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

Redefining the path to a CFO appointment

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The better the question. The better the answer. The better the world works.
Introduction

A career in finance is not what it used to be. Changes to how finance operates at every level of the organisation mean that traditional paths to a CFO appointment are being eroded. Aspiring finance leaders will need to think differently about how they manage their careers.

In this, the third and final part of our The DNA of the CFO series, we offer insights for aspiring finance leaders about the experiences and skills they will need to acquire as they forge their path to a CFO appointment.

Our insights are based on the results of our global report and survey of 769 finance leaders worldwide and in-depth interviews with 22 CFOs from leading organisations.

In this Oceania report, we analyse and interpret how the responses from the 50 respondents in Oceania compare to the global results. CFOs with traditional CA and CPA backgrounds dominate our top companies much more so than they do overseas, although there are some indications this is changing as Oceania companies seek a broader range of skills and experience from their finance leaders. We expect this change to continue as increasing automation enables further concentration of controllership and operational finance activities enables finance leaders to focus more on strategic and decision support related activities.

A copy of the global report can be found at: www.ey.com/gl/cfodnapart3

In a world characterized by uncertainty, it is clear that: ambitious finance executives will have to be increasingly bold, creative and inventive in how they manage their careers. CFOs will be looked upon to be responsive and innovative in their leadership.

At EY, we look to address this through asking better questions and providing insights in to the future of finance.

We hope this study will assist CFOs in their careers, as well as CFOs who are looking to develop their successors.
Global CFOs | Oceania CFOs
---|---
58% | 66%
Say that eliminating redundant structures and standardising tasks will be critical for the future finance function

45% | 68%
Say that transforming the organisation of the finance function through shared service – either discrete, multi-functional or global business services – will be a major focus for the future finance function

65% | 52%
Say that standardising and automating processes and building agility and quality into processes will be a major priority for tomorrow’s finance function

58% | 48%
Say that combining state-of-the-art technology with process improvement will be a major focus for the future finance function
Experience your passport to the CFO seat

The path to the CFO seat in Australia and New Zealand is changing. As companies look to CFOs as change agents, they are increasingly being drawn from outside of the organisation and from outside of traditional finance backgrounds.

CFOs are more mobile between industries than they were in the past. Organisations are placing more of a premium on the type of experiences CFOs can bring rather than the industry in which they gained it. They are looking for candidates from diverse backgrounds, beyond traditional finance career paths.

Those aspiring to the CFO chair need to take control of their career and the experiences they gain along the way. These experiences might include operational and line management experience, overseas experience, exposure to merger and acquisitions, and exposure to business transformations or IT implementations.

Candidates might not tick every box, but organisations are seeking CFOs with a wide range of experiences.

Zlatko Todorcevski, the former CFO, Brambles (Australia) says it is important to build the “right kind of experiences” for individuals to develop into CFOs.

“For me, it’s about getting them strong exposure to the business and potentially getting them into business roles, whether in commercial, sales or operations,” he says. “Giving them a deep business understanding to complement their finance understanding and giving them different geographic and culture exposure.”

Organisations undergoing significant operational change are recruiting CFOs from different parts of the business, such as from operational or project roles. Other organisations undertaking major acquisitions or divestments or that need capital restructuring are sometimes recruiting investment bankers for the CFO roles.

In fact, CFOs in Australia and New Zealand believe the most important attribute for a potential CFO is getting exposure to boards or investors. Some 68% of Oceania CFOs say this is the most important initiative in generating the next generation of finance leaders, compared with just 37% globally.

Being able to think like an investor and think about value is considered an important skill and helps build the credibility of the CFO and to reassure the board and investors that they have everything under control.

In terms of specific experience that aspiring CFOs need, some 56% of Oceania CFOs say that ensuring effective mentoring and coaching from the group CFO or other senior finance executives is important. CFOs are placing more emphasis on helping aspiring finance leaders focus strategically on their next career move and the experiences they need to get there.

However, just 24% of CFOs in this part of the world rate work-shadowing or other experiential opportunities to gain broad skills as the most important initiative compared with 35% globally. This possibly reflects the fact that smaller finance functions and a strong efficiency focus means staff can’t simply be assigned to “shadow” more experienced colleagues.

Oceania CFOs gave roughly the same rating as their global peers to the importance of other experiences, including overseas rotation opportunities, leading a major transformation project, and gaining operational experience outside of finance.
Skills
what you bring to the role

Along with relevant and targeted experience, aspiring finance leaders need to build up a portfolio of skills to help them drive the finance function in the future.

Australian and New Zealand finance leaders indicated that ensuring digital technologies support organisation strategy is crucial. Some 66% of Oceania leaders said this was the most important skill, compared with just 42% of their global counterparts. As businesses face major disruption of their markets and of their business models and supporting processes, finance leaders are building their understanding of how to use digital, smart technologies and data analytics.

The next most valued important skill by Oceania CFOs is having commercial experience and understanding of the drivers of business value, with 52% of local CFOs nominating this as crucial, compared with 44% globally.

CFOs increasingly recognise that big data and analytics can help them identify key strategic drivers of the business and make the right decisions to deliver against the businesses’ critical strategic priorities.

