

THE GLOBAL FIFTY

Perspectives of Leading Chief Financial Officers

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We would like to single out several people who have been highly important to the creation of *The Global Fifty* white paper: Matt Christoff, a colleague whose determination provided the impetus, Joel Von Ranson, a colleague who assisted in many of the interviews, and Matt Hepler, who provided needed organizational support.

The complexities of managing global businesses today place extraordinary demands on corporate executives. Tackling global competitive dynamics, fostering innovation, nurturing markets, financing growth, building shareholder value, addressing the needs of internal and external constituents, and attending to talent development and retention require far more sophistication — across a broader range of knowledge — than was necessary a generation ago. As a result, in recent years, executive roles have been forced to evolve and, in some instances, change dramatically.

The Global Fifty is an ongoing series of papers that investigate current business topics, relying on real-time experiences of leading international executives. Going beyond best practices, these reports probe trends, examine unique organizational solutions and distinctive leadership styles, and bring to light the essence of those executive relationships that are making a difference and driving distinguishing results. By approaching recognized leaders, we have connected with the best-in-class and learned from those who are exceptional, those who are out ahead and those who are leading the way.

In developing the first of the series, *The Global Fifty: Perspectives of Leading Chief Financial Officers*, we had in-depth discussions with financial officers around the world: approximately 50 noted executives who are at the center of influence in their companies and who have a unique perspective on the change in responsibilities of the chief financial officer (CFO) and the credentials required for success. Discussions were led by Spencer Stuart's Carolyn Eadie (London) and E. Peter McLean (New York), leaders of the firm's Financial Officer Practice. Four themes emerged from the discussions, each of which is developed in detail in this white paper:

- I. Leader in enterprise excellence: CFOs at the center of influence
- II. Today's priorities: The regulatory environment and beyond
- III. Success has variety: Essential qualities, traits and experiences
- IV. Replenishing the gene pool: Developing future financial leaders

I. Leader in enterprise excellence: CFOs at the center of influence

Key strategic player

The most dramatic role change in the corporate suite in the past decade has been the emergence of the CFO as central to strategic and operational debates and decisions. CFOs have become catalysts of corporate change and leaders in the pursuit of excellence. As the independent party to discussions, today's CFO is the resident de facto "financial conscience" of the team, the arbiter with the final say on financial treatments and interpretations.

Contemporary CFOs have moved to the center of influence, continuing to serve in the traditional role of technical expert in finance, accounting and capital structure, yet now playing a key role by providing operational insights and knowledge of the competitive landscape. CFOs have emerged as respected chief advisors to their management teams and CEOs, principally because they combine an understanding of finance with an appreciation for the drivers of shareholder value. It is not enough for a large company's CFO to exist as the in-house expert on financial matters, focused solely on the balance sheet and P&L. To be fully effective, CFOs also must understand the changing dynamics of the big picture, a skill that, until recently, was mostly associated with the role of either COO or CEO.

John G. Buchanan, former CFO and board member of BP, indicated that although his keen financial sense and expertise were respected, he was appointed to the CFO position primarily because of his broad commercial view. Warren C. Jenson, currently EVP and

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Warren C. Jenson, EVP/CFAO of Electronic Arts

chief financial and administrative officer (CFAO) of Electronic Arts, voiced a similar view. “The real value of finance is not in reporting, but rather, in understanding what’s driving the numbers and providing true operation insights, including a sense of external market issues and internal operating trends. Lots of people can add the numbers. That’s not what creates value.” Richard C. North, former financial director and now CEO of Six Continents, indicated, “The impact of the CFO depends on understanding the strategic debate. The CFO sets the financial strategy in conjunction with the board and operates at the macro-level.”

But before tackling the strategic agenda, both Jenson and North, along with others, emphasized the importance of dealing with the underlying foundations — the need to focus on people and processes. For North, the “secret of strategic involvement is to hire experts within the finance function and delegate the detail to them,” while Jenson believes it is imperative to “assure that there are ‘A+’ rated people so that there can be ‘A+’ rated contributions.” He remarked, “You have to know what’s in the weeds, put measurements in place and create an up-to-date dashboard so that there is a real-time assessment of performance, and you can have a sense of what’s over the horizon. After processes are in place, the CFO is able to focus on strategy and growing the business.”

