

CHALMERS



Becoming the CFO's best friend by gaining a deeper customer understanding

Master of Science Thesis in the Management and Economics of Innovation Programme

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Abstract

The fast-changing markets of today put high demands on firms to identify and adapt to new wants and needs within their operating environment. Customer understanding is therefore central for firms trying to stay competitive. This report covers the topic of customer understanding, specifically focused on what advantages can be gained through understanding ones customer on a fundamental level, i.e. by knowing what the target customer actually does. The study has been executed in unison with the IT company Medius, which aims to become “the CFO’s best friend” through their process automation solutions.

The report aided this mission by mapping out what formal responsibilities a Chief Financial Officer (CFO) has, what they actually do, who they are, what challenges they face etcetera. Data were collected through a theoretical study, via interviews with Medius employees as well as with CFOs in multiple firms. The findings were discussed, and further developed through a workshop with Medius employees.

The findings include first and foremost an overview of the role of the CFO. All major responsibilities that CFOs may have are outlined and described. Data is also put forward regarding how CFOs divide their time between different responsibilities, what challenges they face, how they see the role evolving, differences depending on company size and industry, etcetera. The study also reveals many features that CFOs expect from a “best friend”, such as what time during a year CFOs appreciate to be approached, how they prefer to be approached, what elements they prefer to have included in the sales process and most common issues and requested solutions.

The report concludes with a discussion around how Medius can utilize these findings, in order to become a better friend of the CFO. Desired characteristics in a supplier include reference cases, humbleness about potential difficulties of one’s solution, flexible financial alternatives etcetera. It was also revealed that a potential change in incentive scheme as well as an increased flexibility in terms of how Medius’ different divisions cooperated and shared information could aid their quest in becoming the CFO’s best friend.

Keywords: Customer understanding, CFO, CFO’s best friend, Formal responsibilities, Actual work habits, Supplier requirements.

"In driving improved processes, automation can be the CFO's best friend"

– Bruce Nolop –

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1. Introduction

The importance of innovation is something that few people argue against. Its significance is highly evident in the fast changing markets of today, and even more so within the IT sector. This industry has experienced a rapid, but turbulent, development of companies within the last decades. Incumbent firms have taken a foothold on the market, new firms have emerged and many continue to capitulate under the harsh competitive pressure. Consequently, in such an unpredictable environment where new opportunities constantly emerge, firms must be able to identify and adapt to the many changes on the market.

A common denominator between much of the research conducted in this area is the importance of understanding the customer (e.g. Bower & Christensen 1995 & 2007; Blank, 2006; Moore, 2001). Researchers have therefore developed business intelligence practices, innovation schemes, strategic frameworks and customer development methodologies, to name a few areas, which can assist to better understand one's customers. Less research has, however, been carried out with the goal of exploring actual work habits of people with specific positions within companies. That knowledge can be crucial in order to understand what problem that actually needs to be solved; as Bower & Christensen (2007, p. 38) write:

"Most companies segment their markets by customer demographics or product characteristics and differentiate their offerings by adding features and functions. But the consumer has a different view of the marketplace. He simply has a job to be done and is seeking to "hire" the best product or service to do it."

Firms must therefore be apt at identifying the stakeholders during a sales process and understand what these stakeholders actually want to get done, or solved.

The most researched roles in this area are employees in managerial positions, and not the executives (Matthaei, 2010). However, some studies have been done regarding the role of the chief executive officer (CEO). Carlson (1951) provided useful insights to the work of CEOs and Tengblad (2000) followed up on that research almost 50 years later. The two researchers studied the behavior of several CEOs to understand what they actually did in their work. Their research was not only interesting from an academic viewpoint, since it touched upon informal as well as formal processes, but could also be used when identifying new business opportunities. For example, Tengblad (2000) identified an increase in travel time for CEOs, which could mean that new interesting opportunities could be seized by producing solutions that enhanced CEOs' capability to work on the road. Hence, it shows that firms can benefit from knowing the customers' habits and understanding how they work.

The aim of this thesis is to further investigate this field. With the position of the CEO having been previously explored, the goal is to augment the theory related to the work of the chief financial officer (CFO). The role of the CFO has been less researched which means that the understanding of what CFOs actually do is less developed. This knowledge could be highly important since the role of the CFO is central within most organizations. This thesis will explain the importance of such an

understanding and show how a deeper understanding of the CFO may provide useful insights for firms trying to become the CFO's best friend. Prior research will therefore be used as a theoretical background, to understand the formal responsibilities of a CFO. Empirical data will be gathered in addition to this, in order to provide an understanding to what CFOs actually do.

Medius, which has the ambition to become "the CFO's best friend" with their IT solutions, was considered to be suitable as a case company for this study. This phrase – the CFO's best friend – is related to Medius' need of a better and deeper understanding of the people generally responsible for the finances within medium-sized firms. The fact that Medius operate in the IT industry, which has seen tremendous growth during the last decade, made this case even more interesting. The challenge to properly understand ones clients gets even tougher in such an environment, where companies have little time to stop and thoroughly investigate its customers and their true needs.

