and experience, opportunities will open for some, while for the 55–60 year old male that typically dominates boards today, gaining access to the boardroom may become more competitive.

It's not all about business

The part-time position that the 800 CFOs surveyed find most appealing is not, in fact, a business role, but board member or trustee of a charity or cultural institution. Furthermore, respondents claimed that making a positive contribution to society was a key motivation in taking on a supplementary role. As well as having the potential to be highly fulfilling, trusteeships for charitable and cultural institutions are great networking opportunities, and give younger CFOs, who are not yet ready for corporate board positions, valuable experience of the dynamics of group decision-making.

While in an executive capacity, CFO remains a destination role for the majority — most consider some kind of role beyond CFO

Our earlier study, *The DNA of the CFO*,[4] found that the majority of CFOs either intend to remain in their current role or move to another CFO role. Our findings for this report are consistent with this. We found that, after a decade, 62% of those who were large-company group CFOs in 2002 are either still CFOs or left the role as their last executive post. Only 15% have transitioned to the role of CEO or CEO and chairman, 4% to chairman and 3% to COO.

However, 82% of the CFOs we surveyed for this study expressed an interest in some kind of role post the job of CFO, which either means that more will pursue executive options outside of the CFO domain in the future, or, more likely, explore non-executive or non-corporate roles. What is evident is that for most, the skills they hone as CFO will be used in some capacity. As well as addressing the transition to a non-executive position, this report will look at what it takes to transition to the role of CEO, chairman, and from public to private ownership as a CFO of a PE portfolio company.

Eight steps to prepare for a place on the board

Although every role has unique requirements, our research suggests that there are eight key ways for CFOs and future finance leaders to make better career decisions and maximize their attractiveness for executive and non-executive positions:

1. Develop a coherent CV
2. Take on roles outside finance — and even business
3. Build networks
4. Build relationships across the business
5. Build your personal profile
6. Gain international experience
7. Don't get stuck at headquarters
8. Start planning early

We explore these in more detail on page 51-52.

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

79%

of CFOs agree that their financial expertise means they are more in demand than ever for board-level roles.

2

Unprecedented demand for CFO experience on corporate boards

"The language of boards is the language of finance and value. It's a very easy environment for a CFO to fit into"

David Grigson, Chairman of Trinity Mirror and former CFO of Reuters and Emap

It isn't news to report that CFOs make good candidates for the board. But what is interesting is the extent to which the demand for both serving and former CFOs to take on board roles is increasing. In the current economy, shareholders, boards and regulators want board members who have the right skills, perspective and judgment. And, the CFO is uniquely qualified for the job.

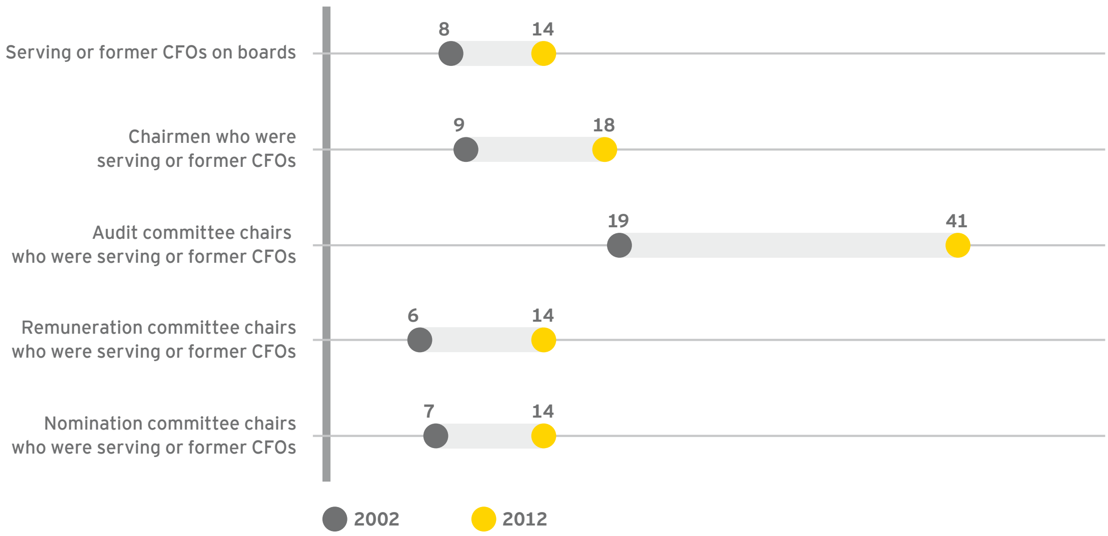
Unprecedented demand for CFO experience on corporate boards

The knowledge and experience that CFOs possess is highly relevant to the oversight role that boards perform. "The language of boards is the language of finance and value," says David Grigson, Chairman of Trinity Mirror and former CFO of Reuters and Emap. "It's a very easy environment for a CFO to fit into and make a contribution, because the conversation is all about how the company can deliver something that will be beneficial to shareholders. This is the kind of value equation that CFOs are constantly calculating."

The demand for both current and former CFOs on boards has increased dramatically in recent years. Seventy-nine percent of the 800 finance leaders surveyed for this report agree that CFOs' financial expertise means they are more in demand than ever for board-level roles. A similar proportion agree that the CFO's skills and experience make them highly transferable into roles beyond finance.

Our research into changes to board composition shows that the representation of both current and former CFOs on boards has increased significantly over the past decade. In 2002, just 8% of board members at the 347 companies studied were either serving or former CFOs. A decade later, that share has climbed to 14%. The difference is even more striking for specific board positions: in 2002, just 19% of audit committee chairmen were either serving or current CFOs; by 2012, the proportion has risen to 41% (Chart 1).

Chart 1. Percentage of boards comprised of either serving or former CFOs, 2002 and 2012



Source: desktop research into 347 large-company CFOs

"Finance skills alone do not necessarily make someone a good board director, but financial expertise is desperately needed."

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

The drivers of demand

Three factors are driving the CFO's increasing appeal

1. Changing regulatory requirements

2. Challenging macroeconomic environment

3. Expanding breadth of the CFO role

1. Changing regulatory requirements make finance experience desirable, if not mandatory

In many countries, changes to the regulatory environment – enacted since the corporate governance scandals at the beginning of the century – have increased the demand for finance expertise on boards. For example, since 2003, public companies listed in the US must disclose whether they have at least one "financial expert" independent of management on their audit committees. If they do not have this expertise in place, they have to explain why. In the UK, the Corporate Governance Code states that the board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience. Likewise, in Brazil, the Comissao de Valores Mobiliarios (CVM) states that at least one member of the audit committee should have recognized expertise in matters of corporate accounting.

In Australia, the 2011 Centro case served as a reminder for boards of their obligations in respect of financial reporting. "When it comes to the financial report, directors must review, understand and challenge the financial statements and be satisfied that they are consistent with their knowledge of the business," says Tony Johnson, Assurance Managing Partner at Ernst & Young Australia. "A board member with deep and broad finance experience, like that of a CFO, can offer valuable insights and play a leadership role in driving board effectiveness."

2. Macroeconomic environment brings the CFO's traditional skills to the fore

Since 2008, companies have faced a highly challenging macroeconomic environment: growth trajectories of developed and rapid-growth economies continue to diverge, financial markets are still volatile and banks face acute funding pressures. These challenges require companies to focus on cost, risk and cash-flow management – three areas that fall squarely within the CFO's skill-set. Translated to the board-room, this means that non-executive directors with a CFO background are uniquely placed to navigate the complex economics and steer companies toward the right strategic decisions.

"The competitive advantage for many firms is no longer your products, your services and your quality on the technical side. It's cost discipline and minimizing risks into the future," says Andrew Kakabadse, Professor of International Management Development at the Cranfield University School of Management. "It's understandable that shareholders want a safe pair of hands and sound financial knowledge on their boards, given the current circumstances. Finance skills alone do not necessarily make someone a good board director, but financial expertise is desperately needed. That places the CFO in a very favorable position to be recruited for non-executive roles."

3. The increasing breadth of the CFO role has made them more valuable to boards

Perhaps most importantly, the evolution of the CFO role over the past decade has significantly broadened the contribution that finance leaders are able to make to these board positions. As we explored in *The DNA of the CFO* series, the modern finance leader has a broad and complex role, encompassing strategic contribution, business partnering, internal and external stakeholder management, as well as operational responsibilities – far beyond the core technical and financial capabilities that once characterized the role.[5]

5 Our three *The DNA of the CFO* reports look at what makes a modern CFO around the world. *The DNA of the CFO: a study of what makes a chief financial officer*, Ernst & Young, 2010, focused on EMEIA. *Views. Vision. Insights: The evolving role of today's CFO*, Ernst & Young, 2012, focused on the Americas. *The DNA of the CFO. Shifting up a gear: From corporate finance to corporate strategy*, Ernst & Young, 2012, looked at CFOs in the Asia-Pacific region.

"Boards no longer recruit CFOs because they are reporting experts," says Mr. Johnson. "They want someone who can bring a strategic perspective to finance, whether that is related to capital, M&A or an investment analyst view of the world. If there was a CFO who became a finance leader just because they had the best knowledge of accounting standards, then that would not be the person that people are looking for to go on a board."

Demand is outstripping supply

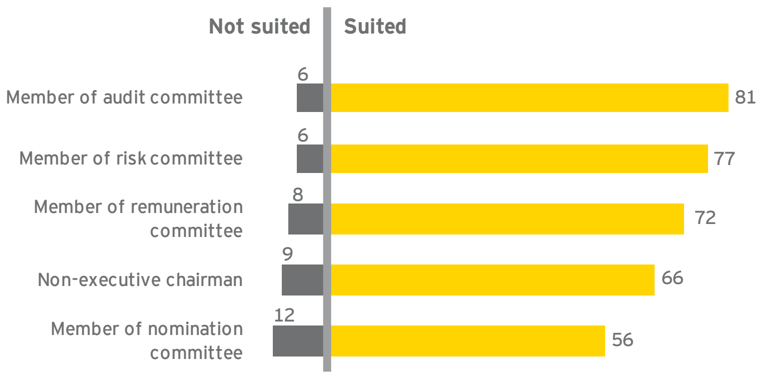
Indeed, such has been the explosion of demand for the broader CFO skills on boards, that demand for current or former CFOs with the right mix of skills far outstrips the supply of good candidates. "There is massive demand for people with CFO-type experience versus very little supply," says Keith Pogson, Managing Partner for Financial Services, Asia-Pacific at Ernst & Young. "There are only so many world-class CFOs and disproportionately large numbers of spaces on boards to fill."

In some respects, CFOs may be better placed than CEOs to fulfill non-executive roles, because they are more accustomed to taking an analytical, challenging approach to decision-making. "If you're a deal junkie or someone who wants to make every decision going, then you'll probably find a non-executive role very frustrating and your board colleagues will be driven mad by you," says Mr. Grigson. "You're not actually there to make decisions. You're there to challenge, offer support and provide oversight so that management are going about their role in the right way."

The CFO skill-set is relevant to a wide range of non-executive positions

The vast majority of our survey respondents believe that CFOs are well-suited to every key board position, including membership of audit, nomination and risk committees, as well as the chairmanship of the overall board (Chart 2).

Chart 2. How suited do you think CFOs are to take on the following non-executive roles at organizations other than the one they work for? (percentage)



Source: survey of 800 CFOs

> "There is massive demand for people with CFO-type experience versus very little supply."
>
> **Keith Pogson,** Managing Partner for Financial Services, Asia-Pacific, Ernst & Young

The audit committee role is the most obvious fit for the CFO ...

Unsurprisingly, CFOs think that they are most suited to the role of audit committee member: 81% of our respondents say that finance leaders are a good choice for this particular job. Regulatory requirements will often demand that at least one member of the audit committee is a financial expert, but there are a variety of other reasons why boards and nomination committees are turning to current and former CFOs to fulfill these roles. Accounting standards are moving at an incredibly rapid rate, investor activism is on the rise and companies face an extremely complex risk and regulatory environment. All of these trends increase pressure on audit committee members and make it more difficult for those with a non-finance background to perform the role.

"If you have an audit committee chair who does not have the right knowledge and background, then there is a danger that they will not do enough to provide the right checks and balances, and a risk that the CFO will simply run rings around them," says Steve Hare, Head of the Portfolio Support Group at Apax Partners. "On the other hand, if you have an audit committee chair with current knowledge, then they clearly have insights into where the key judgments are likely to be made and where adjustments are required. A good audit committee chair is someone who the CFO can consult and seek advice on complex issues."

The audit committee role can also be considered a stepping stone to a bigger board position. "As an audit committee member, your experience and independence is highly valued," says Kees Storm, Chairman of the Supervisory Board of KLM and Anheuser-Busch InBev, Vice-Chairman of Unilever, and a member of the Supervisory Board of AEGON. "Once you have fulfilled that role, you may well find that you are asked to take on a bigger role on the board, such as the senior independent director or chairman."

... but to pigeonhole them is to miss out on their full range of skills

Despite their suitability for audit committees, some CFOs express concerns about being pigeonholed. "Some CFOs find it frustrating that they are automatically seen as candidates for chair of the audit committee when they have so much more that they can offer to the board," says Gerard Dalbosco, Managing Partner Markets — Asia-Pacific, Ernst & Young. "Many CFOs run business development, fundraising and have experience of large transactions, while the narrower responsibilities of the audit committee may have consumed only about 10% of their role as CFO. So I think some of them can be a little insulted that the breadth of their experience as CFO is not necessarily recognized."

Mr. Grigson agrees. "I would be wary of taking a board position purely because somebody was thinking, 'I've got a vacancy on my audit committee, I need a finance director.' Basically, they're saying that they're going to undervalue my broader contribution and if that's the case then it's probably not a board I want to be on."

67%

of CFOs have taken on, or would be willing to take on, a voluntary or non-executive role.

3

Should serving CFOs take on non-executive positions?

> "You go on boards for three reasons. The intellectual capital, which is what you learn; the social capital, which is who you meet; and the creative capital, which consists of the ideas and concepts that you can find out about and bring back to your own company."
>
> **Susan Stautberg**, President of PartnerCom Corporation

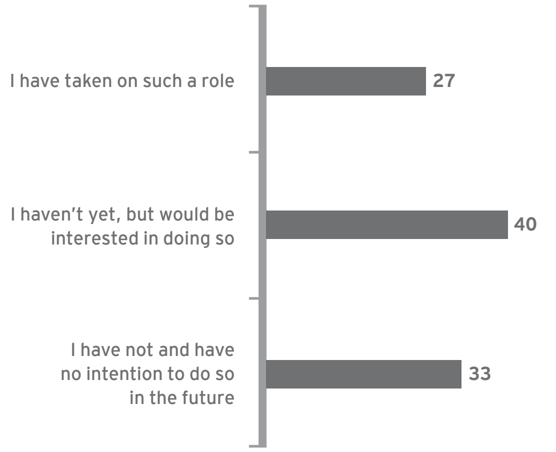
The pressures of a CFO's day job make it extremely challenging to fit external roles into the schedule. Yet, despite the obvious constraints, part-time positions can bring powerful professional and personal benefits for those who can find a way to juggle their responsibilities. For this multitasking to work, CFOs need to choose additional roles carefully, and ensure that any extra responsibilities are relevant either to their core CFO position or their long-term career development.

Should serving CFOs take on non-executive positions?

In general, CFOs surveyed for this report have a strong appetite for supplementary jobs. Just over one-quarter of respondents have already taken on one or more part-time, voluntary or non-executive positions in addition to their CFO position, while a further 40% say that they would be interested in doing so (Chart 3). Unsurprisingly, more senior CFOs are more likely to have a supplementary position: almost one-third of group CFOs have already taken on part-time roles, compared with 24% of regional and divisional finance leaders.

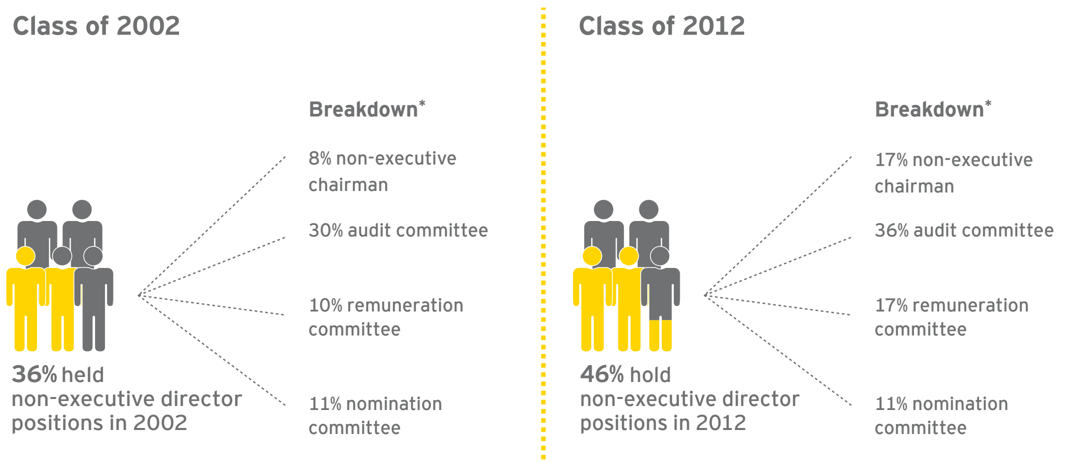
Our research into 347 of some of the world's largest company CFOs shows that, between 2002 and 2012, the likelihood of a serving CFO holding a non-executive role alongside their core position has increased significantly: in 2002, 36% of serving CFOs held a non-executive position; by 2012, this proportion has increased to 46%. And, although the audit committee has remained the most likely destination for large-company CFOs, the number of CFOs taking on a broader range of roles – including sitting on the remuneration committee or serving as non-executive chairman – has also grown (Figure 1).