Without a doubt, the finance function plays an increasingly important role in driving and influencing a company’s ability to grow and add shareholder value. Robert L. (Bob) Ryan, SVP/CFO of Medtronic, indicated, “It’s important that the finance organization has a deep and fundamental understanding of each of the business units — specifically how value is created both today and in the future.” At Medtronic, the finance organization, working closely with the CFO, uses this knowledge to kick off the annual budgeting process by developing financial targets that are applied to each business. Finance then plays a key role in working with each business to finalize targets that are both aggressive and achievable. This process is the same at most of the companies represented in our survey.

Today, the CFO is not merely a reporter of results, but a critical advisor and champion for enterprise excellence and maximum value creation. Executive teams increasingly view financial controls and directives not as constraints to a company’s progress, but instead as the parameters by which that progress is defined. CFOs now are required to assume

ownership for overall results alongside other top executives. The traditional, passive role of the CFO, with its negative connotations of critic and policeman, has changed into a more proactive and advisory one.

Tom de Swaan, CFO of ABN AMRO, noted that the role of CFO has “evolved significantly in the past five years. Real, significant role changes have greatly increased the CFO’s influence in the decision-making process at both the center and business-unit levels.” Similarly, Buchanan pointed out, “Finance is now viewed as the point of continuity by operating executives and the management team. Finance has a key role in monitoring the business and providing appropriate alerts where action is required.”

Evidence of the broader influence exerted by today’s financial executive is the role Dina Dublon, CFO of J.P. Morgan Chase, performs with regard to the bank’s IT infrastructure. Dublon has brought information resources back from shared services centers and decentralized business units so that the finance team has more control and influence over the content of information and overall costs. As a result, she is considerably more involved across the 3,500-person finance function, implementing a global technology architecture to centralize what has been a highly decentralized activity. For Dublon, “There is no right answer to the question of centralized versus decentralized structures, the pendulum is constantly swinging. At this point we can deliver and execute on better information in a more cost-effective manner under a centralized technology and operations structure.”

As Dublon’s example highlights, CFOs have brought new types of expertise to the pursuit of excellence, which extend beyond their involvement in IT. Today’s CFOs champion Economic Value Added (EVA) measurements, risk management analytics and other tools to assure best results and returns to shareholders. Charles E. (Charlie) Golden, EVP/CFO of Eli Lilly, commented, “As a member of the company’s policy committee, my role is not perpetuating individual interests, but arriving at the best policy for the company. Independence brings the responsibility of advocating innovative tools and metrics that bring collective best results.” While innovation, historically, has not been associated with CFOs, today, they are conduits to unique financing opportunities, skilled negotiators in M&A transactions and counselors to CEOs and operating executives in a range of business challenges.

While overall, the caliber and competence of CFOs position them to be central to results, this is not to say that all have succeeded. As Richard J. (Rich) Carbone, CFO of Prudential Insurance Company of America, stated, “It’s the case that CFOs have been both architects

of a company's success and, unfortunately, of their failure; they simply pushed the envelope too far.”

Liaison to the financial community, investors and regulators

From an external perspective, the role the financial executive plays has become highly critical. The CFO is responsible for establishing metrics that monitor satisfactory returns, risk and competitive positioning, as well as providing transparent reporting systems that give operating executives decision-focused data that highlight variances in a timely fashion. Communicating this information to the financial community requires tested expertise in delivering transparent information as directly and openly as possible, building genuine rapport with analysts and investors and earning their trust.

In addition to the role of investor relations, CFOs have significant contact with regulators, rating agencies, investment and commercial bankers and peers, which are valuable information sources for strategic and tactical decisions. For example, compliance with the SEC's Regulation FD (Fair Disclosure), which mandates against selective disclosure, banning release of material, non-public information about a company to selected persons such as securities analysts or institutional investors before disclosing the information to the general public, falls squarely in the laps of CFOs.

“Communication is a highly important responsibility of management at all levels.”

Thomas O. Staggs, SEVP/CFO of Walt Disney

Without exception, all CFOs interviewed said that internal and external communication was a top priority. Thomas O. (Tom) Staggs, SEVP/CFO of Walt Disney, put it succinctly, “Communication is a highly important responsibility of management at all levels.” Like others, Staggs spends a considerable amount of time and effort positioning the company and managing investor relations activities. Responsibilities span conference calls, analyst and employee meetings, discussions with rating agencies and maintaining the company's web site.

Jan H.M. Hommen, vice chairman and CFO of Philips Electronics, spends three weeks a quarter communicating with the financial community and relaying the Philips story. Rudy H. Markham, CFO of Unilever, indicated that every year, more than a month is spent on the shareholder round. Douglas J. Flint, group finance director/executive director of HSBC Holdings, spends approximately 25 percent of his time communicating with external

constituents. In addition to personally meeting with the top 100 investors in HSBC, Flint, along with his CEO, orchestrates an annual investor dinner for all major institutional shareholders and a dozen or so of the top finance people from the company.

