

# The Superstar CFO

Optimizing an increasingly complex role

A research brief prepared in collaboration with SAP

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CFO Research Services and SAP developed the hypotheses for this research jointly. At CFO Research Services, Sam Knox directed the research and wrote the report.

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## Introduction

Chief financial officers are under greater pressure, scrutiny, and accountability at companies large and small. The demands of both internal and external stakeholders—including CEOs and boards, activist investors, regulators, customers, business managers, and functional managers—continue to expand, and seemingly everyone expects more from companies and their finance function. These stakeholders look to the CFO for his or her unique understanding of company performance, business strategy, value creation, and risk.

Amid these high expectations, an ideal CFO serves as strategic business counselor, steward of performance and decision-support information, cost controller, and trusted adviser to the CEO. “Extraordinary CFOs know no boundaries,” writes one senior finance executive at a \$5 billion manufacturer who took part in this study. “They participate in the management and optimization of the assets of the company—both physical and human.”

CFOs who deliver such optimization help achieve great results for their companies and often earn great rewards for themselves. Those who don’t run the risk of falling short of investor expectations and seeing their companies rank at the bottom of their respective peer groups.

With this in mind, we sought to identify the attributes of highly successful CFOs—the superstars who help lead their companies to great performance. To do so, we went straight to an authoritative source—CFOs and other senior finance executives—with a series of questions on the qualities that define the ideal CFO. After gathering data from more than 300 senior finance executives in North America, we’ve prepared this research brief on what extraordinary CFOs do to achieve extraordinary results today—and how they should change to meet future business challenges. Respondents work for companies with operations in North America as well as Europe and Asia. In particular, we’ve explored the activities that CFOs should spend more (and less) time and attention on in the future.

### > About this report

In May 2007, CFO Research Services (a unit of CFO Publishing Corp.) conducted a survey among senior finance executives to examine their views on the ideal CFO. We gathered a total of 354 responses from senior finance executives from a broad cross-section of company segments, as follows:

#### Annual revenue

- Less than \$100 million: 8 percent
- \$100 million–\$500 million: 32 percent
- \$500 million–\$1 billion: 15 percent
- \$1 billion–\$5 billion: 24 percent
- \$5 billion+: 21 percent

#### Titles

- Chief financial officer: 39 percent
- VP of finance: 17 percent
- Director of finance: 15 percent
- Controller: 13 percent
- Other (including CEO, president, or managing director): 11 percent
- EVP or SVP of finance: 5 percent

Respondents work for companies in nearly every industry. The manufacturing, financial services, and wholesale/retail industries are particularly well represented.

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## Extraordinary CFO as external negotiator, adviser, and functional leader

In the spring of 2007, CFO Research, in collaboration with SAP, asked senior finance executives about the ideal CFO's responsibilities. Amid the great demands on CFOs and their teams, we sought to understand how CFOs should prioritize their external and company-wide mandates, as well as how they should manage the finance function itself. Each of these facets is important to company success, of course. The key questions are: When are CFOs responsible for ultimate results? When should they provide analysis and support? And when should they govern and oversee their companies' processes for achieving results?

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**As companies seek growth in an intensely competitive business environment, many respondents view the superstar CFO as a key contributor to business strategy and foresee an even greater role for the CFO in enterprise-level strategic planning in the future.**

Survey results confirm much of what we expected—executives say the ideal CFO bears ultimate responsibility for the finance function and its results, and works closely with other parts of the company as an adviser and process expert. As companies face broad regulatory and administrative challenges that span across the enterprise, the ideal CFO is, in the minds of many survey respondents, responsible for ensuring the integrity of the company's processes and controls for responding to these challenges—particularly those that impact financial results. And, as companies seek growth in an intensely competitive business environment, many respondents view the ideal CFO as a key contributor to business strategy and foresee an even greater role for the CFO in enterprise-level strategic planning in the future.