Chart 3. Have you taken on, or would you be willing to take on, one or more part-time, voluntary or non-executive roles, as an addition to your current CFO position? (percentage)



Source: survey of 800 CFOs

Figure 1. Proportion of serving CFOs at the largest companies with non-executive roles in 2002 and 2012



* Breakdown includes the top four most popular types of non-executive director roles. Others include risk committee and policy committee

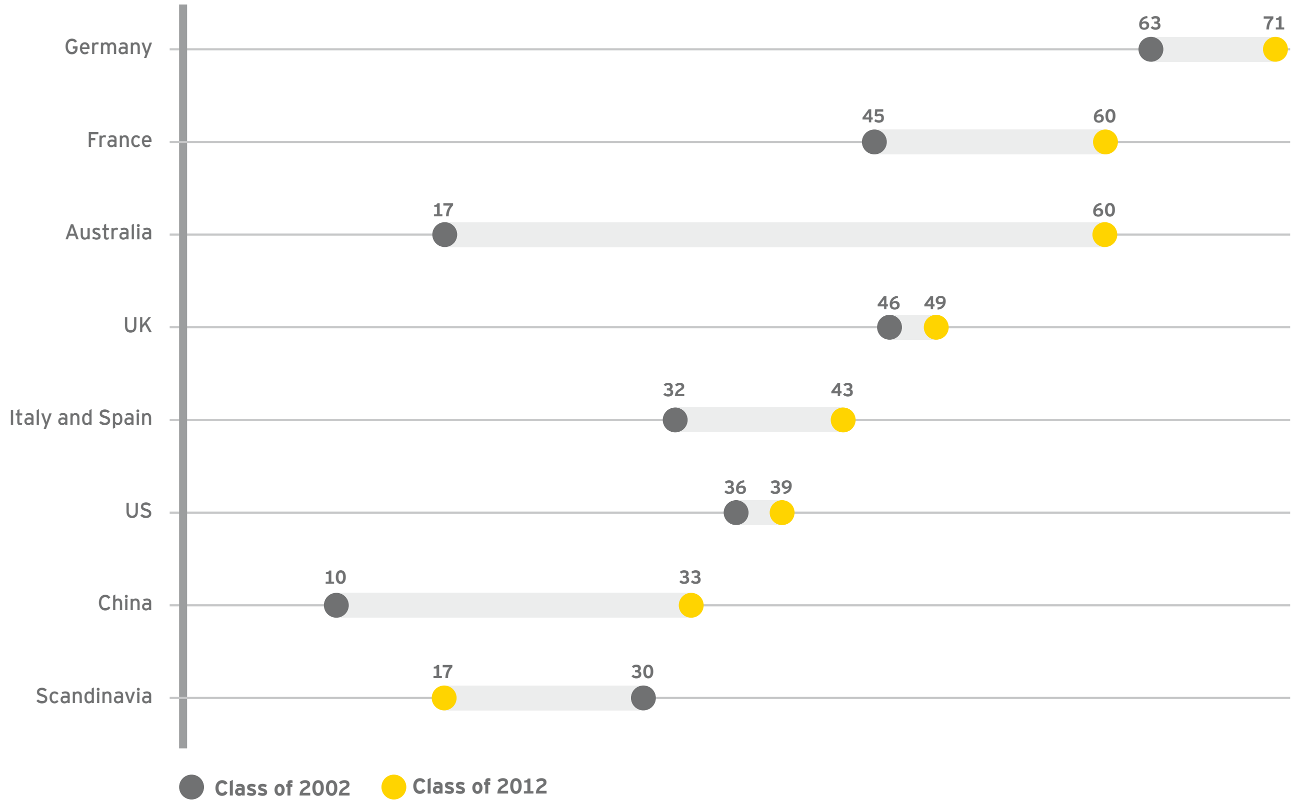
Source: desktop research into 347 large-company CFOs

"A CFO who is established in the role can derive real benefit from lifting their head out of their organization and thinking hard about the issues that face another company."

David Grigson, Chairman of Trinity Mirror and former CFO of Reuters and Emap

Chart 4 shows some interesting regional variations. In every country or region, except Scandinavia, CFOs from the class of 2012 are more likely to hold a non-executive directorship compared with the class of 2002.

Chart 4. Serving CFOs with non-executive directorships in 2002 and 2012 (percentage)



Source: desktop research into 347 large-company CFOs

Should serving CFOs take on non-executive positions?

CFOs are securing non-executive director roles at a younger age

Furthermore, CFOs are taking on board positions at a younger age. The increase in the proportion of CFOs to hold these positions is most marked among the younger generation — those aged between 40–49 years old (Figure 2).

Figure 2. Break down of non-executive director positions held by serving CFOs in 2002 and 2012

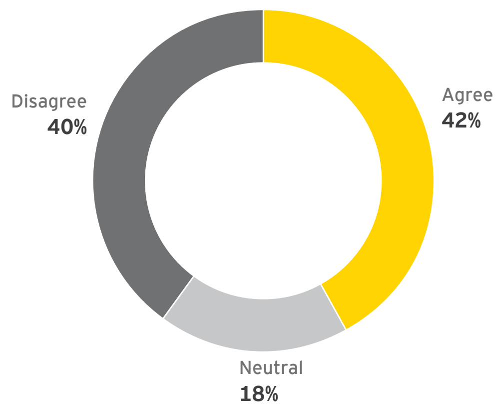
Age group		Class of 2002	Class of 2012
40-49 years	% non-executive director	29%	42%
	% audit committee	25%	40%
	% remuneration committee	5%	18%
	% nomination committee	5%	16%
	% non-executive chairman	7%	12%
	Average number of non-executive director positions	2	2.1
50-59 years	% non-executive director	48%	54%
	% audit committee	32%	34%
	% remuneration committee	9%	18%
	% nomination committee	15%	11%
	% non-executive chairman	5%	20%
	Average number of non-executive director positions	2.3	3.4

Source: desktop research into 347 large-company CFOs

CFOs are split on whether they should take on part-time roles while serving as CFO

There is division among finance leaders over whether or not it is appropriate for them to take on supplementary roles, as shown in Chart 5. The challenge, it seems, is that while most CFOs recognize that these roles bring a variety of benefits, there are also barriers that make it extremely difficult for them to accommodate these additional roles.

Chart 5. Do you agree that CFOs should not take on part-time responsibilities outside of their main role?



Source: survey of 800 CFOs

"... if you don't have deep sector expertise, then that gives you permission to ask the more fundamental questions because you're not embarrassed if you don't understand something."

Steve Hare, Head of the Portfolio Support Group, Apax Partners

The benefits of a non-executive position

There is no question that part-time and extracurricular roles can, if chosen wisely, bring a range of personal and professional benefits to the CFO. These include a better understanding of boardroom dynamics, the cross-pollination of ideas and best practice, and exposure to a different corporate culture.

Understanding board dynamics from the other side is the principal benefit

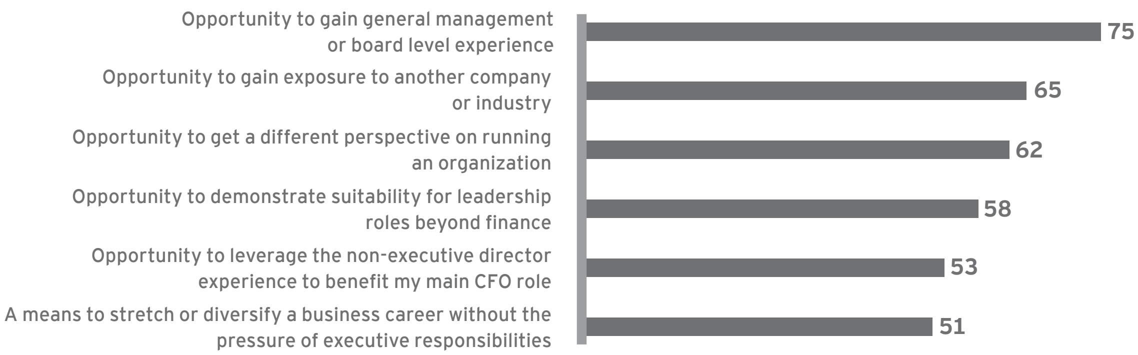
According to survey respondents, the most important benefit to becoming a non-executive director is the opportunity to gain general management and board-level experience (Chart 6). Most CFOs spend a lot of time engaging with their own board members, but, often, it is only by sitting on the other side of the table that they understand fully the challenges and dynamics of the boardroom.

Professor Kakabadse agrees with these findings and considers it a good idea for any top-serving executive to have one non-executive board position in addition to their full-time job. "It exposes them to boards and provides experience of how governance requirements need to be handled," he says. "That will help them enormously in their current role, as well as bringing their knowledge and experience into the non-executive board context."

Faisal Al-Hajri, CFO of the Qatar Foundation, also agrees and points to the wide range of new knowledge that finance leaders can collect in part-time roles as a key benefit. "You get to look beyond the purely financial and think more strategically about a different organization," he explains. "You can also use these roles to play a broader role in society or the community."

For divisional CFOs, who may be one step removed from group level decisions, experience on a board can provide extremely valuable insight that they may be unable to secure in their day-to-day operational role. "As a divisional CFO in a large company, you may not have to deal with the issues that take place at head office, such as funding, no matter whether debt or equity, because that is the responsibility of the group CFO," says Michael Sen, CFO for the Healthcare Sector at Siemens. "By taking on a board directorship at a smaller company or sitting on the audit committee, you gain exposure to those decisions and that can be useful experience for a future role in a group CFO position."

Chart 6. What are the benefits for a serving CFO in becoming a non-executive director? (percentage)



Source: survey of 800 CFOs

Cross-sector or cross-company learning is another key motivator

A second key benefit is the opportunity to gain exposure to another company or industry. As well as offering a different perspective, spending time at another company enables CFOs to learn lessons that have valuable applications in their core role. "We all have a tendency to work hard and take our jobs very seriously, but there is a danger that we can become myopic and not do enough to broaden our experience," says Mr. Grigson. "A CFO who is established in the role can derive real benefit from lifting their head out of their organization and thinking hard about the issues that face another company."

CFOs often gain greater knowledge by joining the board of a company in an unfamiliar sector. A diversity of experience also brings benefit to boards, encouraging broad, innovative thinking. As Mr. Hare suggests, "There's a lot of value for both sides to bringing a fresh pair of eyes to a board. The problem with staying in your sector is that it's very easy for everyone to keep thinking the same way. And if you don't have deep sector expertise, then that gives you permission to ask the more fundamental questions because you're not embarrassed if you don't understand something. Asking these more basic questions can help to spark discussion and challenge long-held assumptions that may not actually be right."

Rather than seeking deep sector expertise from a CFO, external boards are often looking to make use of their broader business knowledge. A CFO who has been involved in multiple M&A transactions, the implementation of shared services, or a corporate restructuring can often apply those skills in almost any sector.

Equally, CFOs can use the opportunity to sit on a board as a way of learning about broader business themselves. For example, it would be hugely beneficial for a company thinking about investing in a new market if its CFO had the opportunity to sit on a board that had already gone through that process. "You go on boards for three reasons," says Susan Stautberg, President of PartnerCom Corporation. "The intellectual capital, which is what you learn; the social capital, which is who you meet; and the creative capital, which consists of the ideas and concepts that you can find out about and bring back to your own company."

Beyond cross-pollination of ideas and concepts, exposure to new corporate cultures can also be useful. Dealing with a different set of management or board dynamics helps CFOs to develop soft skills critical to success. "If you talk to board directors about the style of boards and the way they work, you'll find that no two are exactly the same," says Mr. Pogson. "Understanding how those cultures differ, and why, can be very valuable, because you start to appreciate how problems and challenges can be solved in different ways."

There is a tendency to gravitate toward the sector you know

Serving CFOs often find it more challenging to justify taking on a non-executive role in another sector. The constraints of the CFO's job mean that there is a tendency to be attracted by a position that has more obvious relevance to their core role. Furthermore, moving from one sector to another may increase the time commitment required, simply because the environment is less familiar and it takes longer to become familiar with sector-specific issues.

These are certainly real challenges but, as Mr. Grigson explains, a focus that is too narrow can ultimately be a missed opportunity. "A lot of CFOs do think that this is company time they are using and, therefore, try to find a role that is directly linked to their main job. That is a mistake, because this should be all about diversity. Taking on a non-executive role helps to expand your knowledge and understanding that the fundamentals of business are the same wherever you experience them."

The disadvantages of a non-executive position

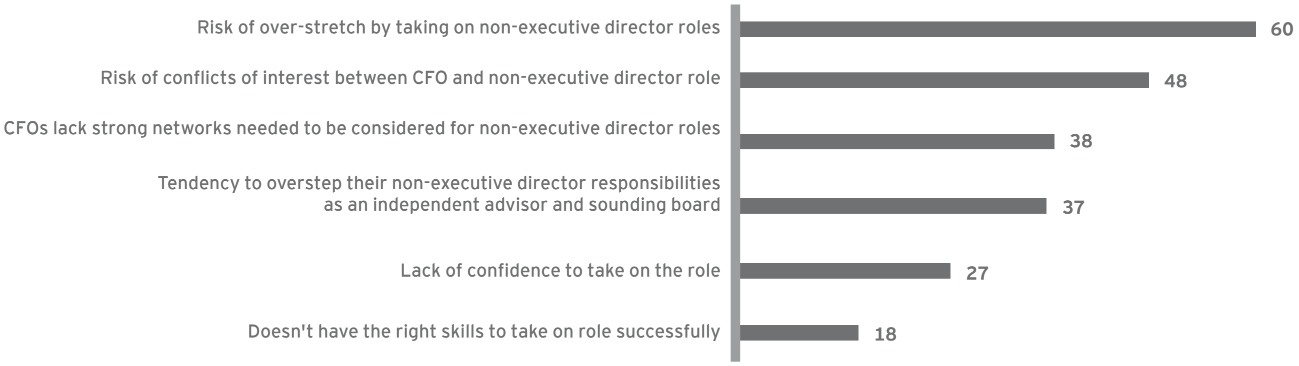
Time constraints and conflict of interest are the biggest barriers

Despite the obvious benefits, there are also potential costs to taking on supplementary roles. Perhaps the most intractable of all is the demanding nature of being a CFO. Our survey revealed that being overstretched is perceived as the biggest challenge a serving CFO faces when taking on a non-executive directorship. Conflict of interest — whether around issues of competition or simply schedule clash — was also a consideration for a significant proportion (Chart 7).

"Until they have been through a crisis as a non-executive director, many people don't appreciate just how much additional time may be required, particularly during a crisis situation."

Chris Pierce, CEO, Global Governance Services

Chart 7. What would you say are the biggest challenges a serving CFO faces in taking on non-executive director positions as a part-time responsibility? (percentage)



Source: survey of 800 CFOs

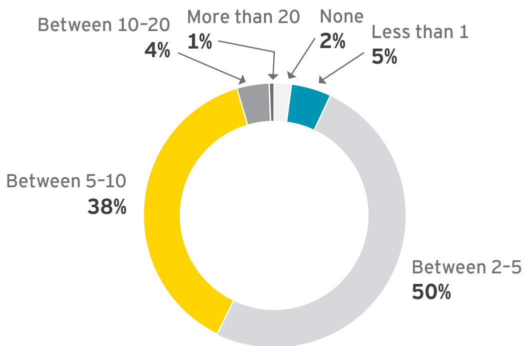
Increasingly demanding non-executive roles require careful choices

The risk of being overstretched is only likely to rise in line with the increasing demands of the non-executive role. In some countries, there are corporate governance guidelines that stipulate how much time non-executives should spend on their role. In the UK, for example, the final Walker Report in 2009, which focused on the banking sector but has also been influential elsewhere, recommends that several non-executive directors on each board should spend between 30 and 36 days on their duties over the course of a year. Committee chairs are expected to spend even more time on their responsibilities.

"What Walker identified was that many individuals were not spending sufficient time on their duties, and there was a misalignment between what we should expect in terms of level of professionalism and the reality," says Chris Pierce, CEO at Global Governance Services. "If boards make those expectations clear, then existing CFOs should be very wary about taking on non-executive positions because they potentially don't have the ability to manage that workload appropriately."

Certainly, there is a mismatch between the expectations of Walker and the amount of time that CFOs say they could allocate to a part-time position: more than half of our respondents estimate that they could only spare five hours or less per week (Chart 8), and yet the Walker recommendations correspond to at least that.

Chart 8. How many hours a week do you think is the maximum that a CFO can afford to spend on a part-time role, in addition to their main responsibilities?



