

# THE GLOBAL 50

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THE NEW FINANCE LEADER:  
LESSONS FROM AND ADVICE FOR TODAY'S CFO

## ABOUT SPENCER STUART

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 51 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

Facing economic uncertainty and an ever-expanding list of demands, the chief financial officer is at the forefront of a range of business challenges. Today's CFO is responsible for finding ways to raise capital in a risk-averse environment, staying alert to changing conditions and new business opportunities, controlling costs and managing enterprise risk, and working with the CEO and board to examine strategic alternatives and meet regulatory requirements.

One result of this growth in complexity of the CFO role is an increase in CFO turnover. The average tenure among Fortune 1000 CFOs has fallen from 4.7 years in 2004 to 4.1 years today, which is consistent with the 4.2-year average tenure for Eurofirst 300 CFOs.

To further examine the evolution of the role, Spencer Stuart surveyed nearly 150 CFOs around the world and spoke with dozens more in one-on-one interviews to gain additional insight into the expectations CFOs face and how they can position themselves for success. Below are six key themes from our discussions with finance leaders, explored in more detail throughout the study, summarizing the lessons from and advice to today's CFOs.

1. The CFO has emerged as a key business partner to the CEO with broad responsibilities that reach well beyond the traditional scope of finance. Successful CFOs balance regulatory best practices and effective risk management with business performance goals. With the stakes for companies — and their CFOs — even higher in today's more volatile global environment, finance leaders have an important role to play in reading and understanding the evolving drivers of the business and helping their companies seize the right new opportunities.

2. A CFO must have an exceptional senior team. As the CFO role has become broader based and less exclusively finance focused, it has become even more important that CFOs build world-class teams of direct reports on whom they can rely implicitly.
3. Success for a CFO is defined in both quantitative and qualitative terms. CFOs are more likely to surpass the current tenure average if they achieve both the agreed-upon quantitative benchmarks and qualitative milestones related to the finance function's influence on strategy and its credibility with internal and external stakeholders.
4. A CFO's first 100 days are critical. The current rate of CFO turnover suggests that CFOs must make an immediate impact on both the finance team and the organization as a whole. Finance leaders moving into a new CFO role should use their first 100 days to position themselves and their teams for long-term success.
5. The necessary skill-sets and capabilities for CFOs continue to evolve. Because of the new demands on them, CFOs must have both superior technical skills and exceptional interpersonal skills.
6. Finance executives aspiring to the CFO role or other top finance positions must make the career decisions that will accrue the diversity of finance and business experience they will need to win — and succeed in — these positions in the future.

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## BECOMING A TRUE BUSINESS PARTNER

Many CFOs remember the late 1990s as an exciting time for finance leaders. The function was migrating from a reporting-focused, rearview-mirror-facing function to a more prominent role as a key business adviser and partner to the CEO and management team. The role evolved again in the post-Enron and 9/11 environment, with the rise of new compliance and reporting requirements and a heightened awareness of the broader enterprise risks that need to be identified and managed.

The CFO's sphere of influence has continued to expand. The CEO, board of directors and shareholders look to the finance function to take a key role in shaping strategy and operations and driving bottom-line results. CFOs take the lead in business reviews, mergers and acquisitions, strategic initiatives, performance management and margin improvement initiatives. In the current economic climate, organizations look to the CFO to drive the search for new business opportunities and secure the necessary financing or refinancing in very tight credit markets, while maintaining or reducing costs. At the same time, the "basics" of finance have never been more important; as the guardian of the business, the CFO and his or her team must provide high-quality, profit-enhancing financial support in line with the organization's business model and build an infrastructure that keeps pace with the needs of the business.

"The CFO's focus is much more strategic in nature than before. There is more outside visibility and pressure from the press and capital markets," said Marc Hess, CFO of Deutsche Postbank. "The CFO is much closer to the CEO and therefore has a wider scope of responsibility and greater vulnerability. The CFO is close to capital markets, with all the embedded uncertainties. On the one hand, there is higher probability for making strategic mistakes and more visibility for those mistakes. There is more potential to have a positive influence on major strategic decisions, on the other hand."

Stacy Smith, CFO and vice president for Intel, agreed that the role of the CFO today is more strategic and carries more risk. "There's no question that the complexity and risks of the job have increased during the past five years," he said. "The bigger change, in many ways, is the worldwide nature of the job. I think most CFOs today are impacted by or involved with dealing with the worldwide economic crisis, funding decisions, currency fluctuations, making investment decisions and managing growth plans into emerging markets. These areas have become a large part of every CFO's role."

