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An examination into the changing role of the chief financial officer in Irish listed companies: a 21st century perspective

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This Dissertation is submitted in partial fulfilment of the requirements for the Degree of MA in Accounting, Letterkenny Institute of Technology.

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Abstract

The role of the CFO is a hotly debated topic. Multiple articles have been written on the subject. Some have advocated that the CFO is now firmly a strategic partner in organisational life, while others see it as a financial cop, focused solely on the financial matters resulting from the organisations activities. The reason for such divided opinions is the result of numerous factors that have instigated change on the role. Such factors include the globalisation of business, IT and the movements towards a knowledge based economy.

The study found that these numerous factors are indeed causing changes in the scope of the role. The changes they are instigating vary from factor to factor. Globalisation is forcing the CFO's to become more strategic in their thinking, while the increased corporate governance and reporting burden resulting from the financial scandals appears to be impeding the CFO's value adding activities. Changes in the role have impacted on the skills and characteristics that the CFO's require. The study highlighted that integrity was deemed the most important, followed by financial expertise, strategic focus, leadership, and finally communication.

Adopting a strict definition for the role of the CFO has been identified as inappropriate. The research highlighted that the role exhibits many differing traits to it. Some facets of the role involve strategic aspects, while others are typical of the 'financial cop-type' work. An appreciation of the diversity in the range and nature of the CFO's tasks is required, as opposed strict definitions such as strategic partner, or financial cop. The future of the CFO is far from clear. While it may grow in its strategic influence within organisational life, the 'financial cop-type' traits of budgeting, project evaluation, and financial reporting are also likely to remain somewhat present for the foreseeable future.

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List of Abbreviations

CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CPR	Continued Professional Development
IAS	International Accounting Standard
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
ISE	Irish Stock Exchange
IT	Information Technology
PLC	Public Limited Company
PM	Performance Management
SSC	Shared Service Centre

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Chapter 1: Introduction

1.1 Background to the dissertation

In recent years the competitive landscape of doing business both in Ireland and abroad has changed considerably. In the past tight control on costs, mass production and economies of scale were among the key requirements to an organisation's competitiveness. However, in an increasing number of industries such features of a bygone era are becoming less and less prevalent to an organisations success. For many modern day organisations factors such as customisation, quality and innovation are now prerequisites for successfully competing. Drivers of such change include the globalisation of business, continued advancements in IT and the shift towards a knowledge based economy. According to Tushman and Anderson (2004) transforming the organisation is required to deal with changing economic conditions brought on through the intensity of global competition.

A function of such organisational reform is the resultant change it forces on many of the job positions within the organisation. As part of the management team, the role of the chief financial officer (CFO) has not escaped such pressures to change. Over the last decade the role of the CFO has been subject to change that is parallel in speed with rapid technological advancements and the evolution of the global economy (Howell, 2006). However there are also sceptics who believe that the role of the CFO has gone from part of the management team to that of a policeman and controller of the business and its activities (des Roberts, 2003). One thing that is widely agreed upon is that there has been change of some degree in the role, change which is generally dictated by the competitive business landscape.

1.2 Rationale for undertaking the study

This is an interesting research question in light of the fraudulent financial undertakings of many large corporations mainly in America, through Enron and WorldCom, but also in Europe through Parmalat. This has placed the finance function under increased scrutiny. However, much of the literature surrounding

the role looks at numerous other reasons that have caused a shift in the role of the CFO. From analysing the literature it is also clear that much of it is based in an American context. Corporate America has been more heavily blighted by financial scandals than their business counterparts in Europe, particularly in Ireland. Factors such as Sarbanes-Oxley may be much more influential in defining the CFO's role in such an environment. They may or may not be as definitive in changing the role of the CFO of Irish listed companies.

Irish listed companies were chosen not only because of their proximity to the researcher but also due to the success of the ISE over the last number of years. The companies listed on the ISE are now seen as some of the most progressive companies in the world, located at the forefront of global competitiveness in terms of innovation, dynamics and responsiveness. They provide a rich and fertile ground on the role of the CFO.

This study will be of interest to the professional accountancy bodies, the shareholders of companies listed on the Irish Stock Exchange (ISE), as well as those whose future aspirations include holding the position of CFO.

The professional accountancy bodies will value the research as it will allow them to identify skills or characteristics required in the role, which presently are not fully developed or implemented in their course syllabus. Shareholders will find value in the research as it will help highlight the variety of work that the CFO actually carries out. It is a common misperception that the CFO is associated with number crunching and deals strictly with financial matters. Shareholders can also be unaware of who is actually responsible for the many different tasks that are undertaken within their company. This research should help alleviate such misperceptions and unawareness. The research will also be valued by prospective CFO's who will gain a first hand insight into the nature of the role and the requirements necessary to carry it out successfully.

1.3 Research aims and objectives

This dissertation aims to address the following issue:

- Examine the changing role of the Chief Financial Officer in Irish listed companies.

The research objectives required to deal with this issue are:

- 1) To examine the role of the CFO as a generic manager
- 2) To determine the factors that have contributed to a change in the functions carried out by the CFO
- 3) To identify the extent to which these factors have caused a change in the role
- 4) To determine and assess the necessary skills of the contemporary CFO
- 5) To assess the future position and role of the CFO

Having reviewed the literature with regards the role of the CFO in the modern economy, this dissertation will exam the role within the context of CFO's in Irish listed companies. This will be conducted by way of a semi-structured interview with the CFO of an Irish listed company, from which a questionnaire will be developed and distributed to the relevant CFO's.

1.4 Limitations of the research

The main limitations of the research include time constraints, location of the researcher, financial constraints, and the size of the college. These are discussed further in Section 3.7 of this thesis.

The research methodology applied will be outlined in greater detail in chapter three, the findings and analysis are discussed in chapter four and chapter five deals with the conclusions and recommendations.

Chapter 2: Literature Review

2.1 Introduction

Over the last decade the role of the chief financial officer (CFO) has been subject to change that is parallel in speed with rapid technological advancements and the evolution of the global economy (Howell, 2006). Such factors have contributed significantly to the shift in the job functions the CFO of today undertakes. These functions require skills far beyond the traditional financial skills. A survey by Dalton (1999) highlights the shift from a financial introvert character, to a more people person extrovert. This shift in requirements is described by Favaro (2001, p. 4): “Alfred Sloan, founder and creator of the modern corporation, praised his CFO, Donaldson Brown, for instituting the financial controls that were central to Sloan’s highly successful and often replicated management model”. However Favaro states that in today’s business environment “Brown would need to do a lot more to receive such high praise from his boss.”

Recent financial scandals in the US and Europe have resulted in significant interest in the job role of CFO’s. Proponents of the role of CFO as strategic partner have increasingly been faced with those who feel the role is now devolving back towards focusing centrally on its financial aspects. What is widely agreed is that role is constantly changing in line with economic developments.

2.2 Bean Counters in the Corporate World

The notion of finance professionals being depicted as bean counters and number crunchers has existed for centuries. Typically the role was depicted as dealing with financial matters such as financial reporting and budgeting.

Financial reporting involves reporting the accounting policies and procedures of the company. It is important information for both the company’s management and the company’s stakeholders. According to Edwards and

Mellett (1989, p. 328) financial reporting provides “insights into the financial policy pursued by management and its effect on the financial position of the company”.

Budgeting is the plans and forecasts reflecting the implications of the company’s plans, identifying the amount, quantity and timing of resources needed. This helps the organisation plan and considers how to confront future potential risks and opportunities (Drury, 2001).

Furthermore as head of the finance department the CFO may often have to deal with auditing issues. An audit is an examination of the financial statements to enable the auditor to express an opinion whether the financial statements give a true and fair view.

Favaro (2001) notes that the CFO in the traditional organisation would maintain an awareness on inflows and outflows of cash, translating this into information for their superiors. These strictly financial parameters were seldom breached.

However, Yazdifar (2005) highlights that these parameters have long been breached by financial accountants in business, who find themselves now being ushered into a more consultancy role. Despite this progression Siegel (2000), discovered that images of accountants in organisations vary depending on their work level. He found that the higher an accountant ascends within an organisation, the more they are viewed as consultants, even confidants. Those involved at the entry-level financial stage are typically still burdened with the bean counter stereotype.

It may have been the case in the distant past that the CFO was labelled with the head bean counter image. In modern times however the CFO is generally seen as the chief executives (CEO) right hand man. As Roberto Goizueta, chairman and CEO of Coca-Cola, once said: “the secret isn’t counting the beans. It’s growing more beans” (Favaro, 2001, pg.1).

2.3 The CFO: part of the management team

The top management team within an organisation comprises a small group of influential executives that are central to the strategic direction of the organisation (Hambrick 1995, cited by Lankau et al, 2007). The author further recognises that organisational management is often shared among the top management team and that strategic success is dependent on their ability to respond to changing economic conditions. While Lankau predominately focused on the CEO's role in the top management team, Mintzberg (1989) states that these managers are not restricted to CEO's and include any individual in charge of an organisation or one of its subunits. The CFO as head of finance works in a managerial capacity. Therefore the roles typically associated with managers are relevant to the study of the CFO's job role.

Mintzberg (1989) recognises that the vocabulary surrounding the manager's role is dominated by the verbs planning, organising, leading, and controlling. Indeed Moorhead and Griffin (2004, pg.31) highlight that managers attempt to achieve organisational goals through the combined application of these basic functions with the organisations resources. They define the functions as follows:

Planning: envisaging the desired future state of the organisation and the means of attaining this.

Organising: producing the department or organisational structure through the design, grouping and authority of different jobs.

Leading: motivating the organisations employees to co-operate and share in the work of achieving the organisations objectives.

Controlling: monitoring performance and taking corrective action when deviations from the organisations goals occur.

Mintzberg (1989) further identifies that these functions are achieved by dividing the managers role into "three conceptual categories: informational (managing by information); interpersonal (managing through people); and decisional (managing through action)" (Daft 2000, p. 19). Within these categories are ten roles that Mintzberg identified as necessary to successfully function as a manager.

2.3.1 Informational Roles

Monitoring role: seeking information from a variety of sources including internally from subordinates and hearsay, and externally from the environment, customers and speculation.

Disseminator role: passing their information directly onto subordinates who otherwise would have no access to it.

Spokesperson role: transmitting information outside their departments through speeches, reports, memos.

2.3.2 Interpersonal Roles

Figurehead role: by virtue of their position managers must perform ceremonial and symbolic duties important to the smooth functioning of organisational relationships.

Leader role: managers must be able to encourage and motivate their employees, striking the balance between individual needs and the needs of the organisation.

Liaison role: establishing contacts external to the managers own department in order to obtain information.

2.3.3 Decisional Roles

Entrepreneur: initiate voluntary improvement projects to their unit in the face of shifting environmental conditions.

Disturbance Handler: resolving conflicts within the department and conflicts involving the department and other organisational departments.

Resource Allocator: allocating the departments scarce resources including the manager's time.

Negotiator: negotiating and bargaining over issues in their department where only the manager has the information required to attain the outcomes.

2.4 Evolution in the Finance Function

Historically the finance function operated solely as a back-office, administrative overhead. Its tasks focused on the policing of budget deviations and the preparation of information. This information was typically applied by other individuals within the organisation to add value. Schlosser (1992) presents this traditional view of the work carried out by the finance function, outlining the responsibilities of the finance department as:

- i) maintaining information on cash flows throughout the organisation, and
- ii) managing the relationships with all the possible suppliers of finance

In the earlier literature there is no mention of the finance function adding value to the organisation. Most finance operations find transaction processing has been, and continues to be, the most resource-intensive part of their responsibilities (Cap Gemini Ernst and Young, 2002). This labour intensive process severely limits the finance functions ability to add value through decreased analytical and problem solving time. This problem has lead to the rise in popularity of organisations outsourcing its finance function or implementing a shared service centre. While cost reductions are also an important factor, the need to free up time for the finance function to be better utilised is of equal importance. Instead of explaining historical financial performance, the finance department will be helping to develop the strategies that will enable their firms to continue to excel well into the future (Randall 1999).

According to an Australian report by Cap Gemini Ernst and Young in 2002, this trend looks set to continue. The report looked at the progress companies have made in transforming their finance function. For companies planning a transformation in the future the top three priorities where forecasting, decision support, and strategy development. According to the reports findings these priorities are seen as being largely dependent on progress in transforming the finance functions capabilities. In this regard outsourcing transaction processing of the finance function or adopting shared service centres may become necessities.

Corporate reforms in the past decades have resulted in flatter organisations where progression through the finance department to CFO no longer exists as an obvious progression path (Randall, 1999). Finance workers frequently find themselves been shifted between departments in order to gain an enterprise wide understanding of the organisation. More and more the head of finance now has ascended from departments other than the finance department. According to Randall it enables finance personnel to become more involved in the business, moving them from the preparation of information to the application of information.

2.5 Drivers of change in the CFO role

The changing role of the CFO was an area of considerable interest in the 1990's. There was consensus that, as the gatekeeper of transactional information, CFO's and financial executives did not create sufficient value. A transition from controller to business partner was required to create such value (Howell, 2006). There are numerous factors which contributed to this interest area. Some of the main are listed as follows:

- Globalisation
- Information Technology
- Movement towards a knowledge based economy
- Higher value creation expectations
- Financial scandals in the 21st Century
- Increased interaction with the investor community

2.5.1 The Global Economy

Globalisation is the term used to portray the process by which the markets for consumption, investment and production are widened to a global scale (Milward, 2003). Globalisation is perceived as both an opportunity to sell goods and services abroad, and a threat from foreign competitors capable of selling their goods and services in other markets (Lane and Ruane, 2006). Given the intensity of global competition, organisational transformation is necessitated to deal with changing economic conditions (Tushman and Anderson, 2004). As a

member of an organisations top management team, such restructuring challenges the CFO to be capable of looking forward in their role, as opposed the traditionally backward looking figure.

A prerequisite for businesses operating on a global scale is a CFO who can think globally from a strategic viewpoint. Given the unrelenting competition associated with globalisation this will be a major challenge for the CFO. According to Daft (2000), managers must develop their mindset from focusing on the domestic market, to focusing on a global market. Marshall and Heffes (2006a, p.10) highlight transfer pricing as a strategic challenge, increasingly delegated to the CFO, requiring a global focus. In such strategic issues the CFO must be capable of “thinking globally and acting locally”.

Champy (2008) highlights the need to strengthen the finance capabilities of an organisation to compete globally. The function must become leaner, successfully dealing with challenging questions such as accounting and tax ramifications of operating globally, what capital markets to seek funding in, and what currencies to trade or borrow in. Preparing financial statements in the global economy also presents a challenge for the CFO in reporting the company’s financial state. The growing acceptance of International Financial Reporting Standards (IRFS) is a direct result of globalisation (Beresford et al, 2006). It is essential, therefore, that CFOs have a proficient understanding of applicable foreign financial matters and accounting standards to successfully function in the global economy.

2.5.2 Information Technology

Perhaps the most profound impact on the role of the CFO has been the impact of information technology (IT). Despite the new organisational structures and requirements that have resulted from globalisation and increased competitiveness, Randall (1999) writes that it has been the advent of the silicon chip that has had the greatest impact on finance departments. Looking at IT advancements from a broader perspective, they have enabled managers to spend less time on the cumbersome tasks of finding, gathering and generating

information, and more time on value adding activities such as evaluation, problem solving and providing increased business support.

