The DNA of the CFO
Canadian highlights

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Building a better working world

As the CFO role blurs, how can future finance leaders find focus?

Redefining the path to a CFO appointment

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Introduction

In the first chapter of our DNA of the CFO series, "Do you define your CFO role? Or does it define you?", we highlighted the disrupting forces causing the traditional definition of the CFO role to fade. In the second chapter, "Is the future of finance new technology or new people?", we articulated the impact of advances in new technologies – such as in-memory computing, the cloud, analytics, mobility, artificial intelligence (AI), blockchain and robotic process automation (RPA) – on what is now asked of a finance function.

As businesses and their finance functions continue to evolve, future CFOs must be sufficiently equipped to cope with the growing complexities of the role and the new demands of business partnering, strategic advisory and organizational leadership. In addition to carefully calculating their own career paths and personal branding, finance executives must also ensure the right experiences and opportunities are available to the next generation. The development of leadership qualities and business capabilities beyond finance is critical in the journey to building the right team and equipping successors.

I'm pleased to share with you part three of our research, which outlines the CFO leadership development plan and looks at how CFOs can re-evaluate their own competencies, help drive strategy and innovation, and understand the external forces shaping the business environment.

This report draws on the results of our survey of 769 finance leaders worldwide and in-depth interviews with 22 CFOs from leading organizations. In the first pages of this report, we provide a snapshot of how the 32 Canadian respondents compare to their global peers and discuss the implications for redefining the path to a future finance leader. In the latter part of the document, we outline the global findings in further detail.

We hope you will find this report a useful tool as you define your role as a finance leader, and that of your finance function, both now and in the future.

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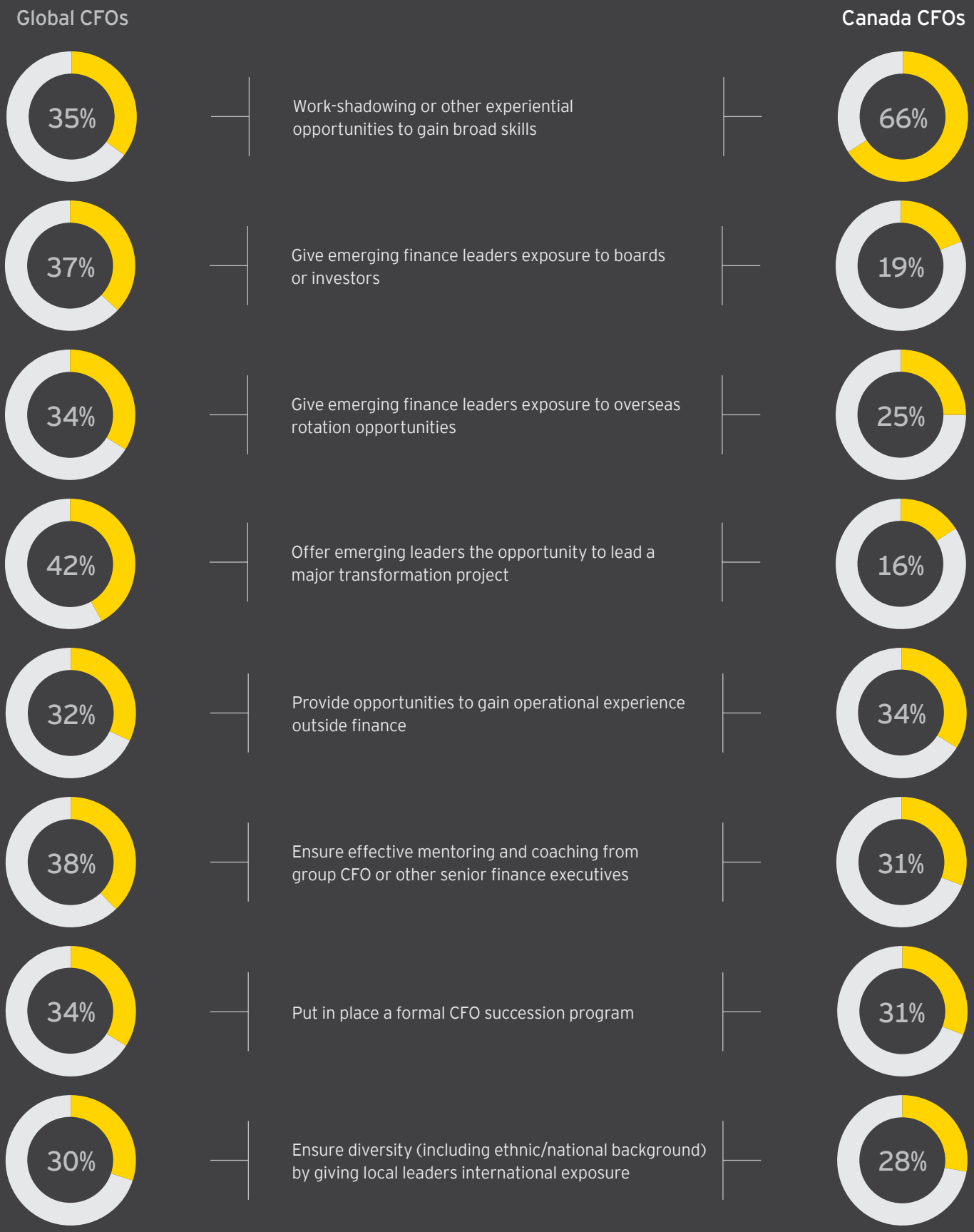
Key findings

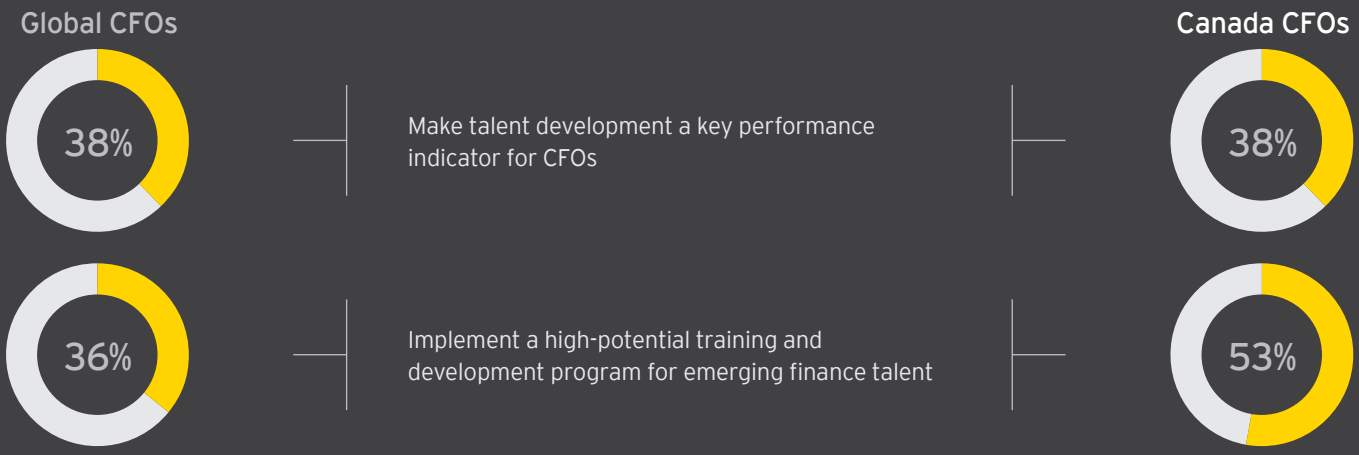
Tomorrow's finance leaders need transformational experience

Top initiatives CFOs believe necessary to generate the next generation of finance