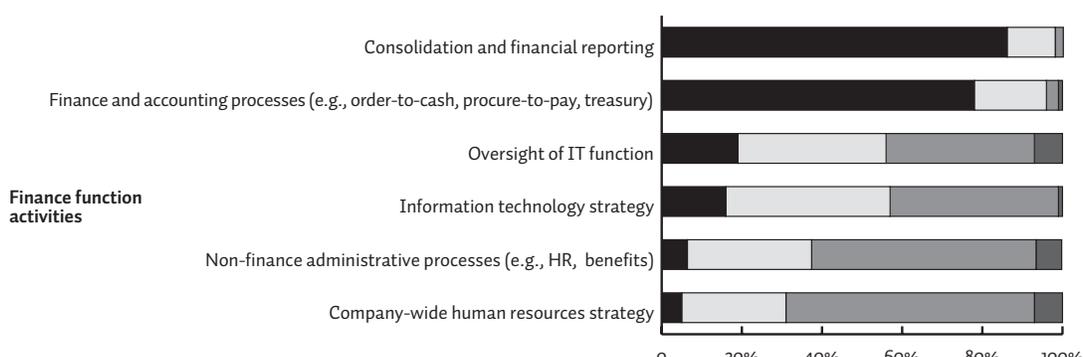
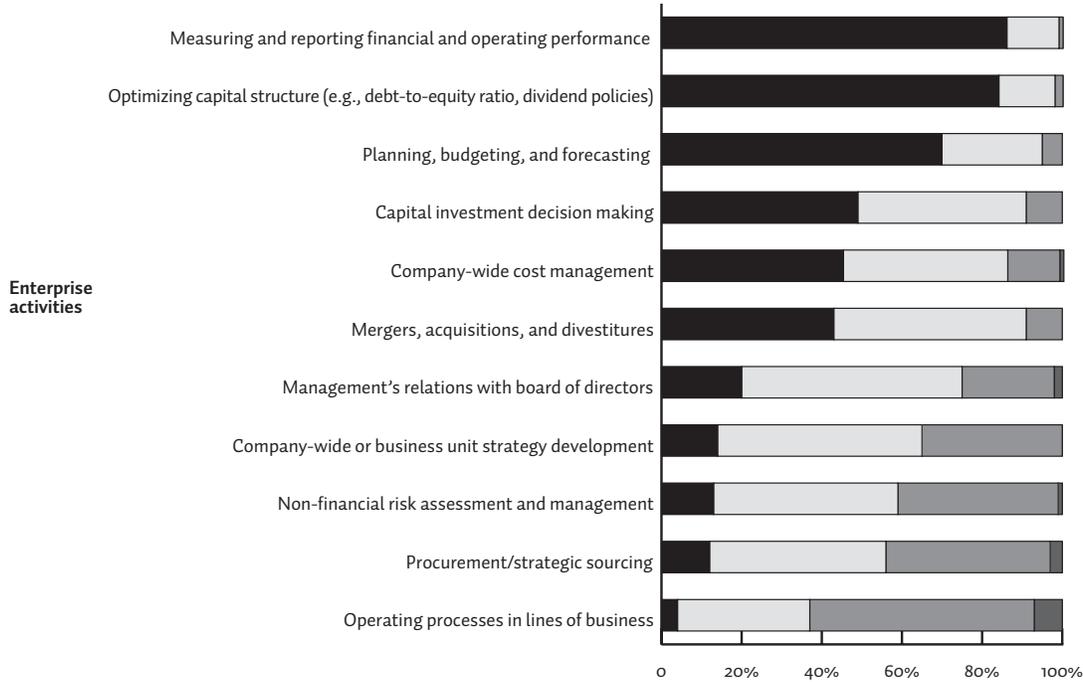
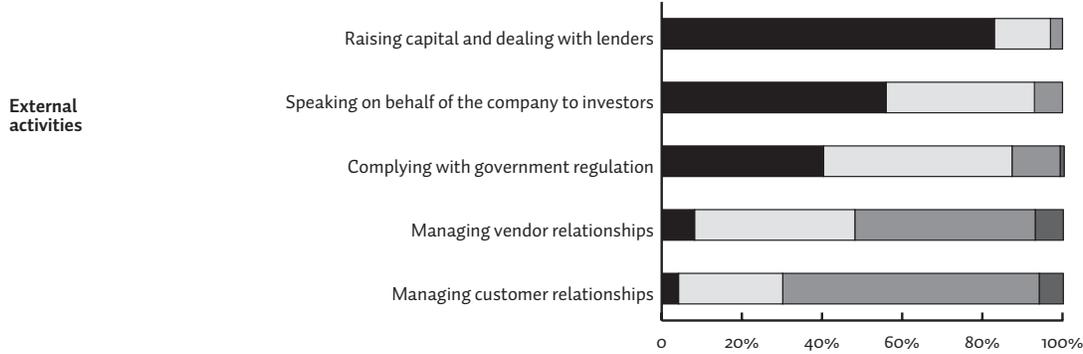
Across the three primary categories of finance's activities—those external to the company, those that span across the enterprise, and those within the finance function itself—a pattern emerges in the survey data:

