



Future Perfect:

The CFO of Tomorrow



A research report prepared by CFO Asia Research Services in collaboration with KPMG



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Introduction

In 2005 CFO Asia Research Services conducted a study of 400 CFOs and other executives across Asia on how the role of finance is changing amid developing pressures from other areas of the business. We found what we termed “an unfinished evolution”: While nearly half of respondents said their company’s finance department spent the majority of its time on decision support to management, the slightly larger group indicated their department was still primarily preoccupied with the grunt work of transaction processing and monthly closing activities.¹

What can CFOs set in train today to ensure that their company’s finance department—and themselves—can respond effectively to the challenges of tomorrow?

Three years on, we revisit the issue with this research program undertaken in collaboration with KPMG, the global audit, tax, and advisory firm. In *Future Perfect: The CFO of Tomorrow*, we find that seven out of ten respondents—more than 400 CFOs, CEOs, board directors, and other senior executives in ten Asia-Pacific economies—now indicate that the CFO spends just a quarter to half of his or her time on traditional finance tasks (although 26 percent still spend more than half of their time on transaction processing and other traditional tasks).

Looking forward two to three years, the executives surveyed expect the transformation of the finance function to continue. Eight out of ten say the CFO will be spending just a quarter to half of his or her time on traditional tasks. This will free finance to focus primarily on decision support, business strategy, and other commercial work, and on leading company-wide initiatives to enhance business performance, such as cost reduction and enterprise risk management.

This trend is by no means confined to Asia. Indeed, CFOs in the West have long been expanding towards the business side and other non-traditional tasks, according to research by our sister organizations in the United States and Europe.² “It’s happening very much in the U.S. and Europe, and beginning to happen here now,” notes Tony Dickel, former CFO of ABN Amro Asia Group and Jardine Fleming, and now CEO of executive search firm MRI China. “There is a catch-up going on [in Asia].”³ Putting on his headhunter’s hat, he predicts “tremendous demand over the next few years” for what he calls “strategic CFOs,” as opposed to the traditional bean-counting finance chiefs.

But what exactly are the competencies, skills and qualities of this CFO of tomorrow? How are these business traits acquired and nurtured? Are the region’s CFOs and other senior finance executives ready to meet the expanded expectations? What are the implications of talent management programs and succession planning? Are companies in Asia paying sufficient attention to

¹ See *Enhancing Value in Asia: Exploring the Relationship Between Finance, Governance and Growth*, CFO Asia Research Services, September 2005.

² See for example *Finance Chiefs Reveal the Downside of their Expanded Role*, CFO Research Services, March 2007, and *CFOs and the Talent Gap: Does Finance Have the Right People?*, CFO Europe Research Services, May 2008.

³ Interview with John Dickel, CEO of MRI China Group, June 13, 2008.

We hope this research report will stimulate thought-provoking discussions about the CFO of tomorrow, and more importantly, prompt companies and finance executives to go into action mode today.

these important HR issues? What can CFOs set in train today to ensure that their company's finance department—and themselves—can respond effectively to the challenges of tomorrow?

These are among the questions we sought to answer in this study. Some of our findings are encouraging. For example, nearly eight out of ten respondents agree or strongly agree with the statement that their CFO has the requisite technical accounting and transactional capabilities, and the statement that he or she has management, people, and leadership skills. In broad terms, these are competencies that are crucial for the CFO of tomorrow, not to mention the finance chief of today.

Some other findings are more worrying. For instance, only a fifth of respondents say that their company's finance department currently has the depth of talent and experience to undertake strategic non-traditional finance functions. And while 34 percent of the executives surveyed indicate that succession planning is a top priority in the finance function, the majority concede that such planning is lower down the list of priorities (39 percent), or does not exist at all as a formal process (26 percent).

We believe that the expansion of the CFO's role is crucial to the future of companies in Asia-Pacific. Many

are stepping onto the global stage, where they will be competing with multinationals that are already benefiting from the contributions of strategic finance chiefs. Even Asian enterprises that elect to stay home cannot insulate themselves from the fray as foreign rivals continue to be attracted by the millions of newly affluent consumers in China, India, Vietnam, and other places.

But the transformation of mind-sets and attitudes and the acquisition of leadership, management and communications skills are long-term processes, particularly in Asia, where education systems have been slow to move away from rote learning and where business cultures tend to discourage questioning of precedent and authority. Employers have a key role to play in terms of training, mentoring, and granting finance executives the space to break free from their bean-counting past.

The same is true of current and aspiring CFOs themselves, who must take personal responsibility to arm themselves for the coming challenges. We hope this research report will stimulate thought-provoking discussions about the CFO of tomorrow, and more importantly, prompt companies and finance executives to go into action mode today.

—> About this Report

CFO Asia Research Services, a unit of CFO Publishing and part of The Economist Group, launched a research project in collaboration with KPMG in May 2008 on the evolving role of the chief financial officer in Asia-Pacific and the new skills, experience, and qualities expected of the CFO as a consequence.

CFO Asia Research Services jointly developed the parameters for this study with KPMG, which funded the research and publication of the report. We would like to acknowledge the KPMG team, especially David McAllister, Asia-Pacific Chief Operating Officer, Risk Advisory Services, and Michelle Perrett, Asia-Pacific Regional Manager, Risk Advisory Services. Cesar Bacani, Research Editor at CFO Asia Research Services, developed the hypotheses and survey, analyzed the results, conducted the interview program, and wrote the report. Sue Toomey and Amy Lau of CFO Asia coordinated the survey launch and report publication.

We would also like to thank the business executives who took the time to share their views with us.

Demographics

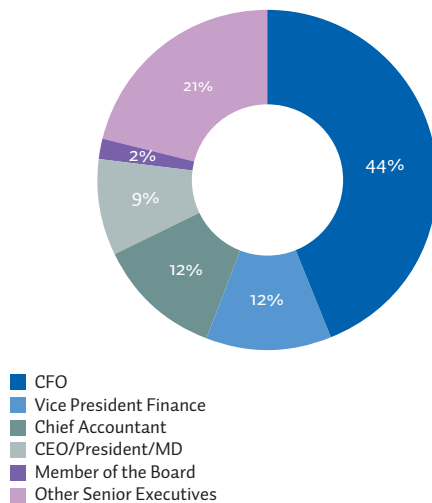
A total of 514 respondents initially answered the online questionnaire, which was sent out in English and Chinese. Of this number, 433 qualified for this research because they were CFOs, CEOs, board directors, and other senior executives.

> Respondents represent a broad cross-section of industries:

Consumer goods & services	16%
Electronics & high-tech	14%
Media & entertainment	6%
Banking / financial services	5%
Chemicals	5%
Industrial equipment	5%
Transportation & travel	5%
Property / construction / engineering	4%
Telecommunications	4%
Capital markets	3%
Pharmaceuticals / medical products / bio tech	3%
Energy	3%
Insurance	3%
Automotive	3%
Retail	3%
Utilities	2%
Education	2%
Metals & mining	2%
Logistics	1%
Forest products	1%
Health providers / health payers	1%
Other	8%

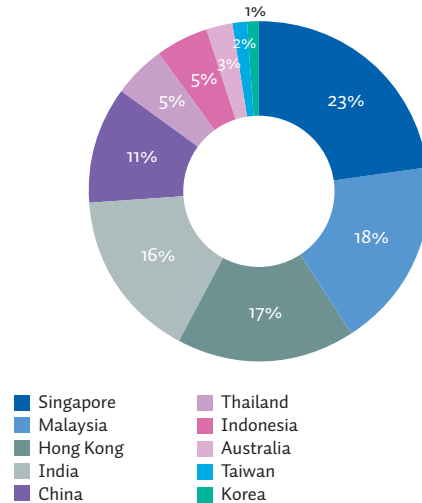
Base: 327 respondents. Some qualified respondents did not answer the question.

> Respondents hold positions with the following titles:



Base: 433 respondents

> Respondents are based in the following countries:



Base: 431 respondents. Two qualified respondents did not answer the question.

Executive Summary

This survey of 433 CFOs, CEOs, board members, and other senior executives in Asia confirms the changing role of the finance function across the region, and fleshes out the new competencies, skills, and personal qualities expected of tomorrow's CFO. Notable findings include the following:

- **While remaining accountable for traditional tasks such as monthly closings, CFOs are also leading company-wide initiatives aimed at enhancing business performance, extending decision support, and planning strategy.** Six out of ten respondents say their company's finance chief currently allocates more than a quarter or more than half of his or her time to traditional finance tasks. The rest of the CFO's working hours are spent on non-traditional tasks such as enhancing business performance and extending decision support. In two to three years, 63 percent expect the amount of time spent on traditional tasks to fall to less than a quarter of the CFO's working hours. Most of the CFO's time, say seven out of ten respondents, will be spent on enhancement of business performance, decision support, strategy-setting, and other commercial work.
- **These expectations require the acquisition or enhancement of additional skill sets.** The most frequently mentioned are leadership and team-building skills (cited by 91 percent of respondents)

Six out of ten respondents say their company's finance chief currently allocates more than a quarter or more than half of his or her time to traditional finance tasks.

and the ability to communicate at all levels (89 percent). Additionally, say the executives surveyed, the CFO of tomorrow should be a big-picture thinker rather than detail-oriented, outspoken rather than reserved, prefer to delegate rather than be hands-on, emphasize what gets done rather than how things are done, and make collaborative rather than unilateral decisions. He or she should also master the ability to foresee the future consequences of current actions, follow through on decisions, and manage projects effectively.