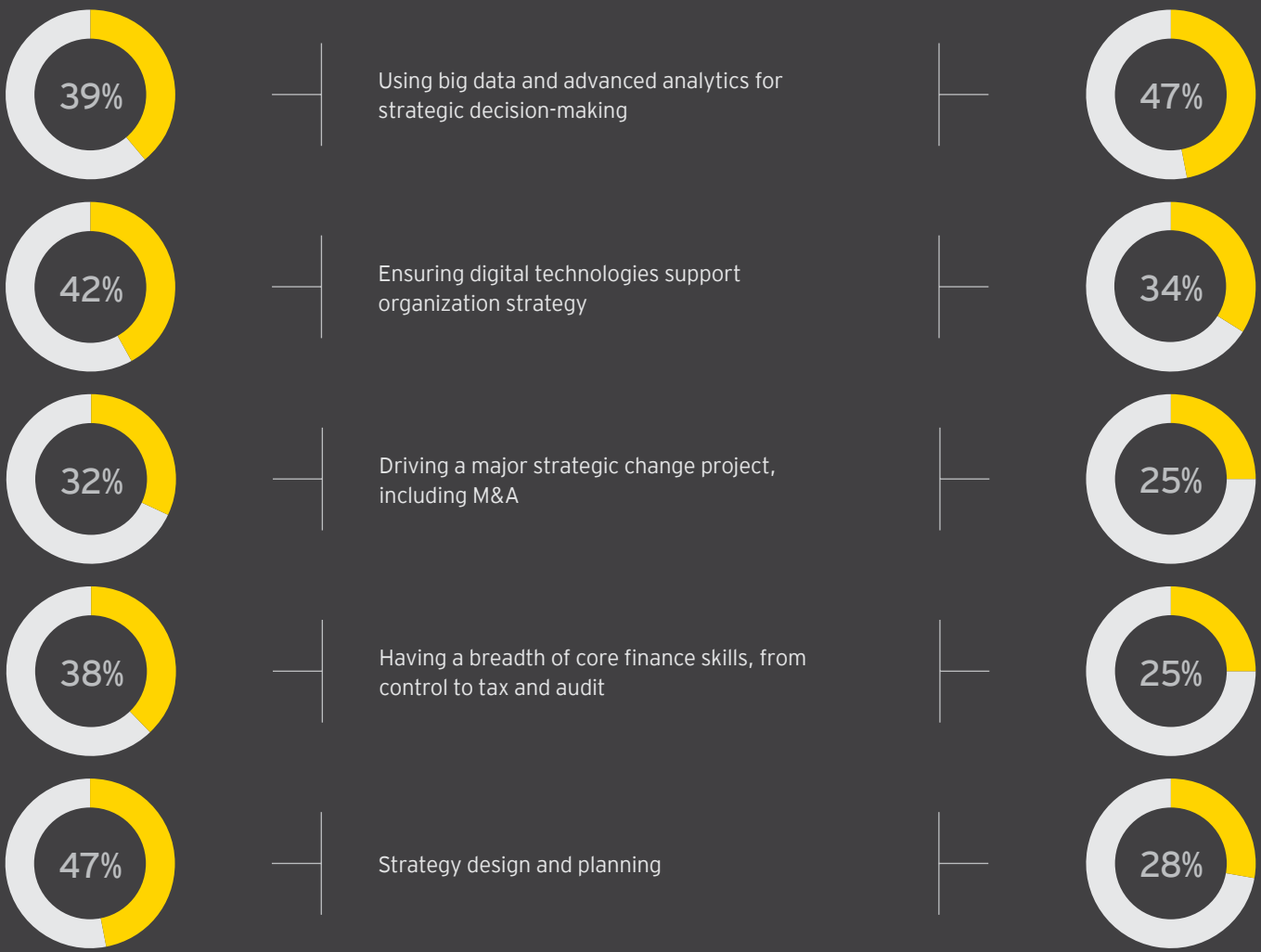
Tomorrow's finance leaders need transformational experience (cont'd)

Top initiatives CFOs believe necessary to generate the next generation of finance



Leadership and team-building to the fore

Top critical skills and experiences CFOs believe future finance leaders will need to acquire to make the transition to a CFO role in the next five years:



Leadership and team-building to the fore (cont'd)

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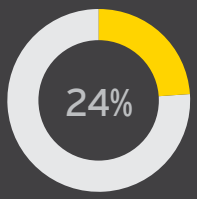
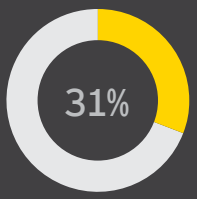
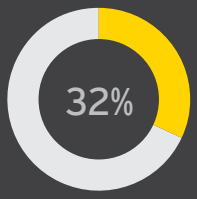
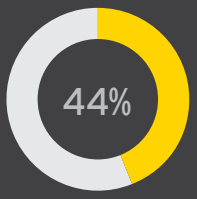
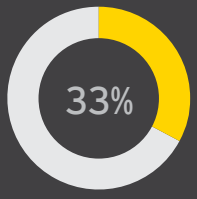
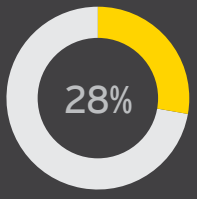
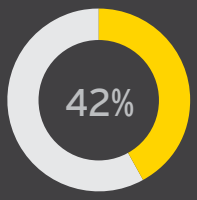
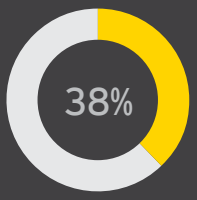
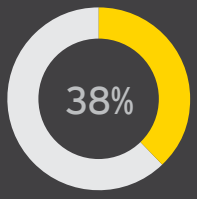
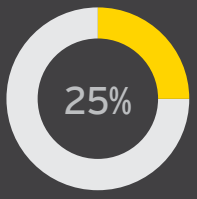
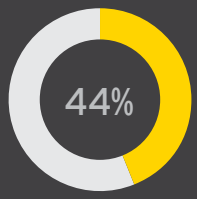
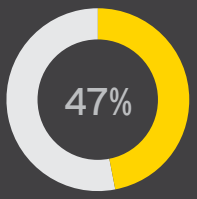
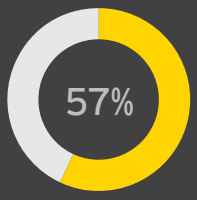
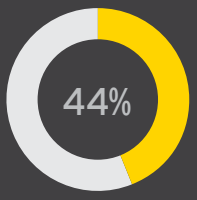
Global CFOs		Canada CFOs
 24%	Managing multi-function shared services centers or outsourced services	 31%
 32%	Experience in innovative areas of capital markets and financing	 44%
 33%	Broad strategic risk management, from reputational to cyber risk	 28%
 42%	Communicating a cohesive story to external stakeholders, including activist investors	 38%
 38%	A global mindset and international/emerging markets experience	 25%
 44%	Commercial experience and understanding of the drivers of business value	 47%
 57%	Leadership and team-building, including strong relationships with the CEO and the board	 44%

Fast-forwarding female finance leaders

Top strategies CFOs believe are necessary to increase appointments of female finance executives to the CFO position:

Global CFOs		Canada CFOs
60%	Clearer communication to women of a potential career path for them within the finance function	63%
54%	Introduction of HR policies that make the finance function more attractive to women (e.g., flexible working arrangements)	63%
51%	Training for all staff, including leaders, to address conscious and unconscious bias issues	50%
24%	Gender-based targets within the finance function	16%
53%	Active sponsorship of women in finance to help them achieve their career ambitions	66%
62%	Greater visibility for women leaders who can act as role models for more junior employees	81%
46%	Agreed metrics to monitor progress on increasing female participation in the finance function	63%

Canadian CFOs must ensure the right opportunities are available to the next generation of finance leaders

This third chapter of DNA of the CFO addresses the shift in expectations for senior finance executives, and the development strategy required to build the skills of tomorrow's CFOs to help them make the finance function succeed in supporting the organization's purpose and strategy.

Our survey findings indicate that Canadian CFOs share the perspectives of their global counterparts in the requirements for non-finance experiential opportunities, leadership capabilities and female presence within the finance team. However, the favoured strategies of Canadian CFOs indicate different focus areas, likely due to a lower level of disruption in Canadian finance functions compared to globally.

Equipping the next generation of finance leaders

As businesses evolve, finance leaders will play an increasingly important role in developing and delivering the organization's growth agenda. In addition to finance, the capability requirements of CFOs are broadening to include key business areas such as strategy, transformation management, operations, commercial and customer.

Sixty-six percent of Canadian CFOs state that work-shadowing or other experiential opportunities to gain the broad skills required is the most important initiative in cultivating the next generation of finance leaders, compared to only 35% of global CFOs. Similarly, 53% of Canadian CFOs believe that implementing a high-potential training and development program for emerging finance talent is the most important initiative, compared to 36% of their global counterparts. Allowing emerging leaders to take the lead on major transformation projects and gaining exposure to boards or investors are initiatives that are being flagged significantly more by global CFOs than Canadian CFOs.

"As businesses evolve, finance leaders will play an increasingly important role in developing and delivering the organization's growth agenda."

This preference of Canadian CFOs towards training and work-shadowing programs, as opposed to hands-on leadership and exposure to board-level activities, indicates that a more conservative and risk-averse approach to skills development is being adopted in Canada. This is in line with the findings of the previous two chapters that the evolution of the CFO role and transformation process of the finance function is occurring at a slower pace in Canada.

Are Canadian CFOs willing to give their finance teams enough exposure and leadership opportunities to succeed? Tomorrow's finance leaders must start developing leadership behaviours and building the right relationships across the organization as early as possible. Creativity is required to allow future leaders to gain the right skills and a strategic mindset. Ambition and proactivity to credentialize with the right combination of expertise are critical traits in future CFOs, but this must be coupled with the organization identifying future leaders early on and implementing a career development approach that is focused on the future and allows aspiring CFOs to reach their potential.

Big data and advanced analytics to form strategic decisions

Forty-seven percent of Canadian vs. 39% of global CFOs indicate the use of big data and advanced analytics for strategic decision-making is the most critical skill and experience that future finance leaders will need to acquire to make the transition to a CFO role in the next five years. Globally, leadership and team building emerged as the number-one priority, with 57% of global CFOs citing this as critical, followed by 47% emphasizing strategy design and planning.

Strategic planning is clearly on the minds of all CFOs, demonstrating acknowledgement across the board of the required elevation of the CFO role. The strong focus on big data and analytics by Canadian CFOs (47%), before general strategy design and planning (28%), is a clear indication of the importance given by Canadian finance teams in forward-looking insights, forecasting, risk management and understanding the drivers of business value. This demonstrates heightened recognition of the digital age, which is consistent with findings in our previous report that Canadian CFOs place more emphasis on next-wave technologies than their global peers. By investing in and accelerating automation and analytics, Canadian CFOs will be well positioned to accelerate their transformation agenda, strengthening their role as a strategic business partner.

The focus on data, however, begs the question: are Canadian CFOs slower to transition the CFO role away from its traditional analytical and fact-driven nature to a more innovative and creative input to strategic discussions? Although findings show that they are evolving the role of finance to be a trusted data reference centre for the organization, there is indication that the transformation process of the finance function is in its early stages in Canada, and therefore the increasingly diverse profile that will be essential in leading and adding value to the overall organization is not yet being fully realized.

