

Introduction

Research Background

The mandate to transform finance into a force for organizational change and business effectiveness has clearly been issued. In response, the Financial Executives Research Foundation has conducted research that has changed the direction of financial practices. Beginning with *Changing Roles of Financial Management: Getting Close to the Business* (1990), and subsequently with *The Empowered Organization: Redefining the Roles and Practices of Finance* (1994), these studies have helped financial executives climb out of their silos and begin integrating themselves into the business lives of their organizations.

Although the leadership challenge for financial executives is now clear, uncertainty remains: Do financial executives really have the full range of **competencies**¹ to make this leadership mandate a reality? Moreover, in our eagerness to embrace changing roles and a new mandate for finance—without fully addressing such competencies—are we actually setting the stage for future disappointments and failures? These concerns, expressed by corporate CEOs and CFOs alike, are increasingly rising to the surface.

One of the most noteworthy surveys of financial practices offers the following observation, critical to the future leadership success of all finance executives:²

We categorize the competencies CFOs require as foundation and leverage. **Foundation competencies** are professional, technical and control related—these are the minimum competencies for all CFOs. In contrast, **leverage competencies**³ allow CFOs to build both the business (strategic thinking, innovation, managing business risk and change) and personal relationships (teamwork and **coaching**, inspiring leadership). Our research shows that most, if

not all, CFOs rate themselves competent in foundation attributes. But many see further scope for personal development in leverage competencies.... Of all business functions, finance tends to lead fastest to the boardroom. This leaves precious little time for planned personal development. *The CFO's leverage competencies tend to be acquired haphazardly or neglected altogether.* (Emphasis added.)

The importance of competencies, and the new challenge of leadership outlined above, is echoed by the following quote regarding the requirements of leadership in the twenty-first century:⁴

The truly successful managers and leaders of the next century will be determined not by what they know but by how fast they can learn.... They will excel not by possessing traditional skills and tools but by demonstrating a high degree of flexibility and adaptability in dealing with both technology and people and by being able to stay constantly meaningfully connected to others in the ever-changing world.

The difference between 1990 and 2000 will probably be less extreme than the differences between 2000 and 2010, as we experience a world that is demanding not only of a rethinking of management competencies, but a fundamental redefinition of the social contract between employer and employee, between colleague and colleague, between worker and work itself.

Research Objectives

Leadership development is a challenge for all professionals. However, for finance executives, no book has been written, nor research undertaken, specifically addressing their behavioral or leadership development. This research seeks to correct these omissions by:

- Articulating clearly the critical skills and competencies finance executives need to become effective partners and business leaders of their organizations.

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- Illustrating the ways in which these competencies are being developed, achieved, and maintained by “work-in-progress”⁵ companies.
- Indicating the greatest challenges in achieving these competencies and how these skills are—or are not—being successfully practiced.
- Noting which competencies seem to be critical for different levels of financial executive responsibility and how these competencies change as one advances in the organization.
- Suggesting the most effective ways for finance executives, whether they are from large or middle-market organizations, to achieve these skills.
- Offering ideas for what works and what does not in crafting a new paradigm of leadership behavior and performance expectations for finance executives of the future.

Research Participants

In selecting the company participants, we examined three groups of potential candidates. Each brings a unique perspective to the developmental challenges of our research. The criteria used to select the work-in-progress case-study companies are as follows:

The first group of candidates included organizations that participated in the Foundation’s 1994 research, *The Empowered Organization: Redefining the Roles and Practices of the Financial Executive*.⁶ These companies were CoreStates Financial Corporation, Corning, W. L. Gore & Associates, Harley-Davidson, Geo. E. Keith Company, Herman Miller, Levi Strauss & Company, and Silicon Graphics. Each of these organizations was committed early on to the advancement of today’s finance executive as a true business partner and facilitator of shareholder value.