- **CFOs tend to say that they already possess many of these skills and qualities, but the CEOs, board members, and other non-CFOs in this survey are not so sure.** More non-CFOs than CFOs see room for improvement in the CFO's ability to handle constructive criticism (27 percent vs. 17 percent), to work well with C-level peers (27 percent vs. 21 percent), to persuade others to follow a course of action (26 percent vs. 22 percent), to communicate clearly and effectively (24 percent vs. 12 percent), and to manage projects effectively (21 percent vs. 16 percent). But both sets of respondents agree that the finance department as a whole needs to

The CFO of tomorrow should be a big-picture thinker rather than detail-oriented, outspoken rather than reserved, prefer to delegate rather than be hands-on, emphasize what gets done rather than how things are done, and make collaborative rather than unilateral decisions.

improve strategic and management skills—only 21 percent in each camp judge that the department currently has the depth of talent and experience to undertake non-traditional, more strategic functions.

■ **Both the company and the individual have important roles in helping CFOs develop new skill sets.** Six out of ten executives stress the importance of learning on the job, while half say the company can do its part by sponsoring professional development programs. Four out of ten say candid feedback from a company mentor will be helpful as well. Interestingly, only 30 percent credit company-sponsored training for developing the CFO's current management and strategic skills, and just 27 percent say the same of company mentors. This may indicate that companies in general need to do more to help CFOs acquire and improve their skills going forward, even as the

individual CFO must also continue learning on the job and ensure he or she makes the most of training programs and mentorship opportunities within the company.

■ **Companies need to fine-tune talent management in the finance function.** Our survey shows that succession planning is a top priority in only a third of companies in Asia. For the majority of organizations, it is either a secondary goal (39 percent) or is not practiced at all (26 percent). Perhaps this explains, in part, why 65 percent of respondents say their company's CFO was recruited from another company or a professional services organization such as an investment bank. Only a third say the CFO came through the company's own ranks. There is a lot to be said for outsiders and their fresh perspectives and ideas, but second-line executives and staff must also be provided with a clear career path.

Part 1 – Change and the CFO

The idea of the CFO as an active partner in the business, not just a bean-counter reporting what happened in the past, has been taking root in the West for some time. Advances in technology and enterprise software allowed automation of routine finance functions and abetted the rise of group-wide shared-services centers and third-party outsourcing. Freed from some of the grunt work, finance chiefs, particularly in global companies, began taking on a bigger role in guiding and influencing not just the finance function but also the business at large.

Today this view of the CFO is pretty much standard in the United States. In a survey last year, CFO Research Services found that companies in the U.S. “were demanding more of finance’s time and attention for strategy development, decision making, and planning

analysis than they have in the past.”⁴ The trend appears to be spreading across the world. A global survey of large companies earlier this year by The Economist Intelligence Unit concluded that “finance departments are increasingly likely to focus on strategic analysis and decision support, to initiate and use company-wide performance indicators, and to form ad hoc teams to address business issues.”⁵

Evolution of the finance function

Our survey finds that this evolution is happening in Asia as well (*Exhibit 1*). While traditional finance tasks still take up more than a quarter of the CFO’s time (62 percent of respondents say so), non-traditional functions such as decision support and business strategy (51 percent) and company-wide initiatives to enhance business performance (50 percent) are becoming part of the CFO’s responsibilities.

> Exhibit 1 – How much of the CFO’s time is spent on the following functions?

	Less than 25%		26% to 50%		More than 50%	
	Today	In two to three years’ time	Today	In two to three years’ time	Today	In two to three years’ time
Traditional finance tasks (e.g. compliance; internal control; business planning, budgeting and forecasting; reporting, analyzing and interpreting business performance; transaction processing)	38%	63%	36%	26%	26%	11%
Leading company-wide initiatives to enhance business performance (e.g. cost reduction, enterprise risk management)	50%	26%	36%	47%	14%	27%
Decision support, business strategy, and other commercial work	48%	27%	36%	48%	15%	26%
Market and shareholder information, including investor relations	79%	61%	17%	29%	4%	10%
Enhancing efficiency of the finance function	65%	60%	28%	31%	7%	9%
Directly assisting the board/audit committee	75%	63%	19%	30%	6%	7%

Base: 404 respondents

⁴ See *The Right Stuff: Leadership in Finance*, CFO Research Services, March 2008, page 2.

⁵ See *The Empowered CFO: The Emerging Role of the Finance Office in Large Corporations*, The Economist Intelligence Unit, March 2008.

The trend is expected to intensify going forward. Asked what the allocation of the CFO's working hours will look like in the next two to three years, six out of ten respondents say the time spent on traditional finance tasks will shrink to less than a quarter. Nearly half anticipate that more than a quarter of the CFO's time will be spent on decision support (48 percent) and leading enterprise-wide business performance initiatives (47 percent). A fourth of the executives surveyed even say that these two non-traditional tasks will account for more than 50 percent of the CFO's time.

Why is this happening? "I think in general it's a trend you expect to see in emerging markets," says Frank Braeken, chairman of food and personal products maker Unilever Greater China. "You have a situation where there are no lack of opportunities—in fact there are almost too many opportunities—and in that context, the CFO has an important role to play in identifying what are the right investment areas, and that is part of strategy."⁶

Allen Lueth, CFO of Zuellig Pharma China, points to Asia's increasingly competitive and complicated business environments. "The CFO is in a very unique position in the company in that everything that is important eventually gets reflected in numbers," he says. "Everything has to go through the hub, which is the CFO. The CEO is out there being visionary and trying to run ahead, but he doesn't see the complete picture [the way the CFO does]. So without the CFO, the CEO is actually handicapped."⁷

This is particularly true of Asian companies that have gone regional such as Zuellig—it was founded in the

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Philippines some 60 years ago and now operates in 15 Asian countries—and, more recently, enterprises that have become global multinationals such as Chinese computer maker Lenovo and India's Tata Steel. Competing against rivals like Europe's AstraZeneca Pharmaceuticals, America's Dell Computer, and Luxembourg-based steelmaker ArcelorMittal, these emerging MNCs realize that they must deploy the finance function in the same strategic way that Western companies have long been doing.

"Asia is no longer just the workshop of the world," says Dickel, the MRI China CEO. "We now have a lot of Asia-based companies starting to sell their products and services internationally. In that context, they absolutely need to have best practice corporate governance across all kinds of dimensions, HR compliance, talent acquisition, accounting. If you want to play at that level, you've got to get your infrastructure exactly up there together with the Western companies." Dickel sums up: "Our CFOs need to become every bit as sophisticated as the CFOs in the West, and it needs to happen quickly."

Assessing preparedness

All this raises the question of how prepared today's Asia-Pacific CFOs are to fulfill these expanding expectations. Clearly, finance chiefs need more than technical

⁶ Interview with Frank Braeken, chairman of Unilever Greater China, June 23, 2008.

⁷ Interview with Allen Lueth, CFO of Zuellig Pharma China, June 24, 2008.

> Case Study: Zuellig Pharma – Beyond bean-counting

When people talk about finance chiefs becoming much more than just a bean-counter, what exactly do they mean? Allen Lueth, CFO of Zuellig Pharma China, gives a simple example. A bean-counter will generate cash flow information and consolidate the numbers with other data to produce an accurate, comprehensive, and timely financial report. A finance person who is into more than bean-counting will follow the string of numbers to get a more complete picture, analyze potential shortcomings, formulate conclusions and recommendations, and then bring his ideas to the attention of the CEO or C-level peers with responsibility for the situation.

“You may discover that collections are skewed towards the end of the month while payments are skewed towards the beginning of the month,” says Lueth. “Where are you going to get the money to pay your bills? You start digging down, asking why cash comes in at the end of the month, and that may bring you to what collection policies are in place and what the motivations of the people doing the collection are.” The CFO may then raise the issue with the CEO, or he may discuss it with HR and some of the sales directors. “The CFO is not going to rewrite sales and collections policies; that’s not his function,” says Lueth. “But he can identify the problem and help find solutions.”

Lueth himself has never been just a bean-counter. “In all the other companies I’ve worked in [among them GE], the CFO was always an integral part of the business,” he says. At Zuellig, he embarked on an initiative to develop an equation that would strike a reasonable balance between working capital and margin. “It’s very important for us to be able to reduce

our capital invested in the business because we’re growing faster than what we can support organically, so we continue to go to our shareholders for more money,” Lueth explains. The goal was to slow the disbursement of working capital without holding back growth, allowing for healthier revenue growth and ROEs, and reducing the need to raise additional equity and debt capital.

Lueth and his team analyzed the numbers, conducted what-if scenarios and developed the needed formulas. “We gave the business people some simple equations for them to figure out how much margin they can give up in exchange for better payment terms,” says the CFO. “We said, ‘You know, when you’re out there negotiating a new deal in Wuhan, make sure we get a certain amount of A/P terms, and you can give up this certain amount of margin as trade-off.’” In the past, the company frequently went for the biggest margin it could and sometimes made cash payments, burning through its capital. By accepting a lower margin but getting breathing room on payables, it is able to conserve working capital.