- **The ideal CFO bears responsibility for the ultimate results for core finance activities**—for raising capital and managing relationships with shareholders; for planning the business, measuring and reporting financial and operating results; for ensuring optimal capital allocation; and for routine finance and accounting processes. Unsurprisingly, the CFO is explicitly accountable for these activities, and executives affirm that the ideal CFO bears responsibility for these outcomes.
- **When other groups are explicitly accountable for results, the ideal CFO serves as a counselor and adviser to those who bear responsibility for the outcome.** Executives are most likely to call for CFOs to provide analytical support and advice to business management in dealing with customers and vendors; in optimizing operations within the business; in managing risks to business performance; and in overseeing administrative activities such as human resources.
- **The ideal CFO bears responsibility for the processes that address broad, enterprise-level requirements.** In other words, when companies face broad requirements—to comply with government regulation, for example, to govern management's relationship with the board, or to build an enterprise-wide IT strategy—the ideal CFO steps up to responsibility for the business processes that achieve these results.

# The Superstar CFO

> Figure 1. The ideal CFO ensures process excellence when requirements span the entire company.

In your opinion, what role should the ideal CFO play in the following activities?



Ideal CFO bears responsibility for ultimate results
  Ideal CFO bears responsibility for process excellence
  Ideal CFO provides analytical support and advice
  Ideal CFO has little or no role

Percentage of respondents

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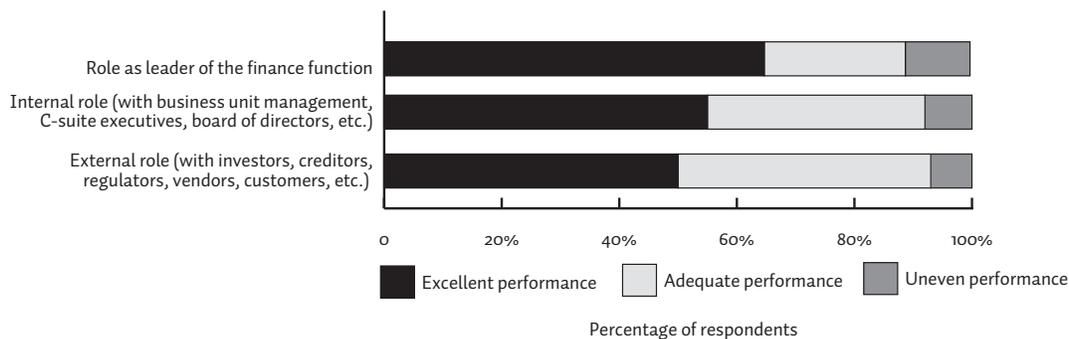
## Excellence as finance function leaders

Senior finance executives report strong performance from their current CFOs. Queried on the performance of their company's CFO as leaders of the finance function, fully 65 percent of respondents say his or her performance is "excellent" (although when respondents with CFO titles are excluded, the percentage of "excellent" responses falls to 50 percent). Respondents are less complimentary in their assessment of current CFOs' performance when managing relationships with investors and other outside stakeholders, and when they work with internal stakeholders including business-unit heads, other C-suite executives, and the board. Few respondents, however, rate their CFO's performance as "uneven" in any category (see Figure 2).

Despite the generally positive view of CFOs' current performance, free-text responses from the questionnaire shed light on the frustrations that executives feel with their CFOs and with their performance, given the finance function's expansive mandate. Says one executive at a midsize manufacturer, "The CFO needs to be a partner with the operations and sales leaders. CFOs should be viewed as a credible source, and be called upon to provide financial information to help make informed decisions on the direction the business is taking." Many other respondents share this executive's concern, saying that the details of day-to-day activity in the finance function often overshadow higher-value activities and keep CFOs from providing leadership, discipline, and guidance on mission-critical activities.

> **Figure 2. Current CFOs are more likely to excel as leaders of the finance function than in their external or company-wide roles.**

How well, in your opinion, do you believe you (or your company's CFO) meet your profile of the ideal CFO?



## A call for more strategy and business performance enhancement

We asked respondents to consider how their CFOs should allocate their time in the years ahead. Respondents often said their CFOs should spend “the same amount of time and attention” on many of the activities we queried them on. These results tend to confirm that senior finance executives in this survey largely approve of their CFOs’ performance.

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### Executives consistently say that CFOs should spend more time on performance-enhancing activities, such as developing business strategy.

But it is also clear from the survey data (and from write-in comments) that executives think CFOs should devote *more* time and attention to one category of activity in particular: executives consistently say that CFOs should spend more time on performance-enhancing activities, such as developing business strategy—and let others handle more tactical matters. In particular, the data suggests the following aspirations for CFOs from the finance executives responding to the survey.

