We would not have been able to complete this paper without the help and advice of the following Finance leaders to whom we are indebted and give our thanks:

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<thead>
<tr>
<th>Stuart Black</th>
<th>Robert Moorhead</th>
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<tr>
<td>David Blackwood</td>
<td>Chris O'Shea</td>
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<tr>
<td>Kevin Boyd</td>
<td>Matthew Price</td>
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<td>Nicholas Cadbury</td>
<td>Tony Quinlan</td>
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<td>Keith Down</td>
<td>John Rogers</td>
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<td>Alex Gersh</td>
<td>Alex Russo</td>
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<td>Nick Gresham</td>
<td>Humphrey Singer</td>
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<td>Clive Jennings</td>
<td>Matt Smith</td>
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<td>Andy Jones</td>
<td>Ben Stevens</td>
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<td>Sarah Jones</td>
<td>Alan Stewart</td>
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<tr>
<td>Ben Kent</td>
<td>Trevor Strain</td>
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<td>Duncan Magrath</td>
<td>Duncan Tatton-Brown</td>
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<tr>
<td>Richard Mayfield</td>
<td>Leon Taviansky</td>
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<td>Alastair Miller</td>
<td>Monica Turner</td>
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In today's post-crisis era, the CFO role is more vital than ever as businesses increasingly compete in a global arena. And with boards shrinking in size, the profile of this pivotal position has risen. CFOs play a major role in developing and implementing strategy, and they must also be key drivers of growth, change and innovation.

To support their business in the quest to deliver growth in the new economic climate, the essential ingredients of a good CFO will include an aptitude for innovation and a capacity for change.

We wanted to understand more about how finance leaders are thinking and acting differently in response to these demands and the changing context of their role. To do this, Norman Broadbent's CFO Practice interviewed prominent CFOs currently serving on the boards of FTSE 100, FTSE 250 and Private Equity backed businesses.

An analysis of our data suggests five key themes that are impacting on the role of today's finance leaders and their teams, namely:

- Leading organisation-wide change and transformation
- Driving commercial decision making and the pace of change
- The impact of shifts in technology, communication and consumer behaviour
- Managing the tension inherent in balancing collaboration with independence
- Communication and influencing

The following report is a summary of our findings.
DRIVING CHANGE TO CREATE COMPETITIVE ADVANTAGE

Reinvention is key to survival. Today’s CFOs must help to find new ways to sustain performance and seek out avenues for growth. To do this, CFOs must look beyond the core finance function to find opportunities to create value.

Developing and maintaining a strong finance function has been, and continues to be, a critical requirement for businesses emerging from the volatility of the recent financial crisis. As we move into the post-crisis era, the role of the CFO has become central in helping businesses to redefine business models, and adjust to meet the needs of an increasingly globalised environment, encompass massive leaps forward in technology, consider changes in consumer behaviour and prepare for further economic unpredictability.

The power to innovate and manage shifting priorities does not happen overnight. But today’s CFOs can be catalysts for change, helping to engineer a shift in company DNA and embedding a culture that is responsive to change and new ideas.

This begins with understanding that change is an emotional process, and crucially recognising that emotion cannot be managed through a set of numbers or data. When people challenge the reasons for a particular strategy, what they really want to know is ‘How does this affect me? What does this mean for my future in this business?’

This is where widening the diversity of the board can pay off. Research has shown that companies with more female board members tend to exceed their targets and deliver better return on equity for shareholders. Aside from that, there is a perception that a female CFO may be able to offer a different, more empathetic perspective on strategy, a topic that is a great subject of debate.

In their role as a catalyst for change, good CFOs will guide their finance team to think and act differently. It means they must not only be able to adapt their personal approach, but also that of their department, bearing in mind that the demands placed on finance will ebb and flow in tandem with the direction of the business.

‘... Its my job to get us to a better operating model, to add precision and laser focus.'
DRIVING CHANGE TO CREATE COMPETITIVE ADVANTAGE

‘Finance now has more impact on the organisation as a whole than ever before.’