Lueth needed to sell the idea, though. “We actually had a training tour,” he recounts. “Our own people are always coming to us, saying [the] bank interest rate is 7.5 percent, so why do you want to earn ‘X’ percent on capital? So you walk through step-by-step with them what capital is, why it is important, the scarcity of capital, the demand for ROE, the pace that the business is growing, and the amount of capital that we’re using and how that relates to their particular piece.” Communication, education, persuasion—these too are part of the CFO of tomorrow’s arsenal.

accounting qualifications if they are to effectively advise the CEO and the board on strategy and operations, and lead initiatives to enhance business performance.

On paper, at least, many finance chiefs in Asia boast qualifications that go beyond finance. Asked what the qualifications of their company’s CFO are, seven out of ten respondents say he or she is a chartered accountant, CPA or has a similar qualification (*Exhibit 2*). The same

proportion also says the CFO has a graduate degree, such as an MBA (52 percent) and/or a post-graduate degree (22 percent), indicating that many CFOs have at least two qualifications.

Academic and professional qualifications do not automatically translate into world-class financial management, of course. A number of finance chiefs are armed only with undergraduate business degrees—23 percent,

If the CFO is to have enough time to carry out non-traditional tasks, he or she needs to make sure that the department has capable second-line finance executives—vice president finance, controller, treasurer, head of shared services, chief accountant, and so on.

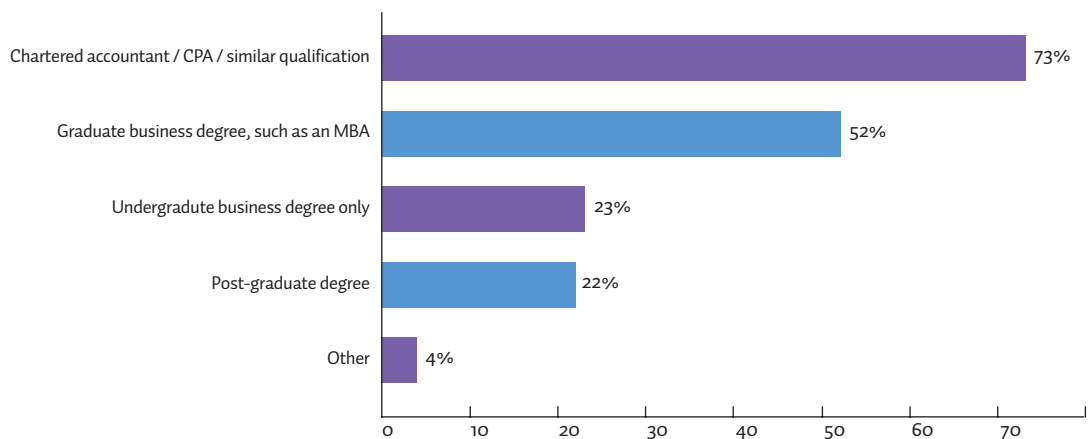
according to our survey—and some have become fine CFOs on the strength of long experience and innate leadership qualities. But the received knowledge from professors and resource persons, and the discipline of analyzing case studies, writing term papers, and making presentations can potentially give the CFO a leg up as his or her role and responsibilities expand.

Bruce Bowers, regional CEO for Asia at Germany's Allianz Insurance Management Asia-Pacific in Singapore, puts the issue in perspective. "To me an MBA is useful, but I would like to think it is more useful to somebody who has already completed their primary degree and has worked for a couple of years, rather than some-

one who went straight to MBA school after graduation," he says. "And when I need a CFO, I wouldn't pick one simply because he's got an MBA. I'd pick a CFO who's got a track record, who has shown that he can deliver, and who's willing to learn and adapt."⁸

When asked to rate the readiness of their company's CFO to respond effectively to expanding expectations, nearly eight out of ten respondents agree or strongly agree that the CFO has the needed technical accounting and transactional capabilities (*Exhibit 3*). There is also a high level of agreement with statements that the CFO possesses management, people, and leadership skills (77 percent) and has management experience outside of finance (71 percent).

> Exhibit 2 – What are the qualifications of the company's CFO?



Base: 384 respondents, multiple responses allowed

⁸ Interview with Bruce Bowers, regional CEO for Asia of Allianz Insurance Management Asia-Pacific, June 20, 2008.

However, there is less agreement with statements that the CFO currently has a strong enough team (21 percent disagree while 18 percent neither agree nor disagree) and that he or she has experience running a business (24 percent disagree while 25 percent neither agree nor disagree).

> **Exhibit 3 – How do you assess the readiness of your company’s CFO?**

	Agree/ strongly agree	Neither agree nor disagree	Disagree/ strongly disagree
The CFO has the needed technical accounting and transactional capabilities	79%	10%	11%
The CFO has management, people, and leadership skills	77%	10%	13%
The CFO has management experience outside of finance	71%	11%	18%
The CFO has a strong and/or deep enough team	61%	18%	21%
The CFO has experience running a business	51%	25%	24%

Base: 380 respondents

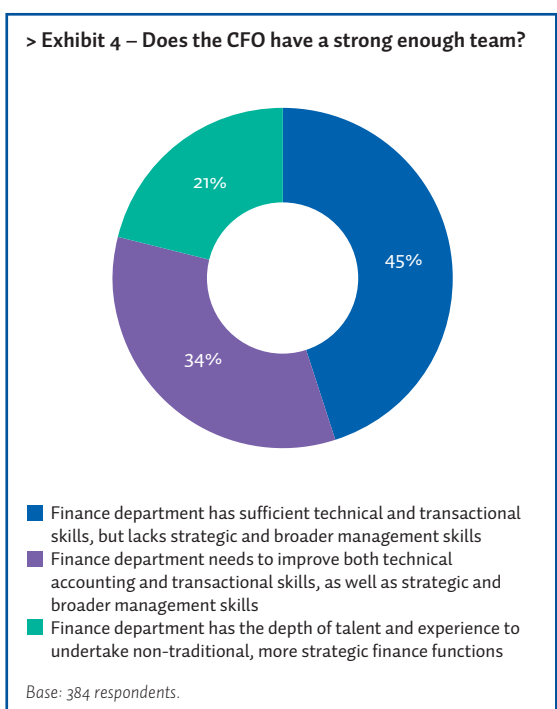
The question of having a strong finance team is especially important. If the CFO is to have enough time to carry out non-traditional tasks, he or she needs to make sure that the department has capable second-line finance executives—vice president finance, controller, treasurer, head of shared services, chief accountant, and so on. These finance executives, in turn, must be supported by their own dedicated staff, both to undertake the nitty-gritty of day-to-day traditional tasks and to help fulfill the CFO’s expanded mandate.

This may be the Achilles’ heel of CFOs in Asia in the short term. When asked in a separate question about the capabilities of the company’s finance department, only 21 percent of the executives surveyed say the finance function

has the depth of talent and experience to undertake non-traditional, i.e. more strategic, tasks (*Exhibit 4*).

Four out of ten respondents believe that their company’s finance department lacks strategic and broader management skills. Another 34 percent even questions the department’s technical capabilities, along with its ability to extend assistance on strategic and management matters.

> **Exhibit 4 – Does the CFO have a strong enough team?**



A more nuanced picture emerged when we asked survey respondents to rate their company’s CFO on specific abilities that we regard as important in undertaking both traditional and non-traditional finance tasks (*Exhibit 5*). In general, the executives surveyed are broadly approving of the CFO’s capabilities, consistent with their assessment of the CFO’s readiness in Exhibit 3.

But there are intriguing differences in judgment between CFOs and non-CFOs. More CFOs rate their own performance as “excellent” in managing projects effectively (35 percent) than do non-CFOs (26 percent), who are also more likely to say that their company’s CFO has room for improvement on this attribute.

The same dynamic is apparent in the CFO’s ability to handle constructive criticism and professional conflicts effectively (CFOs: 28 percent “excellent” and only 17 percent “room for improvement”; non-CFOs: 20 percent “excellent” and a higher 27 percent “room for improvement”), and also in working well with C-level peers (25 percent: “excellent” by CFOs compared with 19 percent by non-CFOs; 21 percent: “room for improvement” by CFOs and 27 percent by non-CFOs).

Three other attributes also stand out for the divergence in opinion between the two groups: the ability to communicate clearly and effectively, to foresee the future consequences of current actions, and to persuade others to follow a course of action. In these cases, significantly more non-CFOs say that their com-

pany’s CFO has room for improvement, compared with the CFOs themselves who say the same.

In addition, the CFO’s ability to persuade others is the one attribute that garnered the lowest proportion of “excellent” from both camps (17-18 percent). Ironically, some bosses see this as a key attribute that a CFO must have. “A modern organization is no longer one where you can dictate decisions,” says Braeken of Unilever. “In a matrix organization, the CFO needs to persuade on many levels and directions—senior finance people, the CEO, stakeholders, suppliers. This is critically important in an organization like ours.”

Interestingly, the attributes where CFOs and non-CFOs have opposite assessments tend to have a strong relationship element. The ability to communicate, for example, involves a speaker and a listener. So also with persuasion, handling criticism and personal conflicts, and working with C-level peers. We suspect that the CFO respondents in this study are rating their abilities rather more highly than is perhaps justified. If so, it is important for today’s CFOs to be more accepting of their shortcomings. That is the first step towards real improvement.