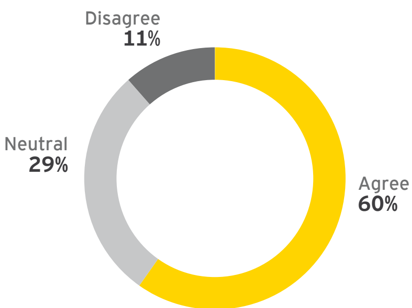
Source: survey of 800 CFOs

Other executives may be wary of the impact of your external role on your day job

Concerns about time commitment mean that some companies are reluctant to let their finance leaders take on external positions. Some firms even request that any fees earned by the non-executive should be paid to the company, to ensure that external positions have direct business relevance.

But our research mostly suggests there is general support for the idea that CFOs should consider external roles. Sixty percent of respondents agree that other C-level executives in their organization are very supportive of leadership team members taking on part-time roles, while only 11% disagree (Chart 9). It is also notable that those who have already taken on a part-time role are much more likely than those who have not to say that their C-level peers are supportive of their decision.

Chart 9. Other C-level executives in my organisation are very supportive of members of the leadership team taking on part-time roles



Source: survey of 800 CFOs

Personal and professional risk can deter would-be board members

Concerns about personal and professional risk can also be a deterrent to taking on non-executive roles. Although corporate governance practices differ between countries, board directors are very often personally liable if it can be demonstrated that they have neglected their fiduciary duties. Directors' and officers' insurance coverage can offer some protection, but many CFOs will decide that the risk to their own personal reputation is simply too great to consider an external role. This is particularly true when taking on a role as audit committee chair – any subsequent financial difficulties or accounting irregularities could damage the CFO's reputation and career prospects.

Finding the right position

Make sure it's right for you and your company

Any serving CFO who has the opportunity to take on a non-executive directorship must weigh up the circumstances of the company where they hold their full-time position and the nature of the role that they are being asked to fulfill. If either company is under any form of stress, for example, or is planning major strategic initiatives, it will be difficult for the CFO to take on another job – and a decision to do so may be looked on less favorably by the shareholders and management team.

Tenure is an important consideration in determining suitability

Length of time served and experience should also influence CFOs in deciding whether they are suitable for external roles or have the ability to handle multiple positions simultaneously. Although there are no hard and fast rules about when to seek out a non-executive position, Richard Emerton, Managing Partner, Board and CEO Services, EMEA, for Korn/Ferry, the world's largest executive search and talent management company, says that a rule of thumb should be to start looking 18 months after first taking on the CFO role: "It could take you up to a year before you find the role that is right, so that's two-and-a-half years into your tenure, by which time you should be up and running. Given that the average tenure of the CFO is around four-and-a-half years, it probably makes little sense to leave it any longer, otherwise you will be starting to think about the next executive role."

Evaluate the board thoroughly before committing to a role

When considering an external directorship, prospective candidates need to conduct thorough due diligence to understand not only the financial position and reputation of the company, but also its strategic goals, culture and board and management dynamics. They also need to ask searching

"The first priority is to do your homework on the board… You need a good feel for who the other board members are and must be honest with yourself about whether you could fit in."

Carl Berquist, Executive Vice-President and CFO, Marriott International

questions about the expectations of the role, to ensure that it is appropriate both for them and their career. "The first priority is to do your homework on the board you are thinking of taking a position on, because you don't want to learn once you are there," says Mr. Berquist, Executive Vice-President and CFO of Marriott International. "You need a good feel for who the other board members are and must be honest with yourself about whether you could fit in."

The type of role that the CFO is being asked to fulfill will also make a difference. A role as an audit committee member may be suitable, but a position as chair of the audit committee will be more challenging, because of both the time pressures and professional risks associated with the role. As Mr. Pogson explains, "I am not sure you'd want to be the chairman of the audit committee if you're a serving CFO, because your credibility will be connected to the performance of another organization which is probably a step too far."

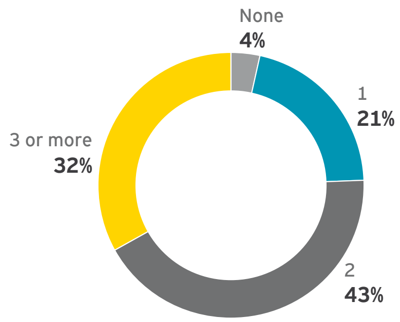
Prepare to manage the impact on your core role

CFOs who take on a board role may decide to delegate some of their CFO responsibilities to their team, to maximize the benefits of the board role to them and their organization. This is particularly true for CFOs who have been asked to take on high-profile board positions, which can not only add value to their own personal reputation but also bestow a "halo effect" on the company where they serve as finance leader. "If a CFO is asked to take over a non-executive role in a large global company with a strong global reputation, it's very hard to turn that down, even if it means hiring one or two more people to do some of the work they no longer have time to do," says Christian Orth, Head of Corporate Governance Services for Germany, Switzerland and Austria at Ernst & Young. "It strengthens their personal reputation, but also benefits the company where they serve as CFO because they are considered effective enough to serve on such a prestigious board."

In preparation, Mr. Pierce advises that, "You need to try to build in some organizational slack because you have to take into consideration the peaks and troughs of both roles. Until they have been through a crisis as a non-executive director, many people don't appreciate just how much additional time may be required, particularly during a crisis situation."

Most serving CFOs may only have time to take on one non-executive position, and indeed, most corporate governance experts suggest that, as a general rule, this should be the limit. Our survey respondents, however, think that it is possible to do more, with one-third claiming that serving CFOs could take on three or more non-executive roles (Chart 10).

Chart 10. What is the maximum number of non-executive roles that you think a serving CFO should take on?



Source: survey of 800 CFOs

Mr. Pierce argues, however, that it makes little sense to think in terms of number of board positions – or for regulators to apply a cap – because the demands of each role vary so widely. "Applying a cap is a very crude approach, because the workload requirements for sitting on an NGO board, for example, are going to be completely different from a listed company's board," he says. "It is now regarded as good practice for the chairman to make the expectations very clear in a letter of appointment, so that directors have a clear understanding of what time commitment will be expected of them. Serving CFOs can then make the right decision about how many positions to hold, based on what is required."

If you can bring value to a board, you will take value too

Ultimately, the decision over whether to take on an external role depends on two key questions: whether the position will add value to the CFO's career, personal development and core job; and whether they can make a valuable contribution to that part-time position. If the answer to either question is "yes," the CFO owes it to themselves and their company to at least consider the appointment. It will not always be appropriate for a CFO to hold an external position, but those who do will very often find that the experience is a highly rewarding one.

Giving back through charitable roles

Our survey of 800 CFOs finds a strong appetite for giving attention and expertise to community, social or charitable roles. Board member or trustee of a charity or cultural institution emerged as the most attractive part-time role for our respondents (Chart 11). And, making a contribution to society is seen as the second most important motivation for taking on external responsibilities after gaining broader business knowledge and experience (Chart 12).

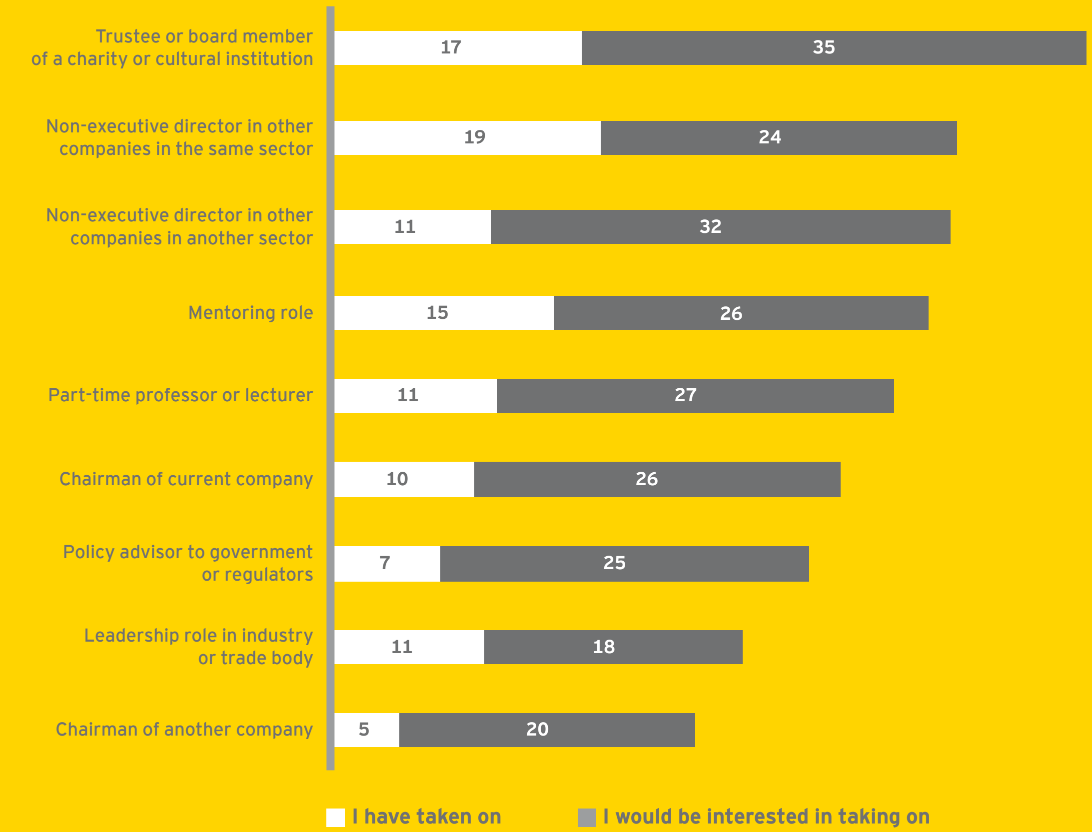
CFOs can make a valuable contribution to charitable roles, because they can apply the discipline and analytical skills that they bring to their core role to create better financial outcomes for the charity. Ritchy Drost, CFO for European Broadband Operations at Liberty Global, says that this has been an important benefit to his role as a Member of the Supervisory Board of the Alzheimer Foundation. "You can help the organization balance the short-term goals it has with a more long-term perspective," he says. "With your training as a CFO, you have a good sense of how to translate the ideas and actions that a charity has into a monetary impact."

Although it can be difficult to find the time to allocate to charitable roles, Mr. Drost and others argue that these roles also have a real benefit to their core position as CFO, as well as being potentially less time-consuming than a directorship at a listed company. "By spending time on the board of a very different institution, you gain a much better understanding of how groups work and how decisions get made," says Mr. Drost. "This has real practical benefit because you learn more about leadership, communication, group dynamics and all the other softer skills that are so critical to the CFO role today."

Robert Blain, CFO of Cirque du Soleil, says that he has derived similar benefits from becoming involved with One Drop, an NGO focused on developing clean water and sanitation projects. "You need to have a vision when you join such an organization, and it is not all about finance," he says. "You're trying to create a ripple effect through strategic planning, and you also develop a network because you are meeting people in a different environment."

By demonstrating a willingness to spend time volunteering for charitable work, CFOs and other leaders set a strong example for the entire workforce. The toy company Mattel, for example, distributes 2% of its pre-tax profits toward social impact efforts through its Foundation, donations and toy donations.

Chart 11. Which of the following part-time, voluntary or non-executive roles, would you be most interested in taking on as an addition to your current CFO position? (percentage)



Source: survey of 800 CFOs

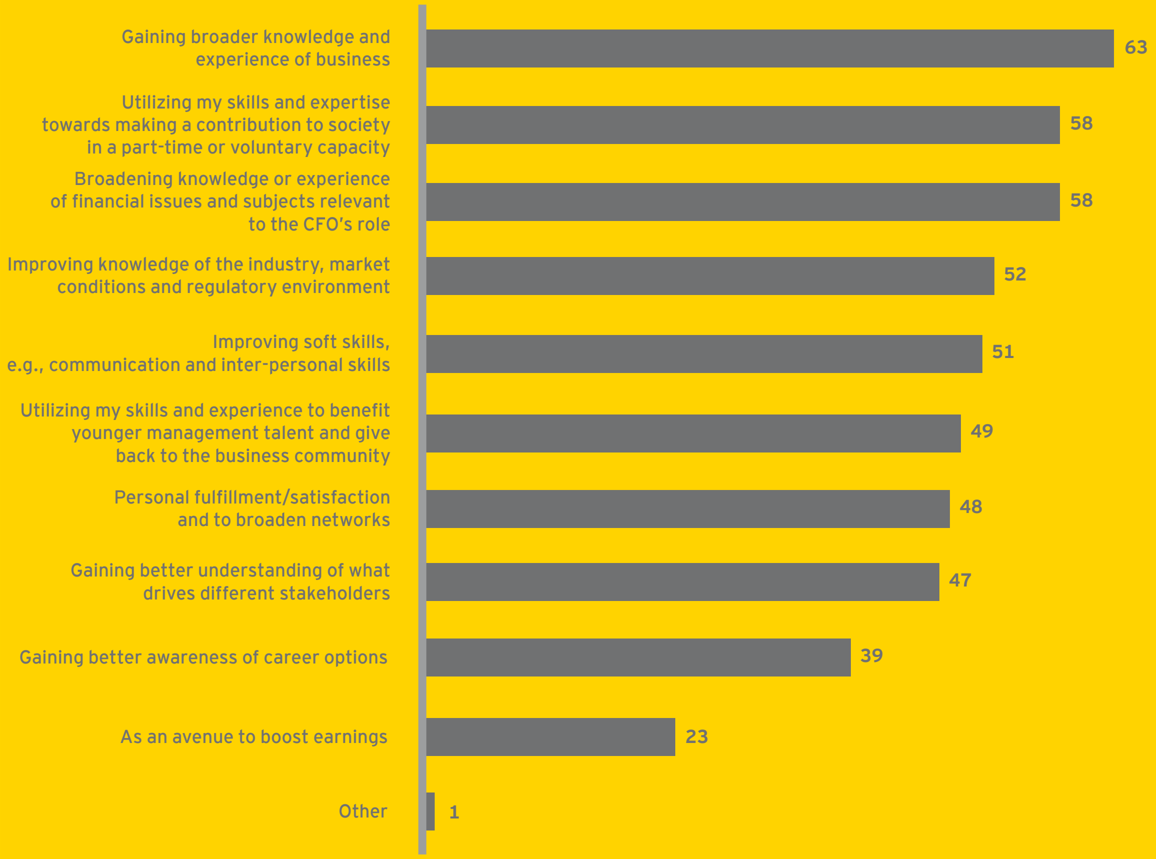
“By spending time on the board of a very different institution, you gain a much better understanding of how groups work and how decisions get made.”

Ritchy Drost, CFO for European Broadband Operations at Liberty Global

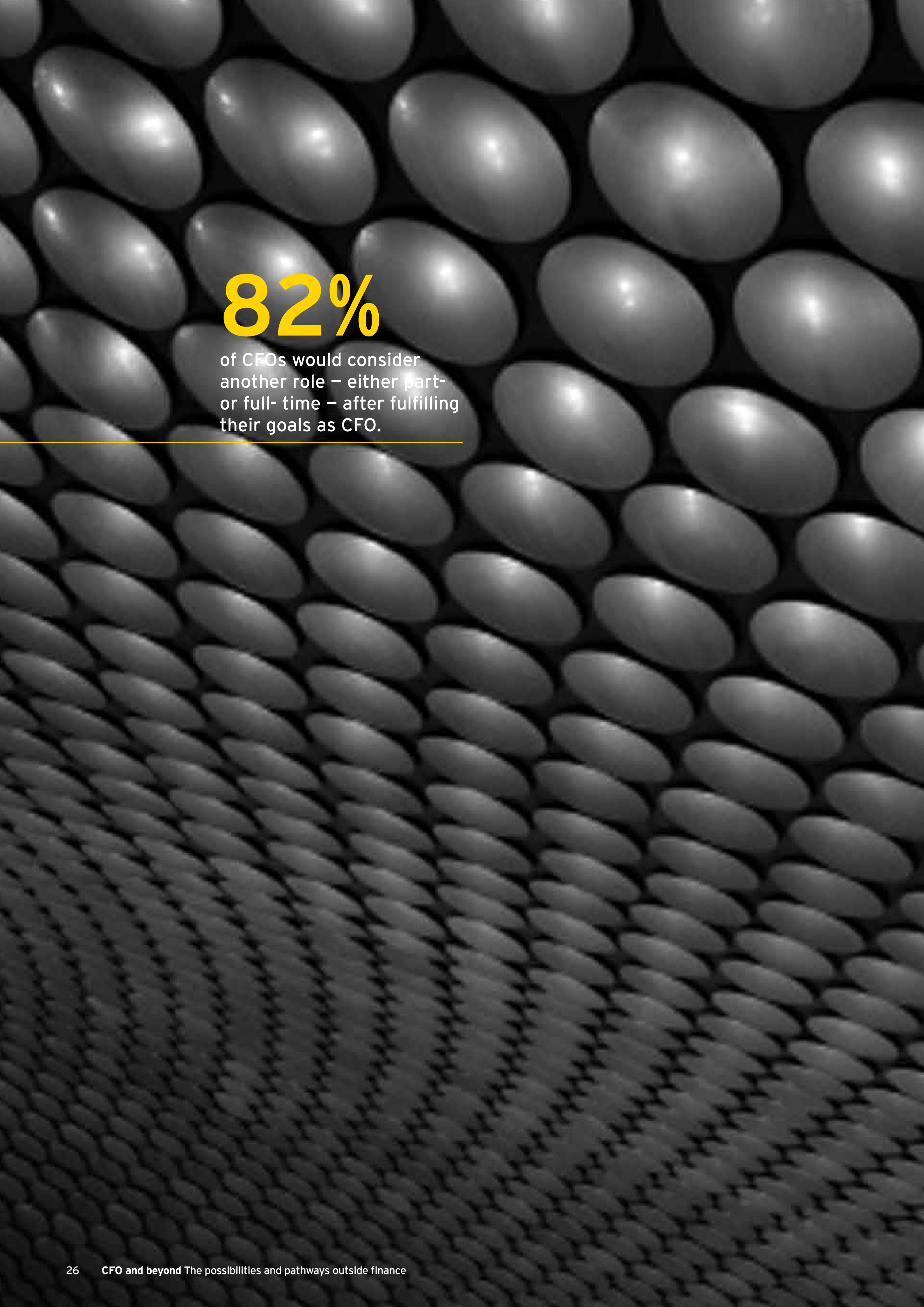
For Kevin Farr, CFO of Mattel and Chairman of Mattel Children’s Foundation, this is a valuable way to position the company as a responsible corporate citizen. “It’s important for the company to be recognized for the fact that we give back to the communities in which we work and live. This has a positive social impact and is also good for the personal fulfillment of those involved with this work.”