Increasing female leaders in the finance function

One of the best ways to navigate disruption is to harness the power of diverse thinking by enabling people with different experiences, ideas and knowledge to come together in an inclusive culture. Of course, gender diversity is a critical part of the equation. According to a recent EY and The Peterson Institute for International Economics report, "Is Gender Diversity Profitable? Evidence from a Global Study", it reveals that an organization with 30% female leaders could add up to six percentage points to its net margin.

So, how do we get more women into leadership positions? Eighty-one percent of Canadian CFOs, compared to 62% of global CFOs, indicate that visibility for women leaders who can act as role models for more junior employees is the most important strategy to increase appointments of female finance executives to the CFO position. Although global CFOs are still in significant agreement, this viewpoint is clearly felt more strongly by Canadian CFOs. Active sponsorship of women to help them achieve their ambitions and monitoring progress on increasing female participation within the finance function were additional strategies emphasized more strongly by Canadian CFOs than those globally.

Canadian CFOs, along with their global peers, are embracing diversity and inclusiveness and are recognizing the positive impact on performance. While Canadian CFOs appear to be in line with this agenda, there is still much work to be done. To accelerate achievement of gender parity, we need purposeful action by both men and women to recruit, retain and advance women in equal proportion. Recognition of the obstacles to finance senior leadership for women and the increase of role modelling and active encouragement of aspiring female leaders can be driven by today's finance leaders.

Conclusion

With the digital age, CFOs are under increasing pressure to rethink how they serve the business strategically and operationally. Today's CFOs, now more than ever, must set the right tone from the top, ensuring the right development opportunities are available, displaying and cultivating exemplary leadership behaviours and encouraging diversity within their teams. Aspiring finance leaders must continue to invest in developing new skill sets and attracting new profiles to exploit the new technologies and the increasing volumes of data, act as a strategic business advisor and innovator, and to derive key insights to drive business decisions. They must implement the right approaches in order to keep up with the pace of change and successfully navigate their practice and their business through disruption.

"One of the best ways to navigate disruption is to harness the power of diverse thinking by enabling people with different experiences, ideas and knowledge to come together in an inclusive culture."

EY is grateful to all the participants in this study. In particular, we would like to thank those who readily shared their insights and personal experiences in a series of interviews:

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Outgoing CFO, Fletcher Building

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Chris Chen
COO & CFO, DDB Greater China

Miguel Escrig
Head of Finance, Telefónica

Deborah Gibbins
CFO, Mary Kay

Simon Kelly
Former CFO and COO, Nine Entertainment Co.

Dr. A. Stefan Kirsten
CFO, Vonovia SE

Dr. Guy Look
CFO & Executive Director, Sa Sa International Holdings Limited

Frank H. Lutz
CFO and Member of the Management Board, Labor Director, Covestro AG

Ryan Mangold
Group Finance Director, Taylor Wimpey

Malina Marinova
Senior Finance Manager at Progress; former CFO of Telerik

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Anthony Staffieri
CFO, Rogers Communications Inc.

Robin Stalker
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Darren Tan Siew Peng
CFO, OCBC Bank

Francesco Tanzi
CFO, Pirelli & C. S.p.A

Jacques Tierny
Group CFO, Gemalto

Zlatko Todorcevski
CFO, Brambles

Suketu (Suky) Upadhyay
Executive Vice President and CFO, Endo International plc

Peter Vekslund
Executive Vice President & CFO, PANDORA A/S

Kelly Wong
CFO, KIDO Group

Methodology

We surveyed 769 finance leaders across the Americas, Europe, the Middle East and Asia-Pacific from December 2015 to February 2016, and conducted one-on-one interviews with 22 CFOs, listed above. To view the demographics of survey respondents, go to pages 24–25 of this report.

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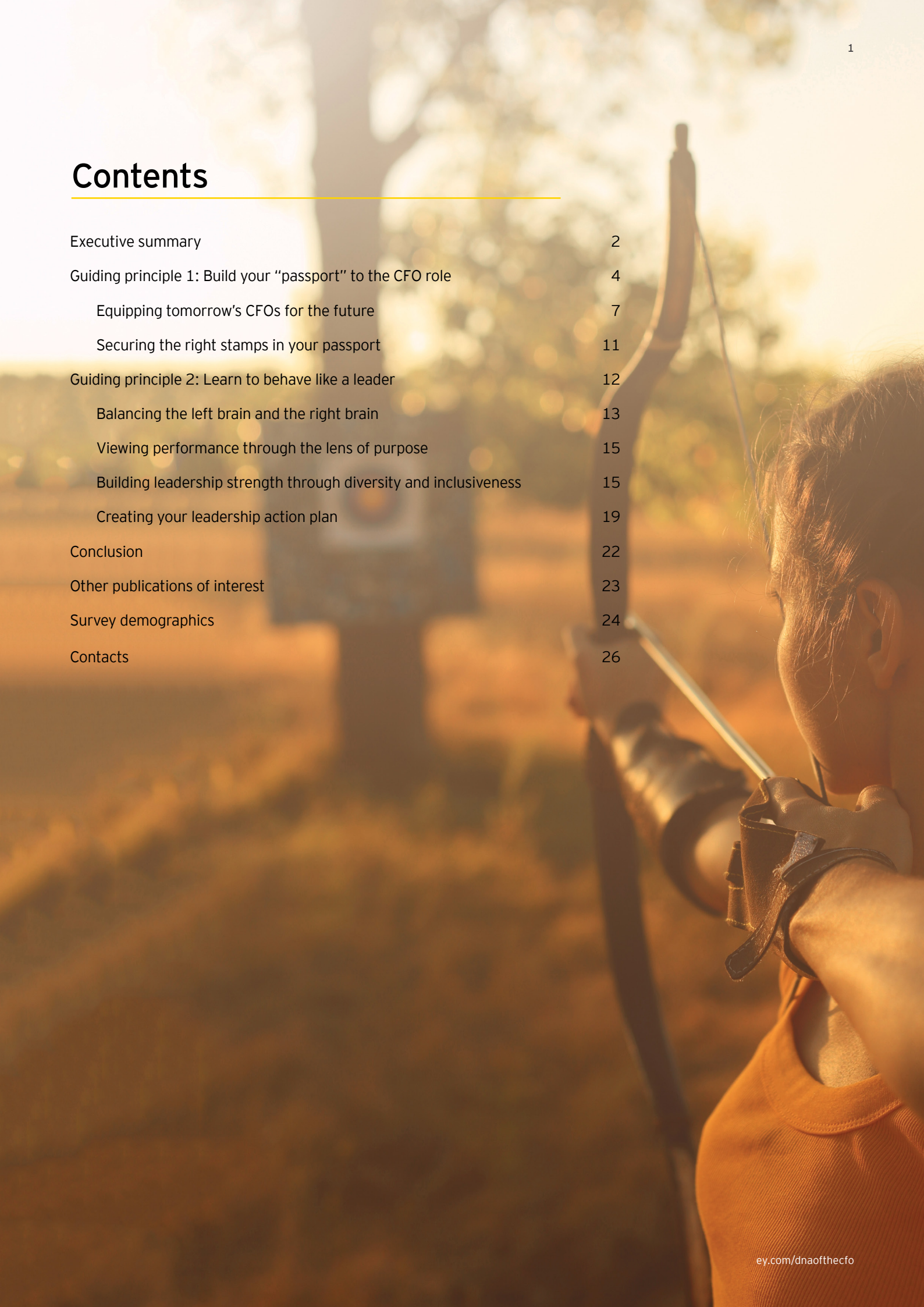


Executive summary

As disruption unfolds, transparency issues gain reach and regulation spreads, the world is in flux for finance leaders. How organizations deliver value is being reset for a digital age. Forcing the blur is the increasing amount of risk, connected and volatile markets and the rapid advance of technology. To reinvent itself for a new age, the finance function is transforming into a data-driven decision center, where smart people and smart machines help make better financial, strategic and operational decisions.

The role of the CFO will, as a result, become more complex and more unforgiving, but with new dimensions that make it ever-more interesting and rewarding. Organizations will look to CFOs to offer innovative solutions to business issues, when in the past creativity might well have been discouraged. CFOs are no longer just seen as the "No. 2" in the organization, but as the partner of the CEO and board.

To have the potential to reach this role, aspiring CFOs must have a clear development strategy that addresses current needs and future concerns. However, the traditional linear career path has already been disrupted by shared services centers, which now manage a majority of transactional finance tasks. This trend will continue as robotics, automation and artificial intelligence (AI) adoption becomes more widespread.

Ambitious finance executives are going to have to be determined and creative in defining their route to the top. They will need to embrace uncertainty and take calculated risks in their career planning and how they build their personal brand. Incumbent CFOs will also need to think differently about how to coach high-potential staff from finance or elsewhere to build the skills to become CFOs of tomorrow.

Strengthening innovation and creativity in the CFO role

A relatively recent evolution of the CFO's role has been the need for innovation and creativity. They are being asked to find innovative solutions to key business issues, such as designing and delivering new digital business models – and this at a time when regulatory scrutiny and the need for proactive risk management is increasing. CFOs have always had to find the right line between risk and reward. However, achieving the right balance between the two has become more delicate yet less distinct as CFOs have become more involved in strategy development and driving growth.