Michel Demaré, CFO and president of global markets for ABB Ltd., strongly believes that the CFO is the natural No. 2 in any business. "He or she must be a true business partner, helping the business, taking actions to support the needs of the business and its customers. He or she has to have strong people skills, build credibility with investors and stakeholders, and influence what needs to happen and how." Pier Francesco Facchini, CFO of Prysmian, commented: "The CFO has become the main

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sparring partner of the CEO in all major business and strategic decisions and a true co-pilot in driving the company and its performance. This is driven by the increasing complexity and globalization of the business, including capital markets, as the CFO is one of the few top executives with a 360-degree view of the business.”

CFOs say they spend more time than before on strategy and operating issues and less on traditional finance activities, such as budgeting and financial analysis. In fact, 65 percent of survey respondents said they would like to spend even more time on strategy development than they do today.

To be effective in this expanded role, CFOs must have broad knowledge of the organization, executives said. “The CFO has to understand the relationship of various functions to each other and provide his or her views to the leadership team on the issues that can help move the organization forward,” said Kewal Handa, managing director of Pfizer Ltd. in Mumbai. “While in the past, a CFO might only have been an expert in his domain, today he or she should have a view on everything from marketing and manufacturing to logistics because he’s playing a broad leadership role. Today’s CFO can’t be isolated.”

Craig White, CFO of Billabong International, agreed. “There is now a very significant expectation from the CEO, board and the market to provide input and leadership in all dimensions of the business. I am fully engaged in all the strategic directives with the CEO and the board. I am an active participant in all board meetings and play a key role in the strategic discussions and also have execution responsibility for mergers, acquisitions, treasury, tax and financing activities.”

Identifying and managing risks have become enterprise-wide priorities and, here too, the CFO plays a more influential role than in the past. Given the increased complexity of the business and consequences of mismanaging risks, CFOs might be tempted to find a reason to block all but the “safest” initiatives. But CFOs can’t simply say “no” to potential risks today, they must actively manage them to create an environment that makes value creation possible, finance leaders say.

In the past, CFOs were seen as risk controllers, not risk managers, said Pierre-Jean Sivignon, executive vice president and CFO of Royal Philips Electronics. As a risk controller, a CFO would simply approve or stop projects based on the risk assessment. “Today, that is seen by the shareholders, the board and the CEO as insufficient. Now the CFO should be a risk manager, who, if he or she says no to a project, is expected to propose a path for the business to replace the no with a yes,” Sivignon said. “What are the implications of this? The CFO must have a deep understanding of business models, the particular business situation and a willingness to contribute beyond strict control. Only then do you become a true business partner.”

## Global economic uncertainty presents additional challenges

CFOs face even more challenges amid the turmoil in global credit markets and economic slowdown. They include: valuing assets and projecting costs in a volatile environment, forecasting sales and earnings estimates and setting pricing targets amid the volatility, restructuring troubled assets, assessing risks with conditions changing so rapidly, and reducing costs in the finance function and across the organization.

“The demands on my finance organization continue to increase,” said Derica Rice, CFO of Eli Lilly and Company. “We are trying to manage the business economics of the firm in this environment at a time when there is pressure to reduce resources in response to these tough economic times.”

### Perspective on the personal and professional risks to the CFO

*“The dividing line between success and failure in this small, complex world is a thin one. Too often, yesterday’s ‘heroes’ are tomorrow’s buffoons. You lead a company to continued greatness and, two years later, you have been sucked into an embarrassing failure because the world is more complex.”*

David Davies, CFO of OMV

The challenge of securing financing is another top concern for many CFOs in the current environment. “The CFO’s life is heart-stopping and stressful. Money is a scarce resource and, therefore, the CFO needs to read and understand the crisis, adapt to it and design a resources plan that is cautious and conservative about potential refinancing; you can’t count on it in advance,” observed Nicolás Villén Jiménez, group finance director of Grupo Ferrovial.

To help their companies navigate challenging times, finance leaders have to be flexible and alert to changing conditions as well as new opportunities, CFOs said. “Looking ahead, the world will become a harder place in which to do business. You have to be able to react quickly and spot trends,” said Jonathan Nicholls, former CFO of Old Mutual. “You need to continue to be robust and brave and prepared to take risks in a risk-averse environment. You have to have a clear, concise message and communicate it properly to shareholders.” Denise Ramos, CFO and senior vice president of ITT Corporation, added: “Today, CFOs need to be far more nimble and quick and have a strong sense of energy and breadth of experience. They need to change course quickly and turn on a dime.”