Competing in global markets also creates uncertainty and complexity. In response to such difficulties organisations require faster communications and information processing, depending more on IT to aid organisational management (Lucas Jnr, 1997). Many companies also have IT embedded in their strategy. Wal-Mart is an example of an organisation that has been successful in utilising IT as its strategic driver. An increasing dependence on IT means that CFO's, just like all senior management, must have an adequate understanding and the ability to use such technology.

Advances in technology have always impacted on the finance function. This is because computers were traditionally used for the purposes of accounting, finance and control. Since these are under the CFO's control, they became the gatekeepers of information (Skinner, 1986). The advent of the internet has allowed for real-time information enabling faster decision making. According to Sanborn this faster access to information allows CFOs to become strategically stronger and proactive rather than reacting to historical financial information to make decisions. However it also facilitates the sudden appearance of new competitors (Sanborn, 2001).

Technological advances within organisations internal networks facilitate increased productivity and cost savings, and have increased in popularity (Gerstner et al, 1997). Intranets are the most common form of internal systems and by their nature promote communication throughout the organisation, typical of a flatter control structure (Gerstner et al, 1997). Such systems allow the CFO to delegate more of their time without sacrificing other elements of their role, promoting communication and productivity. Memos are an example that promotes quick responses to queries that otherwise may have taken much longer.

IT now invades nearly every facet of the CFO's job role, and has even contributed to the expansion of the role. Bragg (2003) recognises that the role of the CFO has expanded, and that often the CFO is assigned to supervise the

IT function. Even when this is not the case the CFO should have a strong interest in the area given the significant investments in, and strategies based on IT.

2.5.3 Movement towards a knowledge based economy

Traditionally financial officers, controllers and accountants could determine a firm's value by tracking its tangible assets. Determining performance based on asset value was relatively straightforward. (Galbreath, 2002). A product of globalisation is the competitive pressures it places on all industries worldwide. Such pressures have resulted in the need for differentiation as a key success factor (Lev and Daum, 2004). This replaces the importance of scale economies as the key success factor that existed in the industrial economy.

The evolution into knowledge economies has resulted in an increased emphasis on the importance of intangible assets as a form of differentiation. Key intangible assets that enable differentiation include intellectual capital and relationship management (Galbreath, 2002). According to Lev and Daum (2004, p. 9) "intangibles are not only inert, many are also commodities". The job of the CFO will require an ability to understand, successfully develop and measure an organisations intangible assets, rather than simply ignoring them (Howell, 2006).

2.5.4 Higher Value Creation Expectations

Galbreath (2002) states that in a truly global economy, nearly every industry is faced with over capacity of firms. Increasingly these firms are competing to increase or maintain their market share of a finite number of customers. New entrants serve to further squeeze these markets. The culmination of this is a reversal of roles according to Galbreath, (2002, p. 9). "Where once customers had limited choice, now they have virtually unlimited choice". Similarly where organisations previously dictated the terms of their offerings, now the customer does.

Galbreath also makes the point that customers now have access to comparative information regarding the goods and services they wish to purchase. Allied with this is the information available regarding the companies themselves. This knowledge of the business has warranted action from the companies to differentiate offerings, and to secure as many value adding activities as possible in order to increase, and maintain market share. As the head of finance, the task of differentiating a companies offering will fall more and more to the CFO, with emphasise on streamlining the organisations value chain to cut out non-value adding activities.

2.5.5 Financial Scandals in the 21st Century

The corporate world of the new twenty-first century has been dominated by accounting frauds at some of the world's biggest corporations. The reputation of financial executives worldwide was severely dented through the actions of the finance chiefs at Enron, WorldCom, Cendant, Parmalat, and numerous others. Dnes (2005) highlights that at Enron and WorldCom, (and indeed in the majority of financial scandals), the executive's actively undertook a policy of continued creative accounting with the ultimate intention to mislead investors. He states that Enron's use of special purpose companies to create fictitious purchases have become famous ever since, while WorldCom used bank loans in a similar manner. At Parmalat the executives forged documentation to show money in bank accounts that it never possessed. The outcome according to Vinten (2002, p. 5) has been the intensified "examination of accounting standards and procedures...higher scrutiny of the accounting profession...and a severe dent in the publics confidence in the capital markets." The resultant impact of these scandals has propelled the finance function, and particularly the role of the CFO, into the spotlight (Cunningham, 2005b).

2.5.6 Increased interaction with the investor community

In the same way as the company environment is constantly changing, so are the intentions and goals of stakeholders (Lev and Daum, 2002). Expectations for investors have shifted from mainly monetary, to a demand for the incorporation of non-monetary elements such as corporate social reporting. Lev and Daum

(2002) further point to the need for companies to develop and maintain two-way streams of communication with important external stakeholders, to keep them interested in the company. In the midst of corporate scandals on both sides of the Atlantic, maintaining the trust of the capital markets has never been more important. According to Des Roberts (2003, pg. 5) “CFOs are not only responsible for all financial matters within the company, but increasingly are acting as ambassadors and spokespersons in frequent dialogue with the financial community and investors.”

2.6 The Contemporary CFO: critical characteristics in the 21st Century

The factors outlined above have helped shape the contemporary CFO role. The impact these factors have had on the job requirements and skillsets of CFOs are considerable. A survey of CEO's by Dalton (1999) found that the five most critical characteristics CEOs look for in CFO's were finance expertise, leadership, integrity, strategic vision, and communication skills. This represents a significant departure from the stereotypical view of the traditional CFO role encompassing strictly financial matters.

2.6.1 Financial Expertise

Traditionally, CFOs have been controllers and record-keepers. Despite the increasing emphasis on adding value, the CFO needs to ensure that they still do these primary tasks effectively (IFAC, 2002). The central feature of the role has, and will continue to be, disseminating the financial information within an organisation. Therefore financial expertise remains a prerequisite above any other characteristic. This requirement is highlighted by a Mercer/Russell Reynolds Associates study, which concluded that globally the number of CFOs with either a professional accountancy qualification, MBA, or both, increased between 2000 and 2004 (Doltich, 2006). Ehrenhalt and Ryan (2007) disagree with this to the extent that they believe that “much of the CFO function now has little to do with finance.”

2.6.1.1 Finance requirements for global companies

Marshall (2006) highlights the need for CFOs to be financially competent by indentifying the increasing number of companies dealing in complex financial instruments such as futures, options and hedges to reduce risk. These instruments are traded on global exchanges requiring an understanding of the underlying nature of the transactions, and knowledge of specific stock exchange rules.

Similarly, companies who have established operations outside their home country will also be required to prepare accounts under different accounting rules, depending on the location of operations. The complexity is further compounded by dealing in foreign currencies and differing tax legislation (Marshall, 2006). It is important, therefore, that CFOs have a proficient understanding of applicable foreign financial matters and accounting standards. This foundation should be the base by which CFOs can develop their insights and become strategic partners in the organisation.

2.6.1.2 Increased importance of intangible assets

As mentioned previously, a key development of the knowledge based economy is the growing importance and recognition of intangible assets. Intangible assets are an accounting concept and organisations will look to their CFO for guidance and support on issues within the area. Lev and Aboody (2001) found that investments in intangible assets return yields that significantly exceed returns on fixed asset investments. The role of the CFO in managing and maximising the returns derived from intangible assets is to have an awareness of their existence, and; establish an organisational structure that supports intangibles through the appropriate allocation of supplementary resources and systems that allow them to maximise their returns (Lev and Daum, 2004).

According to Galbreath (2002), competitive survival and success in the twenty-first century will depend on the quality of investments in intangible assets. This quality will be dependant on the CFOs ability to understand the concept of intangible assets, where they can be found or created, how they can be

measured and how to create a supportive infrastructure through the adequate utilisation of the organisations other assets.

2.6.2 Leadership

Tushman and Anderson (2004, p. 566) identify three characteristics required to be an effective leader. These are: envisioning, (articulating a compelling vision); energizing, (demonstrating personal excitement and confidence), and enabling, (expressing support and empathy).

2.6.2.1 Developing relationships

Doltich (2006) states that it is often the “heart aspects”, such as empathy and support that are overlooked in the development of CFOs. Those that possess these aspects are what the author defines as ‘whole’ leaders and according to Doltich only whole leaders have a future at the head finance role.

Doltich (2006, p. 4) further depicts the lack of leadership that was traditionally found in the CFO role when he writes “detached, imperious, always-objective leader — who was the guardian of company assets and took an adversarial approach to finance — was expected and even admired”. In the past clearly defined job roles and functions negated the need for the CFO to act in a leadership capacity. However, the same author stresses that for the contemporary CFO it’s a fundamental requirement to develop strong, positive relationships and establish trust across a network of people at various levels. Relationship building requires a knowledge of how to win people over, rather than running them over (Favaro, 2001). According to Cunningham (2005a) an important role of the financial officer is the development of employees. She argues employees must feel connected to the strategy in a meaningful way that aids their motivation. The CFO must be able earn their respect, and the author highlights leadership as the key mechanism for achieving this.

2.6.2.2 Leading the change in organisational restructuring

The rapid explosion of globalisation has impacted the CFO as a member of the executive suite. Nadler and Tushman 2004 state that the literature is 'quite consistent' on the executive leadership being a critical aspect of organisational change. CFOs are becoming increasingly involved in leading major organisational restructuring and management changes (Favaro, 2001). As mentioned previously the growing popularity of outsourcing aspects of the finance function has resulted in significant changes in the department's structure. The increasing emphasise on the finance department as a business partner is being adopted. This is perhaps the greatest leadership task that the modern CFOs may face. According to Spanyi and Spanyi (2004) new culture changes must be kept alive by the ability to lead a team through a series of success stories. They must guide the finance staff through this changing process, acting as a champion of finances' new role to ensure the advancement of their finance function (Randall, 1999).

Yet organisational change must occur at a time when the organisation is faced with external, non-business related demands. Drucker (1974) recognised a new demand for businesses to allow its employees a flexible working environment and to produce for the benefit of society as a whole. The author further identified the need for managers to lead in satisfying these demands through the application of new thinking and new actions. In 1999 the CFO of Boeing led a major investors' conference where, for the first time in the company's history, she critically identified where the company both created and destroyed value. She used this as a foundation of where management wanted to take the company and how. This frank openness and leadership signalled the start of a successful turnaround for the company (Favaro, 2001). Within the application of new thinking and actions is the need for organisations to differentiate its offerings in a way that will add value. As mentioned previously this is the requirement for companies to compete in the knowledge based economy. Spanyi and Spanyi (2004, p. 29) recognise that the leadership efforts of CFOs to stimulate such innovation "may be just as important as the creative process itself in producing desired results."

The leadership of the CFO is vital for the proper functioning of all organisational financial aspects. Cunningham (2005a) refers to the failure of Enron CFO, Andrew Fastow, to send out the right message of adhering to the organisations “robust” code of ethics. Employees were aware of problems within the company, but the tone from the top was that “that’s just the way things are done around here”. This negative leadership ultimately proved fatal to the corporation.

2.6.3 Integrity

Millichamp and Taylor (2008, p. 57) define integrity as “including not merely honesty but fair dealing, truthfulness, courage and confidentiality.” Spanyi (2006) believes that as integrity depends on the individual it is inherent and cannot be taught. Regardless of whether or not it can be developed it is an important characteristic for the CFO of the 21st century. Cosserat (2004, p. 176) highlights that a lack of integrity from the top results in “a greater likelihood that material errors and irregularities may occur in the accounting process from which the financial statements are prepared.” This has manifested in the form of the accounting scandals within the last decade.

2.6.3.1 Pressures squeezing integrity

According to Heineman Jr. (2008, p.9) a product of being a high performing company competing in the global economy is that to achieve such performance levels companies will “apply relentless internal pressure on their people to hit basic financial goals for net income, cash flow, and stock price.” These internal pressures may be the result of greater external pressures such as analysts’ expectations. Fraud carried out at Cendant Corporation in the US was done to meet quarterly analysts’ earnings expectations to drive the company’s share price up. This aided its growth through share for share mergers and acquisitions.

According to the International Standard for Auditing (ISA) 315 *Understanding the entity and its environment and assessing the risk of material misstatement*, such pressures provide one of the three components required for an individual to commit fraud. The remaining two components are opportunity and

rationalisation. The CFO position is placed at the fulcrum of the company's financial and strategic matters. Therefore, it provides the pressure and opportunity to commit fraudulent acts. Rationalisation is akin to integrity. Individuals with integrity will generally not rationalise such illegal acts. However the financial scandals in the recent past have elevated the integrity of financial staff, particularly the CFO, into the spotlight (Cunningham, 2005a). Many CFOs such as Enron's Andrew Fastow failed to act with integrity and actively took part in the frauds (Cunningham, 2005a).

2.6.3.2 'Finance': the corporation's conscience

Few frauds however, are carried out in isolation. Daltons 1999 survey found that 84% of CEO's ranked personal integrity as second only to financial expertise in importance. The fact that many CEO's were active participators in the scandals that preceded the survey may negate this aspect of Daltons survey somewhat. Leone (2002), Des Roberts (2003), Howell (2002), and Ehrenhalt and Ryan (2007), do not take this view and see integrity as growing in importance in the post financial scandals era. They highlight that more and more 'finance' will play the role of the organisations conscience, delivering the unflavoured truth to investors, while also providing the voice of reason in internal matters. According to the later, CEO's still place high value in the integrity of their CFO. They require an individual with sound morals, who can identify and solve conflicts of interest, and who is not afraid to stand up and contest issues with management.

2.6.4 Strategic Focus

In a 1994 survey by CFO magazine 'Measuring Up', the demand for strategic vision regarding CFO's was in its infancy (Dalton, 1999). Dalton's survey however, indicated that by the turn of the millennium its importance as a characteristic had grown significantly. This agrees with a 1998 survey by Heidrick and Struggles, cited by Favaro (2001 p. 4), which found that Fortune 1000 CEO's indicated "not strategic enough" as one of the most strikingly absent traits in their CFO's. The requirement for CFO's to play a more strategic role is a result of many of the factors outlined earlier. The wealth of disclosed

information, technological changes and borderless markets signalled the ascent of CFOs into a more strategic capacity as they are called on to do more than simply back up financial forecasts (des Roberts, 2003).

Favaro (2001, p. 2) states that strategic vision is as much a science as it is an art. Decisions are made on a “robust fact base, including insights into the underlying economics of the business.” This supports the view by Frigo (2003) who highlights that the CFO is well positioned to act in a strategic capacity as a result of their financial expertise. This he says enables CFO’s to link strategy to execution and financial success. However Robert Simons of the Harvard Business School, cited by des Roberts (2003, p. 3), claims that the role of CFO has fully run its course, and that the time of the CFO as a strategic participant has come and gone. He states that the role has “shifted from a partner of the organisations senior management team to that of a policeman.” However this may have been heavily influenced by the view at the time in the wake of the Enron scandal and the introduction of the Sarbanes-Oxley Act (2002) requiring great accountability over organisational finances.

2.6.4.1 Risk Management

In the midst of a continually growing uncertain business climate characterised by natural disasters, financial scandals and global markets, organisations are increasing their emphasise on risk management as part of their strategic planning process (Lukens and Rogers, 2007, p. 1). The author highlights that “ultimately all risk is financial....(and) CFOs must have the skills to identify, prioritise and effectively manage risk.” McCarthy (2006) agrees that the CFOs require skills in coupling risk management with more effective strategic planning.