Spending time on the board of a charitable body can also provide younger CFOs, in particular, with valuable boardroom experience and the opportunity to network with other business leaders. “You get good experience of how boards interact and experience of how the board role differs from the executive one,” says Mr. Berquist. “That can be useful knowledge that may well help you secure a non-executive position on a corporate board in the future.”

Chart 12. What has motivated you, or would motivate you, to take on a part-time, voluntary or non-executive role alongside your current CFO positions? (percentage)



Source: survey of 800 CFOs



82%

of CFOs would consider another role — either part- or full- time — after fulfilling their goals as CFO.

4

Possibilities post-CFO

"The CFO's role involves coordinating the senior management team and encompasses group skills rather than leadership for the sake of leadership. Those skills are also very important for the chairman."

Chris Pierce, CEO, Global Governance Services

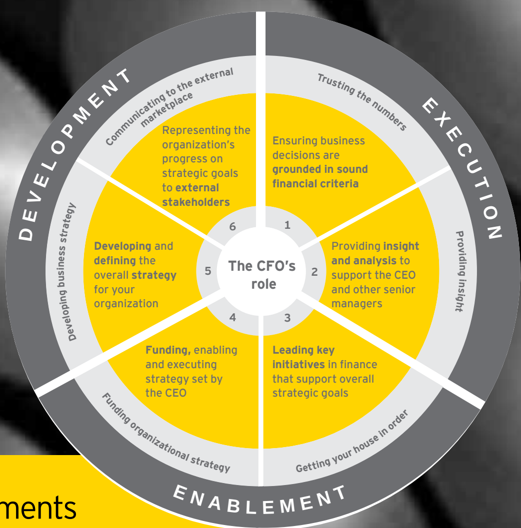
Finance professionals who reach the CFO position have achieved extraordinary success and, for most, this is the pinnacle of their executive career. But once they have met their CFO ambitions, many are open to answering the demand for their skills and experience in a new sphere, either in an executive or non-executive capacity. For this considerable proportion of CFOs, there is no shortage of options.

Continued on page 38 ▶

Leading CFOs and beyond

As part of our research for this study, we have spoken to CFOs of leading organizations and analyzed the career paths of CFOs from some of the world's largest companies. Here, we illustrate some of the routes taken by these CFOs when taking on roles beyond the finance function of listed companies — either a new role, or an additional role to their job as CFO. We also address some of the attributes that are most important when preparing for that onward step.

- CFO to CEO
- From listed to private equity
- Non-executive directorships post-CFO
- Becoming a non-executive chairman



We believe there are six main elements to the role of the CFO, which are described in further detail on pages 58 to 61. We asked the CFOs we surveyed which of these aspects of the CFO role were most important to master, as preparation for the onward journey to other executive and non-executive roles. The findings are shown in the following pages.

CFO to CEO

We asked survey respondents, as well as the CFOs we interviewed, which aspects of the CFO role are most important to master, as preparation for the onward journey to other roles.

For the transition to CEO, there are two aspects that stand out as being especially crucial.

1 Ensuring business decisions are grounded in sound financial criteria.

Respondents highlighted the need to take a commercial view in partnership with the business, provide robust but constructive challenge to stakeholders and possess a deep knowledge of the business, its products and services.

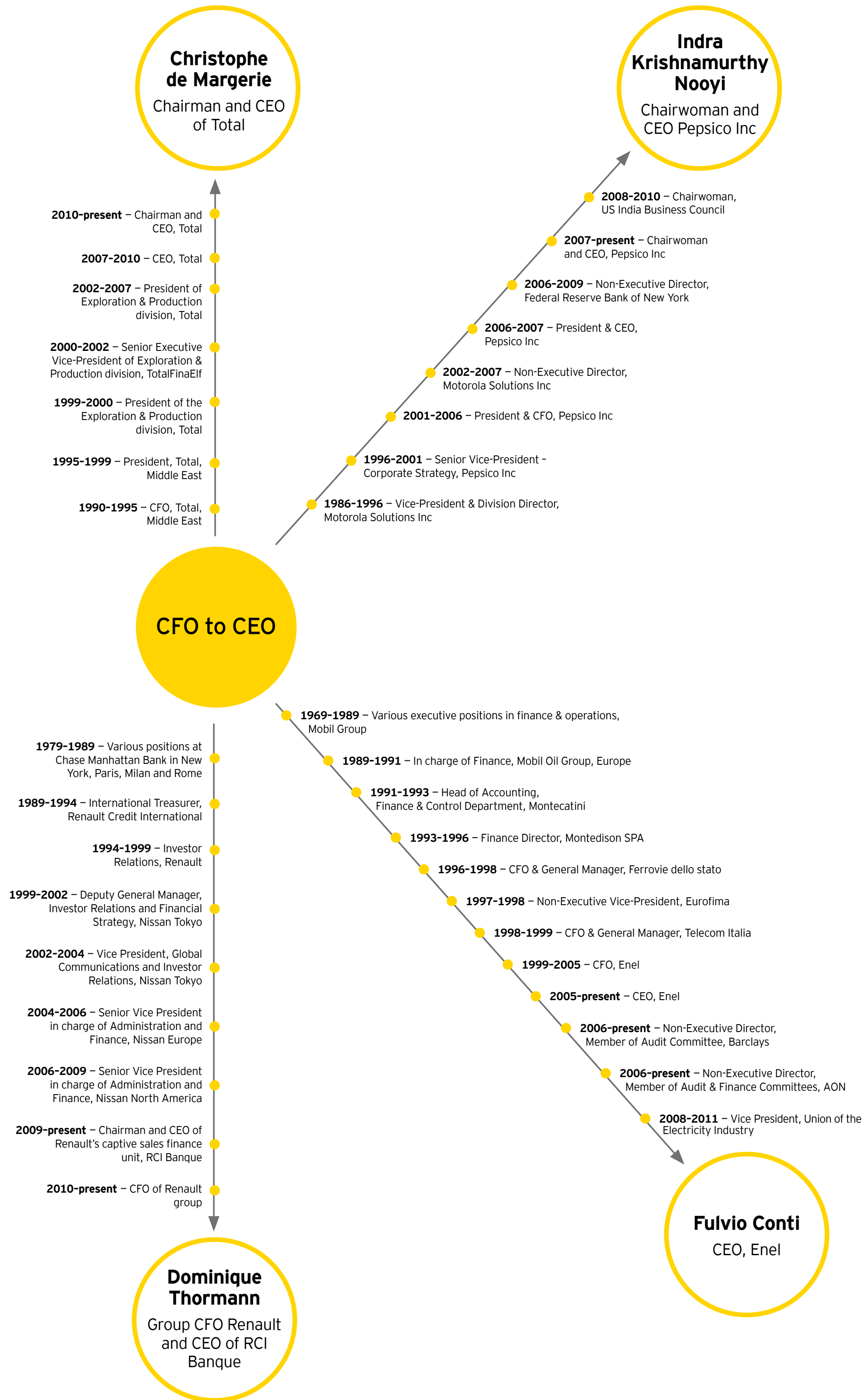
2 Developing and defining the overall strategy.

Moving to the CEO position requires a CFO who can translate corporate goals into strategy, develop a workable execution plan, and be able to build trust, motivate and engage the workforce.

Survey question: How important do you think the following elements of your *current role* will be to enable you to perform the CEO role?

Percentage of those who believe these elements are **very important**

Source: survey of 800 CFOs



The career paths of leading CFOs – former and serving – illustrated on the following few pages are based on information provided by the individuals themselves or from BoardEx data. BoardEx is a global online database holding biographic information on executives based on publicly available information (e.g., annual reports and regulatory filings). Where possible, this information has also been verified with other credible online sources, such as company websites. Each profile highlights key appointments and is not intended to be comprehensive. Every care has been taken to ensure the accuracy of the information displayed here, at the time of going to press.

From listed to private equity

When asked about the necessary skills to make the move into a role as an operating partner or a strategic advisor to a PE firm, the CFOs we surveyed highlight the need to combine high-level strategic vision with a deep knowledge and familiarity with the more technical finance skills. These skills will also apply for CFOs who move on to become a finance leader in a PE portfolio company, although clearly, their remit will be narrower and focus on one company rather than a broader portfolio.

For a move from a listed company to the PE sphere, there are two aspects to their role that CFOs regard as more important to making the transition.

1 Ensuring business decisions are grounded in sound financial criteria.

The PE environment requires individuals with a very strong commercial grasp of the business, and the ability to challenge high-level strategic concepts with a robust analysis of the financial case for each decision.

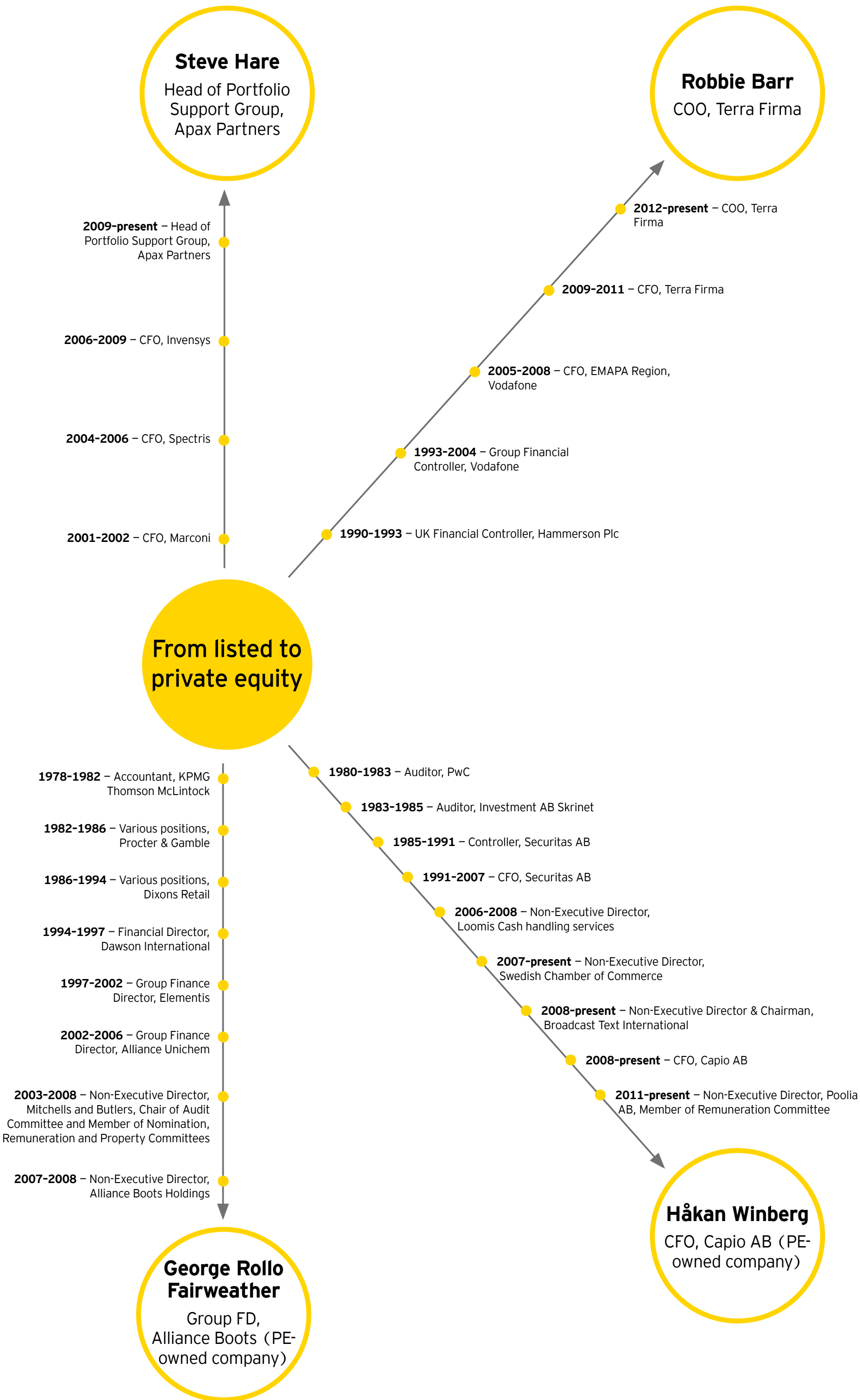
2 Providing insight and analysis around the numbers.

CFOs who move into a PE environment require a deep knowledge of the more technical aspects of finance, and an ability to deal with highly complex lending arrangements. Being "all over the numbers" – and having the ability to derive insight and analysis from them – is critical.

Survey question: How important do you think the following elements of your *current role* will be to enable you to perform a role as an operating partner or a strategic advisor to a PE firm?

Percentage of those who believe these elements are **very important**

Source: survey of 800 CFOs


Steve Hare
Head of Portfolio Support Group, Apax Partners
2009-present – Head of Portfolio Support Group, Apax Partners
2006-2009 – CFO, Invensys
2004-2006 – CFO, Spectris
2001-2002 – CFO, Marconi
Robbie Barr
COO, Terra Firma
2012-present – COO, Terra Firma
2009-2011 – CFO, Terra Firma
2005-2008 – CFO, EMAPA Region, Vodafone
1993-2004 – Group Financial Controller, Vodafone
1990-1993 – UK Financial Controller, Hammerson Plc
From listed to private equity
1978-1982 – Accountant, KPMG Thomson McLintock
1982-1986 – Various positions, Procter & Gamble
1986-1994 – Various positions, Dixons Retail
1994-1997 – Financial Director, Dawson International
1997-2002 – Group Finance Director, Elementis
2002-2006 – Group Finance Director, Alliance Unichem
2003-2008 – Non-Executive Director, Mitchells and Butlers, Chair of Audit Committee and Member of Nomination, Remuneration and Property Committees
2007-2008 – Non-Executive Director, Alliance Boots Holdings
George Rollo Fairweather
Group FD, Alliance Boots (PE-owned company)
1980-1983 – Auditor, PwC
1983-1985 – Auditor, Investment AB Skrinet
1985-1991 – Controller, Securitas AB
1991-2007 – CFO, Securitas AB
2006-2008 – Non-Executive Director, Loomis Cash handling services
2007-present – Non-Executive Director, Swedish Chamber of Commerce
2008-present – Non-Executive Director & Chairman, Broadcast Text International
2008-present – CFO, Capio AB
2011-present – Non-Executive Director, Poolia AB, Member of Remuneration Committee
Håkan Winberg
CFO, Capio AB (PE-owned company)

Non-executive directorships post-CFO

The CFOs we surveyed highlight two aspects of their current CFO role as being especially relevant to helping them make the transition to a non-executive directorship.

1 Ensuring business decisions are grounded in sound financial criteria.

Although boards will expect a range of skills and capabilities among their members, CFOs stand out for their ability to challenge management decisions and ensure that they are made with the appropriate financial rigor.

2 Providing insight and analysis around the numbers.

Finance is the universal language of corporate boards, so the CFO's ability to analyze, dissect and challenge financial information is vital to the non-executive director role.

Survey question: How important do you think the following elements of your *current role* will be to enable you to perform a role as non-executive director?