The need to provide clear, factual guidance that portrays the details of ongoing results and timely disclosure are priorities for all of the executives with whom we spoke. Thomas M. (Tom) Schoewe, EVP/CFO of Wal-Mart Stores, and his team conduct weekly calls with analysts. Numbers are not discussed, yet there is a review of activities against plan. He indicated that one reason for his success at Wal-Mart and, earlier, at Black & Decker is his honesty. “You need to be honest with analysts. Spin doctors don’t last long,” he remarked.

At Marriott International, the CFO has been the link with Wall Street and the investment community since the days of Gary Wilson and Steve Bollenbach. Marriott’s EVP/CFO, Arne M. Sorenson, leads the conference calls and has built relationships with sell-side analysts covering Marriott. His principal interest is to provide the information necessary for them to make credible assessments of performance. Two days a quarter, Sorenson meets one-on-one with buy-side analysts in their markets. “I listen to the buy-side analysts carefully. They are smart and have views to be respected,” remarked Sorenson.

A management team that relies on its CFO for top-level advice — empowering the CFO to understand all aspects of a business and involving the CFO in key strategic and operational debates — produces great value returns.

A dynamic duo: Partner to the CEO and the operating team

CFOs’ abilities to influence are in large part due to their relationships with their CEOs and other operating executives. A management team that relies on its CFO for top-level advice — empowering the CFO to understand all aspects of a business and involving the CFO in key strategic and operational debates — produces great value returns. Delegating critical responsibilities such as communicating with the financial community and investors, leading planning meetings and determining capital allocation, enables a CEO to focus on bigger strategic issues, knowing that operational and shareholder concerns are appropriately attended to.

David B. (Dave) Rickard, EVP/CFO/chief administrative officer (CAO) of CVS, commented, “Being on the side of the operators, not in competition with them, and a resource to make

them successful” are essential to building respect. In establishing an effective relationship with his CEO, Rickard said that his role is “to keep my CEO informed, taking the work out of worrying about finance, and giving the CEO the opportunity to see the horizon.”

The relationships between the CEO, operating executives and the CFO are essential to attaining excellence at all levels. Everyone we spoke with echoed these views. Sorenson went so far as to point out that he speaks with Bill Marriott everyday, who relies on COO Bill Shaw and Sorenson to be his listeners regarding company information and then tests his own judgment against what he is being told.

Christopher J. (Chris) Coughlin, EVP/CFO of Pharmacia, said that the respect he has from the operating team derives, in part, from working with them in the significant restructuring of the company. “The biggest challenge at Pharmacia was integrating the pieces of a business built through mergers. Our [the finance department’s] influence with the operations people enabled us to help establish attainable targets and business goals that went a long way in the job we had to do in rebuilding credibility with the financial community. As a member of the management committee, I represented the view of finance and brought a broad perspective of business to discussions and resulting decisions. In the end, it’s a matter of understanding operations and setting targets everyone agrees are achievable, then working together to get the results.”

The quid pro quo for support from the top is that CFOs take ownership for results along with the management team. Keith S. Sherin, SVP of finance/CFO of General Electric, referred to himself as a peer on the team, accountable for financial strategy, analysis, reporting and compliance, yet as important to the overall results as the rest of the management team.

II. Today’s priorities: The regulatory environment and beyond

There is little need to detail the events that have led to the current emphasis on reporting, director independence, audit committee diligence and financial expertise at the board level. A minority of spectacular exceptions have caused intense reviews of accounting, reporting and governance policies that have been, on balance, good for the system. These exceptions usually have come from upstart companies, fast growing and without the history of discipline and deep-seated reporting, audit and control activities present in the vast majority of corporations. In the U.S., the SEC and the New York Stock Exchange

have issued directives such as the Sarbanes-Oxley Act, enacted in 2002, which is intended to protect investors by improving the accuracy and reliability of corporate disclosures. In the U.K., the Higgs Report has enhanced the role and effectiveness of the non-executive director.

While the new requirements place a spotlight on CFOs' responsibilities for assuring that accounting judgments and financial reporting properly represent the true condition of their companies, most interviewed felt that the new legislation and regulations merely add more formality and, to an extent, bureaucracy, to what most already subscribe to as best practices in financial reporting. This increased attention to accounting standards and financial reporting is as prevalent internationally as it is in the U.S. Internationally, while the CEO sets the overall ethical tone, the CFO is now the undisputed arbiter in matters of financial ethics, with the backing of legislation and stiff penalties.