2.6.4.2 Performance Measurement

The strategy for most organisations is the maximising of its shareholders wealth through value creation. Value creation is a function of the future and therefore strategic vision involves a departure from the traditional backward looking role of accounting and finance (Johnsson, 2002). According to Frigo (2003)

strategic performance measurement (PM) systems can be utilised as powerful tools for executing strategy and evaluating whether or not an organisation is creating value. A recent study by Accountancy Ireland (2007) indicated that more than 40% of CFOs who use PM believe that PM has a substantial impact in risk management. Only 12% indicated that their application only had a minor impact in risk management. While PM systems have their limitations, CFO's who can tailor these for their organisations strategic objectives and the industry they compete in, can reap significant value creation (Koller and Peacock, 2002). However the 2007 study also highlighted that PM was often under utilised through misuse or lack of use.

2.6.5 Communication

In the survey by Dalton (1999) most CEO's agreed that their current CFO's possess the necessary character and financial expertise. However, it was the softer skills of communication and interpersonal relations that were identified as lacking. 44% of CFO's required people development skills and 33% could improve on their communication skills.

As well as possessing strategic thinking skills highlighted previously, the CFO must be able to communicate their ideas across. These ideas will only be as successful as the CFO's ability to communicate them effectively (Pfau, 1998, p. 1). She continues, "the CFO is often responsible for negotiating mergers, acquisitions and restructurings" and that communication skills are required to "successfully close deals and ensure growth."

2.6.5.1 Internal Communication Skills

In the past CFOs have been accused of seeing the financial bottom line and the employee bottom line as mutually exclusive areas. The former was heavily focused on to the detriment of employee morale, turnover and development (Cunningham, 2005a). According to Cunningham a CFO who lacks people skills is not going to be effective in today's environment. In the past the CFO was closed off from the rest of the company acting as a controller or 'cop' of financial information. Today's CFO role has evolved to the point where it

has little to do with finance (Ehrenhalt and Ryan, 2007). They are actively involved across different organisational departments. “Today's new finance role requires the ability to communicate complex financial data to individuals in such departments as marketing, IT, and operations during joint efforts to develop creative solutions to business issues.” (Randall, 1999, p. 2). Pfau (1998, p. 2) agrees with this by identifying the expectation that CFO will “make the companies operating managers financially literate and instruct them in the latest aspects of financial structure and reporting in foreign countries.”

2.6.5.2 External Communication Skills

As the literature shows, CFOs need the ability to communicate effectively within the organisation to individuals who are not as proficient with financial matters. However external communications continue to play an increasingly important role in the CFO's function. To refer back to des Roberts (2003, p. 5) who identified the CFO as “ambassador and spokesman in dealing with the financial community and investors.” The accounting irregularities of the decade have thrust the authenticity of companies annual reports into the spotlight. The impact has been the necessity to release more information than ever before. (Lindsey and Shrives, 2005). According to a Chief Executive Special Report in 2007 there are more activist investors than ever before. For them the CFO is their point of contact. The report further stresses the need for CFOs to be not only able to accurately communicate the company's finances but also communicate effectively the company's strategic journey, where it has been and where it is going. The International Federation of Accountants (IFAC) (2002) indicated growing complications in communicating externally by 2010. By then more and more firms will obtain debt or equity in different global marketplaces. Developing relations with multi-national investors will require effective communication skills to appease increasingly sceptical investors and lenders.

2.7 The future position of the CFO

The future position and power of the CFO role is far from defined (O'Donnel et al. 2003). As noted earlier there are sources who believe the role of the CFO is decreasing in strategic importance. Simons, cited by des Roberts (2003) states that the time where the CFO was considered a strategic partner has come and gone. Such a claim is supported by a Cap Gemini Ernst and Young survey in 2003 involving 300 CFOs in large American companies (Williams, 2003). The survey found that only 33% used shared services to improve their finance function. As mentioned earlier the adoption of shared service centres was intended to act as a catalyst to propel the finance function from financial cop to strategic partner. Such findings support Simons view that the CFO has reverted back the former mentioned role. Sinnett (2007) also highlights the constant flow of new accounting standards being introduced. Perhaps post-Enron firms believe that their CFOs are better utilised in controlling financial matters as opposed being pre-occupied with strategy development and implementation.

2.7.1 Strategic Partner or Not?

However there still exists many proponents of the CFO as a strategic partner. Spanyi (2006, p. 32) writes "strategy and finance are inseparable...finance is strategy and strategy is finance". This is a view supported by Wilson (1997), cited by Skaerbaek and Tryggested (2009) who state that the function of accounting is to support the needs of strategic management. However this role suggests, like above, that the accounting function is subordinate to the role of strategy. The authors question this suggestion and claim that accounting devices such as the balanced scorecard and economic value added (EVA), among others, become important in forming and reforming strategic objectives. This persuasive link between financial knowledge and strategy development supports the idea that the future role of the CFO will encompass acting as a strategic partner for the organisation.

2.7.2 CFO Vs. CIO

O' Donnell et al. (2003), highlight that the advent of IT presents both an opportunity and a threat to the future role of the CFO. The increasing importance in IT has resulted in a new member to the executive suite, the chief information officer (CIO). The CIO is responsible for all IT matters within the organisation (Lee, 2007). Accounting systems are a fundamental part of an organisations IT systems. According to Lee, the conflict arises over control of the information when its subject matter is accounting based. O' Donnell et al. (2003, pg. 27) highlight that "others can see a day when the CIO's responsibilities will be absorbed into those of the CFO or vice versa."

As outlined, the future role of the CFO is far from clear. Whether the role reverts back to that of the financial cop, continues to evolve into a true strategic business partner, or whether it assumes the role of CIO is impossible to tell. This is of course assuming that the role in itself will still exist. The possibility outlined by O' Donnell et al. (2003) of the CFO being subsumed into the CIO role cannot be ruled out. Only time will tell.

2.8 Conclusion

The literature review has highlighted that as the business environment changes, so too does the role of the CFO. The drivers of change highlighted above are seen as key to influencing the environment in which the CFO carries out their duties. The literature also identifies the necessary skill sets that contemporary CFOs must now possess in light of the business environment that exists in the 21st century.

Chapter 3: Research Methodology

3.1 Introduction

This chapter discusses the research methodology that will be adopted to satisfy the research objectives that have been derived to answer the research question. The researcher will justify their choice of research methods and highlight the customised nature of the research process used to satisfy the research objectives.

Ryan et al. (2002) define research as a universal activity undertaken to learn more about our surroundings and the impact we have upon them. Whereas, Collis and Hussey (2003, p55) state that methodology depicts the ‘overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data.’

From the above it can be inferred that research is the process of enquiry and investigation into a specific phenomenon, and the methodology is the overall approach to this.

3.2 Research Paradigms/ Philosophies

The research paradigm is the general approach to the research and refers to ‘the process of scientific practice based on people’s philosophies and assumptions about the world and the nature of knowledge...and outlines the framework for conducting research (Collis and Hussey, 2003, p. 46).

The two main categories of research paradigm are positivism and interpretivism. They are contrasting views regarding the development of knowledge and its acceptability through that development (Saunders et al. 2007). The adoption of one paradigm over the other is important as it will underpin the research strategy and the methods chosen as part of that strategy.

3.2.1 Positivism/ Interpretivism

Saunders et al. (2007) suggest that if the research philosophy reflects the principles of positivism then the researcher should adopt the philosophical stance of the natural scientist. Positivism implies that the researcher is:

‘working with an observable social reality and that the end product of such research can be the derivation of laws or law-like generalisations similar to those produced by the physical and natural scientists.’ (Remenyi et al. 2003, p32)

In contrast to positivism, rather than studying facts and developing a series of law like generalisations, interpretivism is concerned with understanding and appreciating the different constructions and meanings that people place on their experience (Easterby-Smith et al. 2002). Smith (2003) states that to do this effectively, active participation, rather than detached observation, may be required.

Table I: Advantages and Disadvantages of positivism and interpretivism

<u>Research Paradigm</u>	<u>Advantages</u>	<u>Disadvantages</u>
Positivism	<ul style="list-style-type: none">- Economical collection of large amounts of data- Clear theoretical focus for the researcher at the outset- Greater opportunity for the researcher to retain control of the research process	<ul style="list-style-type: none">- Rigid: direction often cannot be changed once data collection has started- Weak at understanding social processes- Often does not discover the meanings people attach to social phenomena
Interpretivism	<ul style="list-style-type: none">- Facilitates understanding of how and why- Flexible: enables the researcher to be alive to changes which occur during the research process- Good at understanding social processes	<ul style="list-style-type: none">- Data collection can be time consuming- Researcher has to live with the uncertainty that clear patterns may not emerge- Generally perceived as less credible by ‘non-researchers’- Data analysis is difficult

3.2.2 Research Philosophy Adopted

The choice of research philosophy depends on the research aims and objectives which can be found in Section 1.3 of this thesis.

The researcher adopted the Interpretivism philosophy. Positivism was not adopted as the researcher was not testing already identified theories. Interpretivism was used in the research involving a semi-structured interview with the CFO of a company listed on the ISE, and the distribution of questionnaires to all companies listed on the exchange. The interview was based on asking questions that had been developed in researching the literature on the area. The aim was to help the researcher construct a comprehensive questionnaire to be distributed to all the companies listed on the ISE. The qualitative data from the interview can be rich and subjective and draw attention to issues that may be under explored in the literature. The major drawback of this philosophical approach is that findings are open to observer bias. The questionnaires can remediate this. Correctly constructed questionnaires help eliminate the threat of observer bias as they are more quantifiable in nature eliminating biased interpretations through the use of yes/no answers, ranking answers and adopting the Likert rating scale.

3.3 Research Focus

Saunders et al. (2007) state that there are three classifications that can be used in the research endeavour: descriptive, exploratory, and explanatory.

Robson (2002) points out that the purpose of the descriptive study is to ‘portray an accurate profile of persons, events or situations’. He further states that it can be used as an extension or a forerunner to exploratory research.

The same author states that exploratory studies are a valuable means of finding out ‘what is happening; to seek new insights; to ask questions, and to assess phenomena in a new light’.

According to Saunders et al. (2007), explanatory research studies ‘examine causal relationships between variables’. They further state that the emphasis of explanatory study is on examining a situation or problem in order to explain the relationship between variables.

3.3.1 Research Focus Adapted

This research is mainly exploratory, with some extent descriptive. The exploratory element comprises the opinions of CFO's regarding the necessary skill and characteristic requirements to carry out the role. This is achieved through the use of questionnaires and the semi-structured interview. As Robson highlights above, this research focus helps assess the phenomena of the modern day CFO in a new light. The somewhat descriptive element of this research involved analysing the relevant literature and describing the factors causing a change in the CFO's role as well as describing the skills and characteristics required for the modern day CFO.

3.4 Research Approach

The approach used to carry out research can be either deductive or inductive. The deductive approach to research is when a conceptual and theoretical structure is developed and tested by theoretical observation; therefore involves the development of a theory that is subjected to a rigorous test. It is the dominant approach in the natural sciences, where 'laws provide the basis of explanation, permit the anticipation of phenomena, predict their occurrence, and therefore allow them to be controlled' (Hussey and Hussey, 1997).

On the other hand, the inductive approach to research is when theory is developed from the observation of empirical reality. It involves the collection of data and the examination of that data to develop theories that will subsequently relate to the literature (Saunders et al. 2007).

3.4.1 Approach Used

The inductive approach was deemed more suitable to this research as the researcher was examining the role of the contemporary CFO in companies listed on the ISE and no existing laws where been tested. In this approach the researcher is part of the research process and should gain an insight into the meanings humans attach to events. Adopting the inductive approach involved the researcher developing the theory from data collection through the semi-structured interview and the questionnaires.

3.5 Data Collection

There are numerous data collection techniques available to the researcher. These include case studies, observation, interviews and surveys. The type of method used depends mainly on the research objectives. In this respect the researcher ruled out case studies as they are time consuming and the role of the CFO may differ from one industry to the next therefore making their use inappropriate. Observation was also ruled out as individuals can act differently when they know they are being observed. The following sections focus on the methods of interviews and questionnaires as the researcher felt that these were the main methods which satisfied the objectives.

3.5.1 Interviews

Any person to person interaction between two or more individuals with a specific purpose in mind is called an interview. Interviewing is a commonly used method of collecting information from people (Kumar, 1999). There are three main types of interview: structured, unstructured and semi-structured

Structured interviews are questionnaires based on a predetermined and standardised set of questions. The interviewer reads out each question and then records the response on a standardised schedule, usually with pre-coded answers (Saunders et. Al 2007).

Unstructured interviews place more emphasis on the interviewees thoughts. The researcher's role is to be as unintrusive as possible; to start the ball rolling by introducing a theme or topic and then letting the interviewee develop their own ideas and pursue their train of thought (Denscombe, 2005).

Semi-structured interviews have a list of themes and questions to be covered. Questions are not required to be asked in any particular order. Additional questions can be asked where the interviewer deems appropriate. This helps examine additional issues that may arise during the interview.

The researcher conducted an exploratory interview with a key informant to aid in the design of the questionnaire instrument. This was deemed important as it

would possibly identify areas that are under explored in the literature. This was the case with the researcher identifying an additional concept that was not found in the literature. This additional concept also impacted positively enabling the researcher to better satisfy one of the research objectives.

Due to the limited resources of the researcher it was only possible to conduct one semi-structured interview. The reason why a semi-structured interview was chosen was the increased flexibility they permit. Given the researcher could only carry out one interview, maximum information was desired and thus the ability to ask or omit questions was the key factor in deciding on this format. The researcher also felt that structured interviews were too rigid in terms of question flexibility and there is little interaction between interviewer and interviewee. Unstructured interviews were deemed unsuitable as they are time consuming and difficult to analyse as there is no structure to base the findings.

The interviewee was chosen because of their background, having worked as CFO in three listed companies, spanning two different industries that are well represented on the ISE. Again this was to ensure that the maximum benefit could be derived from the interview. The interview guidance questions were sent to the interviewee several days before the interview to allow the interviewee to be better prepared for the interview.

According to Saunders et al. (2007), there is a need to record an interview soon after it is conducted in order to control bias and to produce reliable data for analysis. A popular method of doing this is by using a tape recorder. Unfortunately the interviewee asked that the researcher did not record the interview. While this is understandable it did limit the researcher's ability to fully concentrate on questioning and listening as the researcher was simultaneously writing down the key points raised. It also increased the possibility of interviewee bias as it could not be re-listened to, as would have been the case had it been recorded. The interview was conducted over the phone and lasted approximately twenty minutes in duration, although this also reflects the time taken to write down points and the stoppages this sometimes caused.

3.5.2 Questionnaires

Collis and Hussey (2003) describe a questionnaire as being a list of carefully structured questions with a view to obtaining reliable responses from the chosen sample. Despite being a popular research technique and their apparent ease of use, questionnaires are difficult to construct (Easterby-Smith et al. 2002). Common issues to be considered when using questionnaires include: sample size, type of questions, wording of questions, cover letter, method of distribution and tests for reliability and reliability (Collis and Hussey, 2003).

The researcher decided to develop and design his own questions as the research area had not been investigated in Ireland before. The first step was to design the questions based on the research objectives. Each question was designed to eliminate any possible ambiguity. The researcher then carried out the semi-structured interview to identify any possible unidentified areas. This was indeed the case as mentioned previous. This interview resulted in no amendments to any questions but resulted in two additional questions being asked.

Once this was complete the researcher pilot tested the questionnaire with a former CFO of a large private Irish company. Two minor amendments were made. After this the researcher pilot tested it with the financial controller of a company listed on the ISE. The CFO of the company was on annual leave and unavailable. One further amendment was made. The purpose of pilot testing is to refine the questionnaire so that respondents will have no problem answering the questions (Saunders et. al, 2007).