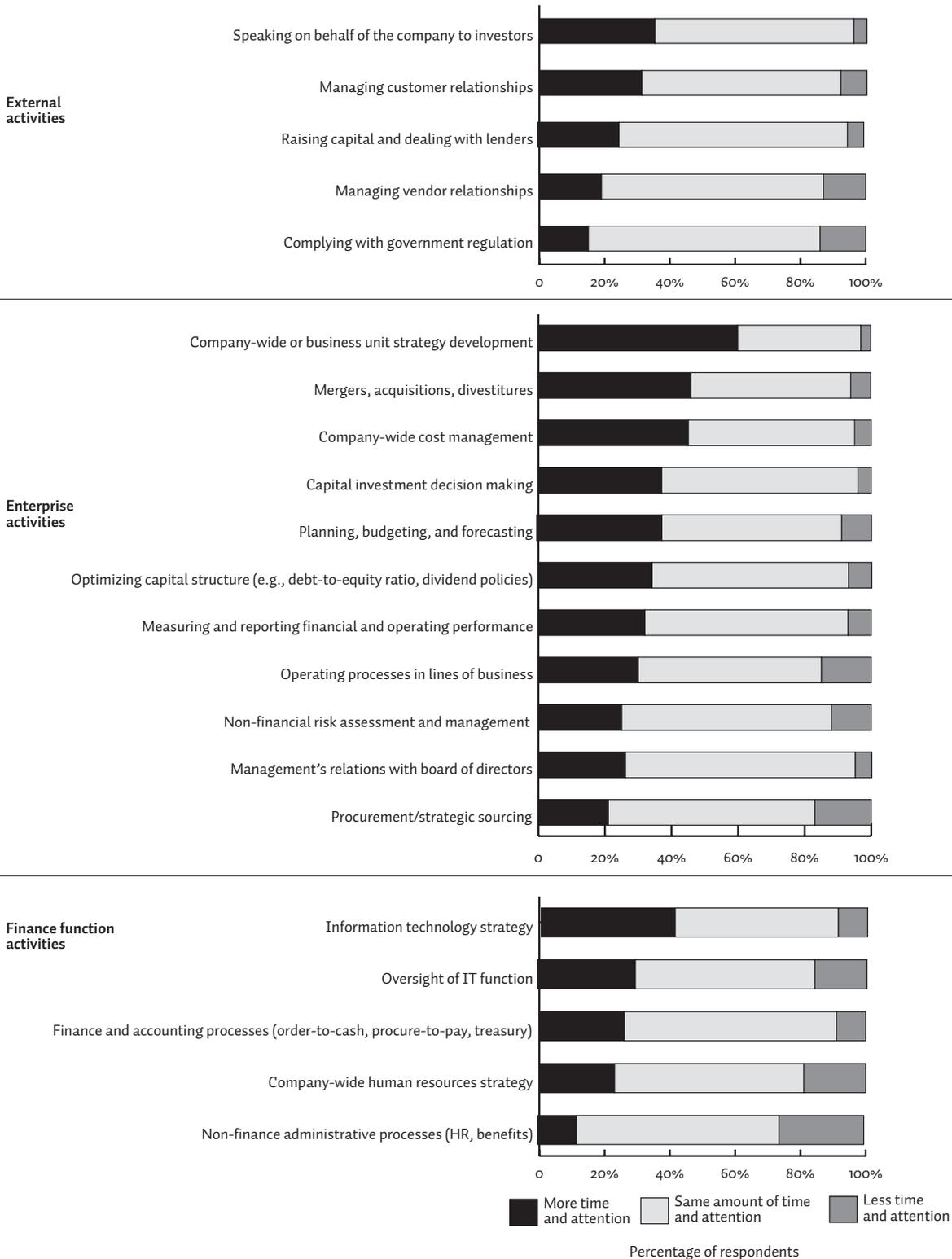
- Looking at external activities, **one-third of respondents believe their CFOs should spend more time and attention speaking with investors, and more than one-fourth call for a greater focus on customers.** A director of finance at a large chemical company says of his CFO, “He needs to be more externally focused—meet with customers and promote the company more with Wall Street.” This call for greater attention to both customers and investors is echoed widely among respondents.
- On company-wide activities, **60 percent of respondents call for devoting more time and attention to company-wide and business unit strategy.** A near majority of survey respondents think that M&A and cost control require more attention from their CFO. In their open-ended comments, respondents offer a chorus of aspiration for more strategic thinking and even more active participation in strategic planning from CFOs. “Become a more vocal leader in strategic planning and change management,” says an EVP at a midsize retailer. The CFO of a \$250 million engineering firm says he wants to “force internal discussions to focus more on strategy than on tactics. . . and to keep [our] eyes externally focused.” And one CFO says he plans to “develop greater people skills, boldly participate in strategic planning, provide honest, constructive feedback on management challenges, and hold other members of the leadership team accountable.”
- Within the realm of finance and other administrative activities, **more than one-third of respondents seek greater contributions to IT strategy from their CFOs.** The CFO of a \$130 million manufacturer says, “As we are attempting to grow our company through innovation, the CFO and his staff need to focus attention on delivering the right analysis to lead the company to make the best strategic steps. We require systems that are sound and flexible to deliver comprehensive analysis on a brisk turnaround.”