> Exhibit 5 – How does the CFO perform on the following attributes?

The ability to...	Excellent performance		Adequate performance		Room for improvement	
	CFOs	Non-CFOs	CFOs	Non-CFOs	CFOs	Non-CFOs
Follow through on decisions	35%	31%	58%	59%	7%	10%
Manage projects effectively (i.e., organize others to deliver on time and within budget)	35%	26%	50%	53%	16%	21%
Communicate clearly and effectively in writing, orally, and through visual media	31%	26%	57%	50%	12%	24%
Understand organizational and internal political relationships	29%	27%	50%	56%	21%	18%
Handle constructive criticism and professional conflicts effectively	28%	20%	55%	54%	17%	27%
Foresee the future consequence of current actions	27%	25%	58%	55%	15%	20%
Work well with C-level peers	25%	19%	55%	54%	21%	27%
Negotiate with others, inside and outside the business	25%	21%	55%	62%	20%	17%
Manage personal time effectively	24%	21%	53%	56%	23%	23%
Persuade others to follow a course of action	18%	17%	60%	58%	22%	26%

Base: 165 CFO respondents and 203 non-CFO respondents

> Case Study: Allianz and Unilever – What CEOs want

When you look after 17 companies in 14 countries across Asia and oversee the regional headquarters in Singapore as well, you want to get a lot of things out of your CFOs. “We don’t expect any of our CFOs to be a bean-counter,” says Bruce Bowers, regional CEO for Asia at Allianz Insurance Management Asia-Pacific. “We want them to spend less time on transactional activities and more on strategic issues.” Allianz’s regional CFO and 17 local-level CFOs, in other words, are expected to be the CFOs of tomorrow.

Frank Braeken, chairman of Unilever Greater China, has the same expectations of his CFO. “Finding the right candidate is more complicated than it might seem because you not only need somebody with technical skills, but also someone who has a broader business sense because of his involvement in strategy,” he says. “Equally important, he has to be a very good people coach, because one of the biggest challenges of CFOs in China is the whole talent side. People are being poached like hell, so the CFO must be able to hold on to his chief accountant, his treasurer, his tax person.”

What do these two business heads want in a finance chief? They have quite a check-list. First is technical proficiency. “There are so many tools the CFO needs to have in his toolbox,” says Bowers. “He has to have a working knowledge of emerging accounting and finance issues like Solvency II, Sarbanes-Oxley, and compliance and risk issues.” Allianz has companies in 14 Asia-Pacific markets, so the regional CFO needs to be familiar with 14 different sets of local statutory accounting. “On top of that, we have International Accounting Standards, which Allianz has adopted,” Bowers adds.

Next on the list: the ability to strategize. “Investment decisions are linked to strategic decisions so the CFO must automatically be involved in strategy formulation as well as strategic decisions,” says Braeken. This is especially true in China, where things move so fast and opportunities, and the associated risks, abound. “You probably make twice the number of decisions here than you would normally do,” says the Unilever Greater China chairman.

Bowers adds that the CEO needs the CFO to be a strategic thinker “so he can bounce ideas off him or her.” In a mature company, the Allianz regional chief executive says, “the CFO should be a sounding board for the CEO.”

Another attribute CEOs want is leadership. “You need someone who’s strong in leadership, who can attract, develop, and retain quality talent, which is in high demand in this region,” says Bowers. The ideal CFO must also have strong communication skills. “It’s really important that the CFO can communicate at the board level.” For his part, Braeken says the CFO should also have the ability to influence and persuade: “It can be as simple as being able to write a succinct memo for the head office or it can be about being able in a meeting to carry the decision on the strength of the CFO’s argument.”

Finally, there are cultural skills and adaptability. “You need someone who can adapt quickly to the culture they are in, which might not be their own culture,” says Bowers. The CFO must also adapt quickly to business changes. In Asia, says Bowers, markets and business models move and change quickly, so the CFO must be able to adapt to new conditions just as swiftly.

Part 2 – The CFO of Tomorrow

To get a more granular view of the CFO's role in the next two to three years, we asked our respondents to imagine what the qualifications, skills, and leadership styles the ideal CFO of tomorrow must have in view of the evolution of the finance function. Playing devil's advocate, we also asked which professional flaws they think would most limit a CFO's ability to lead the finance function. Finally, we posed the question of which skills and qualities are critical to success, which are important, which are simply nice to have, and which are usually outweighed by other factors.

Qualifications and skills

Not surprisingly, most of the executives surveyed (78 percent) say that the CFO of tomorrow must continue to be a chartered accountant, certified public accountant, or be similarly qualified (*Exhibit 6*). After all, the finance chief will still be accountable for all financial statements, reports, transactions, and other traditional activities, even though he or she will have delegated day-to-day responsibilities to others in the department, to a shared-services center, and/or to third-party outsourcing services providers.

You need CFOs with strong communication skills and someone who's strong in leadership. Leadership skills are really important in Asia-Pacific because there's a big demand for quality talent here, and the good CFO attracts talent and has the ability to train and retain talent as well.

That said, it is possible that the CFO of the future need not necessarily have a professional accounting qualification. "The finance function has become an integral part of the business and the CFO's role is one of partnership

with the CEO; a business role as much as a finance role," says Geoffrey Brown, a CPA and MBA from Australia who is currently finance director at Hongkong Land. "While strong financial skills will always be a prerequisite, equally so will be strong commercial business skills. You can have a lot of technical skills around you with the head of accounting or the head of internal audit or the head of treasury." ⁹

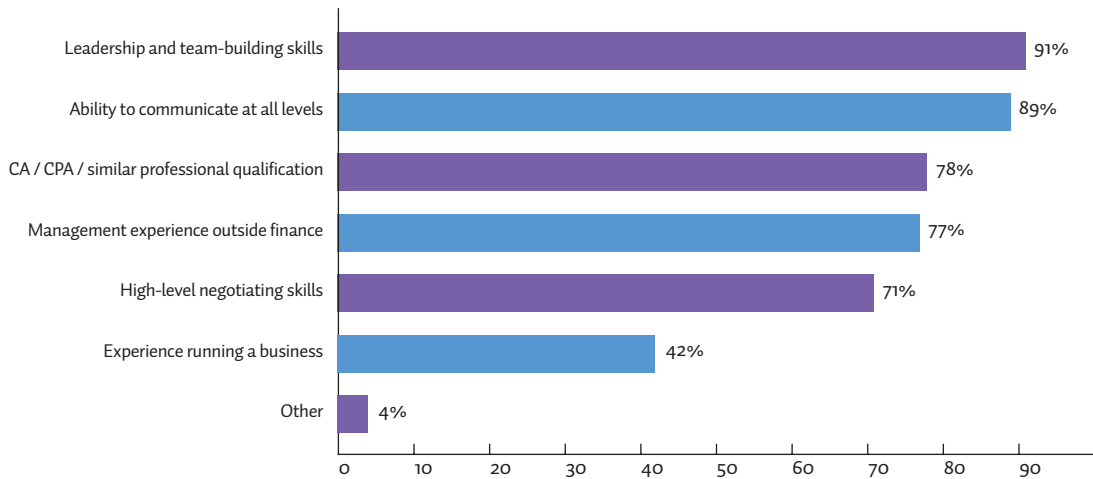
This may explain in part why more of the executives surveyed place higher importance on leadership and team-building skills (91 percent cited these) and ability to communicate at all levels (89 percent). "You need CFOs with strong communication skills and someone who's strong in leadership," says Bowers. "Leadership skills are really important in Asia-Pacific because there's a big demand for quality talent here, and the good CFO attracts talent and has the ability to train and retain talent as well."

Bowers does not go so far as to say that an accountancy qualification will no longer be necessary. Lueth of Zuellig Pharma China, who like Brown is a CPA and has an MBA, also thinks that the CFO of the future still needs to be a qualified accountant. "If I were looking for a CFO, I would actually prefer a CPA first, MBA second," he says. "The CPA is a side that's very logical, it's getting your fingers wet in the numbers, really understanding the details. The MBA side is beyond the numbers and communicates what the vision and the big picture are. You need to have a balance between both of those."

Also rated highly are management experience outside finance (77 percent) and high-level negotiating skills (71 percent), which are consistent with the expectation that the future CFO will be playing on a larger stage than the confines of the finance function. Entrepreneurial experience tends to be cited less frequently (42 percent), perhaps in recognition of the fact that however heavily the business leadership depends on the CFO's advice and

⁹ Interview with Geoffrey Brown, finance director of Hongkong Land Limited, June 19, 2008.

> Exhibit 6 – What are the qualifications and skills tomorrow’s CFO must possess?



Base: 379 respondents, multiple responses allowed

analysis, it is still the CEO who makes the final decisions. It seems that, for a CFO, experience in running a business is a nice bonus, but not really essential.

Leadership flaws

What shortcomings will have the most chilling effect on the future CFO’s ability to lead the finance function? The most frequently cited flaw is indecision (cited by 63 percent of executives), followed by a related “sin,” that of being all talk and no action (44 percent). Blowing things out of proportion, acting insensitively and being rude and hypersensitive are much lower down the list (*Exhibit 7*). Results-related shortcomings are evidently considered more harmful to a finance leader than these personal behavior and social sins.