The researcher felt that the use of the interview in conjunction with the pilot tests strengthened the validity of the questionnaire and resulted in a comprehensive research instrument.

The final questionnaire resulted in the majority of questions either in tick box format, a Likert rating format of agree or disagree with a certain statement, or being ranked relative to other factors to provide a mutually exclusive ranking of certain factors and characteristics. These style of questions were preferred as the researcher felt they made it relatively straight forward for the respondents to

complete. Given the time constraints of the respondents this was seen as very important. They also provided the information that the researcher sought and therefore were adopted.

The first section of the questionnaire contains questions that gather information about the company and the respondents. The data gathered by these questions will be used to determine if certain trends exist regarding the skills/characteristic requirements of the CFO and the company and industry within which they work.

Given the time and financial constraints of the research, the researcher thought that questionnaires were the best option to give the most reliable and general information. The researcher also felt that given the seniority of the position being examined that posting the questionnaires would yield a higher response rate than e-mailing them. This is because most of the communication received by these individuals will be electronically, via e-mails, intranet, memo's etc. Therefore the researcher felt that in this instance a hard copy of the questionnaire was more likely to be returned than a soft copy. They do, however, have their limitations, namely low response rates. The researcher attempted to overcome this limitation by including prepaid self addressed envelopes and a financial incentive of giving money to charity for every response received by a certain date.

The researcher wished to post the questionnaires to all listed companies on the ISE, 68 in total. However, several were excluded for the following reasons:

- The location of one of the companies CFO's could not be ascertained despite repeated e-mails and telephone calls.
- Two CFO's were unavailable due to travel commitments.
- Two companies stated that it was company policy not to complete surveys unless required by law.
- As of 28th of June, one company went into receivership and outlined its inability to participate.

This resulted in a survey size of 62. As the researcher surveyed the entire population this was a census (Saunders et al. 2007). Where it was possible, questionnaires were personally addressed to the CFO of the company. However the names of some of the CFO's could not be ascertained from reliable sources e.g. company websites, and were simply addressed to the CFO of the company. The majority however, could be personally addressed. The researcher received a total of 25 completed questionnaires, yielding a response rate of 40%.

3.6 Data Analysis

The data collected from the questionnaire will be analysed using Microsoft excel. The researcher will use a combination of charts and graphs to illustrate the results of the questionnaire. These illustrations will then be the base on which the researcher hopes to delve further into the results to bring more information or trends to light. Of course there is no guarantee that such further findings will exist. The researcher adopted graphical representation using Microsoft excel as it was the package that he had the most proficient knowledge of working.

As mentioned previously the interview could not be tape recorded. The researcher made notes of the key points so that these would not be forgotten. He then wrote up as an accurate as possible approximation of the answers that the interviewee had given. While it was difficult and the researcher acknowledges that not all that was said in the course of the interview was able to be written down, he does feel that he successfully recorded all the key points raised in the interview.

3.6.1 Validity, Reliability and Generalisability

The researcher feels that the results obtained from the primary research are valid, reliable, and generalisable. The validity of the questionnaire has been a result of the use of the semi-structured interview to construct a comprehensive instrument. Such validity is further strengthened through the two pilot tests carried out on the instrument. The high response rate of 40% means that the

researcher is highly confident that the results of the questionnaire are also both reliable as the researcher has measured what he set out to measure, and generalisable as they are representative of the total population.

3.7 Limitations of the Research

The main limitations of the research include time constraints, location of the researcher, financial constraints, and the size of the college.

The primary research was required to be undertaken primarily in the month of June. This leaves the possibility that the research instruments were quickly designed, affecting both the response rate and the reliability of the information gathered from same. The location of the researcher meant that certain research techniques could not be adopted, such as focus groups. This would require a closer proximity to companies listed on the ISE. Also the cost of such a method, or other methods such as face-to-face interviews required significant travel. This is restricted by the financial constraints of the researcher who cannot work as their course requires all of their time. The college is small in scale and access to all available literature on the topic was not possible. Again this leaves the possibility that the researcher may have missed emerging developments in the area.

3.8 Ethical Considerations

The researcher conducted all primary research with professional integrity and strict confidentiality. The researcher respected the interviewee's right to not have the interview recorded and was thankful for their participation at short notice. With regard to the questionnaires a confidentiality statement was placed on the cover letter of each questionnaire giving the respondents full anonymity.

3.9 Conclusion

This research was carried out to examine the role of the CFO of Irish listed companies. It involved adopting the interpretivism philosophy. It is primarily an exploratory study, assessing the modern role of the CFO in a new light. The

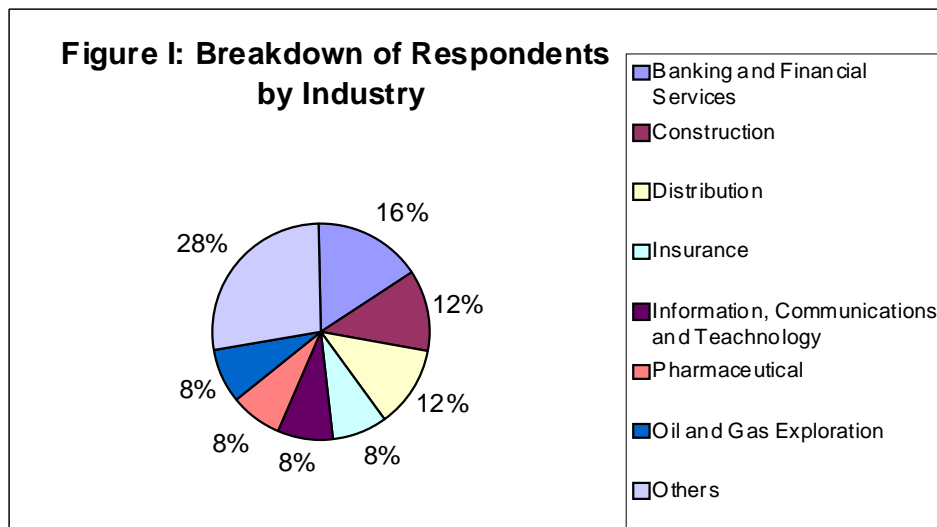
research process consisted of a semi-structured interview to help construct the questionnaires which were then distributed to every company listed on the ISE. The findings of same are discussed further in chapter four of this thesis.

Chapter 4: Data Findings and Analysis

4.1 Introduction

The findings of this research are based on the results of the questionnaires distributed to the CFOs of all the companies listed on the ISE. As noted in chapter three, the questionnaire was constructed with the aid of a semi-structured interview.

A total of 40% of the questionnaires were returned. This was extremely pleasing for the researcher, particularly considering that the research was carried out between the months of late June and early July, at a time when most professionals would begin taking their annual holidays. What was further pleasing was that of the 25 respondents, 14 different industries were represented. Given their weighting on the ISE, the banking and construction industries accounting for 16% and 12% respectively of the fourteen industries, which was pleasing. The remaining 28% were made up of one respondent each from the following industries; food, media, hardware, leisure, paper, beverage, and one was not given.



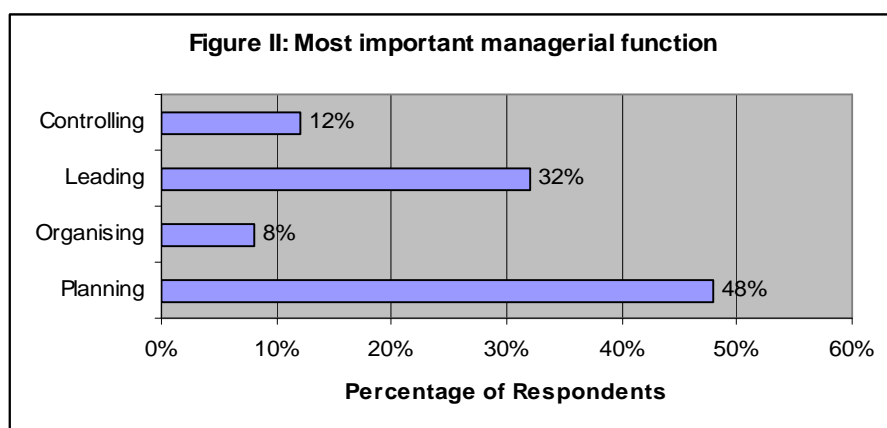
In this chapter the researcher will base their findings and analysis on the research objectives. The objective to determine the factors that have contributed to a change in the functions carried out by the CFO was satisfied through undertaking the literature review, which identified the six main factors.

Similarly the literature review also helped determine the necessary skills of the contemporary CFO. Assessing these skills however, will be achieved through the questionnaire analysis. Analysing the questionnaire findings will also achieve the remaining research objectives. In addition, general company findings which are of relevance to the study are also included. The chapter will therefore be broken down as follows:

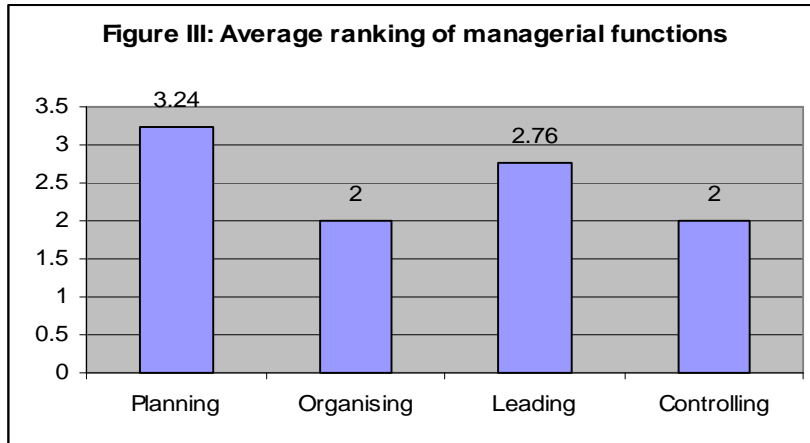
- examine the role of the CFO as a generic manager
- company findings
- extent to which these factors have caused a change in the role
- assess the necessary skills of the contemporary CFO
- assess the future position and role of the CFO

4.2 Examine the role of the CFO as a generic manager

The results from the questionnaire show that regarding the four functional managerial roles, the CFO's of Irish listed companies ranked planning and leading as significantly the two most important factors with 48% rating planning as the number one function, while 32% rated leading as the most important. Only 8% of respondents felt that organising was the most important, with just 12% deeming controlling to be.



The average rating among the four portrays similar results.

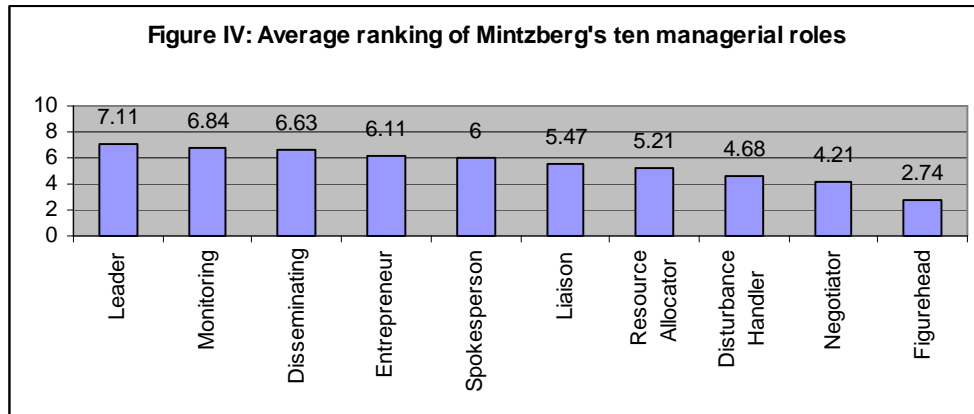


Planning scores the top average at 3.24, with leading at 2.76. Below them are organising and controlling who both scored an average mark of 2.

These results are interesting due to the fact that planning and to a certain extent leading are more strategic in nature than organising and controlling. Planning involves strategic thinking regarding organisational aims and objectives. Leading is concerned with using one's initiative to motivate employees to share in the idea of achieving these aims. Organising and in particular, controlling, are more passive in nature. They involve putting the already formulated plans into workable action plans and controlling their progress.

The results indicate that as managers, the CFO's of Irish listed companies are more focused on dealing with strategic issues and thinking, rather than the more passive forms of management.

This evidence is supported by the results of the rating the respondents gave regarding Mintzberg ten managerial roles.

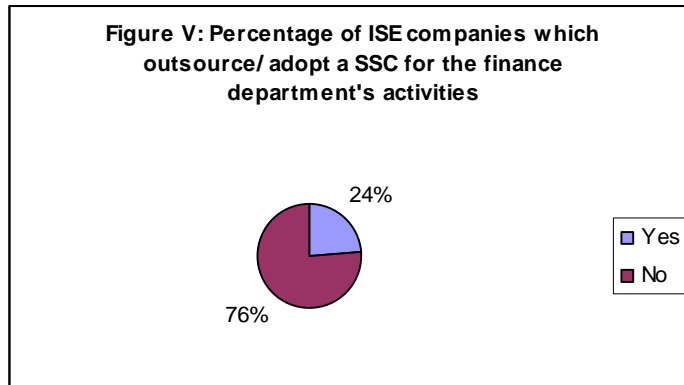


Leader received the highest ranking, scoring an average of 7.11 out of a possible 10. Entrepreneur, which is strategic in nature, was rated fourth overall with an average of 6.11. Monitoring for information internally as well as externally was rated second at 6.84. Despite appearing to be similar to a controlling role, monitoring in this case is somewhat strategic in nature as it allows for better decision making. This supports the already highlighted findings.

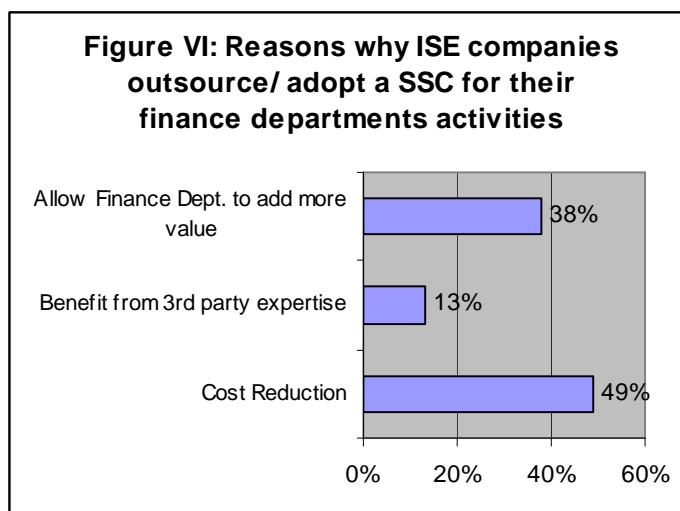
However, the appearance of disseminating in third place, i.e. the passing of information to other employees, would not be seen as a strategic function. This function received a rating of 6.63 and suggests the relinquishing of information within the organisation. This possibly undermines the CFO's role in the final decision making process. However, the low ratings of the control roles of disturbance handler and negotiator, and the relatively low rating of the organising role of resource allocator are consistent with the previous findings of this study.

4.3 Company Findings

The survey highlighted that at present 76% of Irish listed PLC's did not outsource any aspect of their finance function or adopt a shared service centre (SSC) for the same function.