In challenging times, it is essential to effectively manage both external and internal constituents, said Automatic Data Processing CFO Christopher Reidy. “Stay close to rating agencies, the investment community and the auditors to make sure they understand what you are going through. Talk with investors, hear what’s on their minds, make sure they understand how the company is performing. It is always important, but more so now, that you make sure you answer all of their questions,” he said. “On the internal side, keeping your focus on forecasting and planning is essential. You also need to stay close to the business operationally to provide the necessary data to help take the politics and emotions out of decision making.”

### Perspective on the expectations on the CFO

*“The expectations on the CFO have become extreme. There’s an expectation of no mistakes whatsoever for someone in that role, and for financial services companies the regulatory requirements have been all-consuming. It’s created a situation where so much focus is on preventing compliance mistakes that it can pull the CFO away from being a full forward-looking strategic partner to the CEO, which is really the primary role. The CFO must put in place a superior execution organization so there is time to focus on the big important issues.”*

John Hele, executive vice president and CFO of Arch Capital Group and former CFO of ING

Billabong’s White believes the key emerging issue in the current economic environment will be the ability to recognize and take advantage of opportunities in challenging global marketplace. “Strong companies will become stronger and a number of businesses will disappear if they are not able to recognize and act on emerging opportunities in their markets. One of the key challenges will be financing these opportunities.”

CFOs also have an important role to play in ensuring that investments support, rather than distract from, the company’s strategic priorities — especially when financial resources are tight, argues Ravi Nedungadi, president and CFO of United Breweries Group in India. “The CFO’s role in advising the company to walk away from a potential investment can create as much value as making an investment. We have been presented with many attractive and seductive opportunities over the past four or five years, but you have to ask whether they support our strategic goals. With the days of cheap money over, the CFO can exert great influence through a very rational process of resource allocation, which means we have to keep asking those difficult questions that get at why we are doing what we are doing.”

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## EXPECTATIONS FOR THE CFO'S TEAM ON THE RISE

Our second theme relates to the growing demands on the CFO's senior team. With a wider sphere of influence and responsibilities today, CFOs have less time to delve into the details of many of the traditional finance activities. As a result, CFOs rely more heavily on their teams, a fact that has implications for the kinds of finance executives companies must find and develop. More than ever, CFOs need a strong team of direct reports who are flexible and can adapt. They must be solution-oriented and fast learners, who can deal with regulatory requirements and work effectively with business unit leaders.

Visa CFO Byron Pollitt said he does have different requirements for his finance team today than in the past. "Ten years ago, more of my job was about finance and I expected to have more time to coach, develop and train my finance people. Therefore, when I recruited people, I valued aptitude more than experience and the ability to operate autonomously with minimum direction from me," he explained. "Today, the demand on my time from non-finance people is very high and to create the most value in the organization as CFO, I need to spend a disproportionate amount of time outside of finance. That means I must have lieutenants who can run the finance side of the business with minimal direction from me, and what time I do give them is less about their day job and more about helping them with their own personal development."

Royal Philips Electronics' Sivignon agreed. "A CFO cannot tolerate a weak link in supporting functions because the job is so complex that the CFO is not able to get into the details of all the functions. The level of trust, the level of reliance, the level of comfort you have to have in your senior team has definitely increased."

In fact, a higher level of performance is expected from the entire finance team, CFOs agreed. More than half of CFOs who responded to our survey cited recruitment and people development as a top challenge for finance leaders — second only to the volatility of markets. "There has been a noticeable push for finance to play a key role in accelerating business performance and, as a result, the CFO needs to relentlessly upgrade the capabilities of the finance team to be effective in meeting this need," said Angus McKay, CFO of Foster's Group.

Walter Forwood, former CEO of YPF and currently corporate finance director of Repsol YPF, described the type of people he looks for like this: "I need, search for and hire flexible people who can adapt and adjust to changes that occur fast and unnoticed. These are open minds who look for and find solutions, listen to others' opinions, learn fast and are ready to deal with business unit leaders."

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## BEATING THE ODDS: DEFINING SUCCESS FOR THE CFO

In light of the heightened expectations they face, how do CFOs assess their own effectiveness and that of the finance team? CFOs agreed that the success of the finance function has to be measured in both quantitative and qualitative terms.