Even so, just 22% of local finance leaders nominated using big data and advanced analytics for strategic decision-making as a key skill, a long way below their global counterparts. The low rating may reflect that while CFOs see interpreting and using the data as important, they place less emphasis on the actual technical aspects of managing and extracting the information.

Another important skill nominated by Oceania CFOs was driving a major strategic change project, including M&A, with 38% saying this was key compared with 32% globally.

At some point in their career, a CFO is likely to have to run some kind of major transformation – be it organisation-wide cost improvement, M&A or the implementation of new technology. They will be responsible for identifying, driving, and implementing change in their organisation, so experience in driving a successful major change project is a key skill in their arsenal.

Oceania CFOs placed more emphasis on the ability to manage multi-function shared services centres or outsourced services than global CFOs, with 36% locally rating this as important, compared to 24% globally. Australia is still less mature in multifunctional shared services, while other regions are more advanced in large scale outsourcing.

Other important skills include leadership and team building and strategy planning and design.

Interestingly, core financial skills rate some way down the list of attributes that CFOs of the future will need, according to the survey. Australian and New Zealand rated a breadth of core finance skills from control to tax and audit as only ninth on the list of skills needed by future finance leaders.

Gerry Bollman, the outgoing CFO of Fletcher Building (New Zealand), says he tells aspiring financial leaders: “Don’t draw a straight line between entry-level accountant and CFO.”

“Think about what finance and accounting teaches you. Think about how you can leverage what you do really well in a different discipline so you learn something,” he says.

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Figure 1: The skills Australian and New Zealand CFOs will need in the future

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring digital technologies support organisation strategy</td>
<td>66%</td>
</tr>
<tr>
<td>Commercial experience and understanding of the drivers of business value</td>
<td>52%</td>
</tr>
<tr>
<td>Leadership and team-building, including strong relationships with CEO and board</td>
<td>52%</td>
</tr>
<tr>
<td>Strategy design and planning</td>
<td>48%</td>
</tr>
<tr>
<td>Communicating a cohesive story to external stakeholders, including activist investors</td>
<td>38%</td>
</tr>
<tr>
<td>Driving a major strategic change project, including M&amp;A</td>
<td>38%</td>
</tr>
<tr>
<td>Managing multi-function shared services centers or outsourced services</td>
<td>36%</td>
</tr>
<tr>
<td>A global mindset and international/emerging markets experience</td>
<td>34%</td>
</tr>
</tbody>
</table>
Tarun Gupta exemplifies the finance leader of the future.

Group Chief Financial Officer of Lendlease since May 2016, Gupta brings a wide range of experiences across the property business, giving him commercial acumen and strategic thinking that help him support the broader business goals of the company.

After studying economics and an MBA, Gupta joined Lendlease as a graduate in 1994, working in shopping centres in marketing, leasing and asset management. “Those years when I was in the shopping centre business is where my grounding in property and real estate really took place,” he says.

Next he worked in funds management, ultimately rising to CEO of the funds management business globally, where he learned about managing diverse portfolios and raising debt and equity on the capital markets.

In 2012, Gupta became chief executive of Lendlease Property Australia, focusing on funds management and Lendlease’s residential and urbanisation developments, with 1500 staff and five separate business units.

“When you lead big businesses, you gain commercial acumen and strategic insight that is at a different level” he says. “It’s not just reading the numbers and making sense of the numbers, but intuitively knowing the numbers, connecting them to the market and connecting them to past experience. This comes from running businesses.”

The Group CFO role is Gupta’s first finance role and while he hasn’t followed the traditional finance path, he can rely on specialists in his team to undertake those functions, leaving him free to work on how finance can add value to the business.

Gupta is looking for a mix of skills when he builds his team. For some roles he wants subject matter experts in specific finance functions such as treasury, tax and internal audit.

For others, he is seeking staff who can help finance complement Lendlease’s strategy of growing internationally. For instance, the last two regional CFO appointments he made came from projects and equity capital markets, bringing with them “a very strong capital deal execution and commercial acumen bent”.

“We’re trying to get a mix of CFOs with strong commercial acumen rather than just technical finance skills,” he says, but notes that some regional CFO roles still require very strong technical skills.

For mid-career finance professionals, Gupta has two pieces of advice. The first is to develop leadership skills, given finance leaders are often in charge of very large and sometimes global teams.

The second is to gain diverse experience. “One thing I could point to in my career that helped me get to where I am is the diversity of experience I have gained at Lendlease. The more diversity of experience you have across sectors, business units and regions, the more the doors will open for you.”
CFO stories

Tarun Gupta
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Contacts

Mike Wright  
EY Oceania CFO Agenda Leader and Assurance Managing Partner, Ernst & Young, Australia  
+61 2 8295 6450  
michael.wright@au.ey.com

Brent Penrose  
EY New Zealand CFO Leader, Ernst & Young, New Zealand  
+64 9 308 1061  
brent.penrose@nz.ey.com

Donal Graham  
EY Lead Partner – Finance Performance Improvement, Advisory, Ernst & Young, Australia  
+61 2 8295 6155  
donal.graham@au.ey.com
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