“The new regulations require more formality in terms of meetings and reporting, but at CVS, it doesn't change the nature of what we've been providing all along.”

David B. Rickard, EVP/CFO of CVS

CFOs also are central to changes in audit and control practices. John D. Coombe, CFO of GlaxoSmithKline, stressed that corporate governance is a key issue that must be continuously monitored. He commented, “Accounting is there for clarity, not to push the limits of the P&L and growth.” Rickard noted, “The audit committee is seeing a lot more information than previously. It gives them confidence that they are in the loop. The new regulations require more formality in terms of meetings and reporting, but at CVS, it doesn't change the nature of what we've been providing all along.” Todd S. Thomson, CFO of Citigroup, observed, “With the increased emphasis on accounting and accounting credibility, controller credentials and expertise are in the spotlight.”

Charles H. (Chuck) Noski, recently retired vice chairman and former CFO of AT&T, pointed out that, as a result of all this, the credentials of the CPA will re-emerge as highly desirable for CFOs. He credits his own early training at Deloitte & Touche for his ability to bring a commercial sense to financial strategy issues. Similarly, Staggs commented, “If the management team doesn't want to be forthright with the audit committee, you have a problem.”

Marriott's Sorenson outlined five specific steps he is taking to assure that there is appropriate focus on transparency and compliance. First, he has reinforced that he and others in top management communicate that things will be done by the book, in actions and in words. Second, he and the senior management team have empowered divisional people to make the right decisions, regardless of budget pressures. Third, he has reviewed internal audit policies and capabilities. Fourth, he is exposing the controller and finance team to the audit committee on a regular basis, giving Larry Small, chair of the committee, and other committee members, including Ann Fudge, Milt Romney, Larry Kellner and Roger Sant, full access to both people and information. Finally, he is as hands-on as necessary and around accounting issues constantly.

Most interviewed believed that the broader role assumed by the CFO will not diminish in the current environment. While being able to evaluate the accounting reporting policies in place, CFOs are not expected to keep the books. Rather, CFOs will continue to be evaluated for the contributions they make in advancing the larger agenda of increasing shareholder value and championing excellence across the organization.

From discussions with U.K. and continental European CFOs, there surfaced a strong interest in finding a consistent approach to Generally Accepted Accounting Principles (GAAP). BP's Buchanan stated, "U.S. and U.K. GAAP must be brought into line. The U.K. concept of a 'true and fair view' of business could be applied usefully to U.S. accounts." Hommen stated, "GAAP needs to be simplified around the world. Philips is in 75 countries. In my view, we need to combine the more pragmatic U.S. model with the more conceptual European model, giving the investment community a standard on which to judge success." Flint, a member of the Accounting Standards Board and the Advisory Council of the International Accounting Standards Committee, stated, "This may be the moment to align accounting standards so that we reinvigorate debate between the Americans who say, 'Rules work and principles do not,' and the British who take the opposite view. Enron proved that rules do not work, so we need to re-examine all of that."

An interesting dimension of the focus on corporate governance is at the board level, where, particularly in the U.S., there is a rush to bring CFOs or those who have been CFOs onto boards. While some companies opted for this approach before the new requirements were instituted, all are now assessing their needs against those proposed requirements and regulations. CFOs who recently have accepted board assignments include Paul Liska, Kriss Cloninger, John Joyce and Carol Tome.

While financial expertise is one driver, the view that CFOs have emerged as broad-gauged international business executives has given further credence to their appointments as directors. Moreover, their presence in the boardroom can ensure that appropriate financial expertise is brought to key strategic and governance issues.

For instance, Ryan has been on the board of UnitedHealth Group since 1996 and Brunswick Corporation since 1998. Deborah C. (Debby) Hopkins, head of corporate strategy for Citigroup, joined E. I. du Pont's board in January 2000. Noski was named to the Air Products board in 2000 and recently was appointed to the Northrop Grumman board. David L. Shedlarz, EVP/CFO of Pfizer, joined the Pitney Bowes board in July 2001. Other recent placements include Hillenbrand Industries' selection of Golden; Tyco's appointment of Marsh & McLennan SVP/CFO Sandra S. Wijnberg; Mercator Software and Echelon's placement of former Sun Microsystems CFO Mike Lehman; Centex's appointment of Schoewe; 3Com and Crystal Decisions' selection of Apple EVP/CFO Fred Anderson; and Harris Corporation's selection of Rickard. There are companies, however, that exclude their executives from serving on outside boards, such as GE and Disney.