Of the 24% that did the main reasons are highlighted below;

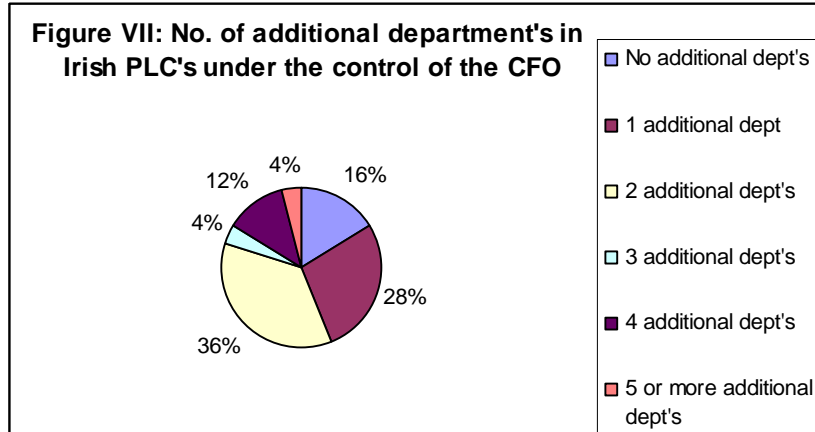


This is in disagreement with Randall (1999) who highlighted that both cost reduction as well as the freeing up of time to enable the finance department to better utilise its capabilities as factors of equal importance.

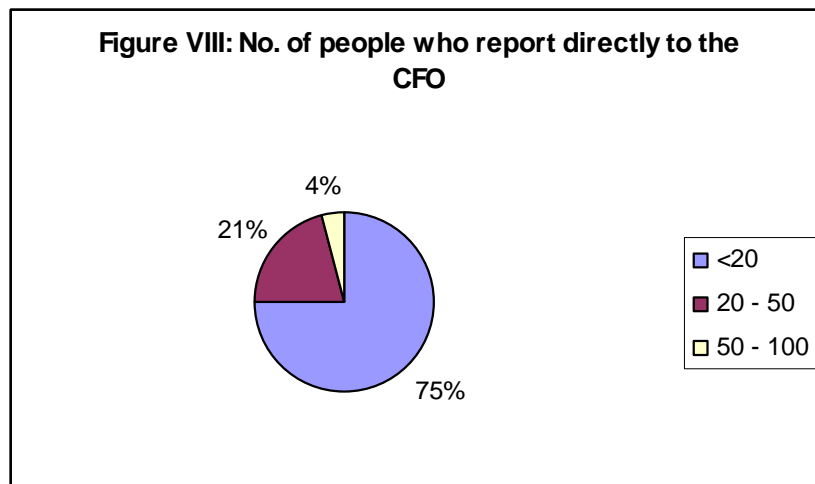
Findings elsewhere also contradict with the claim that more and more the head of finance now ascend from departments other than the finance department. According to Randall it enables finance personnel to become more involved in the business, moving them from the preparation of information to the application of information. This survey however, found that 100% of the

respondents had an accounting or finance background. This highlighted the lack of accessibility to the role for those from a non-accounting background.

Only 16% of CFO's are not in charge of overseeing another department. The remaining 84% are in charge of between two and six additional departments as follows;



Despite this large range of additional responsibilities the survey also found that the number of people who report directly to the CFO was predominately less than twenty.



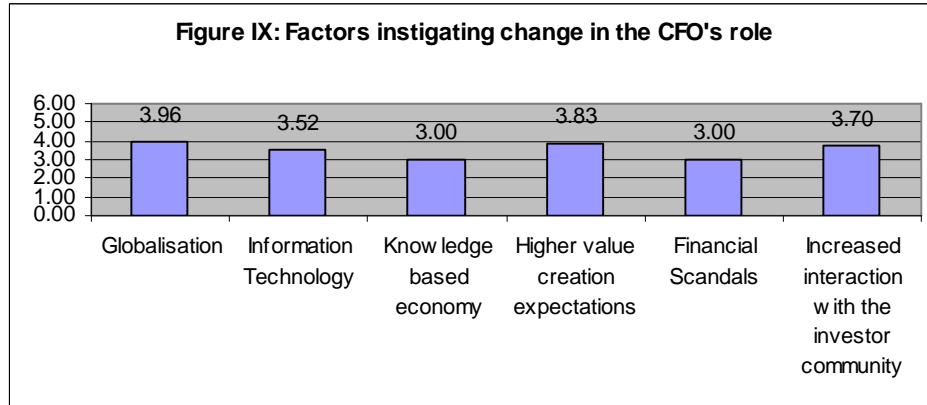
4.3.1 Conclusion

The range of their control and the small numbers who report to them indicate the CFO's high level and responsibility in the organisation. With so few reporting to them they in return are likely to only report to a smaller number of individuals. On this evidence they are clearly present in the narrow tip of the

organisational structure, the end involved in the strategic directing of the organisations activities.

4.4 Extent to which these factors have caused a change in the role

Six factors were identified in the literature as being responsible for a change in the CFO's role.



4.4.1 Globalisation

Of the six, the results show that, globalisation was seen amongst the respondents as being the main factor of change. It scored an average rating of 3.96 out of a possible 6. Furthermore, 35% of respondents gave it a top rating of 6 (Table 1).

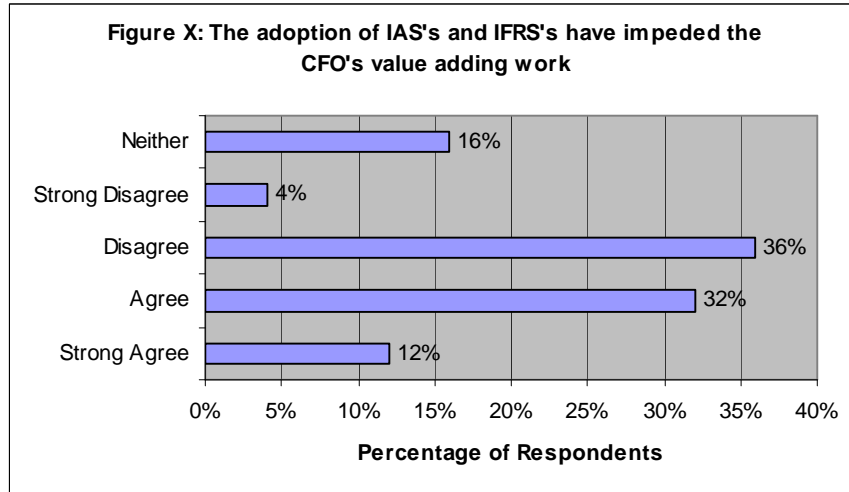
Table 1: Breakdown of the ratings for each factor of change (where 6 is the most important)

Ranking	6's	5's	4's	3's	2's	1's
Globalisation	35%	9%	17%	4%	26%	9%
IT	0%	30%	17%	35%	9%	9%
Knowledge based economy	4%	9%	22%	26%	26%	13%
Higher value creation expectations	17%	30%	9%	17%	13%	13%
Financial Scandals	17%	9%	17%	9%	9%	39%
Increased interaction with the investor community	26%	13%	17%	9%	17%	17%

The results are consistent with findings elsewhere in the survey. Of the CFOs surveyed, 28% strongly agreed, with 60% agreeing, that organisational

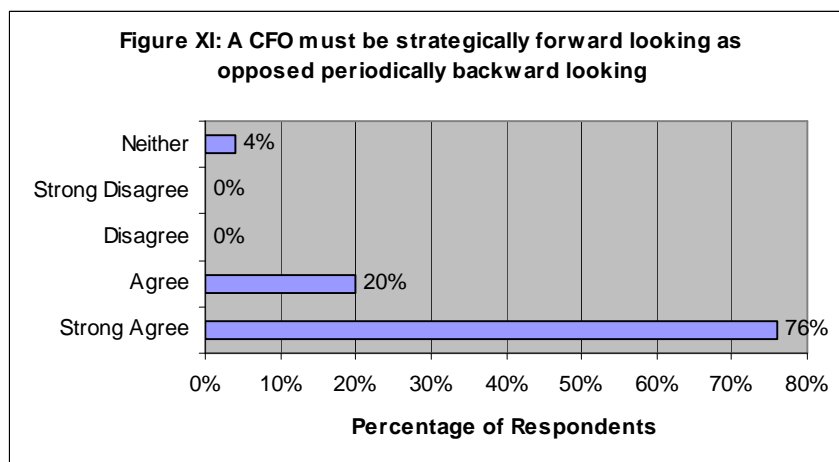
transformation is necessitated to deal with the changing global conditions brought on by globalisation. This agrees with Tushman and Anderson (2004).

However, such change has not necessarily propelled the CFO into the role of strategic business partner. A result of globalisation has been the appearance of new and updated accounting standards.



The survey found that while 4% strongly disagreed, and 36% disagreed, a further 12% strongly agreed, with another 32% agreeing, that the requirement to adopt a constant flow of IAS's and IFRS's have impeded the CFO's value adding activities.

However, not one respondent felt that the modern CFO could be successful in the role as a passive reactor.

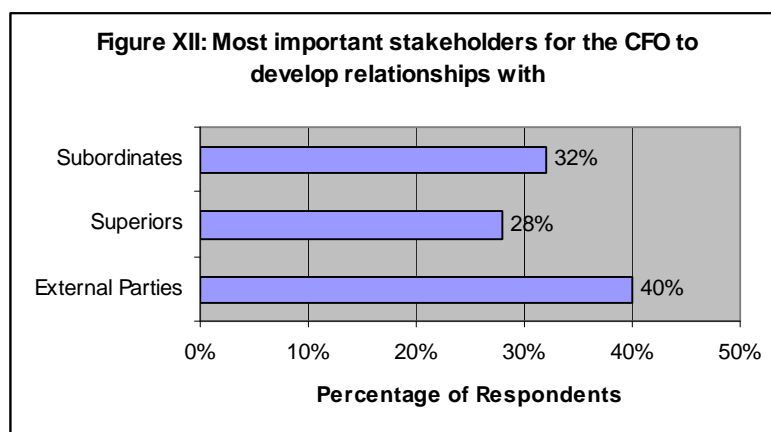


76% strongly agreed, and 20% agreed that to be successful a CFO must be strategically forward looking. This supports Tushman and Anderson (2004) who state that the CFO, being a member of the organisations top management team, must look forward as opposed backward. This is further supported by the results of this survey regarding the importance that the CFO's attached to the managerial role of planning.

4.4.2 Higher Value Creation Expectation

The expectation of higher value creation was ranked the second most important contributory factor to change in the CFO's role with an average score of 3.83. It also received 17% of the votes as the top contributing factor (Table 1). This is unsurprising following other evidence obtained through the survey.

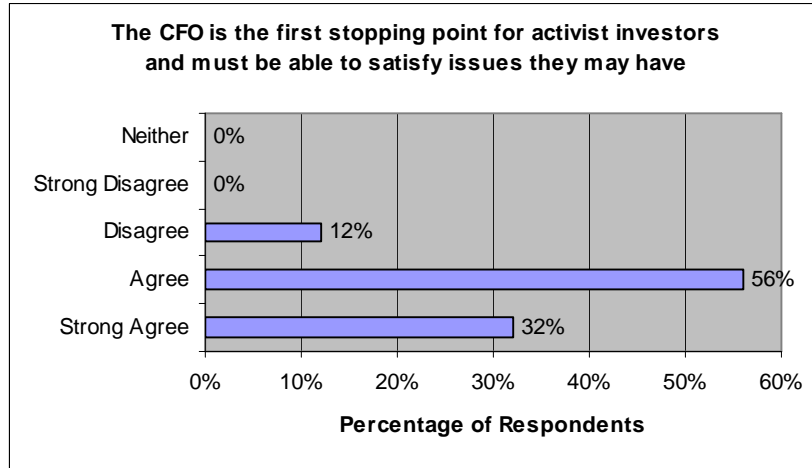
The literature identified more knowledgeable and demanding customers as being responsible for higher expectations. The survey found that 40% of CFO's felt that developing relationships with external parties, namely customers and regulators, was more important than developing relationships with their subordinates (28%), and with their superiors (32%).



4.4.3. Increased interaction with the investor community

Respondents ranked this the third most important factor contributing to change in the CFO's role, with an average score of 3.70. It also received 26% of the votes for the most important factor instigating change (Table 1). This third placed result is also supported by findings elsewhere.

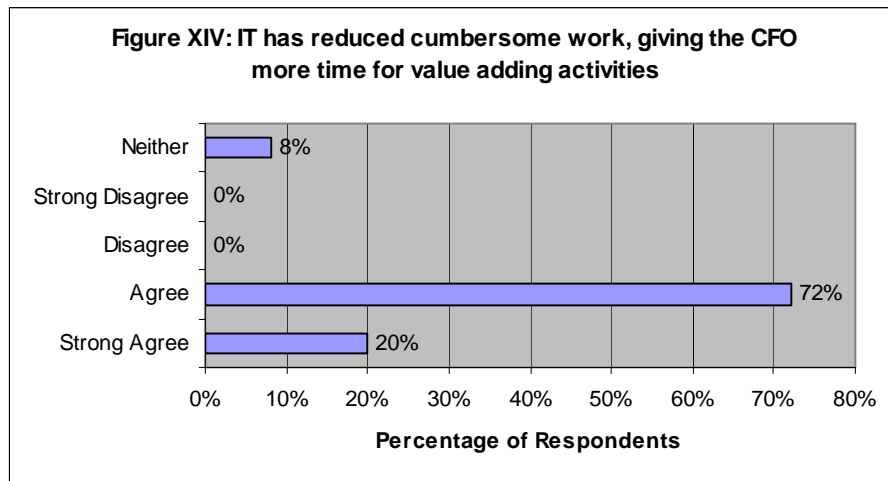
Currently 43% of CFO's spend on average 22.5% of their time dealing with investor relations. Further evidence shows that 32% of CFO's strongly agree, and 56% agree, that the CFO is the first stopping point for activist investors, and the CFO must be able to adequately satisfy their issues.



4.4.4 Information Technology

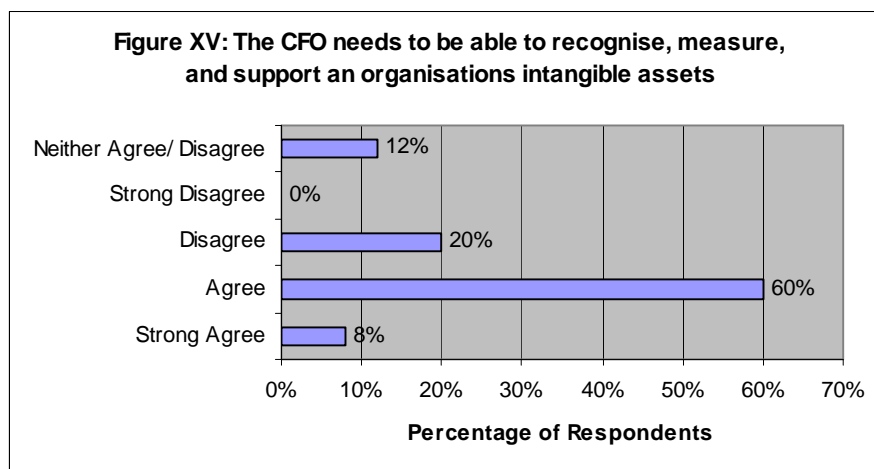
Somewhat surprising is that IT was ranked fourth overall with an average rating of 3.52. Perhaps even more surprising was that not one respondent rated it as the most important factor (Table 1). This was the only factor not to receive at least one highest score of 6. This is in disagreement with Randall (1999) who identified the silicon chip as having the greatest impact on the finance function.