With all this in mind, today’s CFOs need strong leadership skills and courage if they are to embark on fundamental changes to the management structure of the business. But there are risks to consider as well: if they exert too much control, they could limit managers’ ability to act and stifle creativity. Instead, they need to find a balance between control and providing room for speed and agility.

This requires vision, experience and skilled judgement, but CFOs who can use the finance function effectively to accelerate strategic growth and drive change, not just within finance, but across their business, can create a major competitive advantage.
The ‘big data’ revolution has attracted a lot of hype, and there is more pressure than ever on businesses to make something of the vast amounts of data they produce.

At the same time though, this proliferation of data means little if the capacity to derive relevance from it is lacking – without placing it in context, it’s just background noise.

With finance at the centre of commercial decision-making, CFOs can empower other business leaders to better understand their own performance and make the best use of the insight and analysis available.

It’s no longer the role of the CFO and the finance team to merely ‘assimilate and report’ information. Instead, finance leaders must build a team with the skill base and capability to identify, interpret and communicate the most valuable data, in the right language, at the right time. In short, they need to cut through the noise to deliver clarity and simplification.

Part of this process needs to include the introduction of some level of standardisation, so that all stakeholders view the business challenges through the same lens – providing them with ‘clean data’ is key.

CFOs with first hand commercial experience have an inherent advantage here, because they attract credibility in the business and can identify areas where analytics can bring the maximum competitive advantage.

‘If you don’t understand the wiring of your business, how can you make decisions?’
In the wider finance team, calling on a diverse collection of skills and experiences can benefit the business. Relying on any function comprised of individuals with similar backgrounds runs the risk of ‘group think’, so firms should consider being more flexible and open when drawing up finance department job descriptions.

As the breadth of the CFO role grows, so must the responsibilities of his or her direct reports. They must be trusted to carry out roles with increasing depth and specialism. In terms of succession planning, this experience will arm them with the credentials to be considered a credible CFO in the future.

“I look at the finance team as a collection of skills. Finance can no longer be a department made up entirely of qualified accountants.’

In fact, a cohesive succession strategy is central to the CFO role today, and they must ask themselves the following questions: What is the most efficient and effective route for high performing finance team members to gain exposure to strategy and front-line decision-making? How can CFOs attract commercially savvy professionals into finance and best use their skills?

This is especially important in light of increased movement within board-level finance roles. Offering a clear and measurable route to senior roles – rather than giving an impression of CFOs shutting themselves in an ivory tower – can enhance both engagement and retention and offer stability in the long term.

CFO hires last 3 years

<table>
<thead>
<tr>
<th>FTSE 100</th>
<th>29 hires</th>
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<tr>
<td>10 Internal</td>
<td>19 External</td>
</tr>
<tr>
<td>FTSE 250</td>
<td>38 hires</td>
</tr>
<tr>
<td>17 Internal</td>
<td>21 External</td>
</tr>
<tr>
<td>FTSE 350</td>
<td>67 hires</td>
</tr>
<tr>
<td>27 Internal</td>
<td>40 External</td>
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</tbody>
</table>

Source: BoardEx
In a world in which it’s no longer ‘the big that eat the small, but the fast that eat the slow’, speed is king and the pace of change relentless.

Businesses must be able to respond quickly to shifts in market trends and the quality of their infrastructure and availability of reliable data will dictate their ability to do this. It’s the speed at which people, systems and processes can be mobilised to adapt and capitalise on new opportunities that will give them competitive advantage.

The most agile start-ups and would-be market disruptors are free from the inertia of corporate structures and legacy systems; they have easy access to technology and the potential to address a global audience overnight. This has significantly reduced barriers to entry to established markets.

In this environment, the tools and structures that have worked for businesses in the past may be less effective. Typical year-on-year improvement programmes based on the application of formulaic management accounting and reporting processes alone no longer deliver. Instead, businesses must draw on richer data and analytics to come up with faster results.

Speed means that mistakes are more likely, however, and it is understandable that those working within finance departments will often prefer a thorough data analysis before they sign off on costly change or untested ideas.

It’s a delicate balance between investing in the right strategies and technologies to support proactive growth and innovation, without losing sight of cost control and diligent risk management.