It is interesting to note that being passive or overly deferential, a workplace trait that is commonly said to characterize many Asian businesses, is considered a relatively minor flaw, beside the greater sins of being indecisive and relying on big talk without following it up with action. Then again, the conventional wisdom may no longer hold true in much of the region. Certainly local finance executives in Australia, Hong Kong, India, Sin-

gapore, and the Philippines can be as assertive and outspoken as their Western counterparts.

Unilever’s Braeken says this is true even in China, where a generational shift is occurring. “If you look at the generation in their 40s and 50s, these are the senior managers who find it difficult to speak out in public,” he observes. “But I can assure you the younger generation has much less difficulty with that. I would even say they are almost over-opinionated; they don’t really know what to do with their opinions.”

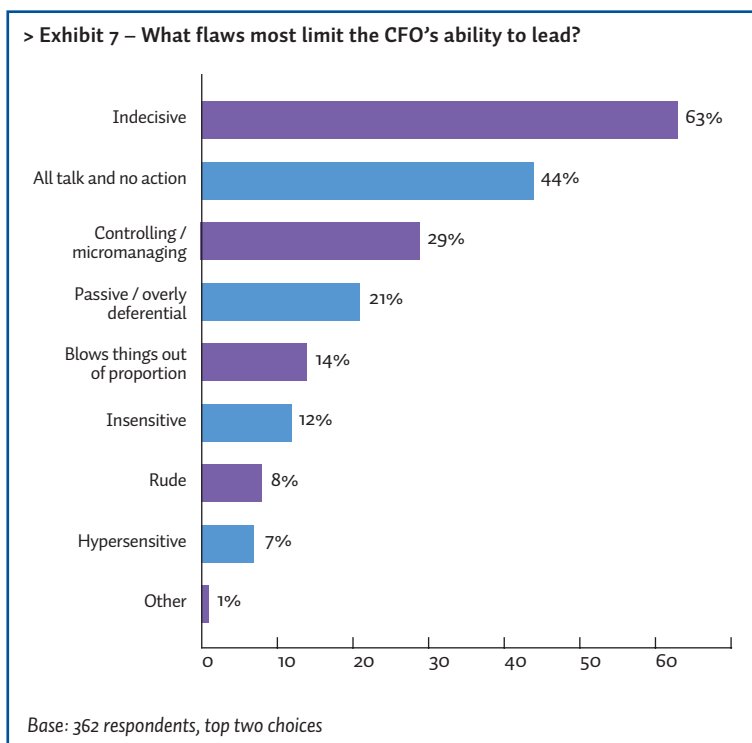
Leadership styles

Drilling deeper, we presented survey respondents with nine pairs of attributes and asked them to choose where, in a continuum of 1 to 5, they would position the ideal CFO of tomorrow for every pair of opposing qualities.¹⁰ The 18 qualities can be categorized into two broad leadership styles: the hard-charging competitive style, and the more relaxed collaborative style.

Our survey shows that the ideal Asia-Pacific CFO of tomorrow is seen as exercising a collaborative style of leadership in most management areas (*Exhibit 8*). One

¹⁰ This methodology was adapted from *The Right Stuff: Leadership in Finance*, CFO Research Services, March 2008, page 8.

exception is in assertiveness, where the CFO is regarded as better off being outspoken (competitive leadership style) rather than being reserved. In two areas, the best leadership style is seen as one or the other depending on the context: in risk tolerance (for example, being open to business risk in the early stages of an economic boom, but avoiding risk in a rising interest rate environment), and in decision-making (for example, making a decision based only on demonstrated facts in a new market, but open to “informed intuition” in an established market that the company knows intimately).



In general, the future CFO is seen as most effective as a collaborative leader rather than as one who charges ahead in command-and-control mode. Specifically, he or she should be a big-picture thinker rather than detail-oriented, a delegator rather than hands-on, emphasize what gets done rather than how things are done, strive for incremental change rather than dramatic change, make decisions with others rather than on his or her

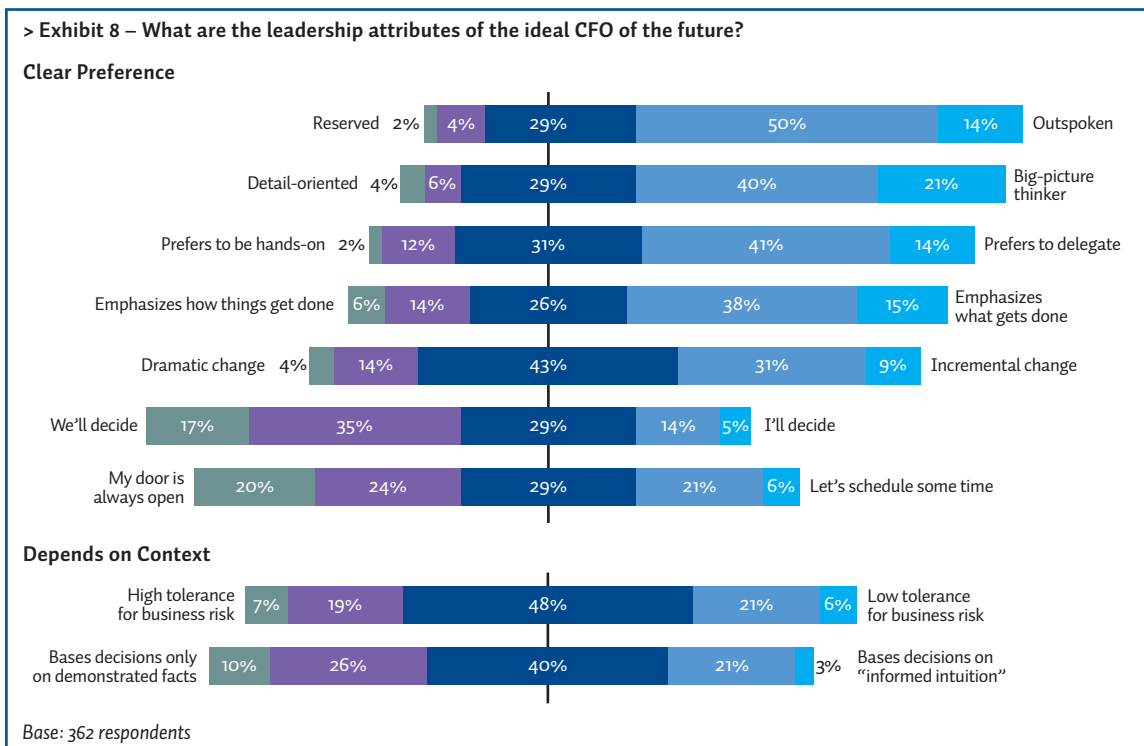
In general, the future CFO is seen as most effective as a collaborative leader rather than as one who charges ahead in command-and-control mode.

own, and being approachable rather than distant, for example, by leaving his or her door always open instead of insisting on scheduled appointments.

These findings are consistent with the modern notion of the CFO as a trusted advisor and champion of company-wide initiatives to enhance business performance, on the one hand; and on the other hand, as a manager of other finance executives to whom the CFO has delegated much of the traditional finance tasks that he or she used to be more hands-on with.

“I definitely expect a CFO to be outspoken,” says Bowers, the Allianz regional CEO. “I would be concerned if he or she didn’t speak up if they had concerns or had a point of view that they wanted to put across. I don’t look for somebody who just does what they’re told. I want somebody who is not scared [of the CEO].” Brown, the Hongkong Land CFO, agrees. “One of the roles of the CFO is to challenge the status quo,” he believes, “not just to say, ‘that’s fine, I’ll just write up the results.’ It’s really to challenge and ask difficult questions, to be the devil’s advocate at times.”

Still, that hard-charging style needs to be leavened with tact and diplomacy in dealing with the CEO and C-level peers. “There’s a lot of work to establish yourself in the first one or two years as someone who is not looking out for your own best interest but the interest of the company,” says Lueth of Zuellig Pharma. “Once you establish yourself as a credible team-player, a lot of the disagreements or suggestions that you have can be informally discussed, rather than aired in a big argument in front of everybody in a meeting. Let the CEO think about it



and step back, let him ponder, debate the pros and the cons, come to you for more information, and let him make the decision.”

The emollient, collaborative approach is seen as almost the default mode in dealing with subordinates, given the cutthroat competition for the shallow pool of finance talent in China, India, and other places. “This is where the personality of the CFO is also very important,” reckons Braeken. “You need to have somebody who can find that trade-off between stretching people and not chasing people away.” He is seeing turnover among finance talent in China at close to 20 percent, but says Unilever is “on the right side of the average,” in part because of the CFO’s collaborative, my-door-is-always-open approach.

Critical abilities for success

So which of this huge number of qualifications, skills, and attributes are the most important for success? We pre-

sented the survey respondents with a list of abilities and asked that they rate each one on its importance to the future CFO’s success (*Exhibit 9*). A huge majority rated all the attributes as important or critical for success, led by the ability to foresee the future consequences of current actions, to communicate clearly and effectively, to follow through on decisions, and to manage projects effectively (90-94 percent).

These four attributes are also the most frequently mentioned as critical for success, particularly the ability to foresee the consequences of one’s actions (49 percent). As it happens, three of these critical attributes—foreseeing consequences, communications and project management—are areas where CFOs and non-CFOs diverge on the need for improvement, as discussed in Part One of this report (see *Exhibit 5*). CFOs will do well to take a hard look at their capabilities in these critical areas, where our survey suggests their superiors and subordinates find them rather lacking.