This evidence also seems to contradict the finding that 20% of CFO's strongly agreed, while 72% agreed, that IT has reduced cumbersome work, giving the CFO more time for value adding work, such as increasing the time for analysis and problem solving activities.



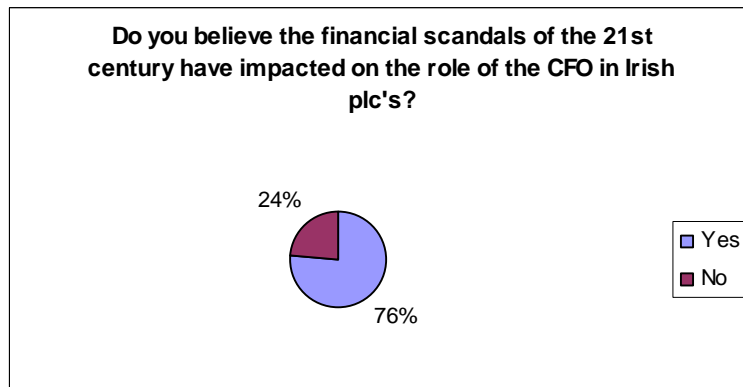
4.4.5 Movement towards a knowledge based economy & financial scandals

The movement towards a knowledge based economy was ranked joint fifth alongside financial scandals. The survey found that 8% of CFO's strongly agreed, with 60% agreeing, that the CFO needs to be able to recognise, measure, and support an organisations intangible assets.

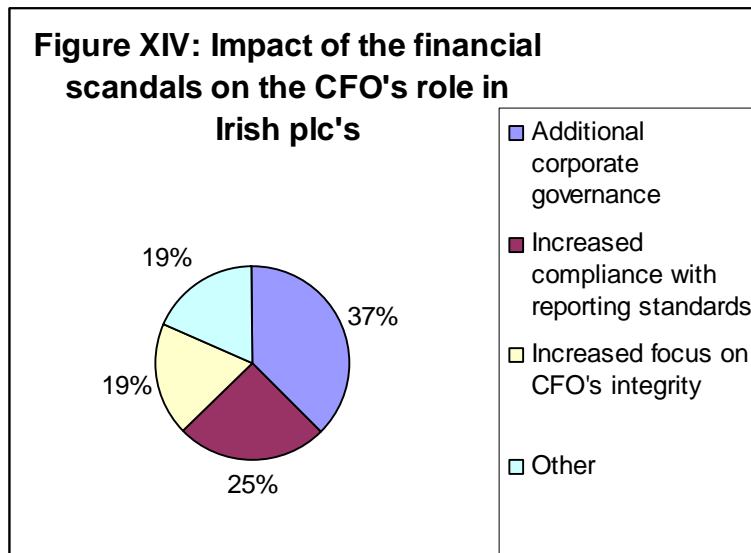


These are increasing in importance as a result of the movements towards a knowledge based economy.

Elsewhere, 76% of CFO's agreed that the financial scandals of the last decade have impacted on the role of the CFO.



Their impact has been mainly additional corporate governance compliance and to increase the regulatory burden that the CFO's now face. Other significant impacts include an increased focus on the CFO's integrity.



4.4.6 Conclusion

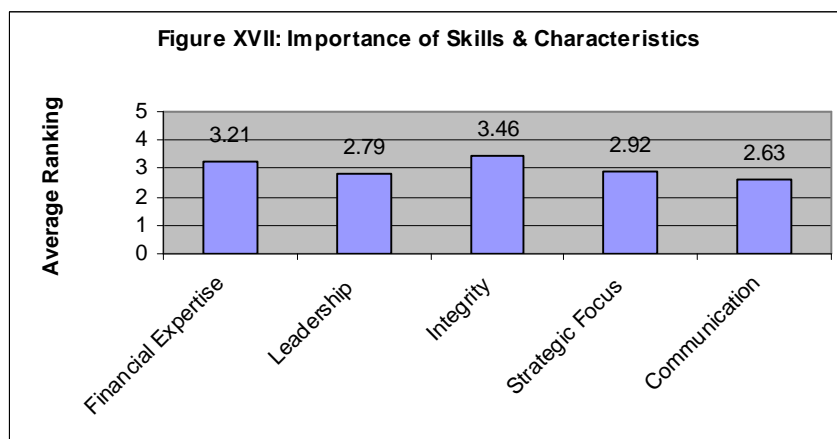
The literature highlighted globalisation and IT as the most important catalysts instigating change on the CFO's role. The primary research revealed that the CFO's of Irish PLC's agree with globalisation, but clearly not IT. Both the expectation of higher value creation, and the increasing interaction with the investor community were ranked above IT.

One respondent made a statement elsewhere in the survey which the researcher felt provided excellent evidence and reasoning as to why higher value creation expectations and increased interaction with the investor community are

important, and why they were ranked second and third respectively. The respondent stated that ‘all customer interactions and investor interactions involve the management of risk’. This was in relation to a question on how the CFO’s manage risk at a strategic level. Poor interaction with both stakeholders will clearly be detrimental to the strategic success of an organisation, must be managed very carefully and hence, are very important factors.

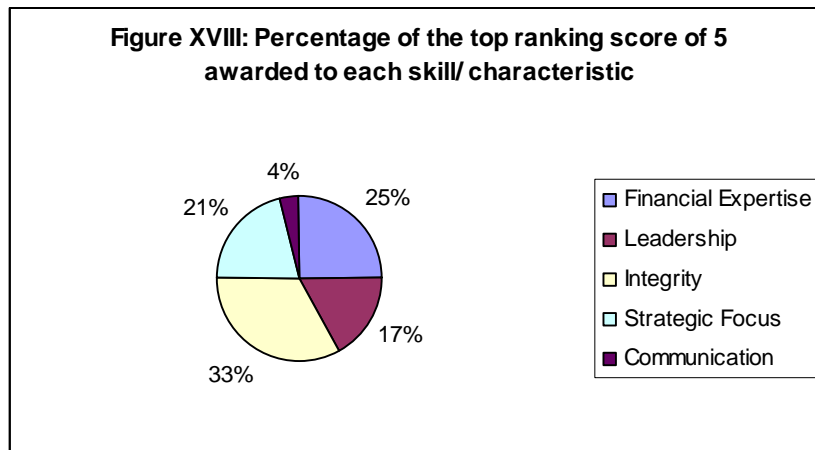
Given the impact that the three factors ranked above IT can have on organisational life, as outlined above, it may simply be the case that in the modern era, where technology is freely available to organisations of all sizes, the three higher ranking factors are determining to a greater extent the structure and nature of organisational life than informational technology is.

4.5 Assess the necessary skills of the contemporary CFO



The respondents deemed integrity to be the most important skill and characteristic, scoring an average ranking of 3.46. Financial expertise was ranked second with an average of 3.21, followed by strategic focus on 2.92. Leadership followed in fourth with an average ranking of 2.79, and communication completed the rankings in fifth, scoring an average ranking of 2.63.

The results are similar regarding the skill and characteristics that received the top ranking score of 5.



4.5.1 Integrity

The research indicated that integrity was the most important skill for the modern CFO, with an average ranking of 3.46. As highlighted above, a third of CFO's awarded it the highest ranking of 5 (Figure XVIII).

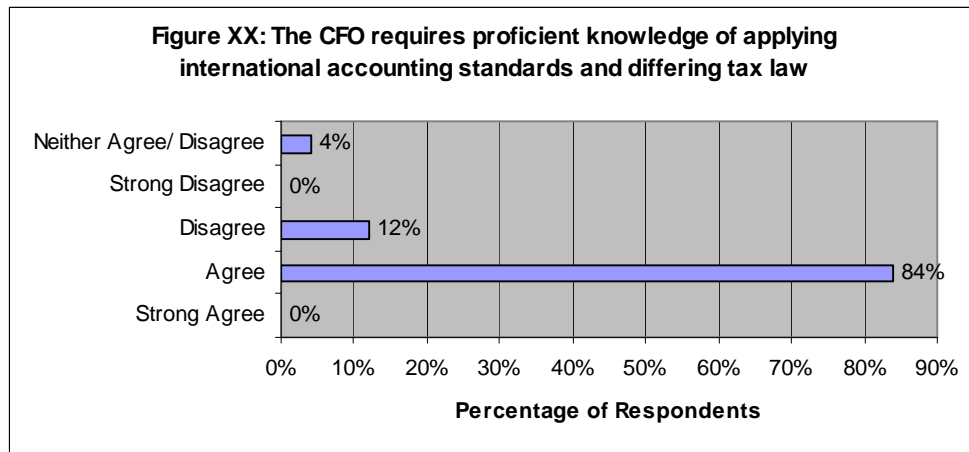
Results elsewhere highlight that 19% of respondents felt that the financial scandals have increased the focus on the CFO's integrity (Figure XIV).

It may seem contradictory that as a factor instigating change on the role, financial scandals were ranked joint fifth (Figure IX), while as a skill, integrity is deemed to be of the greatest importance. However, as Daltons survey in 1999 highlighted (Table 2), integrity was already deemed an important characteristic before Enron, WorldCom and Parmalat.

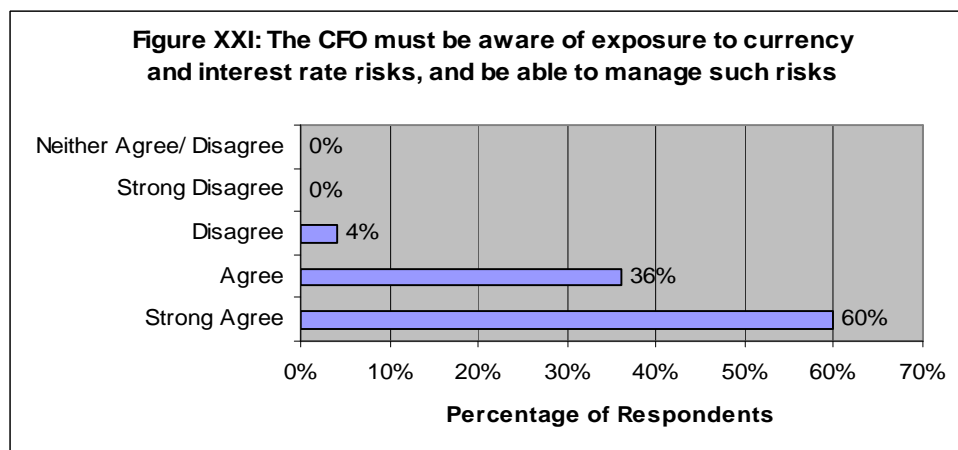
4.5.2 Financial Expertise

Financial expertise was ranked the second most important skill, with an average of 3.21. A quarter of CFO's also awarded it the highest ranking of 5 (Figure XVIII).

As mentioned above 8% of CFO's strongly agreed, with another 60% agreeing that the CFO must be able to recognise, measure, and support an organisations intangible assets (Figure XV). The research also found that 84% of CFO's agree that knowledge of IAS's and different tax laws are essential.



Being financially competent regarding the risks of dealing in a global economy was also highlighted through the results. Of the respondents, 60% strongly agreed, with 36% agreeing, that the CFO needs to be aware and manage the risks associated with interest rates and dealing in foreign currencies.

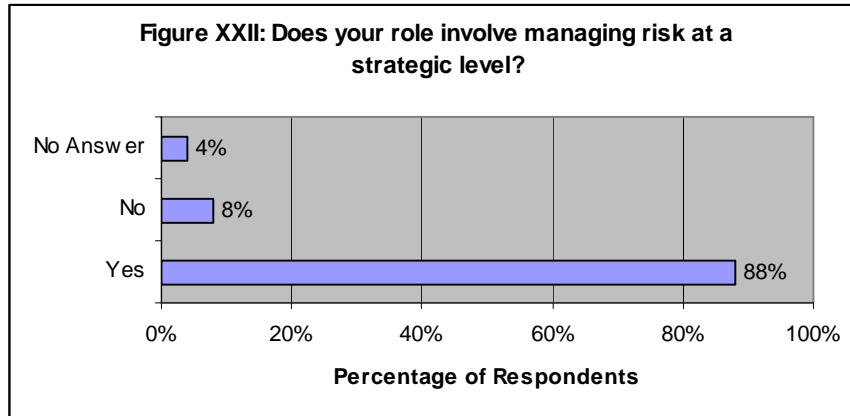


The research also found that 25% of CFO's believe that the financial scandals have impacted on the need for the CFO to be financially competent (Figure XIV).

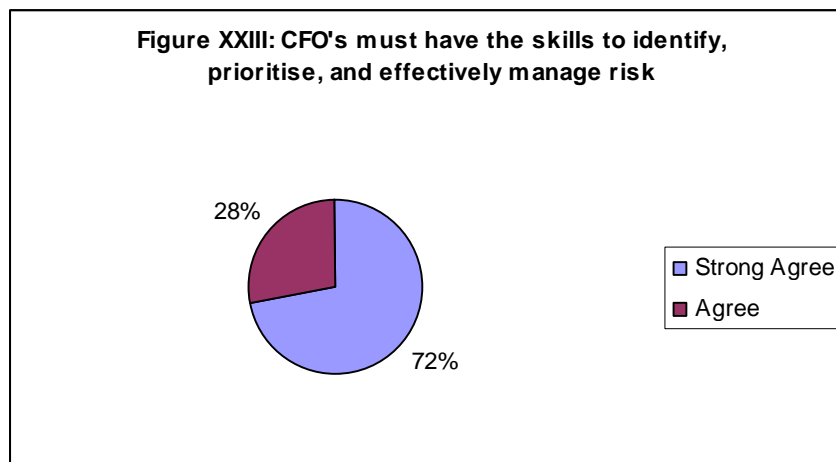
This again supports the view that accounting standards are impeding on the value adding work of the CFO's. It also highlights why financial expertise was ranked second overall in terms of importance. Attaching such importance to financial expertise also contradicts Ehrenhalt and Ryan (2007), who stated that much of the CFO's role now has little to do with finance.

4.5.3 Strategic Focus

Strategic planning was ranked the third most important skill, with an average score of 2.92. The vast majority of respondents also highlighted that they were involved in the management of risk at a strategic level.

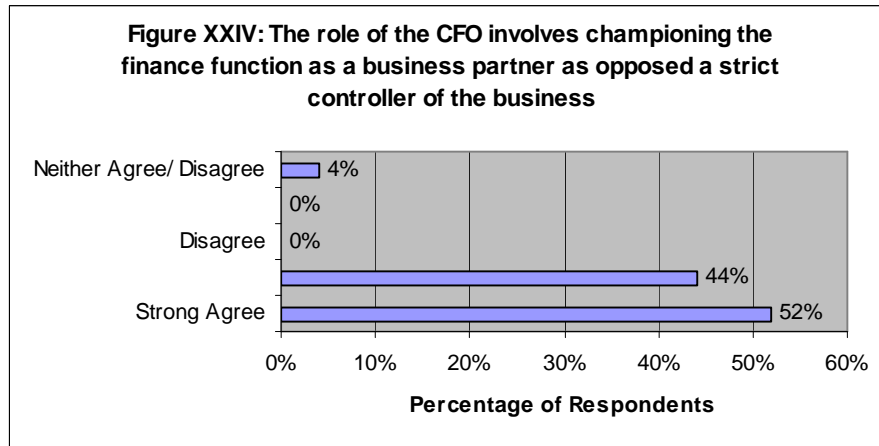


Furthermore 72% of CFO's strongly agreed, with the remaining 28% agreeing, that the CFO must have the ability to identify, prioritise and effectively manage risk.