The benefits of serving as outside directors accrue as a result of exposure to issues of governance and business relevant to those faced within their own companies. Dublon observed that serving as an outside director has given her insights into what is required by board members and the appropriate level of detail. The experience also has made her more effective in her relationships with the J. P. Morgan board, audit committee and CEO Bill Harrison.

These lessons, according to Dublon, are borne out of her understanding of the expectations of the average layperson and some regulators "regarding the extent to which boards should manage management." To Dublon, "Board members have a responsibility to evaluate strategy, an obligation to assess rigorously management's integrity, openness and willingness to disclose, and the adequacy of policies and controls. It's a matter of diligent oversight, not replacing management or second-guessing management's judgments."

An anomaly between U.S. companies and their counterparts in the U.K. and continental Europe is that, while some U.S. companies have their CFOs serve as board members of their own companies (Devine, General Motors; Golden, Eli Lilly), U.K. and continental European CFOs regularly sit on their own company boards. In the U.S., independence requirements dictating against insiders on boards will make boards rethink the practice of CFOs serving as directors for their own companies. Instead, demand for independent

directors with financial expertise will be the dynamic. As outside directors, there is little doubt that CFOs will be involved in audit committee duties. The time commitment will be significant and will impact the number of boards sitting CFOs can accept. Given the demand, supply will be an issue.

III. Success has variety: Essential qualities, traits and experiences

In each of our discussions we sought to discover those traits that CFOs believe to be essential to their performance and success. We learned that today's most successful CFOs bring both operational experience and understanding of international commerce and business dynamics that give them a perspective on how businesses function and thrive. Understanding the numbers and leading traditional finance activities are still core responsibilities, yet CFOs are not expected to be technical experts in all aspects of finance and accounting. Rather, they must understand the key drivers of business and select and guide experts in control, treasury, tax, audit and financial planning and analysis. These traits, as many were quick to note, are not inborn, but rather are usually the results of specific work experiences.

Per Unilever's Markham, these skills and experiences fit into four broad headings:

- > numeracy and fluency with numbers and their inter-relationships;
- > an ability to lead, to communicate clearly and articulately, to monitor and express strategy to both inside and outside constituencies;
- > the ability to put value creation into perspective and know what makes the business tick — a strong business understanding; and
- > personal integrity — a good CFO needs to look for the downside and speak to it, despite its potential unpopularity.

Given the illegal accounting and related corporate fraud issues exposed in the past two years, some would suggest that the CFO should revert to being the technical expert. However, few would support sacrificing the new strategic role of CFOs in favor of technical expertise, given how large and complex many finance organizations have become. For instance, General Electric's finance organization numbers more than 11,000.

In addition, leadership and communication skills are essential to compliance and adding value. Jonathan R. (Jon) Symonds, CFO and board member of AstraZeneca, told us,

CFOs with line management experience indicated that the first-hand knowledge gained at the business-unit level helped them appreciate the demands of operating assignments and build rapport with the executives in these roles.

“Finance provides a ‘data warehouse’ for the entire business, improving decision-making at the business-unit level. Initially, I focused intensely on the validity of financial data and reporting systems. I have since delegated the machinery of finance to others and now spend considerably more time with investors and operators. My role is to provide financial expression to our strategy, which is what a good CFO achieves.”

As mentioned throughout this white paper, the ability to understand how their businesses tick is a common requirement for today’s CFOs. Often, this ability comes from prior operational or functional experience, unique business roles, or, in some cases, concurrent operational and functional assignments. Cross-industry experience also has proven to be an advantage if the industry dynamics have relevance. For instance, Wijnberg began her career in retailing and after business school joined Morgan Stanley. Her capital markets assignments in New York and London gave her the latitude to move in multiple directions. She joined PepsiCo, ultimately assisting with the Tricon spin-off, before joining Marsh & McLennan two years ago. Hopkins leveraged her successes in the automotive and technology fields, recently finding her way to Citigroup. Coughlin has moved between packaged goods and pharmaceuticals.