CFOs also need to be more imaginative and adaptable in how they manage their own careers, which also involves greater risk. Acknowledging, addressing and cultivating this innovation dimension of the role means thinking and planning differently about the career path, which includes taking more calculated risks. Finance leaders need to identify, welcome and leverage different perspectives from outside the function, globally and across sectors. Among the sample of 173 finance leaders at large organizations (with annual revenue greater than US$5b) in our survey:

- 64% have "worked in more than one sector"
- 53% have "significant experience working in different international environments"
- 43% have "significant business experience gained in roles outside finance"

As we discussed in *Do you define your CFO role? Or does it define you? The disruption of the CFO's DNA*[1], what constitutes finance leadership is becoming more diverse as incumbents respond to a range of pressures, from digital to data. As a result, it is now more likely than ever that the career development path to a senior finance role will flex and shift, based on variables that include market context, personal ambition and the expressed or implied expectations of key stakeholders in the process, such as CEOs to supervisory boards.

In this report, we discuss two critical areas where finance leaders can focus to position themselves for a CFO appointment in these changing times, which we define as "capabilities" and "leadership" (see "Tomorrow's finance leader"). We offer guiding principles in both of these areas to help aspiring CFOs steer their route to the top.

We hope you enjoy reading it.

Tomorrow's finance leader

Criteria

The qualified professional brings a breadth of finance and non-finance experiences and capabilities, new perspectives, know-how and a degree of creativity to the CFO role and the risks and opportunities of the organization.

The qualified professional inspires and motivates high-performing finance teams, leading change, shaping and embodying a dynamic culture, and setting out a compelling vision that helps to navigate change.

1. Capabilities

2. Leadership

Guiding principles

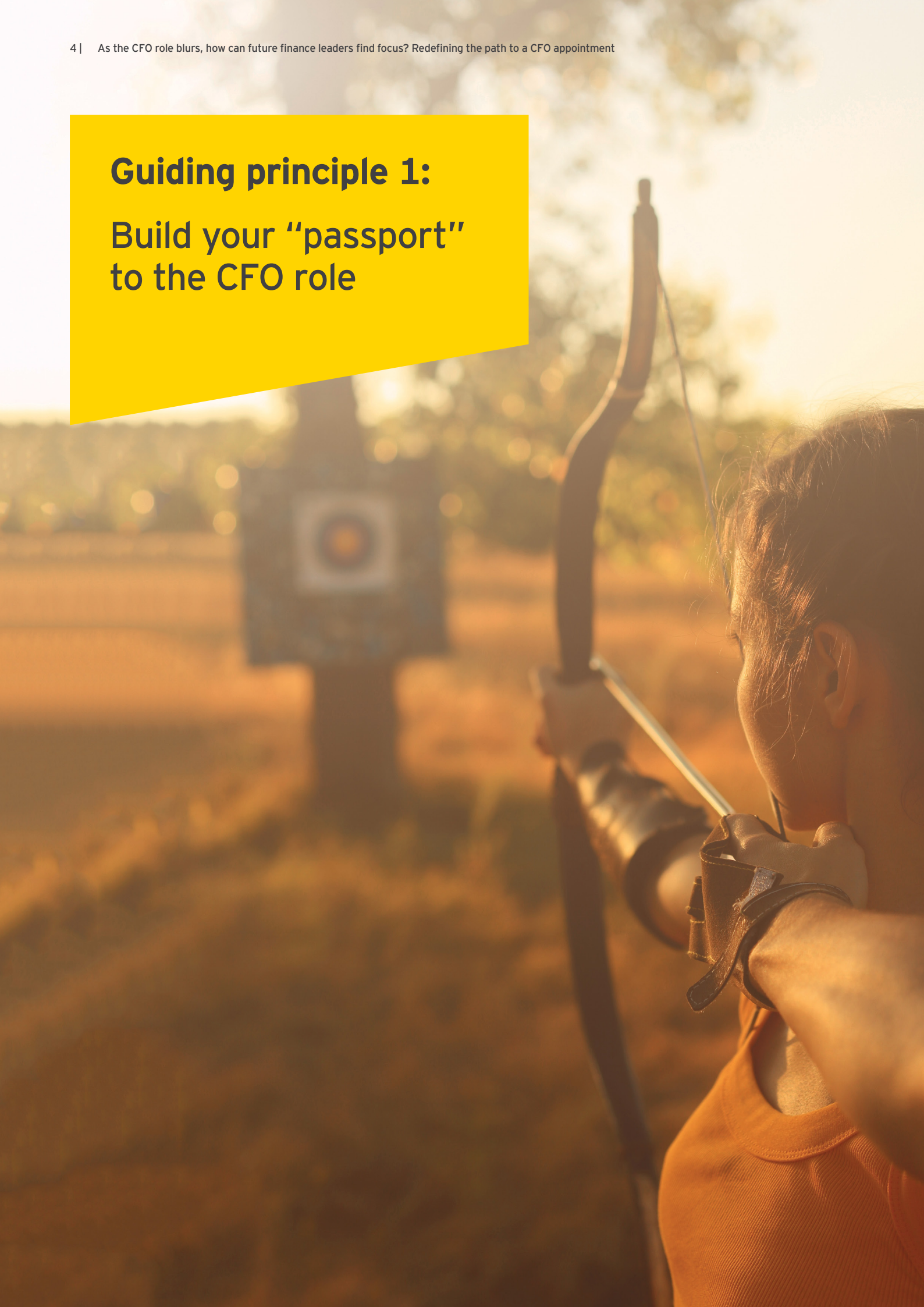
Build your "passport" to the CFO role:
In a world where the traditional linear career path for finance leaders has been upended, today's aspiring finance leaders need to define a more forward-looking and mobile career path that builds capability in key areas in addition to finance, such as operations, customer and commercial focus, business partnering, strategy and transformation.

Learn to behave like a leader:
It is never too early to start practicing leadership behaviors. Aspiring finance leaders should put together a leadership development plan, drawing on a mix of interventions, including experiential and academic training, mentoring and managing change projects.

[1] *Do you define your CFO role? Or does it define you? The disruption of the CFO's DNA*, EY, 2016

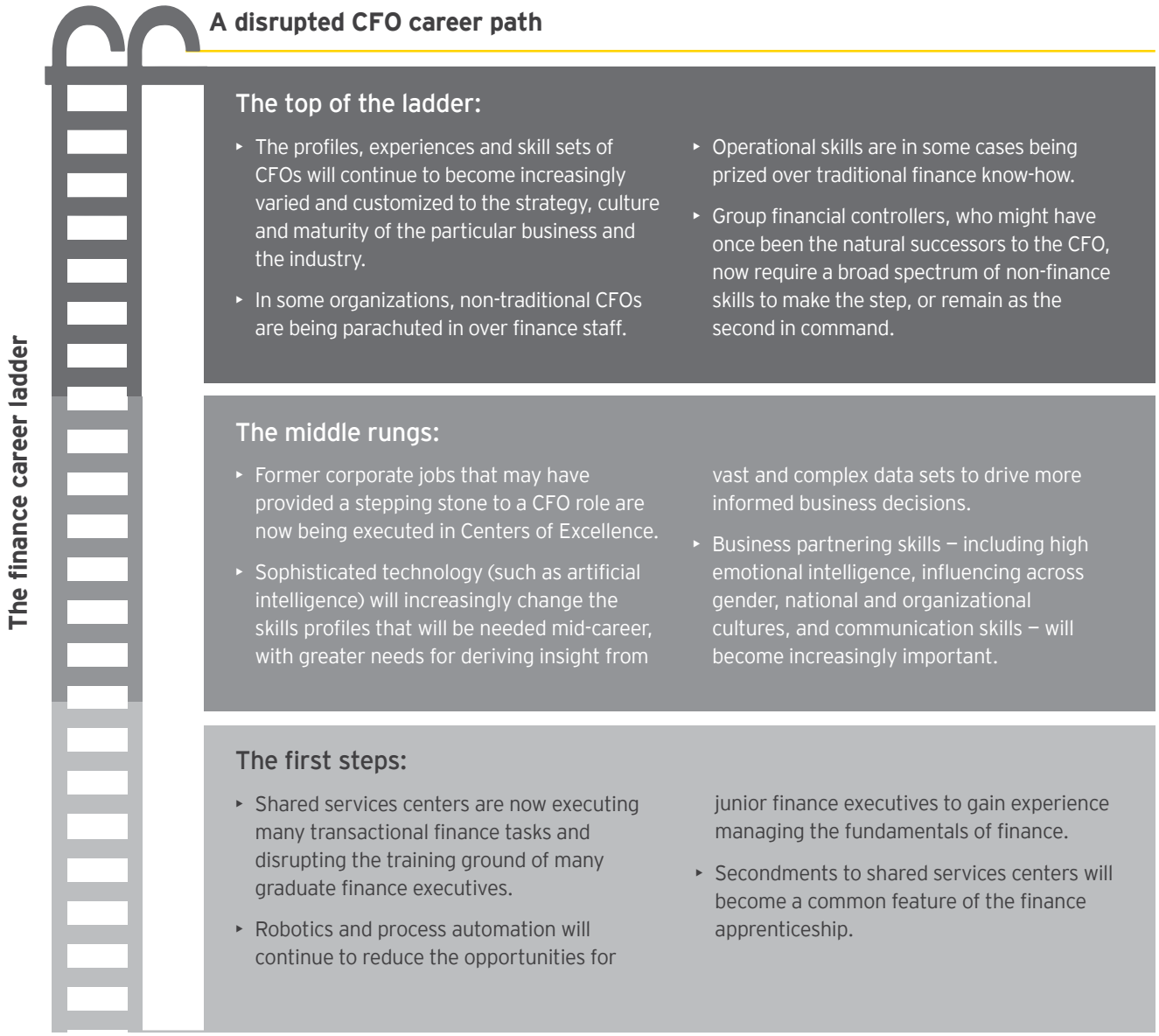
Guiding principle 1:

Build your "passport" to the CFO role



As organizations face a more connected, globalized and heavily scrutinized future, tomorrow's finance leaders need to think strategically about the know-how and credentials they will need to succeed in the future. What experiences will they need to have under their belt, and what formative relationships do they need to build with key influencers in the organization?