Other executives imply that IT strategy—not oversight of the IT function, but the use of technology to achieve business goals—is a paramount concern. A finance director at a \$3 billion construction firm says, “The CFO should take a more active approach to IT within our company. The IT function is not looked at as a strategic advantage, but rather a cost of doing business here.”

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> Figure 3. Emphasize strategy and performance; avoid focusing solely on administration.

In your opinion, should you (or your company's CFO) spend more, the same amount, or less time and attention on the following activities in the next two years?



## Executives call for personal leadership from their CFOs

Survey data from senior finance executives clearly indicates a profile for a superstar CFO. He or she bears responsibility for the results of core finance activities and provides analyses and advice to business managers throughout the organization. When regulatory, administrative, and strategic requirements span an entire enterprise, the ideal CFO governs and ensures the quality of the processes to meet such requirements and takes an active role in strategy-setting. In the years ahead, respondents anticipate an even greater contribution to business strategy and performance-improving activities from the ideal CFO, both internally and externally.

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**“The ideal CFO is both navigator and co-pilot. This person must be ready and willing to provide an opinion when and where necessary, fight for its implementation, and be humble enough to back off and support alternative ideas, as appropriate. Above all, the CFO must instill confidence with all of the stakeholders,”** says one CFO.

The free-text responses in the study consistently confirmed the results of our survey. But when asked to offer—in their own words—their views on the qualities of the ideal CFO, and the changes they’d like to see in the years ahead, finance executives mention personal attributes as often as they mention functional roles and responsibilities. “Demonstrate not only leadership but also integrity and honesty,” says a public sector CFO. A director of finance at a professional-services firm calls for a CFO who “objectively balances the competing needs of internal staff, the board of directors, investors, and other stakeholders and maintains integrity in the face of investor or board expectations for results.”

The CFO of a \$300 million engineering company summarizes the personal attributes of his archetypal CFO as follows: “The ideal CFO is both navigator and co-pilot. This person must be ready and willing to provide an opinion when and where necessary, fight for its implementation, and be humble enough to back off and support alternative ideas, as appropriate. Above all, the CFO must instill confidence with all of the stakeholders.”

While focusing on particular roles and activities within the finance function mandate is surely an essential determinant of success, the personal traits of a CFO also contribute to his or her effectiveness. A CFO’s ability to build consensus, to inspire confidence, and to make decisions authoritatively will also drive the success or failure of the company.

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## Sponsor's perspective

In partnership with CFO Research, SAP is pleased to share with you this research study. We believe the results confirm what many of you are experiencing and what many of our customers have shared with us—that the role of the finance organization is transforming. Our goal was to capture from CFOs and finance professionals directly what they consider to be valuable skills and attributes of finance leaders—in other words, what it takes to be a Superstar CFO.

As external stakeholders place greater demands on businesses to perform, a company's finance professionals, led by the chief financial officer, must play a broader role in guiding decisions across the business in order to maximize shareholder value. In addition to broadening their role, finance departments are making strategic investments in IT solutions that automate and standardize critical processes within their own department. These investments not only help decrease costs and cycle times, but pay additional dividends in the form of strengthened compliance and improved financial returns. From closing the books to straight-through payment processing, SAP solutions are helping companies ensure lean, compliant financial operations; improve strategy execution; and enable financial transformation by providing a proven, unified platform for business agility, visibility, and informed decisions.

SAP offers the market-leading, cross-industry financial application suite, known as SAP ERP Financials. SAP Solutions for GRC—the only integrated governance, risk, and compliance management application suite—help CFOs and their companies ensure business compliance and the integrity of their processes and controls. SAP Solutions for CPM help CFOs manage and improve company performance by tightly linking strategy to execution through a single platform for planning and consolidation.

We are proud to sponsor this research and hope readers gain key insights into how fellow finance professionals view their expanding role.

For more information on how SAP solutions enable you to streamline your finance processes, ensure compliance, and optimize your financial value chain, please visit our website at [www.sap.com](http://www.sap.com) and discover why the best-run businesses run SAP.

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