CFOs with line management experience indicated that the first-hand knowledge gained at the business-unit level helped them appreciate the demands of operating assignments and build rapport with the executives in these roles. For example, Golden ran Vauxhall Motors, a General Motors subsidiary based in the U.K., and today retains operational responsibilities at Eli Lilly, in addition to his role as CFO. Buchanan, trained as a scientist, held very senior operational roles before being asked to take on the CFO position for BP. Noski pointed out that when announcing his appointment at AT&T, the company and board made a point to emphasize the importance of both his financial and operations experience as the previous president and COO of Hughes Electronics. In this role, he had day-to-day operating responsibility for a broad array of satellite and telecommunications manufacturing and services businesses, which “was very useful in not only helping identify the extraordinary changes, which were just beginning to impact the telecommunications industry in 2000, but also in restructuring AT&T, so that by the time all was said and done, the company had one of the strongest balance sheets of any telecommunications company in the U.S.”

A number of CFOs have business-unit responsibilities concurrent with their finance roles. Hommen, for example, is responsible for Philips Medical and Golden runs Elanco, an Eli Lilly business accountable for approximately 10 percent of corporate revenues. Anderson has oversight responsibility for two of Apple's software subsidiaries. Moreover, some finance chiefs have unique corporate assignments. Shedlarz leads a corporate governance project that has revamped the decision-making and accountability scheme at Pfizer, while Harry L. You, CFO of Accenture, spends 10 percent of his time on client work. Rickard also is chief administrative officer of CVS, with full accountability for government and community affairs, corporate communications and human resources.

In addition, some CFOs have other responsibilities, such as accountability for information technology or purchasing, strategic sourcing or supply chain initiatives. The consensus of the executives we spoke with was that their roles are demanding and critical to the key positioning decisions made by their companies. Thoughts on tenure suggest that five to seven years is the limit for the current-day CFO.

Association with companies known for strong financial talent and practices also has provided a platform from which CFOs have been able to acquire an understanding of how successful companies function. Exposure to best practices, contact with smart people and competitive scenarios have sharpened their strategic skills and orientation, making them all the more valuable in their present roles. For instance, Jenson said that the analytical approach to problem-solving he learned at GE has been key to his effectiveness and his success as a CFO. He stated, "The organized and detailed way of thinking promoted within GE assures that issues are analyzed in a precise manner and within the context of a model everyone understands. Fact-based analysis is at the core of that model."

Many executives also have learned a great deal from international postings and, in today's global economy, there is a compelling case for seeking out these opportunities. On this, Flint commented, "CFOs in particular must bring an international viewpoint, an ability to manage people and a global view of the world."

Ford, General Electric, General Motors, GlaxoSmithKline and Unilever, among others, have been at the forefront of managing career development and ensuring that executives gain international experience of merit. Markham's experience at Unilever could be said to be the ideal. He joined the company in 1968 and, after a series of positions in planning and accounting in the U.K. and the Netherlands, he spent time in Germany, Switzerland and Rotterdam, where he became head of the finance department in 1984. He returned to

London as group treasurer in 1986, and moved to Australia as chairman and managing director of Unilever Australia and New Zealand in 1989. In 1992, he became chairman and CEO of Unilever Japan, where he spent four years before moving to Singapore, where he took up the role of business group president for Northeast Asia, responsible for Unilever's businesses in China, Hong Kong, Japan, South Korea and Taiwan. In 1998, he became director of strategy and technology and, at the same time, he became a member of the executive committee. In August 2000, he took over as CFO.

Kenneth J. (Ken) Hydon, finance director and board member of Vodafone Group, also emphasized the importance of his international experience to his current role. Like Markham, Hydon has had direct interaction with a number of different cultural environments. He has experience with the Japanese in their own environment; he has worked in the U.S. for a short time with 3M and has had extensive dealings with U.S. companies since then, including Verizon Wireless. And he was, of course, central to the huge acquisition of Mannesmann in Germany, and all the complexities that followed the largest “aggressive” takeover in German industrial history.

“The ability to say no with confidence and to put forward alternatives is a key responsibility of a CFO.”

Charles H. Noski, retired vice chairman/former CFO of AT&T

Certainly, there are outstanding CFOs whose backgrounds do not include line or international management roles. David J. (Dave) FitzPatrick at Tyco and Sherin at General Electric are examples, as is Sorenson who came from a legal and deal background. While line and international experiences are ideal, there are a variety of other ways to build business and operational acumen, thus giving credibility to a CFO's credentials.

For many, the ability of CFOs to stand on their own and hold firm to opinions that may not be in agreement with those of the CEO is the last trait essential to success. It underlines their independence, which promotes the notion that outside interests are being attended to. Noski provided a view on this when he spoke of his early career at Hughes. Mike Armstrong, then CEO of the company, tasked a group of senior executives with specific actions/responsibilities of a critical nature to Hughes' strategy. On reflection, Noski knew that he was not in agreement with the premise of his assignment, yet rather than merely rejecting the matter as out of hand, he thought through alternatives and persuaded Armstrong to take a different approach. Noski is sure the alternative produced

a better final result, and at the same time demonstrated to Armstrong that Noski was confident enough to “challenge the boss” in a constructive way. Noski essentially identified himself as a problem-solver with the courage to present alternatives.