Until recently, the steps aspiring CFOs needed to take followed a relatively clear and linear path — a path that had been trodden by many successful CFOs at major organizations as they rose through the ranks. However, today, that CFO career path has been severely disrupted on all rungs of the ladder.



CFO stories

Deborah Gibbins

CFO, Mary Kay

"You have to be comfortable with ambiguity because today there is no set path to CFO.

Seek out messy assignments where you learn the most. Learning opportunities often come from situations that are hairy and messy, where you can take on more than just what was in your job description. If you see an area of opportunity that needs fixing, don't wait – take the initiative to address a problem or add responsibility where you see a gap. Don't wait for someone else to fill that gap.

Initiative, curiosity and wanting to take on the gnarly assignments are really key. Then you need to deliver results. You need to put some points on the board before you angle for that next position or promotion. You need to build a track record of sustained results."

"The way we can describe the CFO career path today is that there simply is no defined 'career path.' The way we are going to resolve that is by being open and creative. You will have to be creative in constructing a career plan that allows aspiring finance leaders to get the skills they need."

Tony Klimas

EY Global Finance Performance Improvement Advisory Leader

As we discussed in part 1 of this series – *Do you define your CFO role? Or does it define you? The disruption of the CFO's DNA*, it is increasingly difficult to define what makes a CFO: whether in terms of profile, experience or job description. As the role widens to take on increasing strategic and operational responsibilities, career development has to be tailored and modified accordingly to specific and individual profiles, rather than a clearly defined template. In some CFO roles, for example, operational experience is increasingly favored, even to the extent of operations leaders being drafted into the CFO chair to address this need.

Gerry Bollman, outgoing CFO, Fletcher Building, was originally appointed to a senior finance role at Fletcher-owned Formica to drive operational and strategic priorities. "The conversation we had was, 'Look, what we want is somebody who is more operational, commercially savvy and strategic, and you will have a competent controller under you who can handle the accounting and competent people in the areas of treasury and tax. You need not be an expert in those areas. You just need to have enough understanding, that you can oversee those functions and lead them.'"

As we discussed in part 2 of this series – *Is the future of finance new technology or new people? Preparing for the future finance function*[2] – the operating model of the finance function is changing today and will be very different in the future.

As the CFO role becomes too complex for one person to manage well, the model of a single leader will be replaced by a finance executive team, including a range of profiles, from finance COOs to the more traditional controller and accounting roles. Because of this, there will be a wider range of second-in-command positions that could be seen as the stepping stone to the CFO position. Further down the chain, the increasing use of shared services centers and automation means that the traditional finance apprenticeship and training ground will increasingly disappear, restricting the opportunity for experience and the flow of future talent.

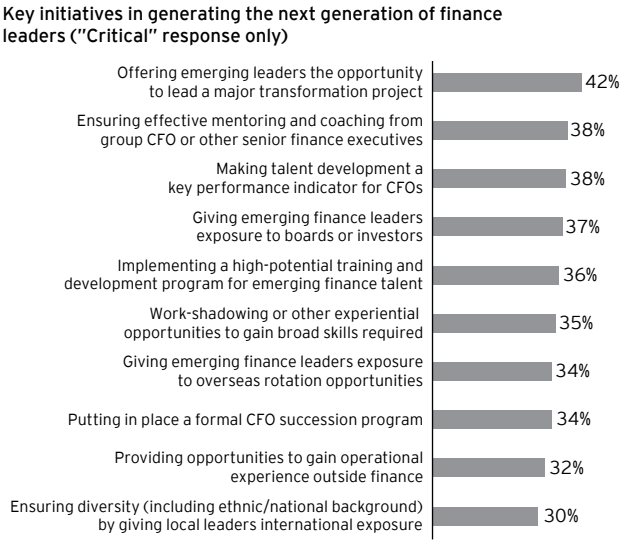
Given this significant disruption, where should incumbent CFOs, and aspiring finance leaders, focus their efforts in terms of the experiences that will be needed from a new career path?

Equipping tomorrow's CFOs for the future

Based on our research and discussions with leading global CFOs, there are a number of areas and career experiences that will be critical for the future generation of finance leaders – transformation, strategy and commercial.

As businesses and their finance functions continue to evolve – and organizations drive more streamlined and tech-enabled operations – transformation management experience will be critical in developing the next generation of finance leaders (see Chart 1).

Chart 1: Tomorrow's finance leaders need transformation experience



[2] *Is the future of finance new technology or new people? Preparing for the future finance function,* EY, 2016

CFO stories

Robin Stalker

CFO, adidas Group

"When we make decisions, we can't just consider one particular factor. Good decisions take into account many factors, and they are not limited to financial measures. These factors might be tangible, but they may also be intangible. How do I value employee engagement? How do I value the consumer response to our initiatives or engagement with the brand? How do I value the quasi-governmental or other bodies who have an interest in our regulatory compliance, or others who might have an interest in our environmental footprint?"

We also asked finance leaders worldwide what skills and experiences would be important for high-performers to make the transition to the CFO role in the future. Strategy and commercial experience emerged as to key.

87%

of respondents said "strategy design and planning" would be critical/important

Critical	Important	Lesser importance or don't know
47%	40%	13%

In the future, as organizations look to drive business model innovation – and the competitive risk from new market entrants increases – strategic acumen will become a must-have. Finance leaders should play a key role in strategic planning discussions, rather than just being seen as providing the "numbers." Involvement in investor relations can also develop strategic abilities, as investors will expect a compelling story about the company's strategy and ambition.

84%

of respondents said "commercial experience and understanding of the drivers of business value" would be critical/important

Critical	Important	Lesser importance or don't know
44%	40%	15%

Finance leaders will play an increasingly important role in developing and delivering the organization's growth agenda. Commercial experience will help them understand the levers of value in the organization, get closer to end customers and start building relationships and credibility with the leaders of key business units.

Note: Chart does not add up to 100%, due to rounding.

CFO stories

Kelly Wong

CFO, KIDO Group

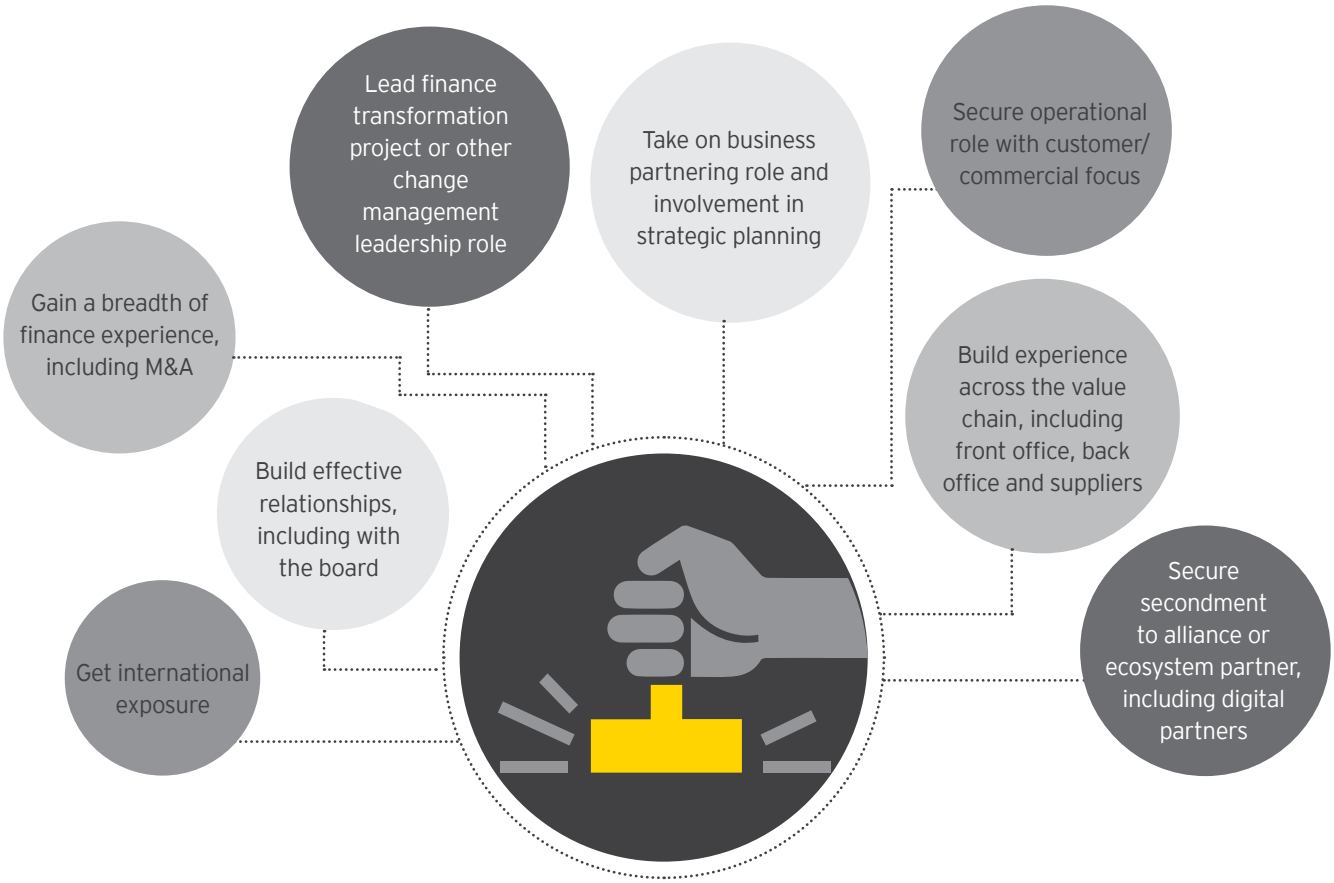
"There's something about our discipline that no one tends to come up and say, 'I want to learn from you.' Maybe it's an ego thing. But I think getting a good mentor is important because it is such a broad discipline. It means that you have someone to guide you as to what's important today or tomorrow and how to build that skill set."