‘CFOs must get comfortable with the idea that it’s the fastest that will win, not the most thorough or the most risk averse.’

‘As the CFO I need to be asking ‘how much faster can we go?’

In this environment, the tools and structures that have worked for businesses in the past may be less effective.
‘The business needs big ideas and the CFO has to get comfortable with this.’

It’s also important to note that for today’s FTSE 350 CFO, where average tenure remains less than five years, the window for delivering change and tangible results is finite, with turnover among European CFOs at the highest level since 2007.

It’s important to remember too, that finance can offer women a faster route to a seat on the board. Ensuring there is a gender-diverse range of talent within your succession strategy will help the organisation draw on a wider variety of voices as it deals with the challenges ahead.

<table>
<thead>
<tr>
<th></th>
<th>Average Age</th>
<th>Average Tenure</th>
<th>% Female</th>
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<tbody>
<tr>
<td>FTSE 100</td>
<td>51.2</td>
<td>4.14</td>
<td>11.2%</td>
</tr>
<tr>
<td>FTSE 250</td>
<td>49.75</td>
<td>4.66</td>
<td>3.5%</td>
</tr>
<tr>
<td>FTSE Small Cap &amp; Fledging</td>
<td>48.71</td>
<td>4.16</td>
<td>9.92%</td>
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<tr>
<td>Aim</td>
<td>48.44</td>
<td>3.04</td>
<td>9.13%</td>
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As at 31 December 2014 – data supplied by BoardEx
MANAGING THE TENSION

‘In order to drive change it is necessary to be unreasonable, to demand more, to disrupt the status quo. You have to push.’

To achieve change at this breakneck speed, today’s CFOs may need to be ‘more the accelerator than the brake’, using their position to create burning platforms, motivate action and maintain momentum.

Creating tension can be a potent tool with which to drive decision-making and free businesses from the factors that hold them back. The CFO is ideally placed to help the business identify priorities, to make tough choices and to influence the pace and quality of execution.

‘My role is to support the CEO in growing the business. I’m always trying to find a way to say ‘yes’.’

To do this successfully, the CFO must understand the key value drivers in the business and know how and when to lever these appropriately, both in good times and bad. Creating value requires a determined focus on achieving goals over time, resisting pressure to be deflected off course.

Today’s CFO needs to demonstrate a balance between a mindset of control and entrepreneurial spirit, facilitating a culture in which the business has the confidence to try new things and take calculated risks.

Arguably, with the exception of the CEO, the CFO is the only person positioned to see the complete picture. Moreover, the CFO is able to exert complete independence and objectivity during periods when others in the business may have their own motives. As such, today’s CFO has a vital role in keeping the business focused on its ultimate goal.

‘….CFO’s need a blend of technical expertise and commercial experience, but they also need an outstanding ability to build effective relationships.’
MANAGING THE TENSION

‘As CFO I am both an advocate for change and a challenger of it. I am constantly asking are we being brave enough or simply foolhardy?’

Of course, it is simply not possible to run a business of any scale through personal delivery alone, so it’s never been more important for the CFO to strike up a winning partnership with the CEO, and to lead and influence through others across the business. Today’s CFO must be adept at managing a complex matrix of relationships with a multitude of internal and external stakeholders.

Finding the balance between collaboration and independence is no easy task, and at times there are inherent difficulties in this dual nature of the CFO’s existence. The CEO/CFO relationship needs to appear symbiotic; they are increasingly seen as the face of the business, particularly where investors, regulators and banks are concerned. Behind closed doors however, today’s CFO must be able to challenge the CEO yet remain neutral at the same time.

‘The CFO who is too attracted to growth and loses sight of the core can be very dangerous.’

Indeed, diligent non-executive directors will want to see a balance between convergence and divergence in this relationship. Achieving this is no easy task, especially when considered against the backdrop of mounting pressure to deliver tighter cost control, meet the growing burden of regulatory requirements, and at the same time, manage risks ranging from the conventional to the less well understood (think Cyber), whilst ensuring consistency in the obligation to provide fundamental controls and reporting.
GETTING THE MESSAGE ACROSS

‘Consistency is everything with shareholders. No surprises.’