Among quantitative measures, “return on capital employed” best defines CFO success, according to 49 percent of CFOs participating in our survey. Roughly one-quarter of CFOs participating in our survey, 27 percent, agreed that share price/market capitalization was the best measure of CFO success, and another 10 percent said earnings per share.

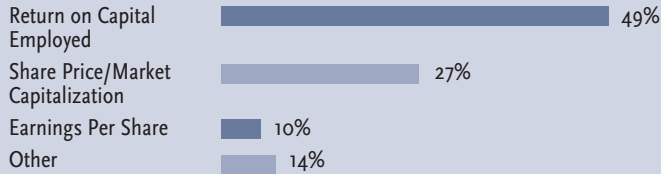
Jack Callahan, CFO of Dean Foods Company, argued that it is fair to hold the CFO accountable for the company’s performance through financial metrics such as share price. “After the CEO, the CFO has the most holistic sense of how the strategies are coming together to deliver financial performance. The CFO is not a simple control-oriented reporter of results. If something is not working in strategy, the CFO has to be one of the primary people to keep asking the questions, ‘Why isn’t it working?’ and ‘What do we need to do differently?’ So, I think using share price over longer periods of time is a very appropriate measure.”

However, while share price has been the traditional benchmark of success for the CFO, it may be a less useful indicator today, say some CFOs. “Share price was the ultimate benchmark for the CFO and it was representative of how well he or she was financially managing the company, as far as its operations, financial discipline and success. In today’s environment, I don’t believe we’re anywhere near that one-to-one correlation anymore,” said Eli Lilly’s Rice. “I look at the stock price to understand what our investors expect from us, but I’ve also had to learn that it is one of many metrics we use to calibrate our performance and effectiveness as an organization and as management team. I have to rely on a set of both near-term and strategic objectives, and we have to stay true to them.”

In interviews, CFOs cited other quantitative benchmarks, including key performance indicators, the ability to raise capital efficiently at a cost commensurate with the market risk the company provides, the total cost of finance versus peers and the company’s credibility with investors and analysts. Jos Streppel, former CFO of Aegon, added: “Success means maintaining good ratings and a reputation of solidity, in good and bad times.”

Whatever quantitative metrics a company uses to assess the effectiveness of the finance function, the CFO should make sure there is agreement among the management team for the most appropriate measures and that they serve as a set of principles guiding investments and other decisions, rather than just a rearview mirror on performance, CFOs said.

## Defining CFO Success



“Value creation always will be defined using some sort of financial metric. It is imperative that the CFO forges agreement internally about how value creation will be defined and created within the company. Then, planning, capital approval and all of the day-to-day activities that a CFO influences, as well as the counsel that he or she gives to executives and his critiques of initiatives, are all consistent with a set of beliefs that define how value is created,” said Visa’s Pollitt.

Many CFOs we interviewed said the effectiveness of the finance function also must be defined in qualitative terms, including its contributions to strategic decisions, its credibility with top management, investors and analysts, its role in addressing the issues facing the company and its ability to develop skilled talent for the finance function and the entire organization.

“A stable, growing and satisfying share price has to be the ultimate benchmark for CFOs, but it is not the only one,” said Sivignon. “Very important to me is the ability of the CFO to generate his or her own successor because that means you have an organizational structure that is doing a good job at developing people and motivating them.”

Another measurement of the effectiveness of the CFO and finance team is its influence within the business units. Richard Tobin, CFO of SGS, said peer reviews are essential for understanding how finance is perceived among business leaders. “The finance function runs as a service to allow the business to be successful. The general managers in the geographies are my peers. I am here to serve them and guide them at the same time.”

To ensure that members of the finance team have the appropriate influence within the business units, Intel Corporation has established performance indicators to measure how well finance contributes to strategic decisions and serves as a business partner to the product divisions, said Smith. “We want the relationship to be a business partnership and also contentious when it needs to be, so we actually measure our finance people on whether they engaged in the big decisions and influenced those decisions in a way that was good for shareholders.”

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## GETTING THE RIGHT START: MAKE THE MOST OF THE FIRST 100 DAYS

Our fourth theme is the importance of the first 100 days to the CFO's long-term success. Particularly when they are recruited externally — as was the case for more than half of the CFOs participating in our survey — CFOs need to make the most of their first 100 days to learn the business, the people, the culture and, for some, the industry.