Securing the right stamps in your passport

To help aspiring CFOs plan their career path, including a range of non-finance experiences, organizations need to replace the traditional linear career path with a more flexible one. This new path will function more as a "passport" system, where aspiring leaders gain a stamp in their passport as they secure the roles, secondments or experiences that will build the right breadth of skills that will be key for success in a future CFO role (see "Key stamps in the passport for aspiring CFOs").

Securing these passport stamps will be challenging – ambitious finance leaders will need to be proactive and those who are not will likely not make it to CFO.

Key stamps in the passport for aspiring CFOs



Building this career path also requires strong collaboration with the chief human resource officer and their team – a relationship that we examined as part of our *Partnering for performance series*. In particular, finance and HR must link the function's career development approach with the company's future strategy and market context so that career development for CFOs has a focus on the future, not just the past.

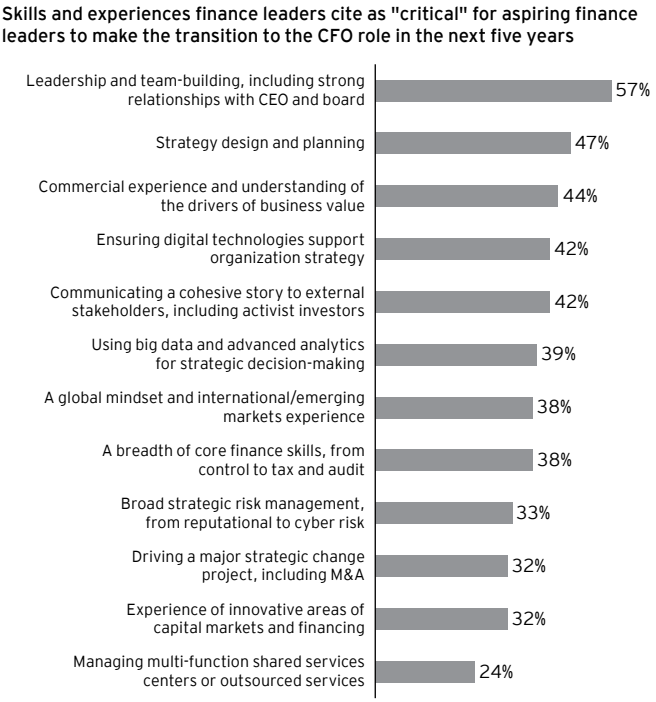
Guiding principle 2:

Learn to behave like a leader

There was once a view that leaders are born with an innate capacity to lead. But recent thinking suggest that great leaders are more often those that practice leadership behaviors, and that these behaviors can be taught, learned and cultivated. In a time of uncertainty, volatility and rapid change, leadership becomes increasingly important in providing vision, direction and inspiration for the finance function.

In our research, "leadership and team-building" emerged as the No. 1 priority in equipping future finance leaders to transition to the CFO role, exceeding other areas, such as "a breadth of core finance skills, from control to tax and audit" (see Chart 2).

Chart 2: Leadership and team-building to the fore



But while leadership is arguably more important in today's rapidly changing and globalized world to facilitate the smooth functioning of the team, it also presents significant challenges.

For Claude Changarnier, former Vice President of International Finance, Microsoft International, the key to good leadership is knowing the people you lead, despite the geographical challenges of managing an international team of more than 700 finance professionals scattered all around the world. "Microsoft is a people company," he explains. "Yes, we sell products, but we are a people company, and what I've always wanted to do in the finance organization is to be a people organization. My job is to know our people. I travel 130 days a year. I spend most of my time visiting subsidiaries and assessing people. I want to assess the good, the bad, the very bad and the very good. I also want our people to know me. I want to have an opportunity to share my vision."

Balancing the left brain and the right brain

Strong leadership is a rare commodity in finance, and at a premium. Finance roles have traditionally favored the left brain. Logic, analysis and facts are central to the rigorous, analytical nature that organizations expect of their CFOs. However, much of this knowledge is becoming increasingly commoditized as it is codified and available online. Finance leaders will increasingly be characterized by more right brain attributes – such as empathy, innovation and imagination – that will help them inspire and generate loyalty.

> "You have to be seen as more than just the numbers person – someone who is able to take risks and inspire an organization. Being an inspirational leader is not often a skill required of the CFO. You are the solid, 'responsible' person, and so that's where perhaps the biggest challenge of being an effective CFO is. As the CFO you are required to be a visionary, inspirational leader. But those are skills that CFOs aren't often called on to build."
>
> **Deborah Gibbins**
> CFO, Mary Kay

As organizations become flatter, and remote working and virtual teams become more common, close supervision and micromanagement will no longer be effective. Emotional intelligence, cultural agility and the ability to build trust across boundaries become the foundations for how people and teams operate effectively. Communication styles will also need to change to become highly adaptative. Digital channels and formats – from tweets to blogs and beyond – will be important elements of the CFO's communication toolkit to reach internal and external stakeholders effectively.

CFO stories

Dr. A. Stefan Kirsten

CFO, Vonovia SE

"We are becoming more and more public people. The charisma of a wet noodle doesn't help anyone. You have to be able to convince people to do things. Good people are a scarce resource. In the end, it falls down to classical functional skills, leadership skills and the ability to use all the productivity-gaining tools you have."

Viewing performance through the lens of purpose

There is a growing body of evidence that purpose-led organizations outperform their peers against a range of different criteria, including talent management and financial performance. Organizations that pursue a stated aspirational goal that is broader than financial performance, and use that purpose to guide decision-making, are able to attract and retain more self-motivated employees, who will invest themselves more deeply in pursuit of the organization's purpose.

Measuring performance against purpose is essential for organizations to demonstrate to internal and external stakeholders the impact of their purpose. Some CFOs have already begun implementing integrated performance measurement including a broad range of measures (see "Finance leadership at adidas Group: moving to integrated performance management"). For future finance leaders, this is likely to be an increasingly common element of the CFO role.

Building leadership strength through diversity and inclusiveness

A finance function culture that embraces and leverages diversity and drives inclusiveness can realize significant performance benefits and help tackle key issues facing the finance function. For example, our research shows that finance leaders are committed to driving finance diversity to resolve talent gaps. Sixty-six percent of finance leader respondents worldwide said that "organizations will need to recruit from diverse pools of talent to find the next generation of finance leaders." It is a particular focus for finance leaders at large companies, as well as for younger CFOs (see Chart 3).

Finance leadership at adidas Group: moving to integrated performance management

For Robin Stalker, CFO of adidas Group, CFOs should take a role in creating a holistic view of company performance, and in measuring against it.

"We have an initiative called 'integrated performance management' that is really just recognizing that performance cannot just be measured by whether we made money or not," he explains. "We might make money today, but ultimately our goal as an organization is to be sustainably successful. Sustainability is not just to do with environmental impacts, but sustainability in the sense that the business model thrives and becomes more beneficial and profitable to stakeholders over time."

This vision of the company's ultimate goal then provides the framework for driving enterprise decision-making, looking beyond tangible financial measures.

"When we make decisions, we can't just consider one particular factor," Stalker explains. "Good decisions take into account many factors, and they are not limited to financial measures. These factors might be tangible, but they may also be intangible. How do I value employee engagement? How do I value the consumer response to our initiatives or engagement with the brand? How do I value the quasi-governmental or other bodies who have an interest in our regulatory compliance, or others who might have an interest in our environmental footprint?

"These are all factors that are important to certain stakeholders who will be responsible for judging whether our company is successful. The big challenge therefore becomes how we get all the information that helps our decision-makers make the big decisions in view of all these tangible and non-tangible interests."

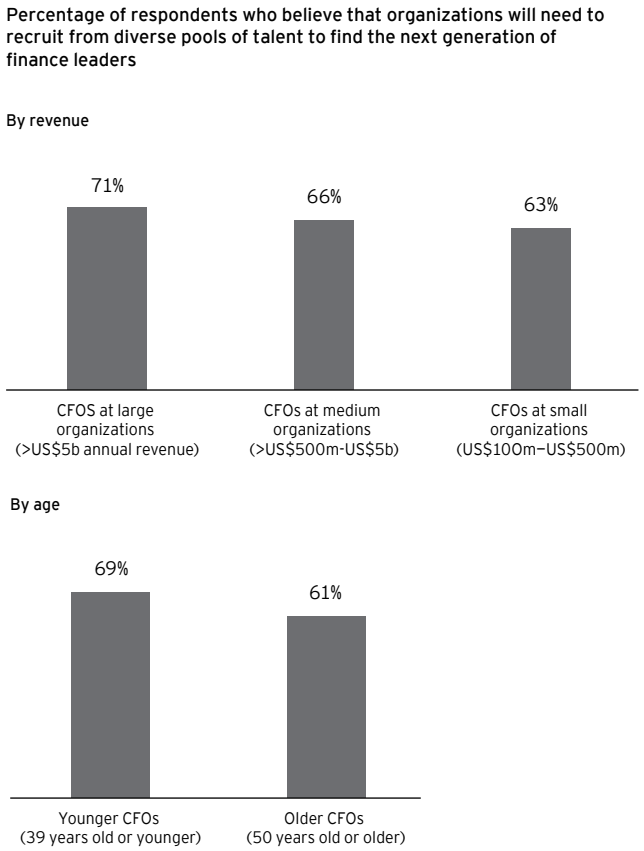
CFO stories

M.D. Ranganath

CFO, Infosys

"One of the things I tell new people joining our team is that while they have joined the finance function, it does not necessarily mean their end goal is to be in the finance function forever. After a couple of years in finance, they could go into sales, consulting or business operations. I think that the core expectation from the younger generation is a 360 degree exposure. Today, a finance professional is expected to have a good understanding of business strategy and its implications for finance."