Percentage of those who believe these elements are **very important**

Source: survey of 800 CFOs

Non-executive directorships post-CFO

Birgitta Kantola
Non-executive directorships

- **2010-present** – Member of the Board and the Audit Committee, Skandinaviska Enskilda Banken AB
- **2009-present** – Member of the Board, Nobina AB
- **2008-2012** – Member of the Board, NasdaqOMX
- **2005-present** – Member of the Board and Chairman of the Audit Committee, Stora Enso
- **2001-present** – Managing Partner, Birka Consulting AB
- **1995-2000** – Vice-President and CFO, Member of the Management Group, International Finance Corporation (IFC)
- **1988-1995** – Executive Vice-President and Head of Finance, Nordic Investment Bank (NIB)
- **1987-1988** – Financial Operations Officer, International Finance Corporation (IFC)

Richard Wallman
Non-executive directorships

- **2011-present** – Non-Executive Director, Member of Strategic Planning Committee, Charles River Labs
- **2008-present** – Non-Executive Director, Bausch & Lomb
- **2007-present** – Non-Executive Director, Chair of Audit Committee, Member of Executive and Finance Committees, Convergys Corp
- **2003-2009** – Non-Executive Director, Member of Audit and Compensation Committees, Lear Corp
- **2003-2007** – Non-Executive Director, Chair of Audit Committee & Member of Finance and Compensation Committees, Avaya
- **2002-2012** – Non-Executive Director, Chair of Compensation Committee, Ariba Inc
- **1995-2003** – CFO, Honeywell International
- **1994-1995** – Vice President & Controller, IBM
- **1993-1994** – Assistant Controller, IBM
- **1974-1993** – Various positions, Ford Motor then Chrysler

Shemaya Levy-Chocron
Non-executive directorships

- **1983-1994** – Managing Director & General Manager, Renault Vehicles Industries
- **1994-1998** – Chairman and CEO, Renault Vehicles Industries
- **1998-2004** – Executive Vice-President & CFO, Renault SA
- **2005-2009** – Independent Board Member, Postnl NV
- **2009-2011** – Vice Chairman, Postnl NV
- **2011-present** – Vice Chairman, TNT Express NV
- **2012-present** – Independent Board Member, PKC Group OYJ

Neil Chatfield
Non-executive directorships

- **1997-98** – Various positions, Toll Holdings
- **1998-2008** – CFO, Toll Holdings
- **2004-2007** – Non-Executive Director, Virgin Australia Holdings
- **2005-present** – Non-Executive Director, Chair of Audit & Risk Committee, Member of Nomination Committee, Seek
- **2007-present** – Non-Executive Chairman, Virgin Australia Holdings, Chair of Nomination Committee, Member of Audit & Risk, Remuneration, Safety & Risk Committees
- **2007-2012** – Non-Executive Director, Chair of Audit & Risk Committee, Member of Nomination & Remuneration Committee, Whitehaven Coal
- **2009-present** – Non-Executive Director, Chair of Audit & Risk Committee, Member of Nomination Committee, Transurban Group
- **2009-present** – Non-Executive Deputy Chairman, Chair of Health Safety & Environment and of Nomination and Remuneration Committees, Member of Audit Committee, Grange Resources

Becoming a non-executive chairman

For the transition to non-executive chairman, strong commercial knowledge must be combined with excellent interpersonal and communication skills. There are two aspects of the CFO role that respondents consider especially important to focus on.

1 Ensuring business decisions are grounded in sound financial criteria.

Deep commercial knowledge of the business and the ability to identify risks associated with the business proposition are critical to the chairman role, as is the need to communicate clearly the financial implications of any strategic decision.

2 Communication of strategy to external stakeholders.

Core to the chairman's role is the ability to ensure cohesion among board members, and communicate clearly with external stakeholders, and particularly investors.

Survey question: How important do you think the following elements of your *current role* will be to enable you to perform a role as chairman?

Percentage of those who believe these elements are **very important**

Source: survey of 800 CFOs

Becoming a non-executive chairman

David Grigson
Chairman, Trinity Mirror

- **2012-present** – Chairman, Trinity Mirror
- **2010-present** – Senior Independent Director, Ocado Group
- **2010-present** – Chairman, Creston
- **2009-present** – Non-Executive Director, Standard Life
- **2007-present** – Director/Trustee, Dolma Development Fund
- **2000-2008** – CFO, Reuters Group
- **1989-2000** – CFO, Emap

Alessandro Pansa
Non-Executive Chairman, Ansaldo STS

- **2011-present** – COO/CFO and General Manager, Finmeccanica
- **2005-present** – Non-Executive Chairman, Ansaldo STS
- **2004-2011** – CFO & Co-general Manager, Finmeccanica
- **2001-2004** – CFO, Finmeccanica
- **1999-2001** – Partner & Managing Director, Lazard & Co
- **1993-1999** – Senior Partner, Vitale Borghesi
- **1989-1993** – Various positions in Investment Banking Division, Banca Euromobiliare
- **1987-1989** – Various positions - Study, Economics and Planning Division, Credito Italiano

Kees Storm
Chairman of the Supervisory Board, KLM and Chairman of Anheuser-Busch InBev

- **1976-1978** – Finance Director, KSH
- **1993-2002** – Chairman of the Executive Board, AEGON
- **2002-present** – Member of the Supervisory Board, AEGON
- **2003-present** – Member of the Board of Directors, Baxter International
- **2004-present** – Chairman of the Supervisory Board, KLM
- **2011-present** – Vice-Chairman and Senior Independent Director, Unilever
- **2012-present** – Chairman of the Board and Member of the Audit Committee, Anheuser-Busch InBev

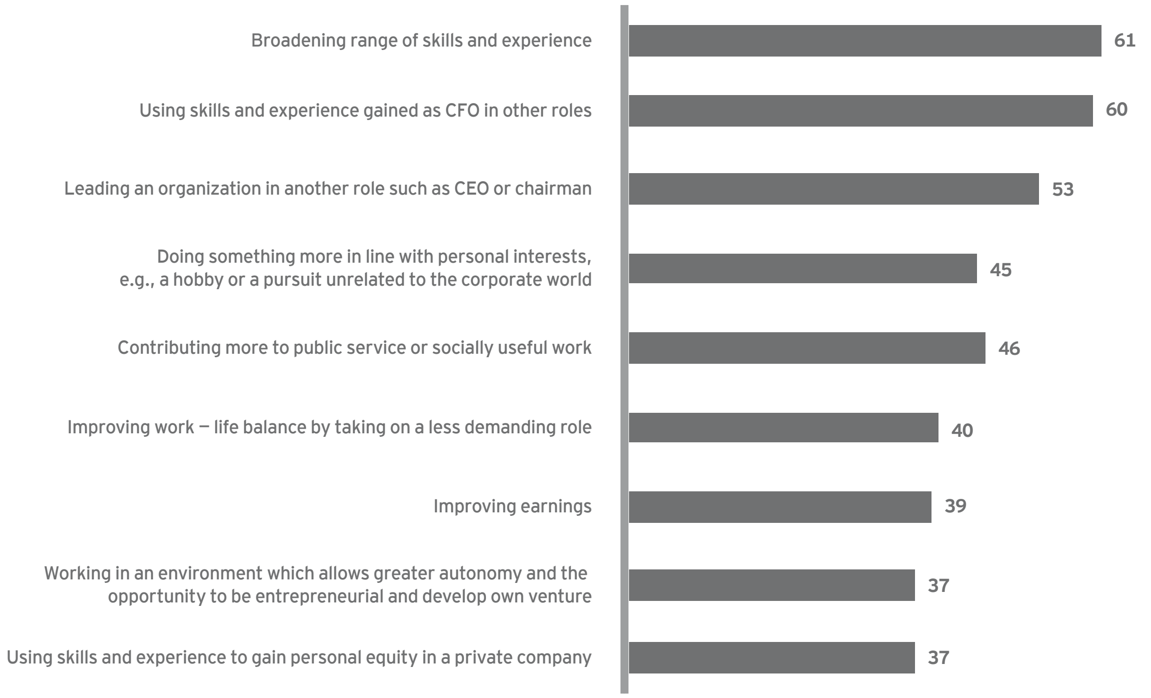
Thomas O'Staggs
Non-Executive Chairman, Walt Disney Parks & Resorts Online

- **1987-1990** – Investment banker, Morgan Stanley
- **1990-95** – Various positions in strategic planning, Walt Disney
- **1995-1998** – Senior Vice President for Strategic Planning & Development
- **1998-2010** – CFO, Walt Disney
- **2001-2006** – Non-Executive Chairman, Jetix Europe
- **2002-present** – Non-Executive Director, Member of Nomination Committee, Euro Disney
- **2010-present** – Non-Executive Chairman, Walt Disney parks and resorts online

Continued from page 27

A substantial 82% of survey respondents said that they would consider another role after fulfilling their CFO goals. When asked why, the majority cited the opportunity to broaden their skills and experience, and to apply the knowledge they have gained as CFO in other roles (Chart 13).

Chart 13. What would motivate you to take on a part- or full- time role after serving as a CFO? (percentage)



Source: survey of 800 CFOs

Sixty-two percent of the 347 large-company group CFOs in role in 2002 are either still CFOs today or the job was their last executive post.

In this chapter, we explore three paths

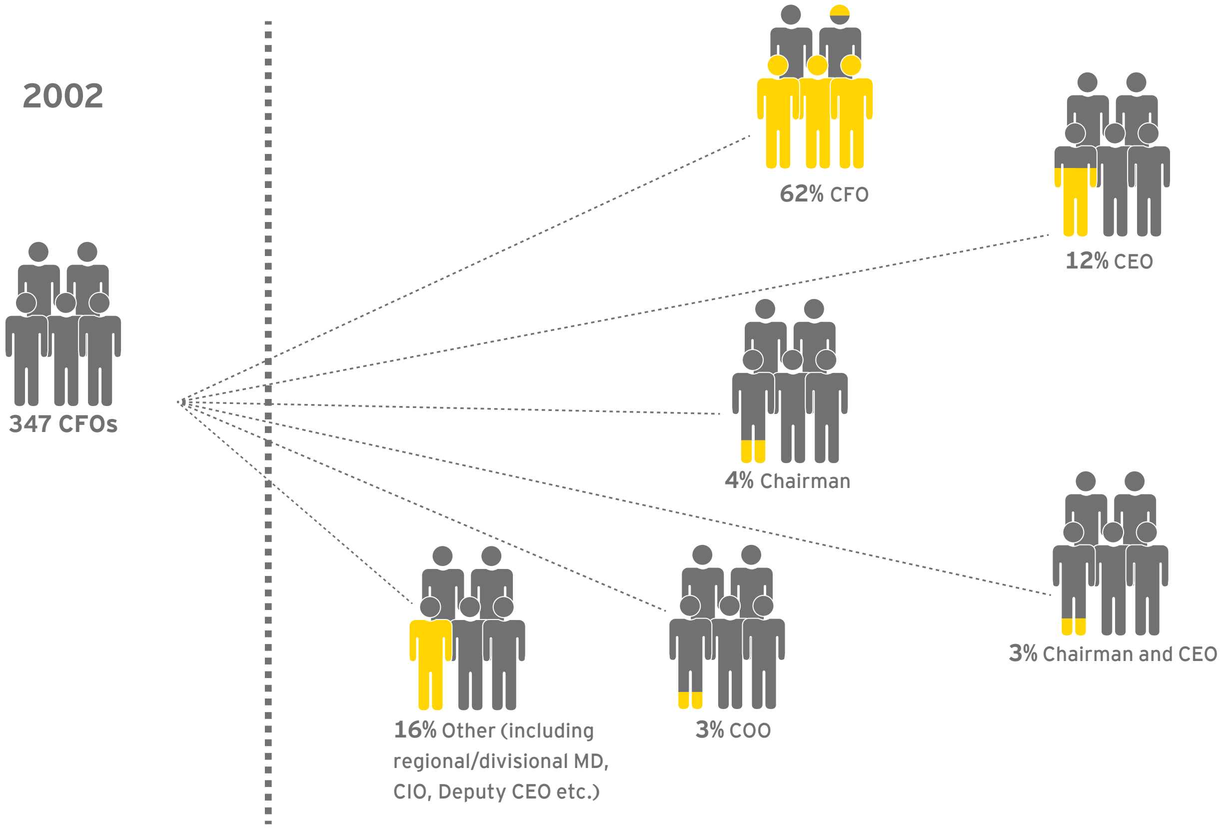
1. Becoming a CEO
2. Leaving the public sphere to become CFO of a private equity (PE) portfolio company
3. Taking on one or more non-executive directorships

CFO to CEO

Our *The DNA of the CFO* series found that the vast majority of finance leaders in EMEIA and Asia-Pacific see CFO as a destination in its own right; only 10% and 13% of respondents respectively harbored the ambition to become CEOs. Interestingly, this contrasted with the findings from the Americas study, where those CFOs interviewed were more likely to express a desire to move to the CEO role.

This desire to be a CFO first and foremost is further supported by the leading CFOs we researched for this study. Sixty-two percent of the 347 large-company group CFOs in role in 2002 are either still CFOs today or the job was their last executive post. Of the remainder, only 15% have become either CEO or CEO and chairman, 4% chairman and 3% COO. A further 16% had moved on to a variety of other executive roles, including deputy CEO, regional managing director and CIO (Figure 3).

Figure 3. Last executive role for the CFO class of 2002

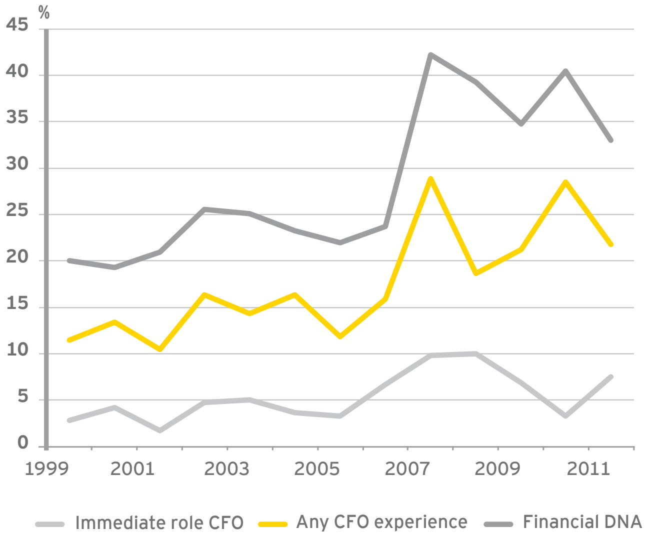


Source: desktop research into 347 large-company CFOs

While CFO to CEO is still a transition for the minority, as with non-executive roles, there are signs that financial expertise is becoming more valued as an attribute in CEOs. Research from recruitment firm Crist Kolder, shows that between 1999 and 2011 the proportion of CEOs who have "financial DNA" – which refers to experience in any finance capacity – in Fortune 500 and Standard & Poor's 500 companies, has risen from 22% to 33% (Chart 14).

Chart 14. Financial experience of newly named CEOs between 1999 and 2011

2011 Fortune 500 and S&P 500 companies

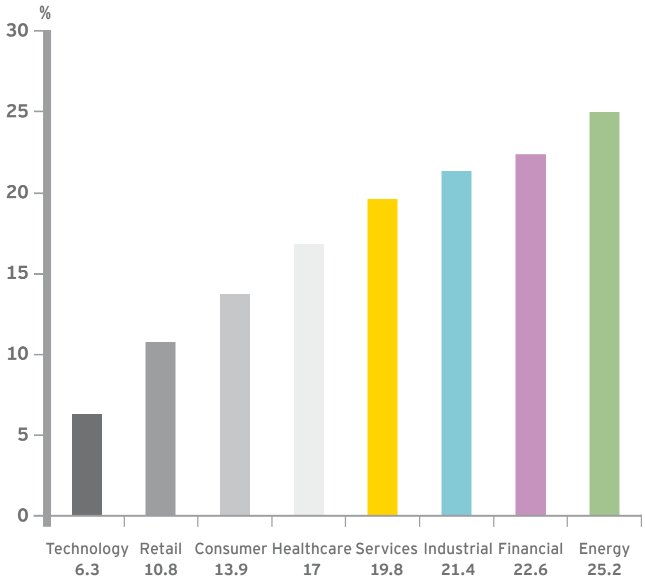


Source: Crist Kolder

The reasons CFOs are being increasingly valued in the CEO position are not dissimilar to the reasons they are being sought for non-executive director roles. First, many companies now face more significant regulatory challenges than at any time in living memory, and shareholders want confidence that the management team understands the implications of these pressures. In general, more heavily regulated sectors are more likely to have CEOs with CFO experience: energy and financial services companies are most likely to have former finance leaders in the CEO position, according to Crist Kolder (Chart 15).

Chart 15. Percentage of CEOs with CFO experience by industry between 1999 and 2011

2011 Fortune 500 and S&P 500 companies



Source: Crist Kolder

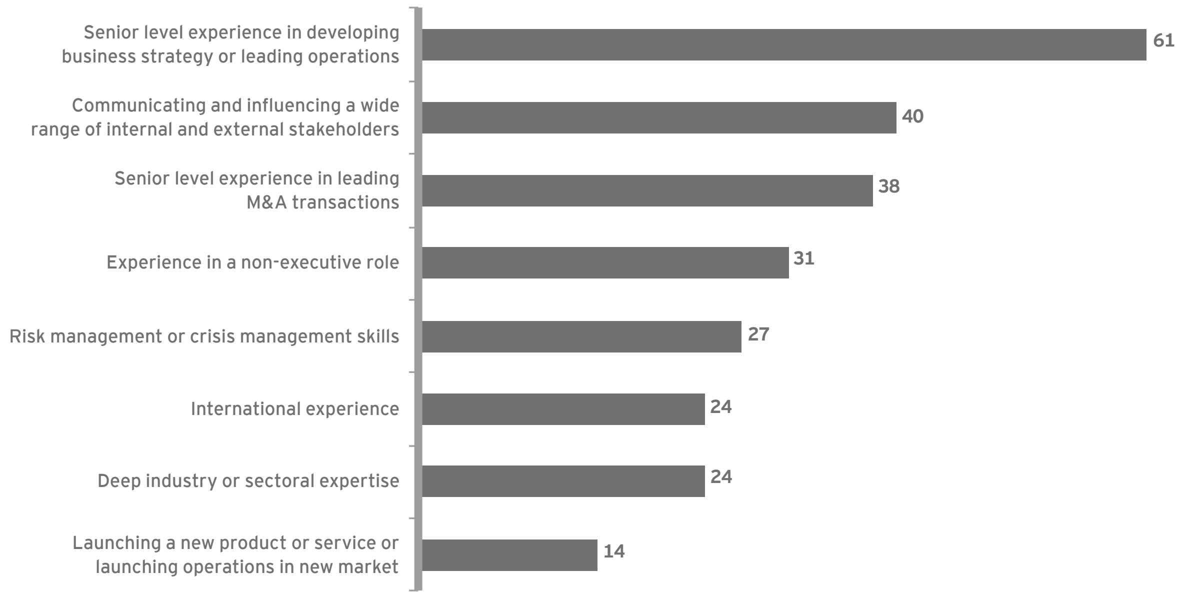
While CFO to CEO is still a transition for the minority, as with non-executive roles, there are signs that financial expertise is becoming more valued as an attribute in CEOs.