> Exhibit 9 – How critical are the following abilities in the future CFO's success?

The ability to ...	Critical for success	Important for success	Nice to have	Usually outweighed by other factors
Foresee the future consequences of current actions	49%	45%	6%	0%
Communicate clearly and effectively in writing, orally, and through visual media	41%	54%	6%	0%
Follow through on decisions	39%	54%	7%	0%
Manage projects effectively (i.e., organize others to deliver on time and within budget)	39%	50%	10%	0%
Negotiate with others, inside and outside the business	32%	57%	11%	0%
Manage personal time effectively	29%	54%	15%	2%
Understand organizational and internal political relationships	25%	58%	15%	2%
Handle constructive criticism and professional conflicts effectively	25%	57%	17%	1%
Work well with C-level peers	23%	52%	24%	1%
Persuade others to follow a course of action	18%	68%	13%	1%

Base: 375 respondents

> Case Study: Allied Mills – From CA to CFO

Andrew Baldwin had to adjust when he left accounting firm Arthur Andersen in Australia to become business unit controller in Thailand for food and agribusiness multinational Cargill—and not only because he became an expatriate. “I don’t think the traditional chartered accountant background really gives you all of the skills to walk straight into a management environment,” he says. “In a chartered environment, everyone is driving towards the same things, so it’s much easier to motivate them. In business, different people from different backgrounds have different motivations.”

Baldwin had to adjust once again when he became CFO of Australia’s Allied Mills in 2002. The job of CFOs in Australia pretty much includes decision support, strategy, and being a business partner and advisor to the managing director, not simply a bean-counter. “With the traditional role of finance head, I can see how you can sit in your office with the door shut and do compliance reporting and transaction processing,” says Baldwin. As a strategic CFO, “you have to be out in the business a lot more. And communications, especially with some of the more complex concepts and analysis, is very important.”

The first thing he did was to work out the gaps in his skills and experience, and then to do something about them. “For example, I came to Allied Mills with very little treasury exper-

ience,” he recounts. “But GrainCorp [which together with Cargill owns Allied Mills] is a public company and has its own treasurer. So I made a point of sticking close to him whenever we had dealings with the banks. I still speak to him and get his opinion on things.”

There is no formal mentoring process in Allied Mills, so Baldwin took the initiative of forming what he calls his own “personal mentoring network” that includes the CEO. “I have very good relationships with the two CEOs I worked for,” he says. “I think being a CEO can be a pretty lonely job sometimes, having to make decisions. So if you’re the right person and you approach them the right way, they’re quite open to having a confidant, someone they can talk to.”

Baldwin had attended external training on management and leadership at Cargill and Arthur Andersen, but he says knowing the theory is not enough. “There’s a whole bunch of books you can read, but you’ve got to get out there and practice it.” One of the biggest challenges for accountants stepping into supervisory or management roles is the people side, he says. They must manage teams with members ranging from clerks to finance managers who may have different motivations and aspirations. The art of explanation and persuasion is part of it, and that includes dealing with the board and shareholders.

Part 3 – Filling the Gaps

In general, survey respondents judge that their company's CFO is reasonably prepared to tackle the expanding demands on the finance function, although they believe there is room for improvement in some areas, including those regarded as critical for success. However, our findings also suggest that a lot more work needs to be done with regard to the finance function as a whole, which many respondents consider unprepared for the tasks ahead.

How can companies in Asia-Pacific and the region's CFOs start filling the gaps? To arrive at some answers, we examine talent management in the finance function, specifically recruitment, succession planning, and professional development.

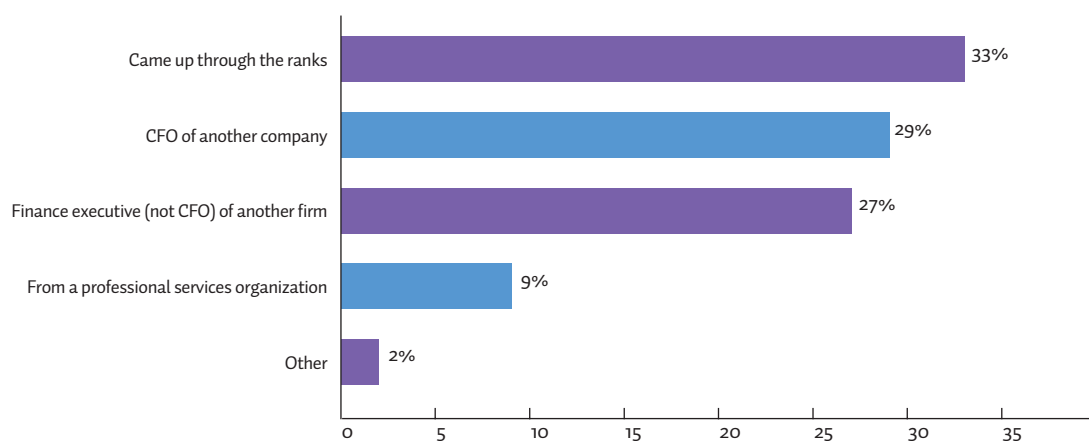
Recruitment

Asked how their company's CFO became head of the finance function, a third of respondents say he or she came up through the ranks (*Exhibit 10*). The majority of CFOs, however, were recruited from outside the organization—29 percent used to be CFO in another company, 27 percent used to be a senior finance executive in another company, and 9 percent worked in a professional services organization such as an investment bank or accounting firm.

There are any number of possible reasons why companies choose to recruit outsiders rather than promote from within, including the desire to bring in fresh perspectives and ideas. But one main reason is surely the lack of a qualified successor in the finance function. Dickel of MRI China recently had to replace his CFO, who was leaving to take a position overseas. "I had to go and get someone from the outside," he says. The senior finance executive being groomed was judged to be not yet ready. MRI's new CFO came all the way from the Netherlands, and that's because, says Dickel, "we're in a global talent crisis for this type of position right now."

The headhunter says the supply of talent in Asia is simply too tight. "Generally speaking, whether it is strategically inclined accountants, human resources, or IT professionals, there haven't been so many of them in Asia as a percentage of the population," says Dickel. "There is still a very robust demand even for bean-counters. We have far more open [searches] for strategic CFOs on our books than there are eligible and available candidates in the market." That's despite MRI's network of offices in Hong Kong, Korea, Singapore, Taiwan, and the Chinese cities of Beijing, Guangzhou, and Shanghai, and its affiliation with global recruitment group MRINetwork, which operates in more than 35 countries.

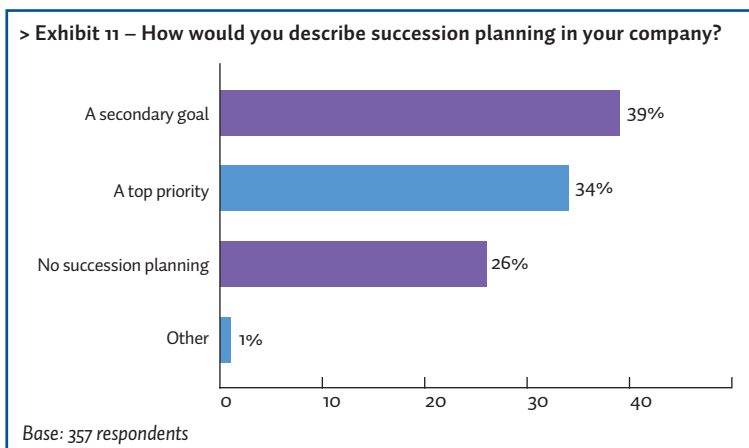
> Exhibit 10 – How did the CFO become head of the finance function?



Base: 360 respondents

Succession planning

What can companies do? Putting in a succession plan—identifying and preparing a suitable successor to the incumbent—not only for the CFO but also for the second-line finance executives may seem to be an obvious move, but not everyone in our survey says that their company has done this. As Exhibit 11 shows, 26 percent of the executives surveyed say their company does not have a succession plan for the finance function. Only a third of the executives surveyed say it is a top priority, with 39 percent describing succession planning as a secondary goal.



Drafting and implementing a succession plan can be expensive, complicated, and time-consuming, which may be one reason why it is not a top priority for many companies in Asia. And some old-style, family-owned conglomerates may not see the need for one, since it is understood that the founder's children and other relatives will take over. "We still have what we call 'Chinaman' companies in Asia, where the boss decides everything and everyone else just follows," says George Yeoh, executive vice president and CFO-Asia-Pacific at advertising and media conglomerate McCann Worldgroup.¹¹ He had briefly worked for one such local multinational based in Malaysia.

But Yeoh knows first-hand how useful succession planning can be. He had spent a decade in various finance posts at media company GroupM, where he held the post of regional CFO. When he left to join McCann last

year, says Yeoh, "my deputy, who had been working with me for two years, stepped into the position easily." Identified early on as a potential regional CFO, she had been sent to professional development programs and mentored on being a business partner and advisor to the CEO. Now at McCann, Yeoh has included succession planning as one of the ten KPIs (key performance indicators) that his 16 country-level CFOs will be assessed on in the annual appraisal exercise that will determine bonuses, salary increments, and promotions.