From this first group of research candidates, we selected W. L. Gore & Associates to participate in the current research. Besides bringing a “past-study” perspective to the research, Gore’s participation is

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noteworthy because it has been consistently selected as one of the best companies to work for in America.⁷

The second group of candidates included those organizations whose commitment to leadership development has been well documented,⁸ but whose approach to the development of finance leaders has had little or no mention. These companies include Asea Brown Boveri, Canon, General Electric, IBM, Intel, Kao Corporation, Solvay Polymers, Unilever, and a wide range of other global organizations.

From this second group, we selected Solvay Polymers and Unilever. This research explores how these leading-edge companies have incorporated the importance of a wide range of competencies into the developmental paths and career expectations of their finance executives.

The third group of candidates included organizations that have received noteworthy attention for making the leadership development of their finance executives a key organizational priority,⁹ but that have not communicated the details of how they facilitate this development. These companies include Air Products and Chemicals, Bristol-Myers Squibb Company, Chrysler, Dana Corporation, Caterpillar, General Public Utilities, Lucent Technologies, Nortel Networks, Procter & Gamble, Southern New England Telecommunications, Synovus Financial Corp., and Whirlpool.

From this third group, we selected Air Products and Chemicals, Bristol-Myers Squibb, Dana Corporation, Nortel Networks, and Synovus Financial Corp.

In-depth interviews were conducted at the corporate headquarters of each of the eight participants. These interviews were based on a detailed research questionnaire protocol.¹⁰ More than 30 in-depth interviews were conducted with high-level finance, human resources, and business line professionals.

Summary

The research you are about to read is not a study of finance written by finance professionals for finance professionals. Rather, it is a study that seeks to uncover the collaborative efforts that companies are implementing—or struggling with—to help finance executives understand the new realities of leadership and the behavioral changes required of

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them. It is about effective leadership behavior and what it will take to ensure that finance executives can meet the lofty business challenges and shareholder initiatives with which they are increasingly confronted. Because of its content and implications, this study will no doubt affect both the professional and personal lives of those choosing to consider and pursue its findings.

Endnotes

1. Terms in **bold** type are defined in the glossary.
2. Price Waterhouse Financial and Cost Management Team, *CFO: Architect of the Corporation's Future* (New York: John Wiley & Sons, 1997), 278–279. This report is based on the Conference Board/Price Waterhouse survey *CFO 2000: The Global CFO as Strategic Business Partner*. See the annotated bibliography for further details on this reference.
3. We use the phrase “leverage competencies” to refer to those behaviors that tend to increase the influence and leadership role of finance executives throughout the business lives of their organizations. See chapter 2 for a discussion of these competencies.
4. Mark Nevins and S. Stumpf, “21st-Century Leadership: Redefining Management Education,” *Business Strategy*, no. 16 (third quarter 1999): 42–43.
5. The participating case study organizations are called “work-in-progress” companies rather than the too-common nomenclature “best practice.” Companies in this study seemed more comfortable with this classification. None considered their work in the field of leadership development to be complete or entirely learned. Moreover, all expressed that their efforts were ongoing and special to the culture and values of their organizations. Most important, each remained open to discussing its shortcomings, was eager to learn more, and was willing to share its experiences and lessons learned with others.

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6. H. A. Davis and F. C. Militello, *The Empowered Organization: Redefining the Roles and Practices of Finance* (Morristown, NJ: Financial Executives Research Foundation, 1994). See the annotated bibliography for further details on this reference.
7. See “The 100 Best Companies to Work for in America,” *Fortune*. The magazine has published the survey annually since 1998.
8. A good example of this documentation is the scholarly work by S. Ghoshal and C. Bartlett, *The Individualized Corporation: A Fundamentally New Approach to Management* (HarperCollins: New York, 1997).
9. For example see, S. Barr, “Sometimes a Great Notion,” *CFO* (May 1998): 40–50, as well as the *Fortune* survey noted above.
10. This protocol is included as an appendix and can be used as a finance executive leadership “audit” or checklist for existing company practices.