A corollary of this is that, in general, it is less common for CFOs to make the transition to CEO in industries that are very dependent on marketing or have a large public profile. For instance, in sectors such as consumer goods and retail, CEOs tend to come from a customer-facing background, perhaps having served as a chief marketing officer.

Second, the external environment has forced many companies to spend the past few years focusing on cost management, efficiency and managing risk — all core CFO activities. In the absence of growth opportunities in many developed economies, these bottom-line improvements have become a key source of value, leading a growing number of companies to lean toward appointing a former CFO to the top position.

Third, the CFO's evolving role makes them more capable of making the transition to CEO. Taking on strategic responsibilities, building broader commercial experience and working on their leadership abilities, means CFOs are much stronger candidates for the job. Our survey respondents cited the need to gain experience in developing business strategy and leading operations as the top priority if considering CEO as the next stage in their career (Chart 16).

Chart 16. If you were to consider a CEO role for the next stage of your career, which of the following skills and experience would you most like to develop further in your current role as CFO? (percentage)



Source: survey of 800 CFOs

The qualities of business partnership make for a good CEO candidate

The CFO who makes a good CEO candidate will already be heavily involved in commercial and strategic decisions, serve as a strong partner to the business and have a clear vision of the company's long-term strategy. "A cross-over CFO is one who is thinking about how to build the future of the business, is focused on leadership and considering how they can improve the customer experience," says Philip McHugh, CFO of Barclaycard.

Christophe de Margerie, CEO of Total, is a prominent example of a former finance professional who has made the transition. He sees developing strong operational experience and building close relationships with internal and external clients as keys to success. "You need to be able to help your clients to achieve their targets in the best way," he says. "A good CFO is not there to say 'no,' but to evaluate risks, assess their impact on the company and enable the business to achieve its goals."

Barriers to a transition to CEO remain

Even though the CFO to CEO transition is becoming more common, there remain barriers to success. One is that nomination committees and recruitment firms may retain outmoded perceptions of finance as a narrower role. "There is often a perception that finance people are mainly concerned with blocking or making things difficult for those in the business," says Mr. de Margerie. "This is unfair, but the reality is that CFOs who aspire to the CEO position need to challenge that perception."

Changing this perception requires CFOs to demonstrate that they are willing to take risks. As Dominique Thormann, Group CFO of Renault and CEO of Renault's captive sales finance unit, RCI Banque, explains, "There is a danger that former CFOs in an executive position can be too unwilling to take risks, simply because that is the way they have been trained." But if finance leaders can't shake off this trait, they are less likely to succeed. Thorman continues, "The business of the CFO is mitigating or eliminating risk, but if you don't take risks with your products, technologies or investments then you aren't going to produce a return."

A second danger is that, having become CEO, a former finance leader is unwilling to let go of their previous financial responsibilities. This not only undermines the new CFO, but can also have broader implications. "If you have a CEO who talks like a CFO, then the whole organization and the markets can lose confidence in the company," says Bhavesh Shah, Vice-President, Asia-Pacific at Johnson & Johnson. "When you move out of the finance function, you need to be very careful not to step on the new CFO's toes, because that will undermine not only his role but also the value that you bring to the company."

From listed to private equity

For a certain type of CFO, the transition from public listed company to PE can be very attractive. There are two main options: one is to become the CFO of a private equity portfolio company; the other is to work as an advisor or in an operational role within a PE firm itself. The former is more likely, because there are more of these roles available. Both of the PE executives we have interviewed for this report, however, have taken on roles in the latter category. These management roles will suit CFOs with a strong operational and M&A background, who are able quickly to get to grips with a wide range of different businesses across the portfolio.

The CFO of a PE portfolio company has the opportunity for significant financial rewards and can take a hands-on role in transforming a company. "The deal teams at a private equity house have a tremendous ability to analyze what needs to be done strategically, as well as a crystal-clear understanding of what is value creating and what is not," says Robbie Barr, COO at Terra Firma. "But implementing that in a commercial framework requires people who have the operational experience to execute and select the right management teams. That is a huge part of the skill-set that you pick up as CFO."

In addition, the entire process happens away from the glare of the public markets, and without the need for regular reporting requirements, such as the annual report or quarterly earnings. But, as Mr. Barr explains, this is only swapping one form of scrutiny for another. "By going into a portfolio

“If you have a CEO who talks like a CFO, then the whole organization and the markets can lose confidence in the company.”

Bhavesh Shah, Vice-President, Asia-Pacific at Johnson & Johnson

company you get to avoid the public scrutiny, and that means that you are able to build a business for the longer term without people worrying about quarterly reporting,” he explains. “But you replace that with a lot of pressure from the PE house to justify operational decisions, for example the requirement to produce detailed analysis before you are able to deploy capital expenditure. And some people find that scrutiny very intrusive.”

When recruiting a CFO to a portfolio company, PE houses are typically looking for a very specific combination of skills and capabilities. Candidates need deep technical financial knowledge because, when stepping into the role, they are likely to acquire complex financing and lending arrangements. At the same time, a good PE CFO also needs to have broader strategic vision, and the ability to handle large M&A transactions and lead integration efforts.

Candidates who combine both of these capabilities are rare. CFOs from smaller companies may be closer to the numbers because the finance function is smaller and less specialized, but they are less likely to have experienced large-scale M&A and integration. Equally, listed-company CFOs may have the big-picture strategic vision, but most will have long since stepped back from the more technical aspects of the role. “People from a PLC background are used to having a team of people who do the numbers,” says Caroline Ross, Director of Ernst & Young’s Private Equity Key Executive Program, which connects candidates with those looking to fill executive roles in the PE sector. “You’re not necessarily going to have that in a private equity-backed business.”

The nature of the asset will determine the right CFO for the job

In addition, a PE house will be seeking specific experience in a portfolio CFO that will depend on the nature of the asset. Often, the company will be in a turnaround situation, so the new CFO will be required to make quick decisions and turn a loss into a profit. “CFOs at a turnaround company need to be robust, quick and able to make difficult decisions,” says Ashley Whipman, a Director of Robert Half Management Resources. “That takes a certain type of CFO who is comfortable with stress, who can identify where problems are and then fix them.”

In other cases, the asset may be in better shape but the PE house will have a specific improvement goal in mind, such as investing internationally or creating new routes to market. In those situations, a “business partnering” CFO who can help to effect that change will be in demand.

When a PE company acquires a business, it will often replace the incumbent CFO with someone who has PE experience. This begs the question of how CFOs from listed companies gain the initial experience necessary to position themselves for these roles. “It can be difficult to get into the club in the first place, but, once you are in, you do find that people move between jobs and across different sectors,” says Ms. Ross, who suggests that interim roles in PE can be one way to gain the necessary experience. “Sector experience can be less important than knowing how to operate in a highly leveraged private equity environment.”

PE culture can take some adjusting

CFOs who do succeed in making the transition are likely to find few similarities between the PE environment and that of a public company. Part of this is driven by the goals of the deals themselves. Rather than building value over the long term, and reporting to external shareholders, the priorities are typically to make an exit and meet challenging internal targets.

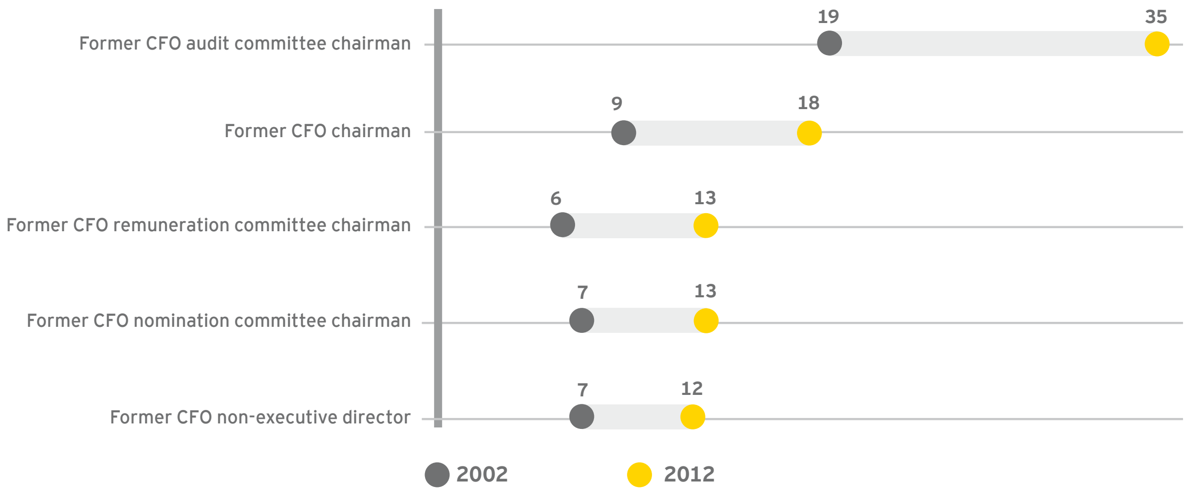
The culture is also one where data and analysis are core to any decision. This suits certain types of CFOs, but those who are accustomed to pushing through decisions and are uncomfortable with dissent may find the environment frustrating. “The way things are discussed in a PE environment is very, very data driven,” says Mr. Hare. “Nobody makes a decision until they’ve explored all the options, and the answer is always something that is derived from that analysis. It’s not about trying to pitch your point of view and win people over. In fact, there is a deep suspicion of people who reach a conclusion too quickly.”

With the days of large leveraged deals now in the past, and the returns from PE less certain, CFOs also need to consider carefully the risks of making the jump. The success of a PE deal now depends less on financial leverage and much more on operational improvements, but these can be difficult to achieve. "You can end up in something that goes nowhere, with the added problem that you have your name associated with that," says Ms. Ross. "It's an exciting environment and, if it goes well, you will do very well financially, but you have got to have that tolerance of risk."

Non-executive directorships post-CFO

CFOs' training and background make them ideally suited to take on one or more non-executive directorships once they have achieved their ambitions in their executive role. Over the past decade, there has been a substantial increase in the percentage of board directors who are former finance leaders. Today, 12% of board directors at the 347 companies studied for this report are former CFOs, compared with 7% in 2002. Chairman and audit committee chair emerge as particularly popular destinations (Chart 17).

Chart 17. Percentage of former CFOs in non-executive director positions, 2002 and 2012



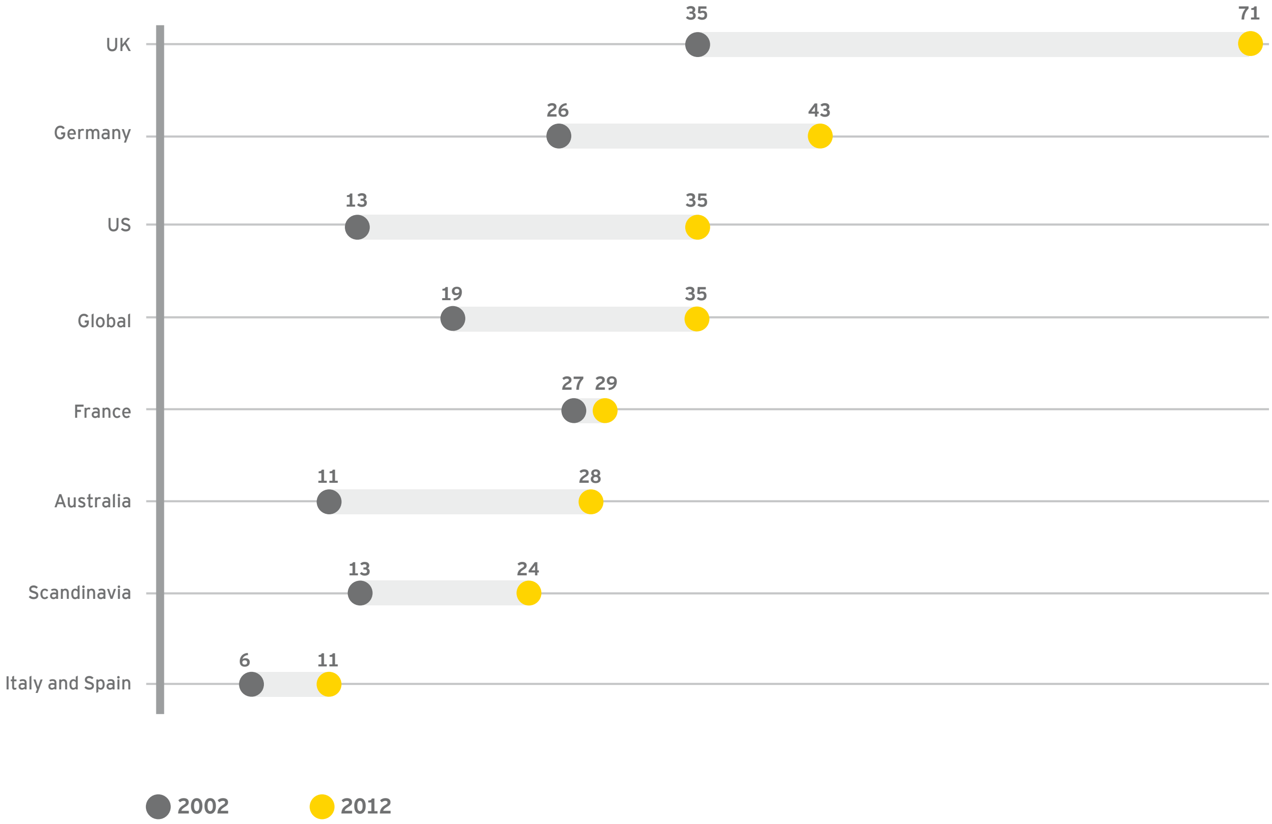
Source: desktop research into 347 large-company CFOs

"CFOs at a turnaround company need to be robust, quick and able to make difficult decisions. That takes a certain type of CFO who is comfortable with stress, who can identify where problems are and then fix them."

Ashley Whipman, Director of Robert Half Management Resources

At a country level, the changes are even more striking. In the UK, the proportion of audit committee chairmen who are former CFOs has doubled from 35% to 71%, while the US has gone from 13% to 35% (Chart 18).

Chart 18. Proportion of audit committee chairs at 347 of the world's largest companies who are former CFOs in 2002 and 2012



Source: desktop research into 347 large-company CFOs

CFO to non-executive chairman

Although it is still relatively unusual for a chairman to be a former CFO of the same company, Mr. Pierce argues that individuals with a finance background are increasingly being seen as strong candidates for the leader of other company boards. Part of the attraction of CFOs is that they are typically recognized for having strong values, ethics and integrity. Communication is also a core part of their role, although one that CFOs have identified in our previous studies as the area where they most need to improve their skills. "The CFO's role involves coordinating the senior management team and encompasses group skills rather than leadership for the sake of leadership," says Mr. Pierce. "Those skills are also very important for the chairman, who needs to be a team player, to have empathy with individuals and only act when they find evidence based on questioning."