Chart 3: Diversity and inclusiveness on the agenda



This finding reflects the fact that organizations are increasingly recognizing that diversity is key to high performance. For example, EY global research report into gender diversity – *"Women. Fast forward: the time for gender parity is now"*[3] – outlined the positive impact of women's advancement. The performance advantage included a positive correlation between GDP per capita and gender equality, and how a better gender balance on boards correlates to a better share price and financial performance.

Addressing conscious and unconscious biases

At the core of helping to meet the diversity challenge for aspiring finance leaders will be acknowledging and overcoming conscious and unconscious biases. For example, in the area of gender diversity, of our sample of 769 finance leaders from organizations with revenue greater than US$100m, only 117 were women, and 652 were men. And yet, only 57% of women finance leaders and 49% of male finance leaders we surveyed believe that "not enough female future finance leaders are emerging." This points to an unconscious bias for both men and women, both of whom seemingly underestimate the obstacles to finance senior leadership for women, albeit slightly less for women.

Increasing awareness

To start addressing their own and others' biases, finance leaders can:

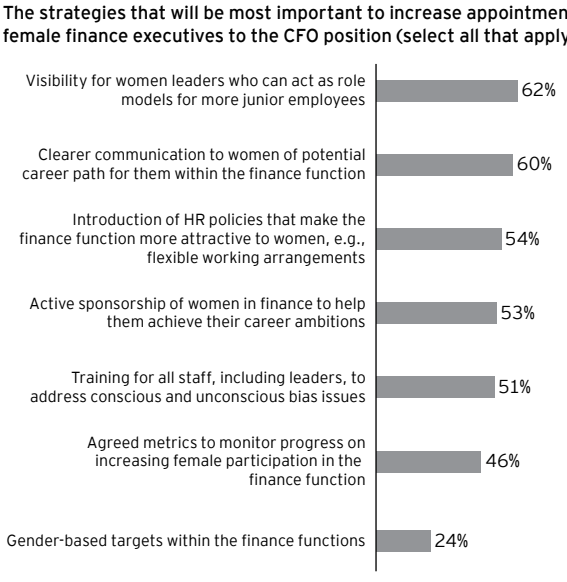
- Take care the "tone from the top" is right, by first understanding your own biases and developing strategies to manage them.
- Implement targeted interventions, such as training. Over half of finance leaders (52%) believe "training for all staff, including leaders, to address conscious and unconscious bias issues" is important to increase appointments of female CFOs.

Deborah Gibbins, CFO of Mary Kay, who describes herself as "very optimistic" about female leadership diversity, believes that flexible HR policies are critical.

"I'm very optimistic," she says. "Obviously, I have made it as a female CFO and in our organization we are very balanced regarding men versus women in leadership positions in finance. I think Sheryl Sandberg probably hit the nail on the head by saying the biggest challenge will be getting younger women not to drop out. I think HR has to work with the businesses to decide 'when can we flex?' How can we do that in a way that's fair – so that people don't feel like someone has been treated unfairly or be given favorable treatment? That it's available broadly across an organization in a way that makes sense."

As Chart 4 shows, in addition to the right HR policies, finance leaders believe that role modeling and effective communication are keenly important approaches in increasing the number of female CFO appointments.

Chart 4: Fast forwarding female finance leaders



[3] *Women. Fast forward: the time for gender parity is now*, EY, 2016

CFO stories

Peter Vekslund

Executive Vice President & CFO, PANDORA A/S

"I'm very engaged in recruiting and developing people. I believe this is about getting people with a skill set that is not just about technical competence, but also the right mindset. Another is being a role model, even in small details: showing up on time, calling in on time, responding to emails and questions and so on. When people start with a consultancy firm, within the first couple of months they go on consultancy training, looking at how to interact with a client, how to ask the right questions, how to say no. We do a similar training session with all controllers at our headquarters to help them interact with the organization."

Creating your leadership action plan

As they look to tackle these complex issues, aspiring finance leaders need to think holistically about the leadership skills and behaviors they need to mobilize and inspire diverse team, and how to secure those skills. A program of personal leadership development must include a range of initiatives, including experiential learning, personal coaching from a mentor and academic study that draws on a wide curriculum, including psychology, history and philosophy. Aspiring finance leaders need to imagine what sort of inclusive, globally agile leader they want to be, and use that as an aspirational model to take steps to shape their development activities.

> "I still have a coach who is the global CFO of my previous company. We have quarterly calls and meet once a year. Coaches can give you a different way of thinking. They are not telling you what to do, but they can change the way you are thinking about doing business."
>
> **Chris Chen**
> COO & CFO, DDB Greater China

For Kelly Wong, CFO, KIDO Group, finance leaders need to overcome any reservations they have about using a mentor. "There's something about our discipline that no one tends to come up and say, 'I want to learn from you," he says. "Maybe it's an ego thing. But I think getting a good mentor is important because it is such a broad discipline. It means that you have someone to guide you as to what's important today or tomorrow and how to build that skill set."

Today's CFOs looking to develop the strengths of their finance talent bench can help aspiring finance leaders build their leadership skills by considering the following:

- **Assess the development programs open to your finance teams.** Learning programs should reflect the breadth of skills future finance leaders will need, and should include a balance of technical skills development (such as large-scale project management) with softer skills (such as inspiring and leading diverse teams, addressing conscious and unconscious biases, and fully using different skills, experiences and perspectives on teams to generate ideas relevant to your team members' evolving needs).
- **Create varied experiential learning opportunities.** Skills such as motivating teams have to be honed not only in theory, but also in practice. Academic training should be complemented by opportunities for emerging leaders to put into practice their leadership skills and to learn from their mistakes and experiences.
- **Make feedback loops part of your function's *modus operandi*.** Regular feedback from direct reports, peers, internal clients and superiors all help build self-awareness, which underpins strong leadership behaviors and solidifies positive decisions. CFOs have an opportunity to embed authentic feedback as a feature of the culture and processes of the finance function, rather than relying on formal HR processes or biannual reviews.
- **Facilitate and support mentoring relationships for finance professionals.** Mentoring relationships can be invaluable in helping finance executives to enhance self-awareness, build relationships and think strategically about their careers — often for both the mentor and mentored. CFOs can consider creating formal or informal mentoring programs within finance, or simply encourage this behavior as a way of advancing skills and opening communication.
- **Begin leadership development early.** Finance leadership development has historically tended to focus on a small number of high-potential finance executives who have achieved a degree of seniority before they are considered ready for development programs that are often major investments of time and money. However, leadership skills should no longer be considered the realm of a special few. Leadership development should be accessible to all in the finance function, not just those already identified as on track to be senior executives

Why leadership development should not be the privilege of a special few

- Inspirational leadership is not just required at the senior executive level, but across the finance function, particularly as business partnering becomes the main focus of finance activities.
- The level of change the function faces requires people at all levels of the organization to lead change associated with new technologies, new business models and ongoing economic volatility.
- The earlier you start, the more you'll learn.

Conclusion

The DNA of the CFO series has painted a picture of an already highly influential role that will continue to reward, motivate and excite those who make it to the CFO chair. CFOs will continue to wield considerable influence across the enterprise. Finance leaders will enjoy a high profile, both internally and externally. Finance leadership will continue to be a route to the very top of the organization, including the CEO's office.

However, it is also a role that is becoming more demanding and challenging for its incumbents. The role of CFO is entering a period of disruptive uncertainty and there is less clarity on how success will be defined in the future. In addition, tomorrow's finance function will look very different from today's. Equipping aspiring finance leaders to lead the finance function of the future is untrodden ground for them, and also for the incumbent CFOs that are looking to develop their successors.

It feels appropriate to conclude this series with some thinking on the next generation of finance leaders. Leadership development interventions often take their inspiration from notable leaders — from Nelson Mandela to Margaret Thatcher to Mahatma Gandhi. However, while these historical inspirational leaders played their part, tomorrow's finance leaders need to turn their attention to a very different future. The DNA of the CFO will be radically re-engineered, and we hope this series has shed some light on the future direction of this critical role and offered insights on methods to be proactive in your approach.