Even CFOs who have been promoted from within the organization — and presumably are knowledgeable about the company's processes, culture and people — have an adjustment. Intel's Smith had the luxury of solid on-the-job training, serving as assistant CFO for 18 months before moving into the CFO spot. His predecessor told him that, even though he was well-prepared to be CFO, he couldn't appreciate the pressure of the top job until he was in it. "He was absolutely right. Every issue that gets to my desk is complex and not easily solved. If it wasn't, then all the bright and competent people in the organization already would have dealt with it. It comes back to the complexities of being the CFO. For every decision you make, you have to think through all the implications of that decision and they are not always obvious."

So, what advice do CFOs have for making the most of those earliest days? In general, finance leaders agreed that the top priorities for a CFO's first 100 days are understanding the drivers of the business, coming to agreement with the CEO on the business priorities, evaluating the finance team and meeting as many of the business unit leaders as possible. Among the areas to explore during these discussions include: the key factors for success, the level of execution of budget, the risks involved in the business, reporting requirements, and the external factors that affect and modify performance, such as commodity prices, interest rates and foreign exchange rates.

"My first priority in joining a new business is to quickly build an understanding of the company: the structure and dynamics of its sector; the economics, value drivers and accounts of the business; the nature and quality of the operations, and the shape and culture of the organization," said AstraZeneca CFO Simon Lowth. "Talk to third parties about the business, including customers, suppliers, bankers, lawyers and consultants, and build up a perspective through multiple lenses. It's also important to establish a rapport with senior management across the business and to make sure you know how decisions are made in the company so you can influence them. And, of course, you need to assess the finance team thoroughly, get multiple perspectives and be objective. Develop your own vision and priorities for the finance function so that you can clearly articulate what you see as the goals and key priorities."

Rexam CFO David Robbie agreed. "The priority for me for the first 100 days is to develop a close understanding of the business and the strategy. Look at the risks and

the competitive opportunities; look at the people, decide who you can trust, then you can get the team right and start to determine the balance,” he said. “You have to focus less on the history of the business and think about the future.”

Paul-Louis Gay, CFO for Firmenich International, said he builds this understanding by meeting with a wide range of business leaders. “Meet as many people as possible to understand their expectations, their views, current issues, low-hanging fruit, priorities and the essential tasks to create a finance roadmap,” he advised. Hans Vestberg, CFO of Ericsson, emphasized the importance of understanding and taking control of the tools of finance. “I focus on the areas I can control: costs, the balance sheet and cash flow,” he said.

### **Perspective on the importance of leadership skills**

*“The CFO now is asked to have excellent people management skills. He or she should motivate the resources ensuring that the company’s values, culture and goals are properly communicated and assimilated.”*

Ernesto Greco, CFO of Salvatore Ferragamo Italia

While some CFOs said talent assessment was an area they wish they had spent more time on early on in their tenure — particularly identifying the individuals with the potential to move into more-demanding roles — others said understanding the quality of the team was their top priority upon coming into the CFO role. These CFOs said they strive to understand the finance team’s reputation within the organization and evaluate whether it has the right talent overall and the right individuals in each role. CFOs said they typically met individually with each member of their finance leadership team — and often in small groups — to understand the track record, strengths, weaknesses and needs of each executive and the dynamics of the group. Several finance leaders also said they talked to business unit heads across the company to get an external perspective on the function’s reputation and effectiveness.

“The most important thing is to assess the quality and overall talent of the people on the finance team,” said Ian Dyson, group finance and operations director for Marks & Spencer. “As you do this, you may find some ‘dead men’s shoes’ blocking talent and uncover talent that had been suppressed and then you have to reorganize. I also was keen to understand the reputation of finance within the organization.” Foster’s McKay agreed: “The majority of my focus during my first 100 days in the role was getting to

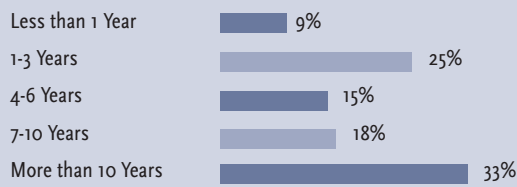
know the team and their capabilities, letting them know what I stand for and expect, and building a vision for the finance function with my team. I used every encounter with members of the team to observe, evaluate and coach.”

### Is 100 days too late?

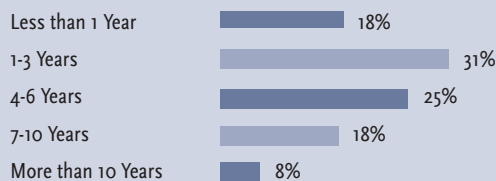
Several CFOs we interviewed cautioned that, given the pace of business today and the need to jump into reporting or major strategic initiatives immediately upon joining a company, some decisions should be made even before the 100-day milestone.