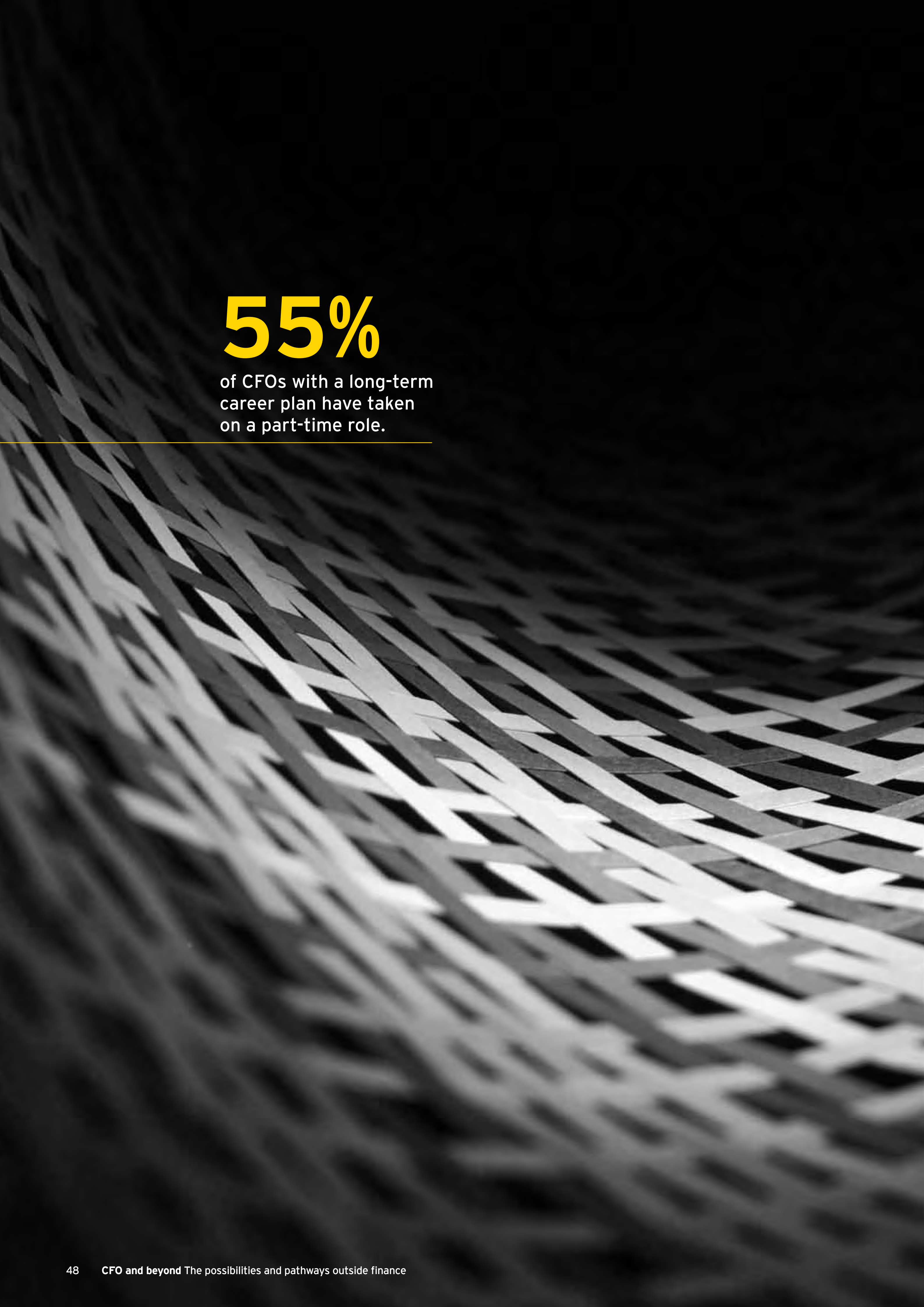
The portfolio route

Although personal preferences vary, a typical approach for a former CFO seeking a portfolio director career is to seek out a range of positions. "Once they go plural, we tend to see that those non-executives who were formerly CFOs will look for a collection of roles that include one FTSE 100, one FTSE 250, one smaller business, and something in the charitable or public sector," says Mr. Emerton. "This gives them range and breadth and helps to keep the roles interesting."

CFOs hoping to build a portfolio of board directorships should plan for this transition as early as possible. "Taking on a non-executive role while still serving as an executive enables you to see the bigger picture and provides a valuable lesson in how boards work," Mr. Grigson says. "When it comes to making the decision about moving into a portfolio of roles, you have got a reference point that you can use to make the right choices."

"Once they go plural, we tend to see that those non-executives who were formerly CFOs will look for a collection of roles that include one FTSE 100, one FTSE 250, one smaller business, and something in the charitable or public sector."

Richard Emerton, Managing Partner, Board and CEO Services, EMEA, Korn/Ferry



55%

of CFOs with a long-term career plan have taken on a part-time role.

5

How to maximize your chances of securing a place on the board

"You need to have a destination in mind and be practical about what is required… to get there."

Lawrie Tremaine, Executive Vice-President and CFO, Woodside

Those who are interested in the opportunities open to them as a complement to their current role or as an onward step, need to plan ahead. While CFOs are in demand for roles beyond finance, competition for the top board positions is fierce and getting fiercer. As regulatory requirements heighten, younger candidates join the fray, and board expectations increase, career planners will win over opportunists for a place on the shortlist.

How to maximize your chances of securing a place on the board

Part-time board positions are a necessary part of career planning

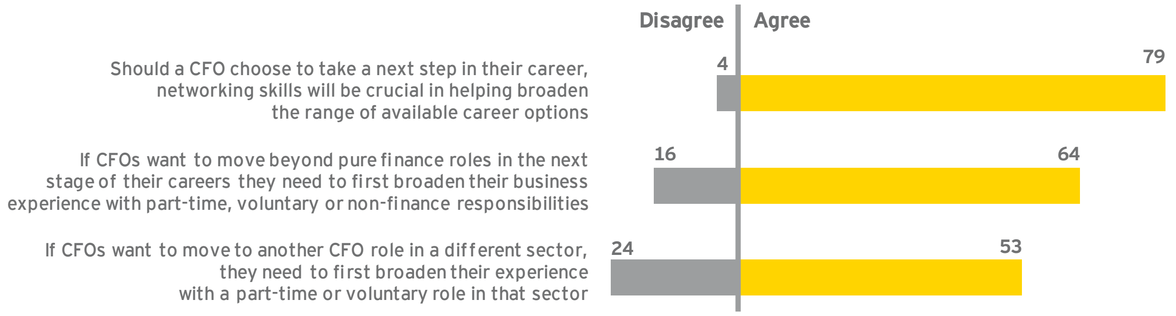
Supplementary roles, such as non-executive directorships, can play a valuable role in helping CFOs prepare for an onward step while they are still in the finance function. Almost two-thirds of respondents agree that, if CFOs want to move beyond a pure finance role, they need to broaden their business experience with part-time responsibilities (Chart 19).

Our research also suggests that CFOs who plan for the future are more likely to be securing supplementary positions. More than half of long-term career planners have taken on part-time roles, compared with just 29% of those with a short-term plan and 16% of those who have no plan at all (Chart 20). These planners are also much more likely to take a broader view of the type of positions they might take on, with a clear correlation between their tendency to plan and the likelihood they hold a non-executive director role in a different sector, a role as a charity trustee, a policy advisor or a leadership role in industry.

"You need to have a destination in mind and be practical about what is required to develop the skills and experience you need to get there," says Lawrie Tremaine, CFO of Woodside, Australia's largest independent dedicated oil and gas company. "That means taking a proactive approach to figuring out what is lacking on your CV and then going out to get it. It never ceases to amaze me just how many people do not have that plan in place and abdicate responsibility for their own career development."

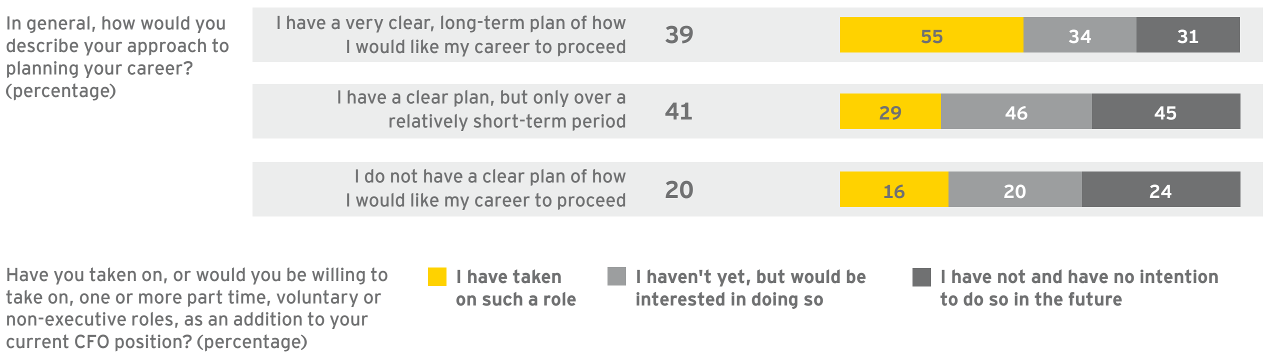
The 61% of CFOs with only a short-term plan or no plan at all suggests that many finance leaders are opportunistic in their career approach (Chart 20). However, it's likely to be the long-term planners who are appointed to boards, having acquired depth and diversity in the skills and experience they can offer.

Chart 19. Do you agree with the following statements? (percentage)



Source: survey of 800 CFOs

Chart 20. Correlation between the tendency to career plan and part-time roles



Source: survey of 800 CFOs

"Any search firm is going to Google you, and will want to see that you are out and about and well-known."

Susan Stautberg, President, PartnerCom Corporation

Eight steps to preparing for a place on the board

The precise experience and skills that a finance leader needs for an additional role will obviously depend on the position in which they are interested. However, in general, our research suggests that there are eight key ways for CFOs and future finance leaders to make better career decisions and maximize their attractiveness for executive and non-executive positions:

1. Develop a coherent CV

Boards and nomination committees are increasingly adopting a more strategic approach to hiring to achieve the right mix of experience on both the management team and board to fulfill the company's long-term goals. This means that recruiters are now often looking for particular experience, such as M&A, capital markets or rapid-growth markets.

"When planning your career, it often makes sense to keep to a broad theme on your CV, where the roles that you take on and your key areas of focus have some similarities between them," says Ms. Ross. "If you have deep experience of a particular domain, such as M&A, then this will give you a good chance of being matched up with certain positions on certain boards."

2. Take on roles outside finance — and even business

Board roles on charitable trusts, government taskforces or cultural institutions can help CFOs to develop important skills to take them toward their next career goal, as well as providing rich and fulfilling experiences in their own right. These roles provide valuable exposure to another sector, access to new networks and experience of group dynamics. A move outside the comfort zone into a non-finance role, whether in business or not, also demonstrates a willingness to gain a broader perspective. "Spending time on the board of a charitable organization gives you a good experience of how boards interact, and teaches you how to keep your knowledge about an organization current when you are only meeting several times a year," says Mr. Berquist. "It also gives you experience of stepping back and the shift in mindset that is required for board positions rather than trying to run everything."

3. Build networks

In recent years, boards have taken a more transparent and independent approach to recruiting directors. But nevertheless, to be considered for directorship roles, it still helps to have the right contacts among senior business leaders. CFOs should nurture these networks through trade associations, conferences, industry meetings and part-time roles. "Word of mouth is still a significant factor that will determine whether or not you are on a list for a board appointment," says Mr. Johnson.

4. Develop a personal profile

In the past, CFOs have been accused of not doing enough to build relationships with the outside world. This is changing, but a CFO seeking a directorship or onward executive step should still work on building a public profile for themselves that extends beyond their core role. "Any search firm is going to Google you, and will want to see that you are out and about and well-known," says Ms. Stautberg. "You need to demonstrate not only that you are a leader in your field, but also someone who can think broadly beyond the CFO role."

5. Gain international experience

Companies increasingly expect board directors and senior executives to have spent time in different countries, as Mr. Pierce explains. "Group CFOs increasingly need to be people who have traveled and been exposed to multiple ways of looking at similar problems. There is a lot of training taking place in cross-cultural awareness and empathy, so CFOs who have those skills already will be at an advantage." Experience of rapid-growth markets is particularly desirable.

6. Build relationships across the business

CFOs who enjoy a wider range of potential career opportunities and are most in demand for executive positions are those who can demonstrate breadth, by having moved beyond the traditional finance role to assume wider business and commercial responsibilities. "Every time I saw an opportunity for me to get involved with the business I would take the initiative, rather than just sit on the periphery and look at it only from a limited financial perspective," says N.P. Singh, who moved from a CFO role to a COO position at Sony

Entertainment Network. "You have to be a good business partner for the CEO and COO of the company, broaden your horizons and look beyond the numbers."

7. Don't get stuck at headquarters

Finance professionals who have yet to reach the group CFO position should ensure that they get a range of experience, both at headquarters and in country roles. Spending time in a country role will give finance professionals greater exposure to the commercial aspects of the business, and the ability to deal with a broader range of issues that will provide valuable experience for future executive or non-executive roles. "As you go further away from headquarters, the finance role tends to be broader," says Mr. McHugh. "You are working closely with the managing director and you're making commercial decisions.

8. Start planning early

It is never too early to start planning the next step. CFOs who spend their entire careers in the finance function will be at a disadvantage to those who have taken a more structured approach to career planning. Not every CFO will be able or willing to take on a part-time position, but it is very useful for those with ambitions beyond pure finance, and can afford the time, to do so.

However, some caution and forethought is essential, as Birgitta Kantola, Independent Director at Stora Enso, explains. "A board role requires deep experience, because you have to have the confidence to speak up and the ability to provide valuable input to the discussion. If you take a board position too early, you will place yourself at a disadvantage and it may harm your career over the long term because you are not ready."

The board of the future

Over the past decade, the role and responsibilities of non-executive board members have changed radically. The accounting scandals at Enron, WorldCom and elsewhere precipitated a regulatory backlash, and have placed greater pressure on board members to demonstrate that they are providing the right oversight. This has made the role of the board member more rigorous and demanding, and increased the need for financial, risk and regulatory expertise among directors.

The ever-changing nature of the board role has significant implications for those who are planning to take on these positions in the future. A finance professional hoping to take on a portfolio of directorships in 10 years' time cannot assume that the scope and responsibilities of the role will be the same as they are today. So, what does this mean for those who want to plan for the long term? What skills and experiences should they be acquiring now, and what types of individuals will be most in demand?

Demands on non-executive directors will increase

Over the next decade, directors will be expected to contribute more time and effort to their role, as Andy Hines, a Lecturer and Executive-in-Residence at the University of Houston's Graduate Program in Futures Studies explains: "Rather than simply 'looking good on paper,' board members will provide greater value to companies as a source of external advice and input."

Prestige no more: functionality will drive board composition

As the director role becomes more demanding, it will become increasingly difficult for serving CFOs to fulfil part-time board responsibilities, and boards will think more carefully about the skills and capabilities that they need from a director. "Companies will want a more functionally oriented board, with an emphasis on specific skills, capabilities and styles of thinking," says Mr. Hines. "So, instead of compiling a suite of external directors based on the prestige of the individual and the organizations they represent, boards and nomination committees will seek to put together teams that comprise a matrix of skills, capabilities and experience that fit their intended focus and strategic priorities."

Social responsibility will bring a greater mix of perspectives

As companies come under increasing pressure to demonstrate social responsibility across a variety of different dimensions, there will be a corresponding pressure for boards to reflect these trends. "You might start to see adversarial groups that normally would oppose the organization, or may have radically different views, joining the advisory board," says Mr. Hines. "These constituents, which might include non-governmental organizations as well as shareholders, could bring a really valuable perspective that senior leaders rarely hear."

An international board to bring an international outlook

Mr. Hines also predicts that there will be a more international mix on boards, with much greater fluidity of membership between developed and rapid-growth markets. Companies in developed markets will increasingly seek out board members with experience of rapid-growth markets, including language skills. And companies in rapid-growth markets will seek out board members who have a background in developed markets, to help them determine the right choices for entering these markets. "We may also see the location of board meetings, and indeed corporate headquarters themselves, shift to the parts of the world where growth prospects are most promising," he adds.

Technology skills will be a differentiator for potential board members

As technology plays an increasingly important role in decision-making, there will be a growing need for directors who have knowledge of these tools and their application. Over the next decade, companies are likely to become more reliant on analytics to frame their decisions, and to create a more forward-looking view of the world. Boards will need individuals who can apply this knowledge, and use it to challenge management's thinking. There will also be growing need for board members who understand the business implications of highly dynamic technologies, such as social media.

The use of technology will also have a growing impact on the relationship between the company and its shareholders. Investors and other stakeholders are no longer likely to be willing to wait for the next quarterly report, and will expect real-time availability of information that they can manipulate in a variety of ways. "Rather than trying to manage what information is provided to stakeholders, companies will need to empower them as part of the conversation," says Mr. Hines. "Boards will need directors who can manage those relationships, and ensure that the right information is going to the right people at an appropriate time."

Boards will drive the shift toward longer-term business planning

As companies seek to reignite growth strategies over the next few years and rebalance their assets between developed and rapid-growth markets, there is likely to be renewed debate over the balance between short-term performance and the long-term health of the business. "Board directors will be at the heart of this debate, and will need to work with management and shareholders to determine the best balance between these forces," says Mr. Hines. "And I would be shocked if, in 10 years, we hadn't moved on from today's extreme short-term focus to a more nuanced approach that factors in long-term considerations to a much greater extent."

Diversity on boards

In recent years, boards' recruitment processes have become more rigorous, driven by a need to demonstrate greater transparency and strong governance practice.
As Mr. Emerton from Korn/Ferry comments: "Most boards now take a systematic approach to considering the challenges the management team will face over the next few years, and the types of experience sthey need around the board table to help management meet those challenges."

Boards are now under great pressure to increase the diversity of their composition — and particularly gender diversity. Although some progress has been made on this, it has been frustratingly slow. In 2002, 89% of the board members of the 347 large companies researched for this study were male. A decade later, this share has only shrunk to 79% (Figure 4).

Figure 4. Proportion of men on boards of the 347 large companies researched, 2002 and 2012

Source: desktop research into 347 large-company CFOs

Some countries have introduced quotas for women on boards in order to fast-track change. In 2003, Norway introduced a requirement for companies to have boards with at least 40% female membership. Other European countries, including France, the Netherlands, Italy, Belgium and Spain have followed suit with similar legislation. The European Commission is also proposing new rules that will require companies to reserve at least 40% of their board seats for women, although a vote on these proposals was postponed in October 2012.

Quotas certainly have a noticeable impact on increasing boards' gender diversity. Norway now has the largest percentage of female board members in the world at 36%, compared with just 4.5% in Italy and 2.3% in Portugal. Nevertheless, quotas remain controversial and many corporate governance experts worry that boards may become less effective because individuals are chosen due to their gender rather than their talents.