Noski’s point in this example is obvious: “The ability to say no with confidence and to put forward alternatives is a key responsibility of a CFO.” He attributed this early experience with Armstrong as critical to the long-term relationship that developed between the two. Others made the same point, indicating that the role of the CFO is to walk a razor-sharp edge, committed as one of the team, yet able remain the independent arbiter when deciding many issues.

IV. Replenishing the gene pool: Developing future financial leaders

Developing financial talent and strength is a key priority for each of the CFOs with whom we spoke. Among the priorities of leading global CFOs, developing talent, planning for succession and replenishing the gene pool require considerable energy and focus.

Markham remarked, “Let’s start at the philosophical level. What am I paid to do? There are four key requirements of the finance function: drive value creation in the businesses, balance risk and alternatives for the shareholders’ and other stakeholders’ gain; reduce risk by ensuring high-quality performance reporting; recruit, train and develop strong finance talent; and ensure transparency and clarity of communication of performance both inside and outside the business.”

Thomson commented, “I think of four things as relevant to the role of the CFO. First, bringing the right information at the right time to the right people in order that the senior management team can make the best business decisions; second, being a close partner to the CEO; third, serving as the conscience of the organization; and fourth, creating a strong finance function, which means developing a culture of integrity, creating a centrally run recruiting and career development program, and establishing a strong identity for finance in the corporate culture.”

The gene pool has improved considerably over the past decade and the bar has been raised significantly in terms of acceptable credentials and abilities. A survey of 300 of the Fortune 500 CFOs conducted recently by Spencer Stuart shows that 49 percent have M.B.A.s and 28 percent are CPA-qualified. The shift reported over the last decade from technical expert

to broader-thinking business executive is borne out by these statistics. The ranks of CFOs have more diversity today than 10 years ago; in fact, 28 of the Fortune 500 CFOs are women.

Sherin spends a third of his time on human capital issues. The commitment most CFOs give to talent selection and development is not dissimilar. In companies like General Electric, PepsiCo, Ford, Pfizer, Honeywell, BP and GlaxoSmithKline, finance development, like other executive development, is a main concern. Richard F. Wallman, SVP and CFO of Honeywell International, mentioned that at Honeywell there are three top priorities: the annual operating plan, the strategic plan and management resources. He remarked, "To recruit and develop great talent requires that people at the top push for excellence." Many executives agreed that the commitment to finding the right people for key jobs needs consistent support from the top. Only then can there be confidence that a company's people are qualified to assure that growth and value creation have sustainability.

Glaxo's Coombe stressed the importance of recruiting best talent and developing that talent with succession in mind. Markham commented, "Within the finance function, we monitor the careers of about 120 to 150 executives for management development." Jenson advised, "Recruiting thoroughbreds is the key to the future. They are bred to run, so give your talented people room to run and hold them accountable."

Thomson pointed to the significant amount of time he dedicates to developing future finance leaders at Citigroup. "A significant amount of my effort goes into recruiting, training and managing the careers of my best finance professionals. I have established a finance training organization that is centrally managed, including developing and teaching my capstone course, 'Leadership in Finance,' which involves our senior-most CFOs. The top 70 finance jobs are my personal responsibility; I fill the jobs and focus on the right promotions for those in these jobs. I believe strongly that it takes active leadership and involvement from the top to develop future leaders. It is not something to be delegated."

The formality of finance training and development ranges widely, yet the sentiment of most of those interviewed is that finance talent is a resource for the company as a whole. At General Electric, the number of operating executives who have come through the audit function and seeded the organization with people sensitive to control, reporting and financial analysis is significant. Eli Lilly works to train executives cross-functionally. Golden's view is that the more the finance team is exposed to operations, the better they will be at creating value. "What should drive us is adding more value at every step. The

more exposure to the big picture, the better chance to be more objective, to pick up on trends and to participate in creating value.”

The debate about the mix of credentials CFOs require, strategic versus technical, clearly has relevance in today’s environment. The complex role of the CFO dictates that more than a CPA is required for success. Training and development of future financial leaders requires exposure to business dynamics beyond the balance sheet and P&L, and because the role of financial executive is considerably more demanding than a decade ago, traditional training is no longer adequate in dealing with the underlying obligations and new skills. Originality is the theme today, as evidenced by the creative approaches to development detailed above.