## SNAPSHOT: THE CHIEF FINANCIAL OFFICER\*

### Years with current company



### Years in current position



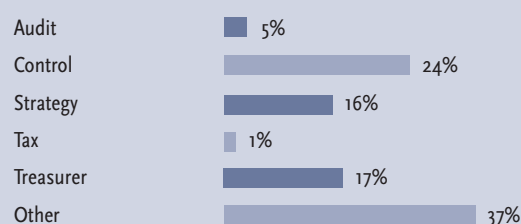
### Route to the CFO role



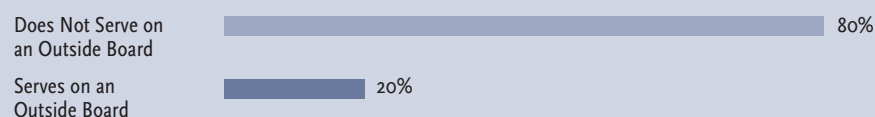
\* Conducted a survey of 141 CFOs across all major industries around the world in October 2008. 94% of our respondents said they held a corporate CFO role and 89% work for a public company.

In fact, Pollitt, of Visa, recommends that, within the first 30 days, a new CFO assess the top finance team and identify three to four “mountains to climb” — the specific tasks that can help create value in the company — for the first 100 days. “Within the first 30 days, size up your team and be ruthless in judging your talent and figuring out where you need to complement the team with needed skills, experience and know-how. It may take 30 days to figure out the game plan. Then be prepared to put all your focus on those top priorities for the first 100 to 200 days, even to the exclusion of other important work, until you have made sufficient progress against those primary drivers that you can begin to step back.”

### Primary area of functional expertise prior to becoming CFO/finance director



### Outside board service



### Lived or worked abroad for more than six months



	Eurofirst 300 CFOs	Fortune 1000 CFOs
Average Age	50	50
Average Tenure	4.2 years	4.1 years
Percentage Who Previously Served as CFO	34%	20%
Percent Female	3%	8%

Sivignon recommends taking time to study the business and start meeting people even before beginning in the role. This is what he calls the 90 days before the first 100 days. “The problem is when you start in a job, things move so fast that the first 100 days is almost too late,” he said.

## UNDERSTANDING THE EVOLUTION OF THE CFO PROFILE

Given the demands on them today, we wanted to know CFOs’ views on the qualities and skill-sets finance leaders should possess and how their companies are developing finance talent for the future. Interviews and survey responses confirmed our observations from our work with clients: CFOs today need to be analytical, flexible and strategic thinkers with the ability to solve problems and the confidence to lead in an ambiguous environment. CFOs need both superior technical and interpersonal skills, and should be able to translate strategic options into financial consequences.

### Perspective on developing creative thinkers

*“CFOs need to develop themselves and their teams into more lateral, creative thinkers. Make this happen through dialogue, challenge and movement. Reinvent yourself and the team. Move away from complexity, look for more innovation and creativity. When you know the basics, you can elevate yourself away from the day-to-day operations and contribute to the company evolution. This means of course you have a great-performing team and they are working well together.”*

Erich Hunziker, CFO and deputy head of the corporate executive committee of Roche Holding AG

“You can’t just be an ‘accounting personality,’” said Peter Gregg, former CFO of Qantas Airways. “To reach the top, you must be broader than that and understand the commercial and financial drivers of the business. Then you will be seen by the board as more than just an accountant. You also need to be a leader and be able to convince people to come with you and not bully them into coming with you; be incredibly flexible and very commercial, but stick to the principles of your training.”

Akzo-Nobel CFO Keith Nichols agreed. “A CFO needs to be a no-nonsense diplomat who can focus on the key issues at stake in an independent and impartial way, with integrity and a consultative style.”

Increasingly in the role of change agent, the CFO has to spend more time communicating the roadmap and improving the organization’s knowledge of financial metrics and

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the drivers of value creation. This includes the ability to explain complex concepts to the broader organization.

“The markets are becoming more volatile, the financial instruments are more and more complex and increasingly are woven into the operational processes. So, on one hand, CFOs need the professional competence to stay on top of these issues. On the other hand, they must possess the communications skills to explain these things to colleagues who are not deeply involved in them,” said Robert Ottel, CFO of voestalpine AG.

