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MINI-ROUNDTABLE

# EVOLVING ROLE OF THE CFO



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**RC: How has the role of the Chief Financial Officer (CFO) developed over the last 10 years? What remit and responsibilities are typically associated with the role today?**

**Robertson:** In terms of the development of the CFO role over the past decade, strategy has been a leading driver. According to a recent CFO data survey of Fortune 1000 CFOs conducted by the Consero Group, 81 percent felt they worked at companies that viewed their operation as a “strategic business partner”, involving the CFO in key decision-making as never before. And the role is certainly becoming less controller and FPA-focused. Businesses today need a CFO that understands companies, products, technology, digital transformation, business intelligence and sales effectiveness.

**RC: To what extent do CFOs have a growing influence on shaping their company’s strategy?**

**Michener:** The contributions of CFOs have both expanded out and above from the traditional CFO of decades ago. Today, the CFO is often the face of the company, one who must know not only the financials

of the organisation, but also its operations and strategy. While the CFO ascends to the CEO position a mere 5-7 percent of the time, this individual, more and more, is helping shape the overall strategic direction of the company. This is in part due to

**“Today, the CFO is often the face of the company, one who must know not only the financials of the organisation, but also its operations and strategy.”**

*Graham E. Michener,  
RSR Partners, Inc.*

rapidly changing economies and financial markets uncertainties. Today’s CFO is challenged far beyond what was experienced in the past: compliance, regulatory reporting, and risk management continue to be front and centre, and even information technology rolls up to the CFO’s office. The CFO needs to be at the table in order to help navigate today’s complex business environment. For a global CFO, many things have changed, as well, from currency challenges to government mandates.

**RC: What practical challenges do CFOs currently face when dealing with increased regulatory pressures and meeting stakeholder expectations?**

**Schulenburg:** Bill Mutterperl, a retired partner in Reed Smith's Financial Industry Group and former vice- chairman of PNC, believes compliance issues can have a profound strategic impact on a business. He says "Compliance violations can really throw a monkey wrench in the strategic direction of a company. Even if no actual violations have been committed but where a compliance process is deemed inadequate, this deficiency can prevent a business from making acquisitions or taking other strategic initiatives." The CFO is directly affected by these strategic limitations as well as dealing with the potential draconian fines imposed for violations. Under FAS 5, the CFO may have a responsibility to take a reserve for the potential loss before it occurs. The CFO has to be at the coalface of any regulatory investigations, and potential fines as breaches can severely affect earnings statements and strategy.

**RC: How do the three main risk functions – regulatory, compliance, and chief risk officer – tie in with the CFO? Are some of these functions migrating away from the CFO to the CEO, or are they migrating closer to the CFO?**



**Robertson:** There are varying schools of thought on where the chief compliance officer sits and to whom he or she reports. Whereas in the past, compliance may have reported directly into the CFO or general counsel, given the need for highest visibility within an organisation, the trend is increasingly to report directly into the chief risk officer and be a member of the senior management group. This should not imply that the CFO should be one step removed – for all the reasons above – but the trend is clearly that this function is migrating closer to the CEO. Lionel L. Nowell III, who serves on multiple corporate boards across various industries, has found these observations to be both very comprehensive and insightful. Moreover, processes need to be built in so that the CFO and CRO continue to be on the pulse of the regulatory culture and day-to-day operations. The reporting relationship is unique to each industry. Given new regulations both internationally and domestic, as well as changing board oversight, we see in financial services the reporting structure of compliance going into the general counsel. And as many of our manufacturing clients have shared with us, we are seeing a trend of compliance now reporting through the audit function, with direct visibility to the board. Following this complexity, boards are now taking a more engaged approach with regard to regulatory compliance.

**RC: What new and emerging threats do CFOs need to address? Does risk management form a more significant part of their remit than in past years?**

**Michener:** The threats that CFOs need to address today and tomorrow necessitate that they become knowledgeable about how to manage technology risk. Technological advances have come both with tremendous operational scale opportunities and with lurking threats to company infrastructure and confidential information. As company records become increasingly electronic-only, there is a heightened risk of losing valuable data records through cyber theft or simple platform failure. Cyber security and proper data management policies, therefore, are critical. Thus, the CFO-CTO relationship and lines of communication have never been more important.