Is the CFO track a logical one for moving to a CEO role? There are examples that would suggest yes, the determining factor being the ability to lead, communicate, delegate and provide the strategic vision required. Not everyone wants to be king, however, and many CFOs know they are better suited to the role of king-maker, advisor and proactive team player. In any event, the role of CFO will continue to require exceptional talent, trained in circumstances that stretch intellectual, emotional and physical limits. It is incumbent upon sitting CFOs to find and develop opportunities for those future financial leaders. Shedlarz summed it up best when he said, “My legacy, I hope, will be the role I’ve played in developing people. You need to walk the talk. It is one of the greatest influences a CFO can have on an organization.”

Conclusion

The impetus to the elevated impact of the CFO is attributed, by some, to the deregulation of financial markets that occurred in the late 1980s and early 1990s, and the increasingly complex nature of global businesses and global competition that have evolved since. The CFO has become the link to the complicated external options and forces affecting companies, and, in this process, is a new source of knowledge and a valued resource whose views are sought in the highest-level discussions. No longer merely reporters of results, today’s CFOs are central to strategic decisions, liaisons to the financial community, partners to the CEO and senior management team, talented recruiters and the organizations’ moral consciences in financial matters. Clearly, being CFO today is a job that requires an ability to wear more than one hat, a trait that led many to agree with Hommen’s conclusion that the position is increasingly viewed as “the number-two executive in a corporation, fully able to act in the absence of the CEO as required.”

We acknowledge with thanks the valuable insights, experiences and viewpoints of the chief financial officers who participated in developing *The Global Fifty: Perspectives of Leading Chief Financial Officers*. All are outstanding professionals, respected leaders in their companies and recognized as among the best-in-class within the global business community. Noted below are the CFOs who are quoted in this paper from among the 50 executives with whom we sought counsel.

ANDERSON JR., FRED D.
EVP/CFO, APPLE COMPUTER



COUGHLIN, CHRISTOPHER J.
EVP/CFO, PHARMACIA



GOLDEN, CHARLES E.
EVP/CFO, ELI LILLY



BUCHANAN, JOHN G.
FORMER CFO/BOARD MEMBER, BP



DE SWAAN, TOM
CFO, ABN AMRO



HOMMEN, JAN H.M.
VICE CHAIRMAN/CFO,
PHILIPS ELECTRONICS



CARBONE, RICHARD J.
CFO, PRUDENTIAL INSURANCE
COMPANY OF AMERICA



DUBLON, DINA
CFO, J.P. MORGAN CHASE



HOPKINS, DEBORAH C.
HEAD OF CORPORATE STRATEGY,
CITIGROUP



COOMBE, JOHN D.
CFO, GLAXOSMITHKLINE



FLINT, DOUGLAS J.
GROUP FINANCE DIRECTOR/
EXECUTIVE DIRECTOR, HSBC HOLDINGS



HYDON, KENNETH J.
FINANCE DIRECTOR/BOARD MEMBER,
VODAFONE GROUP



JENSON, WARREN C.
EVP/CFAO, ELECTRONIC ARTS



SCHOEWE, THOMAS M.
EVP/CFO, WAL-MART STORES



THOMSON, TODD S.
CFO, CITIGROUP



MARKHAM, RUDY H.
CFO, UNILEVER



SHEDLARZ, DAVID L.
EVP/CFO, PFIZER



WALLMAN, RICHARD F.
SVP/CFO, HONEYWELL INTERNATIONAL



NORTH, RICHARD C.
CEO/FORMER FINANCIAL DIRECTOR,
SIX CONTINENTS



SHERIN, KEITH S.
SVP-FINANCE/CFO, GENERAL ELECTRIC



WIJNBERG, SANDRA S.
SVP/CFO, MARSH & MCLENNAN



NOSKI, CHARLES H.
RETIRED VICE CHAIRMAN/FORMER CFO,
AT&T



SORENSON, ARNE M.
EVP/CFO, MARRIOTT INTERNATIONAL



YOU, HARRY L.
CFO, ACCENTURE



RICKARD, DAVID B.
EVP/CFO/CAO, CVS



STAGGS, THOMAS O.
SEVP/CFO, WALT DISNEY



RYAN, ROBERT L.
SVP/CFO, MEDTRONIC



SYMONDS, JONATHAN R.
CFO/BOARD MEMBER, ASTRAZENECA



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