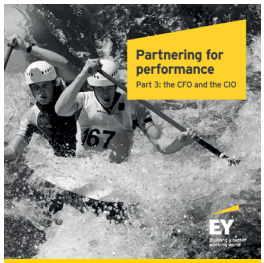
Other publications of interest

The DNA of the CFO series:

Partnering for performance series:

Part 1: *the CFO and the supply chain*

Part 2: *the CFO and HR*



Part 3: *the CFO and the CIO*

Part 4: *the CFO and the CMO*

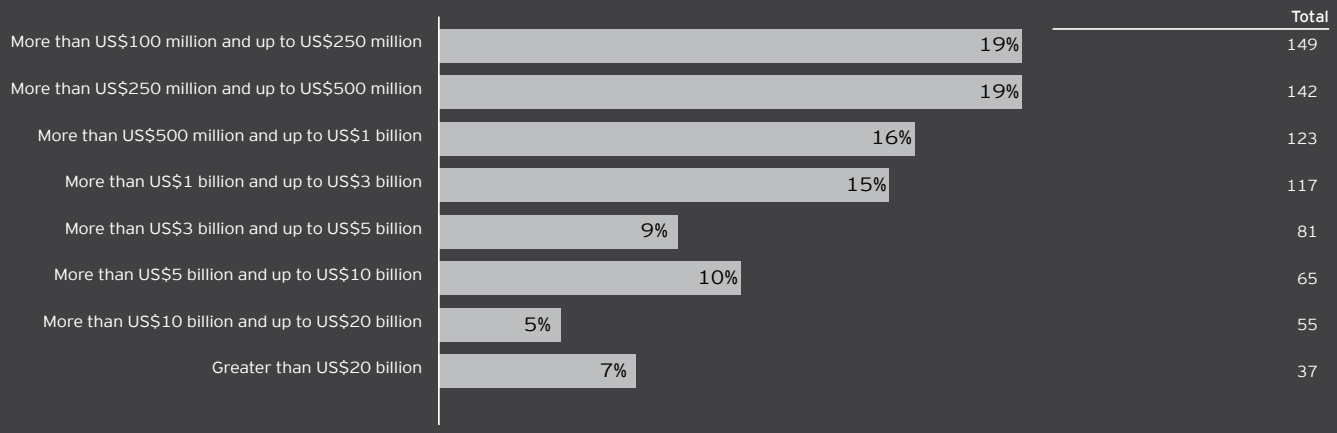
Part 5: *the CFO and CEO*

For more insights for CFOs and aspiring finance leaders visit **ey.com/cfo.**

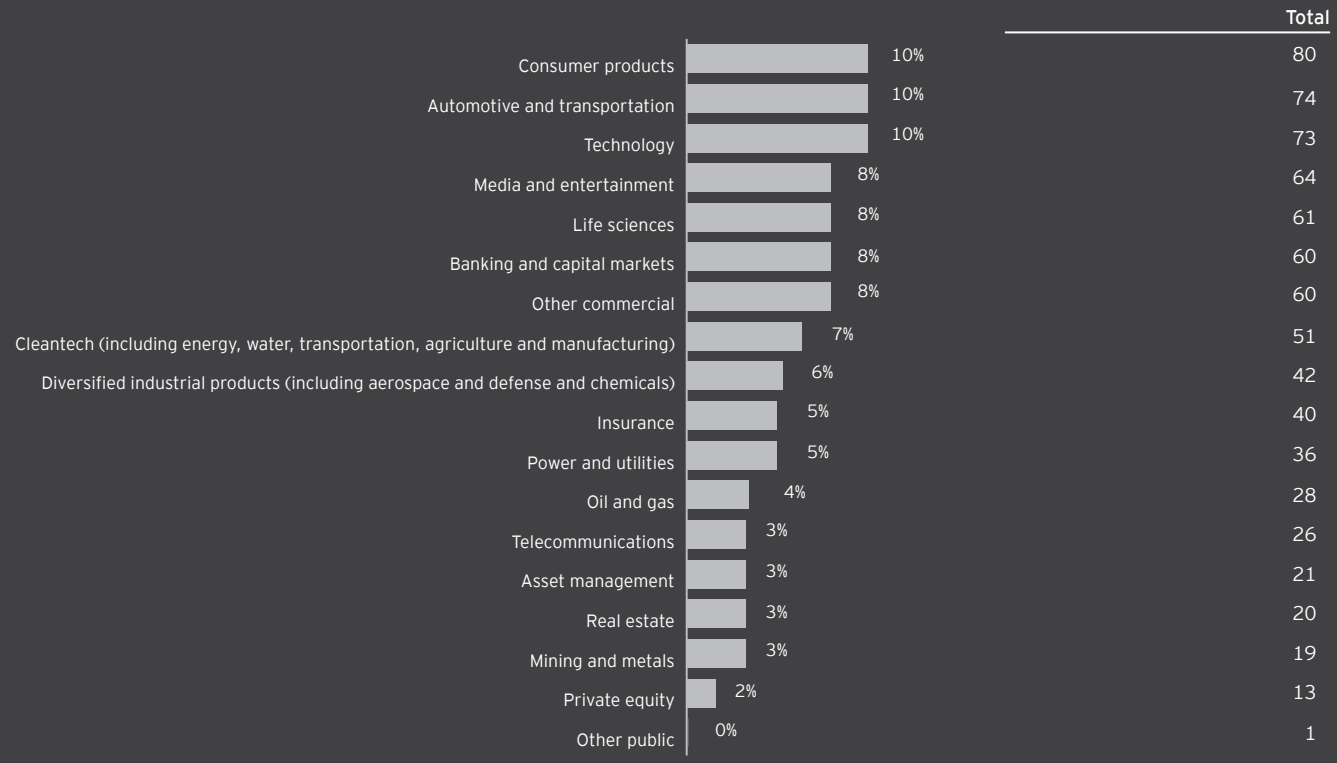
Survey demographics

We surveyed 769 finance leaders around the world from December 2015 to February 2016.

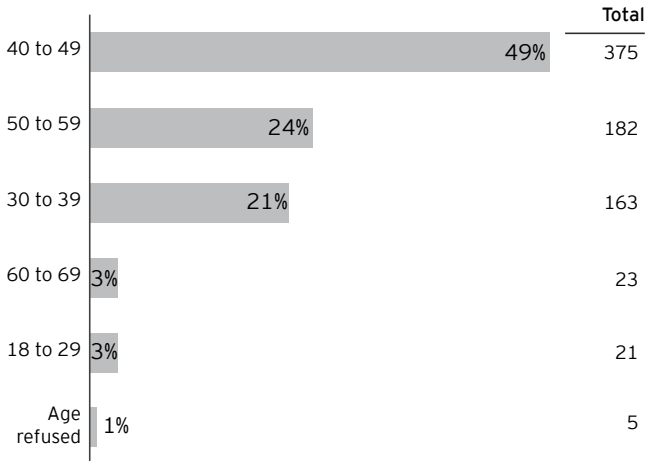
Revenue



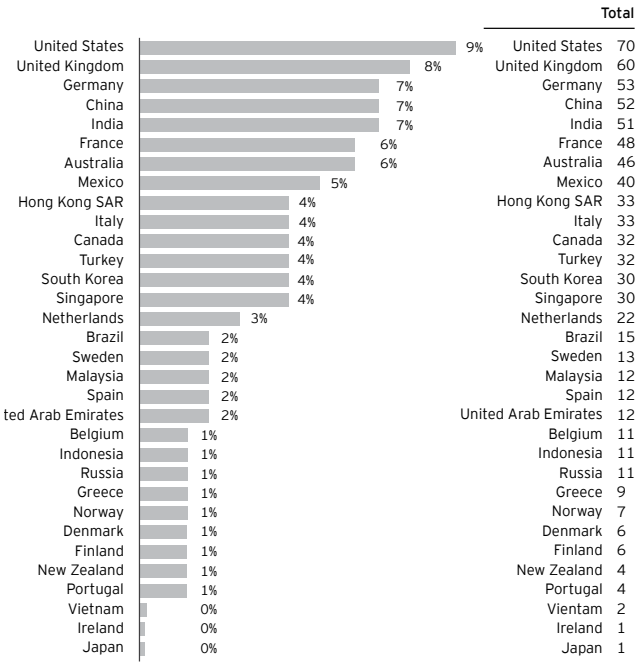
Industry



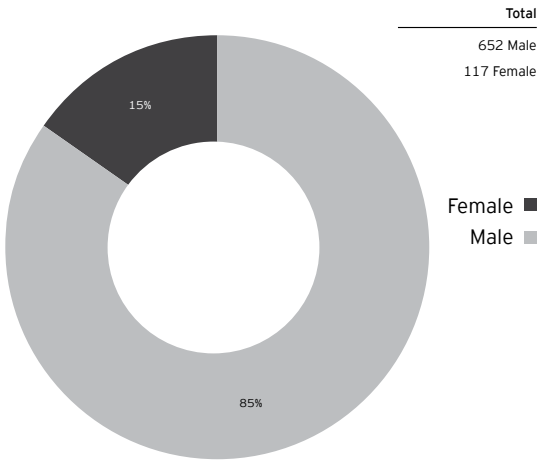
Age



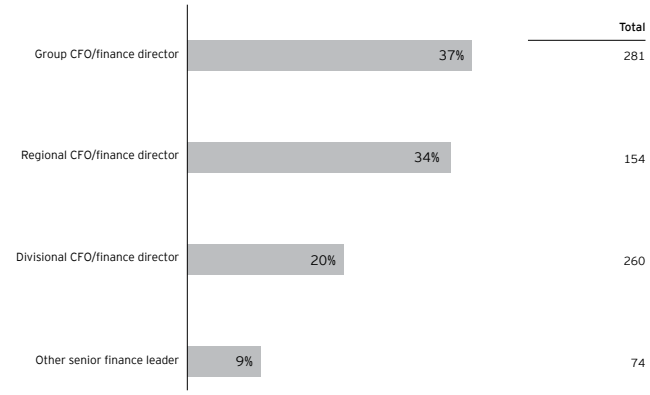
Region



Gender



Role



Note: Some charts do not add to 100% due to rounding.

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