Beth Brooke, Global Vice Chair of Public Policy at Ernst & Young, recommends a self-regulatory approach, whereby companies set their own aspirational targets that are both stretching and appropriate for their circumstances, and then publicly report their progress against them. This can then be combined with board-level mentoring and sponsorship as well as networking and training to accelerate the rate at which women attain board positions. "One of the obstacles women face as they seek senior management or board positions is the absence of proactive support and mentoring from members of company boards," she says. "Therefore, senior leaders, both male and female, need to personally sponsor women by reaching out on their behalf and recommending them."

Diversity beyond gender

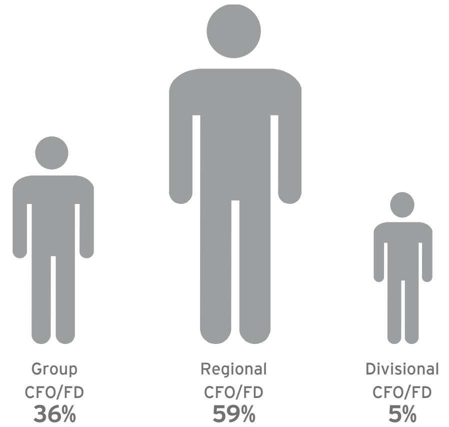
Gender balance is just one aspect of the diversity debate. "Boards need to hear different points of view, and that means that they need representation that is multi-gender, multi-ethnic, multi-institutional, multi-national, multi-regional and multi-generational," says Ms. Stautberg. "You need people on boards who reflect the diversity of the customer and employee base, because you can't compete if you operate in an echo chamber where everyone thinks alike."

Diverse representation also improves the chances of diverse thinking. As Andrew Hobbs, Associate Partner in Ernst & Young's Regulatory and Public Policy practice, explains, "The board should not always be a comfortable place. For a board to be effective, you need to create an environment where people can independently challenge decisions. By ensuring that you have diversity on boards, and a way for people to express that diversity, companies are much more likely to reduce the homogeneity that can hamper effective decision-making."

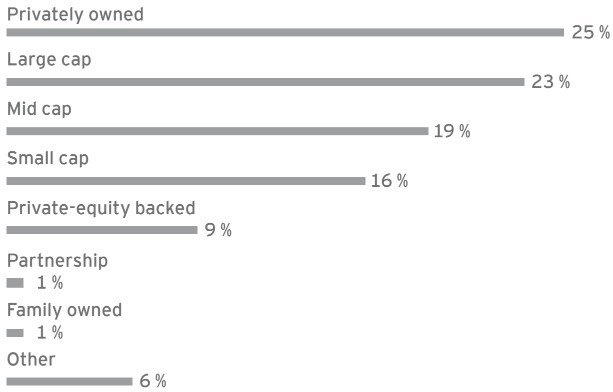
Survey demographics

One of the sources for this report was a survey of 800 CFOs world-wide. The following charts show the profile of these CFOs and the organizations they represent.

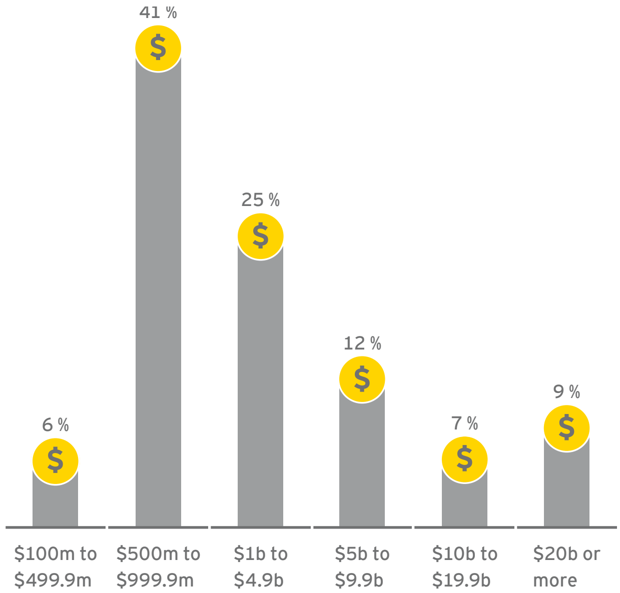
Job title



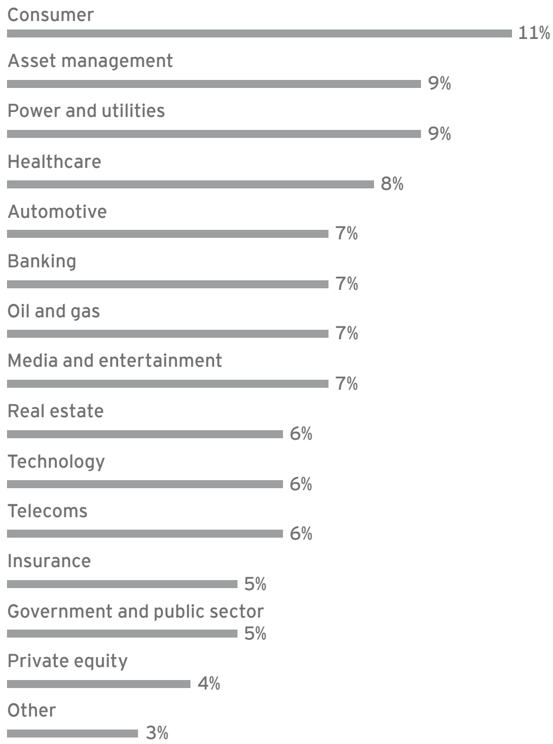
Company type



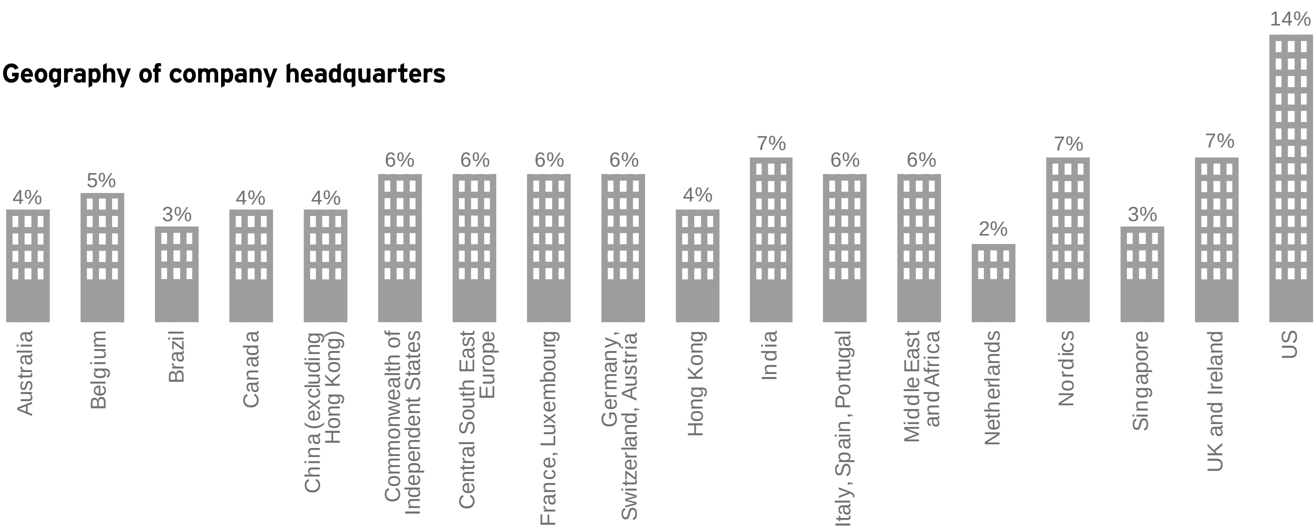
Global annual revenues



Sector

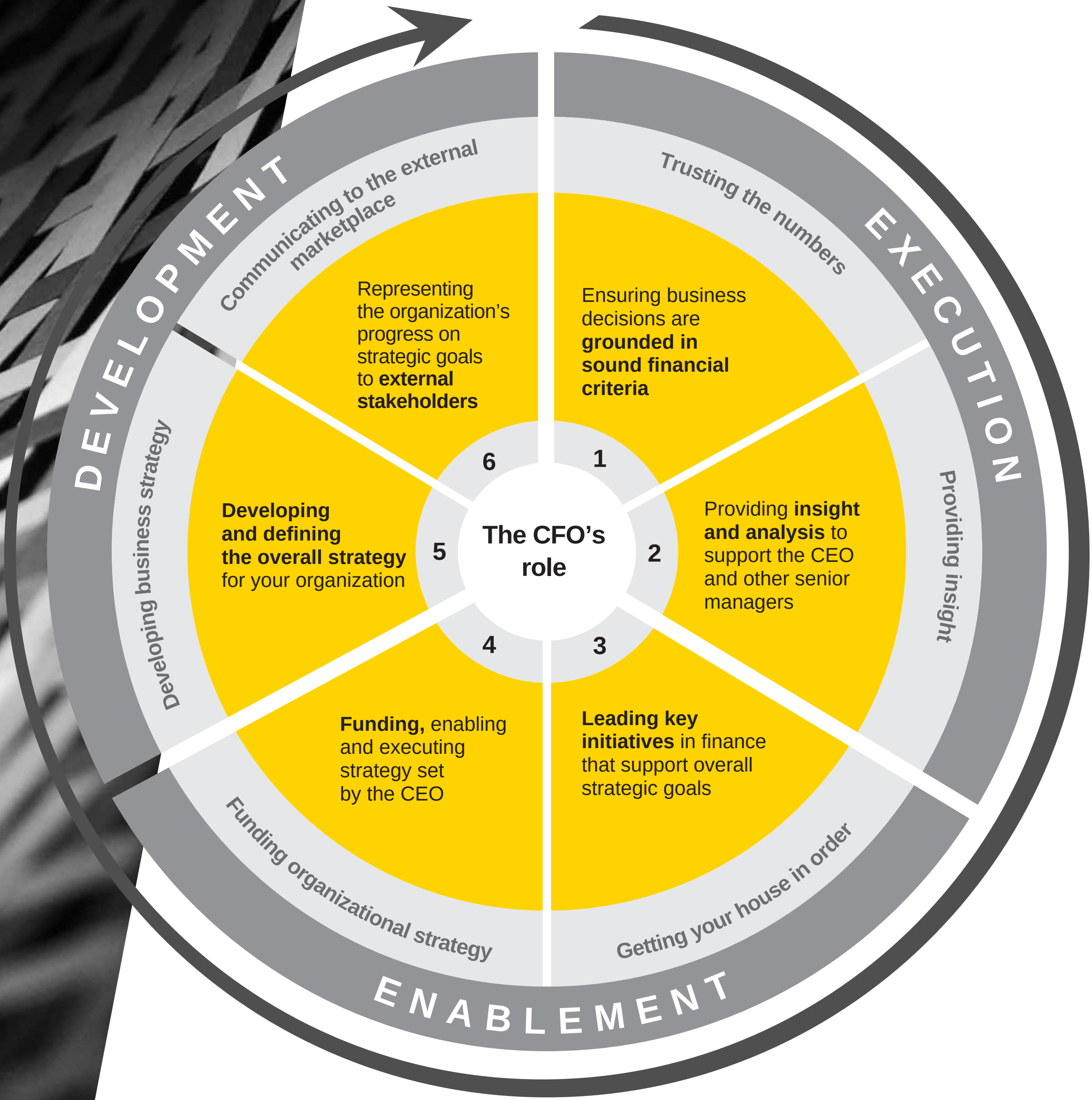


Geography of company headquarters



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.



DEVELOPMENT
EXECUTION
ENABLEMENT
Communicating to the external marketplace
Trusting the numbers
Providing insight
Getting your house in order
Funding organizational strategy
Developing business strategy
The CFO's role
1
Ensuring business decisions are **grounded in sound financial criteria**
2
Providing **insight and analysis** to support the CEO and other senior managers
3
Leading key initiatives in finance that support overall strategic goals
4
Funding, enabling and executing strategy set by the CEO
5
Developing and defining the overall strategy for your organization
6
Representing the organization's progress on strategic goals to **external stakeholders**

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

Ensuring business decisions are grounded in sound financial criteria

Core skills

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

Core knowledge

- 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

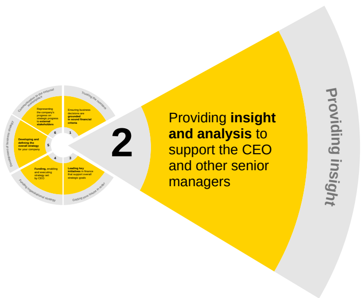
Key experiences

- Business case appraisal
- Benefits tracking and realization
- Experience in pricing and profitability analysis
- Cost management
- Planning and forecasting

Key relationships

- 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

- 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

Core knowledge

- Knowledge of the organization's business
- Detailed knowledge of products/service lines
- Awareness of market trends, risks and issues
- Knowledge of key performance indicators (KPIs) in relation to the strategic plan
- Business performance management
- Knowledge of competition performance

Key experiences

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

Key relationships

- 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

- 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

Core knowledge

- 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

- 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

Key relationships

- 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 the CEO

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

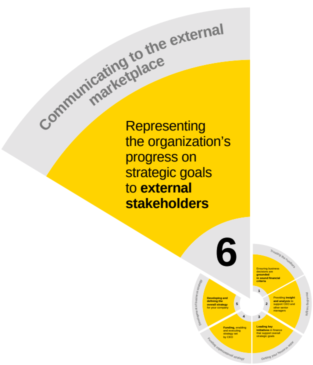
Key experiences	Key relationships
• Involvement in determining funding requirements • Securing funding for operations and major projects • Management of working capital • Implementing financial risk management strategy e.g., interest rate, foreign exchange and market risk • Developing strategic plans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

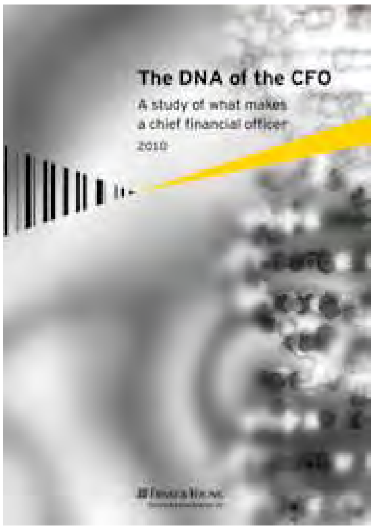
Key experiences	Key relationships
• Preparation of financial information for external publication and communication to the capital markets • Dealing with parties external to the organization • Engaging with media • Managing relationships with external auditors • Managing resolution of key accounting and control issues	• Chief Executive Officer • Chairman • Executive and non-executive boards • Other key governance committees e.g., audit, remuneration • External auditors • Media and Investor Relations • Regulators

Our CFO program

This is one of a series of studies from our CFO program, which we hope brings something different to the CFO of today and tomorrow. The program provides insight and guidance on aspects of personal interest to the CFO as they seek to develop themselves, their teams and learn from others within their community. Other publications from the program include:

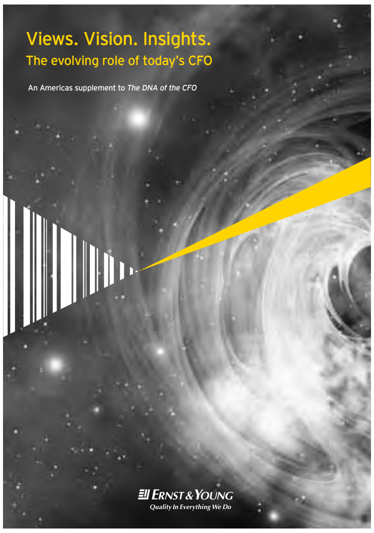
The DNA of the CFO series

EMEIA



The DNA of the CFO
A study of what makes a chief financial officer

Americas

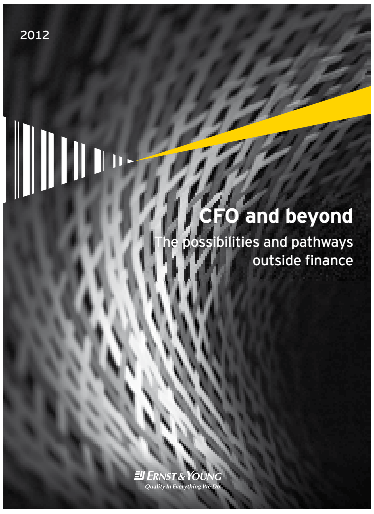


Views. Vision. Insights
The evolving role of today's CFO

Asia-Pacific

The DNA of the CFO
Shifting up a gear: From core finance to corporate strategy

Finance forte
The future of finance leadership



CFO and beyond
The possibilities and pathways outside finance

The Master CFO Series

This series is a collection of studies on particular events and experiences which CFOs will encounter as part of their role. Previous titles include:

Vol. 1
Back seat or center stage?
CFOs and the media

Vol. 2
What lies beneath?
The hidden cost of entering rapid-growth markets

Vol. 3
A tale of two markets
Telling the story of investment across developed and rapid-growth markets

Vol. 4
Drought or drowning?
Cash challenges for CFOs at both ends of the liquidity spectrum

Contacts

For further information about any of our CFO reports, or on our broader program of investment in CFOs, please go to www.ey.com/cfo or contact:

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