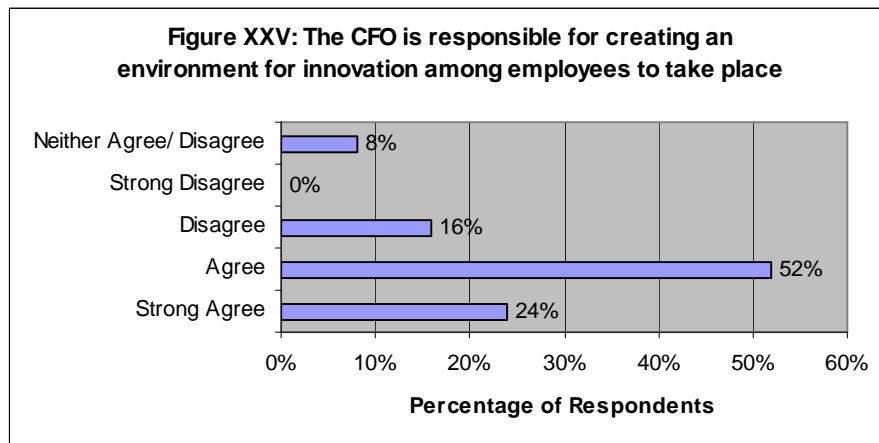


4.5.4 Leadership

Considering that leading was rated second in the generic managerial functions, it is perhaps surprising that leadership skills were ranked fourth out of the five. However, the importance of leadership is evidenced elsewhere in the survey. Of the respondents 52% strongly agreed, with another 44% agreeing, that the CFO's role involves championing the finance function as a business partner as opposed to a strict controller of the business.

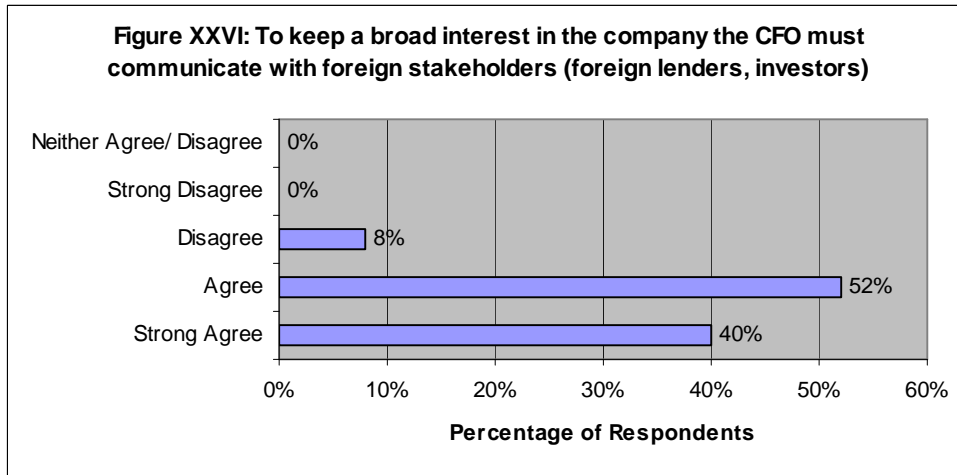


Furthermore, 24% strongly agreed, with a further 52% agreeing, that the CFO is responsible for creating an environment for innovation among employees to take place.



4.5.5 Communication

Communication was ranked last out of the five skills and characteristics, with an average ranking of 2.63. Despite this 40% of CFO's strongly agreed, with another 52% agreeing that to keep a broad interest in the company the CFO must be able to communicate with foreign stakeholders.



Results also show that the CFO is required to translate finance information into an understandable form for non-finance people within the organisation.

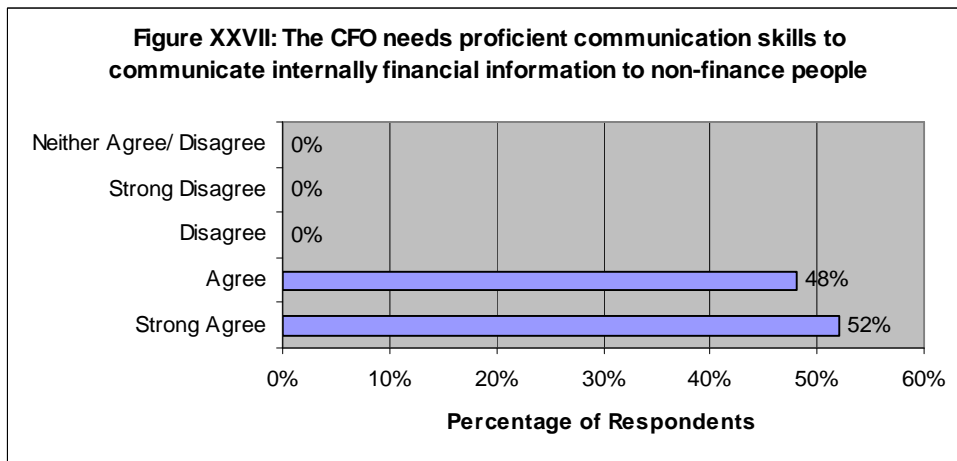


Table 2: Survey Findings

Skills/Characteristics in order of importance

Dalton's Survey (1999)

1. Financial Expertise
2. Integrity
3. Communication
4. Strategic Focus
5. Leadership

This Survey (2009)

1. Integrity
2. Financial Expertise
3. Strategic Focus
4. Leadership
5. Communication

4.5.6 Conclusion

Integrity's importance has already been highlighted by the fact that Daltons survey (1999) deemed it to be second only to financial expertise. This should not be surprising. As one CFO noted 'integrity has always been a fundamental cornerstone to the role of the CFO'. The result of the financial scandals may have been to merely increase the CFO's emphasis on a characteristic that was already seen as very important. This may explain the reason for integrity being ranked ahead of financial expertise on this occasion. Another reason why integrity was ranked first may be the current economic climate. This climate is characterised by a shortage of financing and sceptical shareholders who have suffered severe losses on the ISE. As one CFO noted, 'it is important that the CFO not only have integrity, but also be perceived as possessing integrity. This is important and must be seen by both regulators and investors'. Therefore, not only has integrity been impacted on by the financial scandals, but it has also been impacted by the increased interaction with the investor community. This link between the two factors and the one characteristic explains why it is deemed the most important

Again financial expertise has always been central to the role. Even if the CFO is moving from a financial cop to a strategic partner, the survey has highlighted that it is evident that the role will still require strong financial expertise. This study reveals just why financial expertise is ranked before strategic focus. Of those 88% of CFO's who are involved in the management of risk at a strategic level (Figure XXII), 24% indicated that they were responsible for evaluating the financial implications and risks associated with strategic level decisions. For a further 10% it was ensuring that the company maintained a balanced portfolio of assets. Already we can see that over a third of the CFOs who are involved strategically in the management of risk must be financially competent. This helps explain why financial expertise is rated ahead of strategic focus. This agrees with Spanyi (2006, p. 32) who writes that "strategy and finance are inseparable...finance is strategy and strategy is finance". This is also supported by Wilson (1997), cited by Skaerbaek and Tryggested (2009), who state that the function of accounting is to support the needs of strategic management.

Therefore, for the CFO to be involved at a strategic level, financial expertise is a prerequisite.

The fourth place rating of leadership somewhat contradicts the earlier evidence finding leadership second behind planning in managerial importance, and first among Mintzbergs ten managerial roles. However, other findings explain this. The small numbers who report directly to the CFO (Figure VIII) means that perhaps the need to exhibit leadership skills in the CFO's role is not as fundamentally important as the three skill and characteristics ranked ahead of it. The fact that leading as a managerial competency was ranked very highly among the managerial skills (Figure III & IV), highlights that the CFO's still see it as an important requirement.

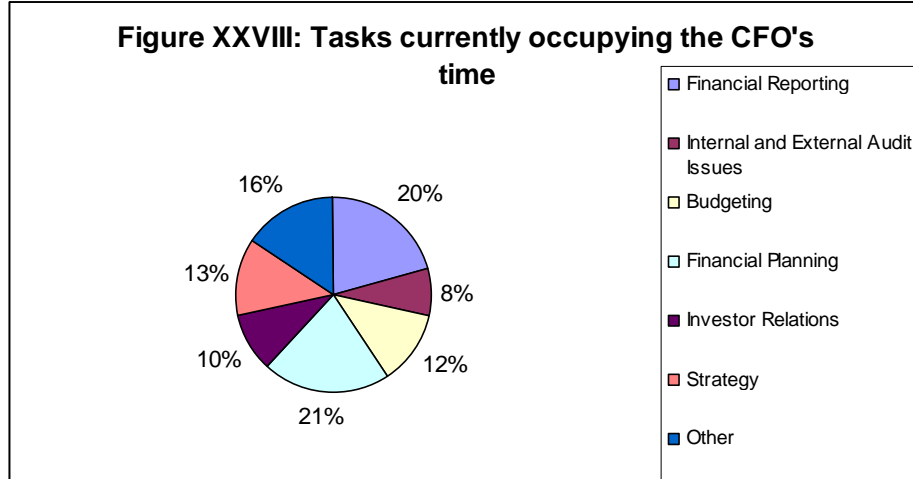
While communication was ranked last it does not take away from the fact that it is still an important skill. It has been shown that the CFO's feel it is necessary to be able to communicate financial information to non-financial individuals, as well as satisfy issues that investors may have.

However, the skills and characteristics are clearly subjective, and the closeness of the averages indicates that they are all valuable traits. As one respondent noted, 'the skills and characteristics outlined are not mutually exclusive. Rather the whole array of them is needed in equal measure'.

4.6 Assess the future position and role of the CFO

4.6.1 Strategic Partner or Not?

The survey found that currently the CFO's work time is divided, almost equally, in its strategic type work and its 'financial cop-type' work.



The survey found that strategy (13%), and financial planning (21%) accounted for over a third of the CFO's time. However, when compared with the strategic tasks currently occupying the CFO's time, the non-strategic tasks of financial reporting (20%) and budgeting (12%) accounted for a similar amount of the CFOs' work time.

This breakdown of the role into near equal strategic and non-strategic aspects also proves inconclusive regarding the analysis of the CFO's main priorities for the coming year, as it does not clearly indicate a strategic or financial cop role at present.

Table 3: The CFO's priorities for the coming year

	Top Priority	Second Priority	Third Priority	Fourth Priority	Fifth Priority	Not a Top 5 Priority
Revenue Growth	16%	11%	5%	21%	16%	32%
Organisational Growth	16%	5%	11%	11%	11%	47%
Consolidation	21%	5%	11%	5%	5%	53%
Cost Reduction	21%	21%	32%	16%	0%	11%
Capital Conservation	11%	21%	16%	5%	16%	32%
Asset Efficiency	5%	21%	16%	11%	5%	42%
Capability Development	5%	0%	11%	5%	11%	68%
Budgeting & Variance Analysis	0%	5%	0%	11%	37%	47%

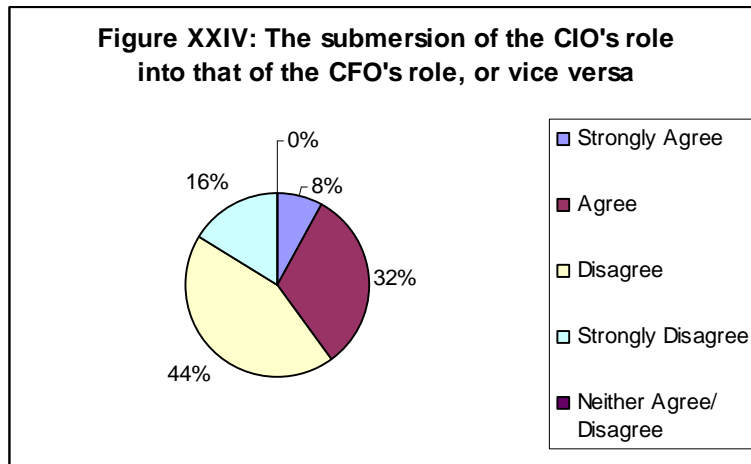
The typical strategic priorities such as revenue growth, organisational growth, and capability development do not feature as prominently as the typically non-strategic priorities such as consolidation, cost reduction, and budgeting. However the prevailing economic conditions mean that the motives behind the typically non-strategic priorities cannot be said with certainty. It may be the case that they are necessitated to ensure organisational survival, and are in fact strategic in nature. What is certain is that the aforementioned typically strategic priorities represent over a third of the CFO's main priorities.

When asked where they would see the role in five years time, the responses again are not conclusive in how the CFO's even see the role in the present day. 25% of CFO's currently see the role as key in the strategic development of the company. However, another 19% of respondents indicated that they see the role growing in emphasis regarding strategic development and as one CFO put it 'becoming more of a business leader than a business monitor'. Other responses were mainly that there would be little change, or that the role would stay the same, not indicating how they saw the role in its current form.

This evidence suggests that at present the role is neither that of a strategic partner or a financial cop. It is a hybrid of both. Elements of both roles exist in the role of the CFO in Irish plc's. As previously mentioned, the CFO's span of control and the few people who have access to them, indicates their strategic level in the organisation. However, the survey highlighted the lack of clear definitive evidence to suggest that the CFO is a total strategic partner. While it may not be a totally strategic role, the researcher deems that it is one within the sphere of strategic partner, who because of their financial expertise is still required to assist in financial matters that some may deem characteristic of a financial cop, e.g. financial reporting, budgeting.

4.6.2 CFO vs. CIO

When analysing the results of whether the future role of the CFO includes it being amalgamated with that of the CIO, the results were somewhat mixed.



8% strongly agreed, with a further 32% agreeing with the possibility of such an amalgamation. Another 16% strongly disagreed while the remaining 44% disagreed. The possible reason for the disagreement was highlighted in two answers from those who disagreed with the possibility of such an amalgamation. The first respondent was of the mindset that such an amalgamation would be unwise. They highlighted that in general the 'CFO identifies the issues faced by the organisation that IT might help to address. The CIO then reacts to the needs created by these issues to develop solutions'.

The second respondent also questioned whether such an amalgamation 'was practical given the gulf in knowledge and experience between the roles'. What was further interesting was that the CFO's of the two companies in the information, communications and technology (ICT) industry were not in agreement. One was in agreement with the statement while the other disagreed. The lack of consensus on the matter means that the possibility of such an amalgamation cannot be ruled out. Traditionally finance professionals have been the gatekeepers of organisational information. However, the advent of the CIO as a member of the executive management team is clearly seen by some CFO's as a potential threat, or possibly an opportunity, in the contraction or expansion of their role, depending on which of the roles is submersed into the other.

Chapter 5: Conclusions and Recommendations

5.1 Introduction

This thesis has been concerned with examining the role of the modern CFO in Irish PLC's. The objectives were to examine the role of the CFO as a generic manager, to determine the factors that have contributed to a change in the functions carried out by the CFO, to identify the extent to which these factors have caused a change in the role, to determine and assess the necessary skills of the contemporary CFO, and to assess the future position and role of the CFO. Chapter five summarises the main findings of the research, draws conclusions and implications, and proposes recommendations based on the findings.