Similarly, in an environment in which investors are increasingly vocal and involved, the ability to communicate effectively with external stakeholders has become a more important skill for finance leaders. “I actually spend a very small amount of my time involved in pure finance issues, as opposed to more general business issues, which have an impact on the group’s financial results. A significant part of my role is in investor relations and to perform that role effectively you have to understand the business and be able to talk about it in a way that is intelligible and intelligent. You must talk about the fundamentals of the business, and you can’t do that if you only know about finance,” observed Dominique Yates, CFO of Symrise, A.G.

### **Strategies for developing finance leaders for the future**

CFOs agreed on the need for thoughtful and aggressive talent management to build an effective finance team. In fact, 52 percent of our survey respondents reported that people development and succession planning were among the activities they spent the most time on and 41 percent of respondents said they should be spending more time on these activities.

Very important to these efforts, according to CFOs, is establishing a finance career path that exposes executives to a broad range of finance functions and business areas. Grupo Ferrovial, for example, has a financial talent management committee that reviews some 50 finance executives within the group, looking in particular for opportunities to move finance executives between divisions, said Villen. Other CFOs said their organizations have identified specific experience finance leaders should build during their careers, including sector, geographic and functional steps and positions.

In our survey, CFOs rated functional experience in three areas — financial planning and analysis, accounting and controls, and strategy/mergers and acquisitions — as the most important experience for finance executives aspiring to the CFO role to gain. CFOs also stressed the importance of managerial experience and exposure to a variety of business units in a finance career path.

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Fast-growing companies tend to have an advantage in providing high-potential executives with a variety of leadership experiences, but as companies mature they have to adopt more formal and sophisticated talent development practices. “There’s a point at which the pyramid starts to narrow, so being able to identify talent and create development opportunities, even if they are lateral moves, to grow their skill-set is increasingly important,” said Intel’s Smith.

CFOs also emphasized the importance of ongoing coaching, particularly encouraging up-and-coming finance leaders to embrace their role in creating value for the organization and participating in business and strategy decisions. Explained one CFO, “I teach our finance executives to use every encounter and every meeting to get at the issues we are trying to solve and the decisions we need to make to advance the debate about how to create value. The pace at which a company creates value is a function of the pace at which it can make decisions and resolve issues.”

Finally, Pfizer’s Handa said his philosophy for grooming finance leaders is to “allow them to do things on their own, free from micromanagement, while still maintaining a sense of the business. Allow them to interact more with various stakeholders, rather than bring problems to me all the time. Provide them with strategic direction rather than operational support.”

## EMBRACE PERSONAL CAREER PLANNING

Our final theme — that finance executives aspiring to the CFO role must actively manage their careers to accumulate broad-based business and finance experience — reflects the range of advice shared by CFOs during interviews and through our survey. A number of suggestions for up-and-coming finance executives emerged.

### **Obtain broad functional and business experiences.**

Strive to move internally at the corporate level or into specific divisional, business or operational positions, even if a change represents a lateral move. This will provide a more global view of the business and the finance role. “Be open to learning about and doing things outside of your comfort zone; this will make you a better CFO today and open up more opportunities for you in the future,” said Yale University CFO Gwendolyn Sykes. ADP’s Reidy agreed. “As much as possible, gain exposure to a variety of aspects of the finance function — control, treasury, investor relations, financial planning and analysis — rather than becoming a specialist in one thing,” he said. “Always stay close to the operating people. The more you understand the business, the better able you will be to add value as a finance partner.”

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Streppel recommends finance leaders get operational experience. “A CFO without management experience in the field, and therefore without a sense of the operational consequences of his own demands, has no credibility and therefore less chance that the business leaders in the field will comply with his sometimes-cumbersome requirements.”

### **Conversely, avoid being seen as too much of a specialist.**

While technical excellence is a must, don’t let yourself become overly concentrated as a specialist, CFOs said. “Make sure that you’re keeping your perspective broad and high enough to meet the future expectations for the CFO. Position yourself toward the strategic elements of the business, as opposed to just the financial,” advised Tom Ryan, CFO of Pro-Build Holdings. Said Parmalat CFO Pierluigi De Angelis: “It is better to have a good understanding of each function — administration, finance and control — than be a ‘super-expert’ in one area.”