Credibility is the CFO’s currency. To maintain a position of influence with the CEO, with investors and with the business, CFOs must carefully manage how they are perceived. Skills in influencing and communication, together with an intuitive approach to relationship building are paramount. The CFO must also be skilled at developing and articulating strategies for growth, gaining buy-in from stakeholders both inside and outside the business.

‘I devote only about 10% of my time to finance. The rest is focussed on helping to manage the business, evaluating strategic opportunities, dealing with funders and investors.’

Today’s CFO must be truly adaptable, a skilled facilitator who is able to move with ease from high-level boardroom dialogue to a deep dive into business detail. Anyone aspiring to a CFO role must develop his or her finance skills in parallel with commercial experience. It is this combination of personal skills and behaviours that are the differentiators, separating a good CFO from a great one.

However, communication with the outside world carries its own pitfalls. We live in a sound bite culture where professional and social media sites are ubiquitous. Added to that, CFOs must adapt their communication style to a range of stakeholders from financial journalists to regulators and activist investors. Even though the CEO is naturally expected to be front and centre, today’s CFO plays a more active role in all aspects of corporate communication.

‘…. [the CFO] must communicate with stakeholders on issues that are important to them. We have to speak the right language’

As the CFO role continues to rise in significance, the appetite for finance leaders to step into a CEO role remains strong. Today, almost half of current FTSE 100 CEOs have a background in financial management or accountancy.
The financial crisis has tested finance leaders in the most extreme circumstances, but in the midst of great challenge, opportunity can be found. Perhaps for some CFOs, the credibility they have gained over the last five years has helped to accelerate and even increase their influence across the businesses in which they serve as a whole.

Strategic thinking and execution skills, together with hard-won front line business experience have become the new baseline criteria for those who wish to become a CFO. Today’s CFOs play a key role in developing and implementing strategy, partnering with CEOs and business leaders to define, design and deliver future growth, change and innovation initiatives.

Creating a robust, reliable and trusted finance team requires continual investment in the triangle of people, processes and technology. Understanding what good looks like, what is possible and what can be achieved within the boundaries of control – and having the right people in the right roles to make this happen – gives today’s CFOs a platform from which to expand their own thinking. From here, they can seek out new opportunities and exploit their unique vantage point looking out across the entire organisation.

Perhaps the difference between today’s CFOs and those of the past is less about how they are perceived by their respective businesses, investors and boards, and much more about how they view themselves. Today’s CFO is a business leader first, and a leader of the finance function second.

An effective CFO has always been the lynchpin in a business, but the CFOs of the future will need to combine their robust financial skills and experience with an appetite for controlled risk, superlative communication skills and the confidence and ambition to drive the business forward.

Businesses have a key role to play in developing this broad mix of qualities in the next generation of CFOs. With the right support, tomorrow’s CFO will have one eye on the numbers, and the other on creating and sustaining a distinct competitive advantage.
ABOUT THE AUTHOR

David Bailey
Director, CFO Practice
David is a Director in Norman Broadbent’s Chief Financial Officers Practice. He specialises in Board level and senior finance leadership assignments, including CFO talent and succession management projects, divisional FD roles, Audit, Risk and other related control functions. He operates across the full spectrum of industry sectors within public and privately owned companies, or private equity backed businesses.

Whilst David’s core focus is on the UK market, he has also delivered assignments in Europe and Asia. He gained direct international experience working for two and a half years in Istanbul, prior to returning to the UK in 2007 with Norman Broadbent. David has over twelve years of search experience and in recent years has developed strong networks within the finance community.

e. david.bailey@normanbroadbent.com
t. 0207 484 0020
t. @DBaileyNB

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Kate Latham
Managing Director, Retail, Leisure and Consumer Practice
e. kate.latham@normanbroadbent.com
t. 0207 484 0121

Neil Holmes
Managing Director, CFO Practice and Board Practice
e. neil.holmes@normanbroadbent.com
t. 0207 484 0116