**RC: In what ways is technological change impacting the CFO role, both for better and worse?**

**Schulenburg:** Technology investments are among the most costly decisions a business makes. Many of these technology projects, however, fail to deliver the benefits promised. Coupled with the ever increasing speed of change in technology, the CFO needs to be very aware of the risks associated with

effectively implementing technology projects. This requires CFOs to develop a strong understanding of the right questions to ask and what answers they should expect to hear before funding these kinds of projects. In addition, the advantages of technological changes have been operational efficiencies and better insight into the inner workings of the company in the form of real-time analytics. The downside is the ease at which data can be lost or stolen if a company's data infrastructure is not set up appropriately. Another issue is talent. Increasing complexity necessarily means fewer individuals sufficiently knowledgeable and available to fill necessary technology team positions.

**RC: With the financial data of tens of millions of US consumers at risk due to recent hacks at major retailers, coupled with the corporate financial fallout associated with these attacks, how is today's CFO rising to the challenges of the ever-evolving threats of cyber security?**

**Robertson:** In its 16th Annual Global Information Security Survey, EY highlights the gravity of these challenges: "The costs of these attacks to the organisation – whether financial or reputational – can be staggering. For CFOs, information security

needs to be a top priority in safeguarding their organisation's future." Fortifying that future in mind,

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there are several key objectives for a CFO *vis-à-vis* cyber security. First, they must understand what exactly constitutes a cyber attack – and its impact. How to determine if the company's IT infrastructure and websites are best protected is another important consideration. Also, while not as straightforward as it seems, the CFO must determine what to do in the event the company suffers a cyber attack. Lastly, much attention must be paid to the preventative measures the CFO can undertake to best protect the firm's intellectual property and its client data.

**RC: In your opinion, what key traits should a CFO possess? What**

## characteristics and abilities should firms look for when recruiting for this role?

**Michener:** While the role of today's CFO is much larger in scale and scope than in years past, the CFO should first and foremost be an exceptionally strong finance professional with a deep understanding of both the company and the industry. In today's regulatory environment, it goes without saying that the CFO should also possess the highest possible ethics and integrity. Without these two traits, the company would be lost and, quite frankly, potentially worthless in the end. Communications, both up and down as well as externally, is also a key ingredient for a successful CFO. Beyond these traits, it really depends on the situation, in terms of being strategic-focused versus being more internally-operations oriented. Lastly, all CFOs should be adept at handling conflict and change, as well as being a student of the financial markets.

**RC: As boards of directors continue to become more specific in what they are seeking in new directors, especially with regard to audit and compensation committee chairs, how are CFOs**

## preparing themselves for the duties of tomorrow's boardroom?

*"The CFO role is experiencing change and development perhaps more than any other C-suite position."*

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RSR Partners, Inc.*

**Schulenburg:** In one of its recent CFO Insights, Deloitte posited the question: So you want to be a corporate director? According to the professional services firm, there are five key questions sitting CFOs must ask themselves, if the answer is indeed "yes": What is my value proposition? Do I have the time – and the team – to take on a board position? Is my current board experience adequate? Do I 'fit'? And, finally, can I make a long-term commitment? More specifically, to be truly valuable board members beyond this, CFOs need to provide insights on technology risks and how to ask the right questions on these important investments.

**RC: How do you expect the role of the CFO to develop in the years ahead? Is the CFO's influence likely to grow or diminish?**

**Robertson:** The CFO role is experiencing change and development perhaps more than any other C-suite position. Chris LaFond, former CFO of global information technology and advisory leader Gartner, Inc., believes that "more and more companies are looking for operational CFOs. That is someone who

is far more than a controller, reporter of results, and leader of financial transactions. The CFO needs to understand the business and the business model better than anyone in the business." He continues: "And CFOs need to be viewed as having a deep understanding of exactly how the business operates, how clients perceive the products and services, and whether all the projects and initiatives in flight across the company are aligned to the strategy. This leads to the role becoming more COO-like as fewer companies have this role." **RC**



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For more than 20 years, **RSR Partners** has been at the cutting edge of director recruiting, executive search, and strategic talent advisory. Founded by our chairman, Russell S. Reynolds, Jr., we offer a rigorous search methodology, the agility of a boutique firm, and robust access to candidates globally. Our firm works with a select group of clients to build leadership competitive advantages. And our success working with a wide variety of clients reflects the strength of our intellectual capital, creativity, and assessment abilities. In all of our work, we find leaders who make the difference between good and great.

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