### **Challenge yourself by moving out of your comfort zone.**

By accepting international assignments, a tough job or an unpopular project — “throwing yourself into an environment where you understand none of the ground rules,” according to one CFO — you test and broaden your skill-sets. “By doing something hard and lonely, you can demonstrate to the organization and to yourself that you’ve really been tested with a challenge, took personal ownership of it and drove it to a successful conclusion. By doing so, you will grow beyond simply adding additional skills to your arsenal,” said Daniel Shook, CFO of Borealis.

### **Build on the basics.**

Young people in finance often have more interest in the “sexy stuff” such as business development or currency trading rather than budgeting and the true controllership side of finance, which involves accounting, said Eli Lilly’s Rice. “I remind them that most of the CFOs who have been fired after a short tenure, lost their jobs because the financial markets lost confidence in the financial discipline of the company. They have to strike a balance of being a business partner and excelling at the control aspects of the job.”

### **Build networks across the organization and be seen by the organization.**

As David Robbie explained, “You cannot shut yourself in a room and immerse yourself in data and spreadsheets. Talking to people will be the best source of information and, as CFO, you need to establish closer and more trusting relationships across a broader reach of the internal and external world than you ever did in previous roles.”

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## CONCLUSION

Given their mandate to take a leading role in shaping strategy, improving operations and driving bottom-line results, CFOs have more responsibility and greater influence than in the past. Especially today, boards and management teams are looking to CFOs to understand and evaluate the changing drivers of the business so that they can guide the organization past the current challenges and contribute to the strategic decisions necessary for long-term growth and value creation as economic conditions improve.

With expectations on them rising, the most successful CFOs will be those who embrace their role as a business partner — deftly managing their reporting and regulatory responsibilities while driving improvements in performance — and build a strong finance team to support them and the organization for the long term. Finance executives aspiring to these demanding leadership positions will ensure that they gain the broad-based business and finance experience they will need to lead effectively as they move into senior finance roles.

## COMPANY LISTING

ABB Group	Global leader in power and automation technologies
Automatic Data Processing	Global provider of business outsourcing solutions
Aegon N.V.	Dutch life insurance giant
Akzo-Nobel N.V.	One of the world's leading industrial companies. Based in the Netherlands, it makes and supplies paints, coatings and specialty chemicals
Arch Capital Group	Bermuda-based provider of property/casualty insurance and reinsurance
AstraZeneca PLC	Global pharmaceutical company
Billabong International	Global leader in the board sports apparel and accessories industry
Borealis AG	A leading European maker of plastic resins for the infrastructure, automotive and advanced packaging markets
Dean Foods Company	A leading U.S. dairy company
Deutsche Postbank AG	A leading German retail bank
Eli Lilly & Company	Global pharmaceutical company
Firmenich S.A.	Global producer of flavors and fragrances for perfumes, cosmetics, foods and beverages, and household products
Foster's Group	Premium multi-beverage company based in Australia
Grupo Ferrovial	Global infrastructure company
ING	One of the world's largest insurance and financial services companies
Intel Corporation	Global semiconductor company
ITT Corporation	A high technology engineering and manufacturing company
Marks & Spencer PLC	One of the U.K.'s leading retailers
Old Mutual OLC	A leading international savings and wealth management company
OMV AG	Oil and chemicals group and Austria's largest industrial company
Parmalat	Italian multinational food group active in milk and dairy products and fruit-based beverages
Pfizer	One of the world's largest research-based biomedical and pharmaceutical companies
Pro-Build Holdings	U.S. supplier of building materials
Prismian S.p.A.	Leading provider of high tech cables and systems for energy and telecommunications markets
Qantas Airways	Australia's number-one airline
Repsol YPF	Spain's largest oil and gas company, which owns 85 percent of YPF, Argentina's largest integrated oil company.
Rexam PLC	Global consumer packaging group
Roche Holding Ltd.	A research-focused healthcare company providing diagnostic and therapeutic products and services
Royal Philips Electronics	The world's largest lighting company and one of the world's leading healthcare companies
Salvatore Ferragamo Italia	Italian producer and distributor of luxury shoes, leather goods, accessories, fragrances and apparel
SGS S.A.	Global provider of verification, testing and certification services
Symrise AG	A global supplier of fragrances, flavorings and raw materials and active ingredients for the perfume, cosmetics and food industry
UB Group	India's largest beer producer and exporter
Visa	Global retail electronic payments company
Voestalpine AG	Austria-based producer of steel products for the automotive and auto supply, rail, refrigeration and cooling, and furniture industries
Yale University	U.S. university

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