5.2 Main Findings

Analysis of the research highlighted the following findings which the researcher deemed to be of significance:

- As a manager, the CFO is more concerned with the strategic functions of planning and leading, as opposed the passive forms of management, mainly controlling. The emphasis of Mintzberg's ten managerial roles backs up this finding. Planning type roles such as entrepreneur and monitor, as well as leader are ranked in the top four. The typically controlling roles of disturbance handler and negotiator, and the organising role of resource allocator are all ranked among the bottom four roles.
- The CFO is responsible for not only overseeing the finance department, but also oversees numerous other departments. Few employees report directly to the CFO, which indicates their seniority within the organisations.
- Any changes in the role of the CFO have been attributed more to the globalisation of business than any other factor. The expectation of higher value creation is ranked second followed by the increased interaction with the investor community, IT, financial scandals, and the movement towards a knowledge based economy.

- The CFO's ranked integrity as the most important skill/ characteristic followed by financial expertise, strategic focus, leadership, and communication.
- The role of the modern CFO in Irish PLC's is neither completely submersed in the strategic aspects of running the organisation nor is it solely some form of a financial cop role.

5.3 Conclusions

The role of the CFO is a very complex one. Those who wish to classify it under a single tag such as that of strategic partner or financial cop are ultimately underestimating the complexity of the role. This has lead to the increase in numbers who define the role along strict strategic or financial borders, which ultimately results in a gross understatement of the variety of work CFO's engage in.

The literature identified the role of the CFO as a strategic business partner, while elsewhere also identified it as the financial cop in organisational life. The primary research is in disagreement with such strict definitions. It has highlighted that the role exhibits many different facets, that taken individually and not as a collective unit, will result in a failure to appreciate the full scale of the CFO's work. Both strategic and non-strategic tasks occupy a significant amount of the CFO's work time, i.e. a third each respectively. Therefore one should not be given precedence over the other when evaluating the role. Clearly the CFO is involved at times as a business partner and at other times as a financial cop. The primary evidence suggests that at present the role is neither that of a strategic partner or a financial cop. It is a hybrid of both. Elements of both roles exist in the role of the CFO in Irish PLC's.

The literature highlighted that globalisation and IT has been the biggest factors driving change in the CFO's role. The primary research however found that for the CFO's role in Irish PLC's this was not entirely the case, with IT ranked fourth. The increasing importance of customers and investors where found to be the main reasons why IT lagged behind globalisation.

The literature identified that in a previous study carried out by Dalton (1999) financial expertise was deemed the most important skill and characteristic. Integrity was ranked second followed by communication, strategic focus, and leadership. The primary research identified that for the CFO's in Irish PLC's integrity is the most important skill and characteristic. This is followed by financial expertise, strategic focus, leadership, and communication. The analysis in this study (Section 4.5.6) has provided a logical reasoning why some skills were deemed more important than others, and why some have changed place since Dalton's study.

The future role of the CFO is unclear. Some see it continuing in a strategic capacity, while others see it growing in its strategic emphasis. One respondent stated that 'he had absolutely no idea'. It appears that while it may grow in strategic importance, the evidence from this study highlights that financial matters will almost always be a fundamental feature of the role, even when the role appears to have moved into the realm of a strategic business partner.

However likely the role of the CFO submersing that of the CIO, or vice versa, the research has highlighted a divide in opinion exists on the topic. The literature identified such an amalgamation as a possibility. No definitive statement was made. The primary research is in agreement with this. The research did not highlight the probability, or lack thereof, of such an amalgamation through a conclusive agreement or disagreement. However, the mixed views seem to suggest that such an amalgamation does in fact remain a possibility.

5.4 Recommendations

Clearly integrity is of the utmost importance in the role of the CFO. This is highlighted in both this survey and Dalton's survey (1999). Such an important aspect in the head finance role must warrant significant attention in the continued professional development (CPD) programmes run by the professional accountancy bodies. The actions of those among the hierarchy of the banks in

the last year have refocused the spotlight back on the lack of integrity that can exist among high ranking, professional officials. It highlights that even those who are professionally qualified need to be continually re-educated on matters of an ethical nature. Therefore, it is recommended that integrity be of the highest priority among the CPD programmes that the professional accountancy bodies carry out each year.

Likewise the importance of communication should not be underestimated from the results of the study. The study revealed that it received the lowest ranking, as well as being the recipient who received the lowest percentage of the top score of 5. Despite this, the other evidence has shown that it is still a fundamentally important characteristic. Those whose aspirations include working in the role should not see the lesser ranked skills as not being as important. As mentioned above, one CFO stated that they are not mutually exclusive, but rather the whole array of skills and characteristics are needed in equal measure.

5.5 Further Areas of Research

This study looked at the role of the CFO in Irish listed companies. An obvious area of further research would be a similar investigation into the role of the CFO in unlisted companies. This would facilitate a comparison between the company types, and whether the status of the companies is likely to have an impact on the role of the CFO.

The quantitative nature of this study facilitated analysing the large number of CFO's working on the ISE. A limitation of using questionnaires is that in order to make it attractive to fill out, it should only take a short amount of time. This puts a limit on the number of questions that can be asked. However, a qualitative study would facilitate deeper knowledge discovery into certain aspects of the role which could not be asked in the questionnaire due to the time constraint. For example, the motives behind the CFO's priorities in the coming year could be ascertained more easily through an interview.

Another area might be to transplant Dalton's 1999 study from an American context into an Irish one. This would involve investigating the perceptions of the CEO's of companies, be them listed or unlisted, regarding the skills and characteristics that they deem the most important in their CFO.

According to an Australian report by Cap Gemini Ernst and Young in 2002 60% and 47% of respondents respectively were considering adopting a SSC or outsourcing aspects of their finance function. This survey highlighted that currently only 24% of Irish PLC's have adopted a SSC or outsourced elements of the finance department. A final possibility might be a study investigating why Irish PLC's seem to be reluctant to outsource or adopt a SSC for aspects of their finance department activities.

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Appendix I: Cover Letter for Questionnaire

Letterkenny Institute of Technology,
Port Road,
Letterkenny,
Co. Donegal.

12th June 2009

Chief Financial Officer,

Dear Sir/ Madam,

My name is Fintan Bonnar and I am currently carrying out primary research for my thesis entitled 'an examination into the changing role of the Chief Financial Officers in Irish listed companies: a 21st century perspective'. It is an area that there exists considerable research in an international context, particularly an American one. However no such research exists into the role of the modern CFO in Ireland. With my research I am hoping to shed light on the role in an Irish context.

I recognise that individuals working in your position are extremely busy and time can be scarce. With this in mind I have pilot tested and designed the questionnaire to be as easy and quickly to fill out as possible. I have also enclosed a stamped addressed envelope for your convenience.

Your response is very important and as an incentive to complete the questionnaire **I will donate €10 to charity for every response received by the 30th of June 2009.**

All responses will remain strictly confidential. You will notice that your name and address do not appear on the questionnaire itself and that there is no identification number.

Again I reiterate my gratitude for taking the time out of your day, it is very much appreciated.

Yours sincerely,

Fintan Bonnar

Appendix II: Questionnaire

Section A – Company Profile

Q1

What industry does your company operate in? _____

Q2

What is the company's annual turnover?

<€25m	€25m- €100m	€100m- €250m	€250m- €500m	€500m- €1bn	>€1bn
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q3

How many people does your company employ?

<250	250-500	500-1000	1000-5000	5,000-10,000	>10,000
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q4

How many people report directly to you?

<20	20-50	50-100	100-200	200-500	>500
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q5

What is your background?

Accounting or Finance	<input type="checkbox"/>
Marketing	<input type="checkbox"/>
Line Management	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>

Q6

Does your company currently outsource/ adopt a shared service for any functions of its finance department?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If yes, what was the main reason for doing so?

Cost reduction	<input type="checkbox"/>
Benefit from third party expertise/ experience	<input type="checkbox"/>
Allow the finance dept. to add more value (e.g. through increased analysis, problem solving, etc)	<input type="checkbox"/>
Time constraints within your company	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>

Q7

Please outline if you are responsible for overseeing any of the following departments:

Information Technology (IT)	<input type="checkbox"/>
Human Resources (HR)	<input type="checkbox"/>
Public Relations (PR)	<input type="checkbox"/>
Legal	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>

Section B – Factors concerning the role**Q8**

What functions currently occupy your time? Please give a % estimate breakdown.

Financial Reporting	<input type="text"/>	<input type="text"/>
Dealing with internal and external audit	<input type="text"/>	<input type="text"/>
Budgeting	<input type="text"/>	<input type="text"/>
Financial Planning	<input type="text"/>	<input type="text"/>
Others, please specify _____	<input type="text"/>	<input type="text"/>
_____	<input type="text"/>	<input type="text"/>
_____	<input type="text"/>	<input type="text"/>

Total 100

Q9

Significant factors have contributed to a perceived shift in the role of the CFO from strict controller to a strategic partner in the company. In your opinion please rank the following factors *relative* to one another between 1 and 6 in order of importance, where 6 is highest, 5 is second highest and so on down to 1

Globalisation of Business

(competitive pressures and opportunities, adopting IFRS, etc)

Information Technology

(automation of processes, increased number of competitors, etc)

The knowledge based economy

(managing intangible assets, differentiating co. offerings)

Higher value creation expectations

(more demanding customers, streamlining the co's value chain)

Financial Scandals

(increased scrutiny of the finance function and accountancy profession)

Increased interaction with the investor community

(developing relationships with lenders, keeping shareholders interested, etc)

Q10

Please outline the extent to which you agree/ disagree with the following statements:

IT has reduced cumbersome work giving the CFO more time for analysis and problem solving activities

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Organisational transformation is necessitated to deal with changing global conditions

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

To be successful in the role, a CFO must be strategically forward thinking as opposed periodically backward looking

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Adoption of IAS's and IFRS's have impeded the CFO's value adding work, e.g. analysis, problem solving

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Section C – Skills/ Characteristics of the modern CFO

Q11

Please rate the importance of the following characteristics/ skills, *relative* to each other, for the modern day CFO, where 5 is the highest, 4 is the second highest, and so on)

Financial Expertise
Leadership Skills
Integrity
Strategic Focus
Communication Skills

Financial Expertise

Q12

Please outline the extent to which you agree/ disagree with the following statements:

The CFO requires proficient knowledge of applying international accounting standards and differing tax law

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

The CFO needs to be able to recognise, measure and support an organisations intangible assets

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

The CFO must be aware of exposures to currency and interest rate risks and be able to manage such risks

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Leadership Skills

Q13

Relative to each other please rank the importance of the following in the CFOs role, where 3 is the highest, 1 is the lowest

Developing relationships with those reporting to you

Developing relationships with those to which you report

Developing relationships with external parties, e.g. customers, regulators

The role of the CFO involves championing the finance function as a business partner as opposed a strict controller of the business

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

The CFO is responsible for creating an environment for innovation among employees to take place

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Communication Skills

Q14

Please outline the extent to which you agree/ disagree with the following statements

The CFO needs proficient communication skills to communicate internally financial information to non-finance people

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

The CFO is the first stopping point for activist investors and must be able to adequately satisfy issues that they may have

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

To keep a broad interest in the company the CFO must communicate with foreign stakeholders (foreign lenders, investors)

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Strategic Focus

Q15

CFO's must have the skills to identify, prioritise and effectively manage risk

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Q16

Does part of your role involve managing risk at a strategic level?

Yes ☐

No ☐

If yes, please briefly outline this part of your job

In no, please briefly outline why you feel this is not part of your job

Integrity

Q17

The financial scandals of the 21st century have resulted in the integrity of the finance function and in particular the CFO coming under increased scrutiny. Do you believe that this has impacted on the role of the CFO in Irish listed companies?

Yes ☐

No ☐

Why do you believe this

Section D - Managerial Roles

Q18

As head of finance, your role may involve generic managerial functions. Please rate the following relative to one another with 4 being the highest and 1 being the lowest

Planning

(envisaging the desired future state of the organisation and the means of attaining this)

Organising

(producing the organisational structure through the design, grouping and authority of different jobs)

Leading

(motivating the organisations employees to co-operate in the work of achieving the organisations aims)

Controlling

(monitoring performance and taking corrective action when deemed necessary)

Q19

a) In the first box provided please rate between 1 and 5 the relevance or otherwise of the following ten functions to the CFO's role, where 5 is extremely relevant and 1 is extremely irrelevant. (note these answers can be used to help answer part b)

b) In the second box please rank the ten functions against one another in their applicability to the CFO's role, where 10 is the highest function and 1 is the lowest

	A	B
Monitoring (seeking all internal as well as external information)	<input type="text"/>	<input type="text"/>
Disseminating (passing information on to subordinates, chairman/CEO, etc)	<input type="text"/>	<input type="text"/>
Spokesperson (transmitting information outside their dept. via reports, memos)	<input type="text"/>	<input type="text"/>
Figurehead (performing ceremonial and symbolic duties by virtue of their position)	<input type="text"/>	<input type="text"/>
Leader (encouraging and motivating employees)	<input type="text"/>	<input type="text"/>
Liaison (developing relations external to their dept. to obtain information)	<input type="text"/>	<input type="text"/>
Entrepreneur (using their initiative to deal with changing environmental conditions)	<input type="text"/>	<input type="text"/>
Disturbance Handler (resolving conflicts within the dept. and between the dept. and other dept's)	<input type="text"/>	<input type="text"/>
Resource Allocator (allocating the dept's resources incl. their own time)	<input type="text"/>	<input type="text"/>
Negotiator (negotiating issues in their dept.)	<input type="text"/>	<input type="text"/>

Section E – Future role of the CFO

Q20

Please rank, in order of importance, your five main priorities for the next twelve months, where 5 is the most important, 4 is the second most important and so on.

Revenue Growth (pursue new customers, increase business with existing customers, etc)

Organisational Growth (acquisitions, mergers, etc)

Consolidation of current position

Cost Reduction (improve cost efficiency of sourcing, manufacturing, SG&A, etc)

Capital conservation

Understanding and adopting new accounting standards

Asset Efficiency (improve management of inventory, PPE, receivables/payables, etc)

Capability Development (strengthen managerial and operational competencies)

Budgeting and Variance Analysis

Others, please specify _____

Q21

Some commentators have stated that the finance and IT functions are becoming more interrelated which may eventually lead to the submersion of the Chief Information Officer (CIO) role into the CFO role, or vice versa. Please outline your agreement, or lack thereof, with this view.

Strongly Agree	Agree	Disagree	Strongly Disagree	Neither Agree/ Disagree
----------------	-------	----------	-------------------	-------------------------

Q22

Where do you see the role in five years time?

Q23

Any other comments regarding the skills, role and/or work of the modern CFO?

Appendix III: Interview Questions

Q1.

In your experience could you please outline the traditional role of the Chief Financial Officer?

Q.2

Do you think the 'bean counter' tag was appropriate for the work the CFO traditionally undertook?

Q.3

Do you feel changes in the finance function, mainly the outsourcing of certain aspects and the adoption of shared service centres, are designed to enable the finance function to add more value through increased analysis, problem-solving, etc. or are utilised mainly for other reasons such as reducing costs?

Q.4

What do you feel are the main factors that have contributed to a change in the role of the CFO?

Q.5a

What skills and characteristics are required to successfully carry out the CFO's role?

Q.5b

Of those mentioned above, which would you consider the most important, and briefly explain why?

Q.6

Do you think the 'bean counter' tag is appropriate for the work the CFO now undertakes?

Q.7

Do you believe that working as the CFO will, or has already become, accessible to individuals from different backgrounds, e.g. marketing, line management?

Q.8

Some commentators have stated that the finance and IT functions are becoming more interrelated which may eventually lead to the submersion of the Chief Information Officer (CIO) role into the CFO role, or vice versa. In your opinion is this a possibility?

Q.9

As CFO what are your main priorities for your business over the next twelve months?

Q.10

Where do you see the role in 5 years time?