Smaller companies may practice a more informal approach. At MRI, where the finance function is comprised of only 12 people, Dickel has taken it upon himself to personally mentor the company's controller. "Most accountants have the technical ability to be great business partners; they have the training for it," he believes. "It's really a question of shifting an accountant's mind-set. When that happens, it's like turning on a switch." He says MRI's controller has now become very proactive, generating reports for top-level decision-making without being asked, for example.

What about the rest of the finance staff? As discussed in Part One of this report, only 21 percent of survey respondents believe that the finance function has the depth of talent and experience to undertake non-traditional tasks (see Exhibit 4). We believe that personal development and mentoring should extend to everyone in the finance function, not just to the CFO and other senior executives. A strong finance team will be needed as the role of the CFO expands, requiring him or her to delegate more and more of the traditional functions while remaining accountable for them.

Talent management of the entire finance function will also help retain staff. "In today's world, people are very mobile and very transportable and they need more than just to be paid properly," warns Hongkong Land CFO Brown. "They need to have challenging roles at work, they need to have a stimulating work environment, and they need to feel they are being developed."

¹¹ Interview with George Yeoh, EVP/chief financial officer-Asia-Pacific, McCann Worldgroup, June 26, 2008.

> Case Study: Hongkong Land – Talent management

Since joining Jardine Matheson as assistant treasurer 14 years ago, Geoffrey Brown has been benefiting from the Asian conglomerate's commitment to ongoing executive development. Now finance director of key Jardines subsidiary Hongkong Land, the CPA and MBA from Australia has completed a number of Jardines-sponsored management programs that included in-house sessions at the U.K.'s Ashridge Management College and Oxford University. He has gone on observation tours of world-class companies as part of another initiative for director-level Jardines executives. Later this year, he will fly to France for a one-month advanced management program at the prestigious business school INSEAD.

"Jardines puts a lot of emphasis on ensuring that its executives are well-developed and continue to be developed," says Brown. "I think this whole area of talent management is extremely important to ensure the right people occupy the right job and perform to the best of their abilities."

As CFO, he has the same philosophy towards his 50-strong finance team. Brown believes that beyond being properly remunerated, people need to be challenged, to work in a stimulating environment, and to feel they are being developed. He has an HR plan for each of his senior executives and those at the next level down. Brown also focuses on junior people identified as having high potential in the annual performance appraisal process. "We manage talent at all levels of the organization, so people will remain energized and want to develop their careers with Hongkong Land," he explains.

Being part of a conglomerate—Jardines employs more than 239,000 people in businesses ranging from engineering to transport to property to retailing to hotels to financial services—is a big advantage. Brown sends some of his people to management and leadership programs run by Jardines Group HR, such as the Business Enhancement Initiative and Senior Executive Program that some finance executives are currently attending. Another executive has just embarked on a master of finance course at a Chinese university—he wants to develop his understanding of mainland businesses and their culture.

"We look at a number of different tools and mechanisms to get the best out of people," says Brown. "I play a mentoring role for some of the more junior people, including management trainees who are part of the Jardines Executive Training Program. We also use executive coaching for certain people who we think can enhance their skills in this way." He understands the importance of on-the-job training and observation, and so he tries as much as possible to bring senior executives to meetings and overseas trips, and get them directly involved with some of Hongkong Land's smaller units "rather than just sitting here and doing more accounts."

In the end, though, it's up to each member of the finance function to make the most of the opportunities. "You can't just sit back and let your employer look after you," says Brown. "Individuals have to drive themselves and manage their own careers." That, of course, applies to the CFO as well.

Becoming a CFO of tomorrow

So how does one become a CFO of tomorrow? We asked our survey respondents what they believe are the best ways to acquire the skill sets demanded by the expanded responsibilities of the function, including the abilities identified as critical for success in Part Two of this report.

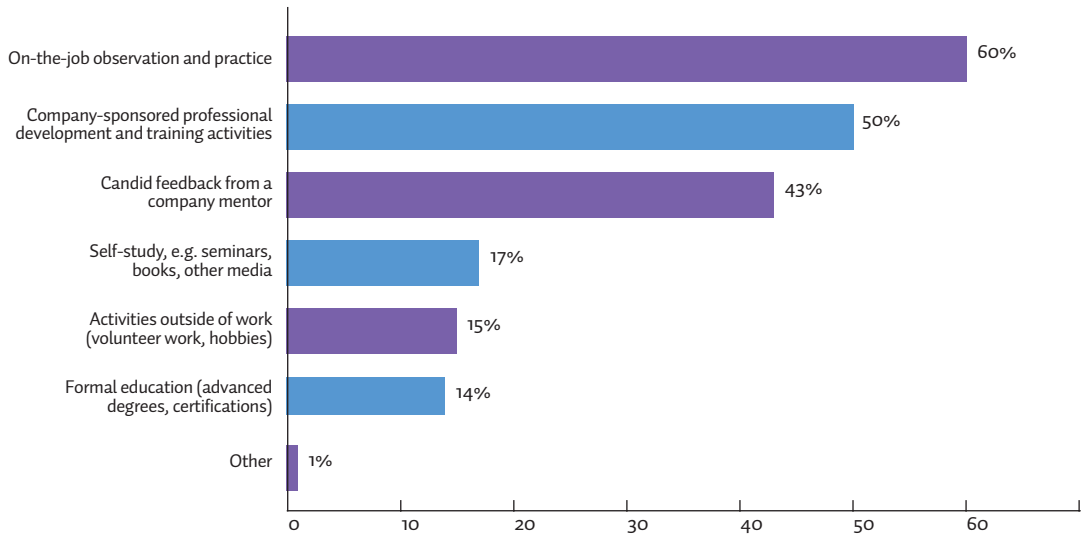
As Exhibit 12 shows, the most frequently cited ways to acquire new skills are on-the-job observation and practice (60 percent), company-sponsored professional development and training activities (50 percent), and candid feedback from a company mentor (43 percent).

Interestingly, the second and third most cited channels for skills acquisition involve initiatives by the company. This is curious, because as shown by Exhibit 13, companies are not seen as especially useful in helping the CFO acquire management and leadership skills today. Only

30 percent say the CFO has actually benefited from company-sponsored development and training activities, while just 27 percent say the CFO has learned from a company mentor. The majority (76 percent) say their company's CFO mainly picked up management and leadership skills through on-the-job observation and practice, meaning that he or she had essentially taken personal responsibility for acquiring new skill sets.

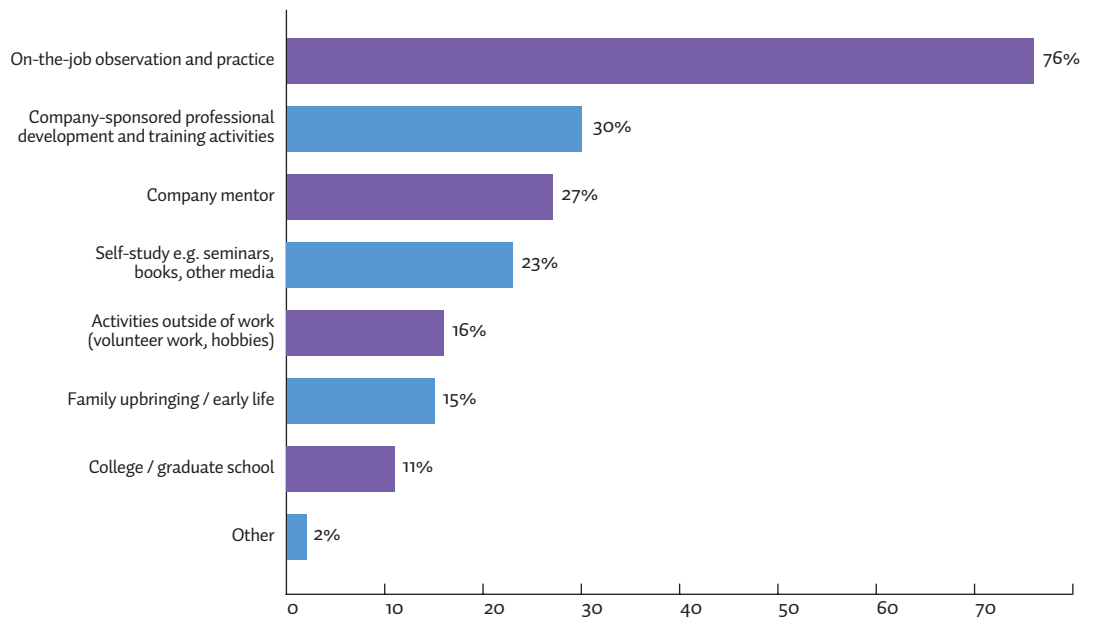
It may happen that companies in Asia will focus more on sponsoring professional development and training activities and strengthening mentoring programs for the finance function in the coming years. CFOs can hope. But they can do something now to help the process along. As headhunter Dickel puts it: "The CFO needs to step up and say, 'there is a lot more I can be doing for the company, but I need more business training and you need to help me out with that.'"

> Exhibit 12 – How may the CFO of tomorrow acquire management and leadership skills?



Base: 357 respondents, top two choices

> Exhibit 13: How is the CFO acquiring management and leadership skills today?



Base: 358 respondents, top two choices

Conclusion

There is a lot to digest in this report, but we can draw a few choice conclusions. One is that change in the CFO's role is inevitable. Like it or not, the bean-counter of the past is making way for the forward-looking advisor of the future, a strategic business partner expected to provide decision support, help set strategy, and lead initiatives to enhance business performance. In some countries like Australia, what were once considered "non-traditional" tasks, e.g. strategy, are now well and truly mainstream. The role is continuously evolving. There are changes even within the area of compliance as the region's regulators tighten oversight with new laws resembling America's Sarbanes-Oxley Act, even as investors expect increasingly better corporate governance and activists demand corporate social responsibility.

In mulling the role of the CFO of tomorrow, companies may also need to think about transforming the entire finance function as well.

Second, the CFO must acknowledge shortcomings, which is the first step in doing something to fill the gaps. It is telling that there are divergences in perception between CFO and non-CFO respondents on the finance chief's communication skills, for example. It is perhaps human nature for CFOs to rate their capabilities more highly than do their superiors and subordinates. But they must be sensitive to the possibility that there may be more room for improvement—indeed, everyone always has room to improve.

Third, the CFO of today must take personal responsibility for acquiring the additional management and

leadership skills required by his or her evolving function. So far, they seem to be going about it mainly by osmosis, picking up new skill sets by on-the-job practice and observation. Going forward, they expect the company to take a more active role by sponsoring professional development and training activities and strengthening the mentoring system. But this is not likely to happen automatically. The CFO must be proactive in lobbying the company for professional development support.

Fourth, today's CFOs should work to extend professional development and overall talent management to the rest of the finance team, who will be playing a more central role in undertaking traditional finance tasks as the finance chief spends more time on decision support and other non-traditional assignments. Succession planning should be part of this process. Not everyone can become a CFO, nor do they desire to be. But if they are to remain and grow with the company, each member of the finance function should have a clear career path, whether leading to the top finance post or another senior position, or lateral movement within a circle of assignments that provide fresh challenges and stimulation.

Finally, the change at the top of the finance pyramid is likely to require not just people changes, but the virtual transformation of the entire function. Technology is an obvious element here—the better the ERP, business intelligence, and other IT systems, the more reliable the flow of accurate and real-time information to the CFO and the richer his or her what-if analyses and forecasting. A shared-services center, centralized treasury, outsourcing to banking partners, and even outsourcing to third parties onshore and abroad may become imperative. In mulling the role of the CFO of tomorrow, in other words, companies may also need to think about transforming the entire finance function as well.

KPMG's Perspective – Strategic advantage through people

There's no escaping the fact that finance, and the nature of business as a whole, has changed significantly in the last ten years. Influenced by the rise of global markets, giant advances in technology and changes in the investment landscape, the CFO of today is much more than the "bean-counter" of the past. The job descriptions of many business professionals are being rewritten and that of the CFO is no exception.

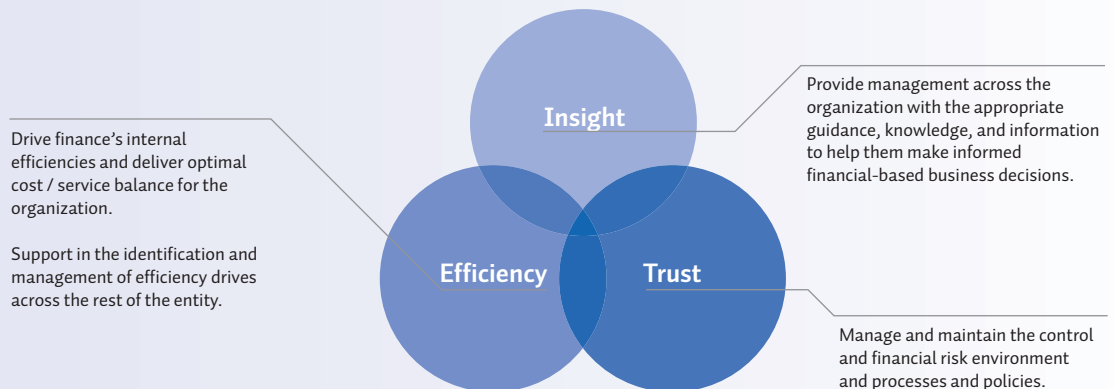
KPMG supports the main conclusions of this report that the CFO of the future must be elevated to the role of the CEO's trusted strategic advisor and partner, a relationship that is fast becoming best practice at leading enterprises around the world. To succeed in the global marketplace, companies in Asia-Pacific must accelerate a similar transformation of their CFOs' responsibilities.

CFOs of the future still must master the technical aspects of their job. However, if they are to help drive business, they must be able to rise above routine internal matters and focus on the increasingly complex external environment that their companies face. As the Asia CEO of Allianz Insurance Management

notes in this report, the ideal CFO of the future is a strategic thinker who can serve as the CEO's sounding board. Such strategically minded CFOs must also be ready to spend increasing amounts of time representing their companies in conveying a variety of information to external stakeholders. They must understand where the business is going, what investors want, and what information the company should give them—if the market has trouble understanding them, the confidence in their companies will erode away.

To be successful in the new era, CFOs must hone the ability to balance all the different challenges they face. KPMG believes there are three key areas in which CFOs must strike a balance (illustrated in diagram below). First is the need to develop and maintain trust with all stakeholders. Second is the need to simplify and run an efficient operation. And third is the need to provide insight on business performance to senior management. These are complex tasks that require a clear vision and plan before CFOs dive into their expanded roles.

While the key responsibilities for the CFO will be similar in the future the proportion of time and effort spent on each will be different, requiring different skills and capabilities.



KPMG LLP 2008

KPMG supports the main conclusions of this report that the CFO of the future must be elevated to the role of the CEO's trusted strategic advisor and partner, a relationship that is fast becoming best practice at leading enterprises around the world.

One particularly encouraging finding in this report is the fact that in two to three years, seven out of ten senior executives in Asia-Pacific expect their companies' CFOs to be spending most of their time on enhancing business performance. This is important because many CFOs working for companies in the region are some way behind their American and European peers in making the transition from a traditional finance role to a future-oriented strategic one. But to stay competitive against their Western rivals, Asian companies must catch up fast by unlocking the full array of their CFOs' talent. It is KPMG's hope that reading this report will spur all of them to take immediate action.

One area of concern that was highlighted in the survey findings of this report relates to the depth of capability of the broader finance team—only one in five respondents believed that their company's finance team had the talent to transform into a more strategic role. Companies will therefore need to ensure that not only their CFO but their entire finance team has the right skills and competencies to face the challenges of a rapidly evolving workplace.

In terms of succession planning, leading finance functions have recognized the changing role of the second-in-command, often the financial controller. This person should have the skills and capabilities formerly required of the CFO, who is then able to be more fully focused on important efforts to "market" the organization to its stakeholders, both internal and external. All of this means that changes to current training, development, and mentoring programs may be needed to ensure they continue to be relevant in the future.

While the research for this report took quite a short-term perspective by focusing on the next two to three years, perhaps we should also take a much more forward-looking view and share KPMG's thoughts on the CFO of 2020—what skills, competencies and qualities will be needed to be a successful CFO? This is our vision for 2020.....



> The CFO of 2020

Outsourcing, off-shoring, and increased automation have limited the traditional training ground of finance professionals. Too few junior business partners are coming up through the finance ranks and although finance bemoans the loss of basic accounting skills, the result is staff with a less blinkered view of finance—people who have stepped outside the box and can embrace new ways of doing things. Finance, as a function, has reinvented itself. It recognizes the need to evolve alongside a business that has adapted to changing commercial and external pressures.

CFOs and finance leaders in 2020 need more than functional finance experience. Their primary role is to identify and drive value-enhancing opportunities that impact across the business. They understand the risk implications of their decisions in a dynamic business environment within an investment market that does not tolerate mistakes.

What capabilities will the CFO need in 2020 and beyond? Strong commercial and business understanding and great communications skills provide the “business partner” with a license to operate. But in isolation, these capabilities are not sufficient to deliver strategic advantage. With a strong eye on the numbers, CFOs in 2020 think and act like business entrepreneurs. Proactively working with the business, they consider the internal and external business environment, apply their understanding of key issues and drivers across the industry, and identify potential opportunities and risks to the business. In short, the future CFO is as much a strategist as an accountant.

CFOs have needed to significantly increase their understanding of the business, to learn to use and interpret non-financial measures, and to understand their impact on the financial performance of the organization. The CFOs most in demand in 2020 are those for whom this is second nature. Often these are professionals with an operational background who have “seen the light” and have moved into finance or those that have spent a significant proportion of their career outside finance. These business-focused finance professionals have a split personality that enables them to be excited and engaged in working with the business to develop new and alternative propositions but are grounded in a financial reality that enables them to challenge objectively.

Back in 2008, finance and other decision-support staff lacked many of the skills and capabilities to undertake the new roles that would be required of them. They needed to be converted from spending 85 percent of their time extracting financial data and 15 percent adding insight, to 95 percent of their time adding insight. To achieve this they needed additional training and support. They needed help in better understanding the business and learning to use and interpret its financial and non-financial measures. They also needed help in making better use of the technology available to them and most importantly they had to learn how to influence their internal customers.

So as we look ahead to 2020, the question companies should perhaps be asking themselves is this: “Do we have the right strategies and plans in place to ensure both our CFO and finance team are fully prepared to take on the challenges of the future?”

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