1.1 Case background

Medius is an IT consultancy firm that offers solutions to increase efficiency through automation of business processes. The firm was founded in Linköping in 2001 and has grown from being a two man operation to become a multinational firm, employing over 300 people in more than 10 countries around the world (Medius, 2013). The rapid expansion has not gone unnoticed, as Medius has won five consecutive DI Gasell-awards between 2007 and 2011; an award given to the fastest growing companies in Sweden, that show twofold increase in revenue, among other criteria (Dagens Industri, 2013).

Medius currently offers their own product, Mediusflow, as well as IT consultancy services around Microsoft's Dynamix AX and NAV systems. Many different applications and solutions exist within Mediusflow, focusing on for example electronic invoice handling, purchase-to-pay modules and process automation. The most commonly sold application is the electronic invoice handling solution, which digitalizes the management of incoming invoices. The application can manage the handling of electronic invoices, with an adaptable logic that delegate the right invoices to the right respondents. The service can also, when connected with the scanning platform Readsoft, digitalize physical invoices, enabling all essential information to be automatically transferred to Mediusflow by being scanned. Consequently, the solution has the potential to streamline the administrative processes of its users. The software's ability to integrate the electronic invoice management into all major ERP systems has also proven successful, as their rapid growth has shown.

The largest customer segment that Medius is targeting comprises companies within the revenue range of approximately 100 million to 2 billion SEK. However, customers with somewhat lower revenues can also be found as well as those with revenues well over 2 billion SEK. Further, the firm is primarily focusing on retail and manufacturing industries, as companies in these areas typically manage a significant number of invoices. (Medius, 2013)

Medius is keen to improve their current understanding of its target group – CFOs in medium-sized, Swedish companies – in order to continue its impressive growth pace. It is, however, a significant difference between understanding what a customer, a CFO in this case, should be doing, and what he/she is *actually* doing. Medius thus wants to better understand how CFOs are working and what they would require from someone trying to become their best friend.

1.2 Purpose and research questions

The purpose of this study is to help Medius become the CFO's best friend, with the focus of helping the company to better understand this target group. More specifically, the CFO's formal role and key responsibilities will be identified and explored in prior research. This will be complemented by an empirical study, where CFOs are interviewed about what they actually do, who they are, what challenges they face etcetera. Three research questions have been developed, in order to break down the purpose into concrete problems. These questions are as follows:

1. What are the general responsibilities, actual work habits and characteristics of a CFO in a medium-sized firm?

The deliverable will be an overview of the CFO's role and an increased understanding of how CFOs work in medium-sized companies, which is seen as valuable for Medius when trying to better understand their targeted customer group. *Medium-sized* refers to firms in the range in and around Medius largest customer segment; i.e. from companies somewhat below 100 million SEK in revenue to those a bit larger than 2 billion SEK. Hence, this foundation can be seen as a deliverable by itself, but also a basis for the following research questions.

2. What implications does this have in terms of what CFOs value from their potential best friend?

The deliverable will be a condensed outline of key aspects that CFOs value from their potential best friend. Hence, the most crucial aspects found within previous research and the empirical study will be explored further to answer this research question.

3. How can this knowledge influence Medius' work towards becoming the CFO's best friend?

The deliverable will be contextualized through a workshop where a discussion is held around how Medius can benefit from the thesis' findings. The aim of this discussion will be to create awareness of the findings and discuss their potential implications for Medius in their mission towards becoming the CFO's best friend.

1.3 Delimitations

This study will adhere to Medius' largest customer segment, and thus concentrate on Swedish companies that are found within the range between 100 million SEK and 2 billion SEK in revenues. However, a few companies that are included in this study fall outside of this segment. This choice has been made since the inclusion of these will increase the ability to analyze potential differences between companies of different sizes.

Further, this study will focus on providing an understanding of the CFO by exploring formal responsibilities, but also through an examination that covers what they actually do, what challenges they face and how they would like things to be done. There could probably be interesting differences between these two parts, however, a potential analysis regarding why such differences might exist lies outside of the scope of this thesis. Moreover, there are other research areas, such as

customer relationship management and the customer delivery process, which also could provide insights to what CFOs would value from their best friend; some of which have been explored in previous master theses at Medius. This study will not focus on these, but will instead provide an understanding of the CFO and analyze how such an understanding can offer insights to what CFOs would value from their best friend. Thus, the findings are only part of the big picture. Moreover, the research will be conducted on a generic level, since the focus of this study is to provide a broad understanding of the CFO and to analyze what implications this may have for suppliers aiming to become the CFO's best friend.

1.4 Disposition

The initial chapter of this report, the *Introduction*, introduces the reader to the subject of interest as well as the case company. This chapter also outlines the purpose, research questions as well as the delimitations of the study. This is followed by the *Methodology* chapter, which explains how the study has been performed. Here, the design of the study, as well as the practical research method will be explained. This chapter also clarifies how high validity and reliability have been ensured throughout the study. The *Analytical framework* follows, where an explanation is put forward of how customer understanding can be reached through understanding the formal responsibilities and actual work activities of a certain stakeholder, in this case, the CFO. A model is then created that will guide the literature and empirical research. Next chapter is the *Theoretical background of the CFO* which covers general theory about the role of a CFO as well as more detailed explanations of the different responsibilities that CFOs have. This is followed by the *Empirical study of the CFO*, where findings from the interviews and the questionnaire are presented. The findings are then explored deeper in the *Analysis* with the aim to answer the three research questions. This is followed by the *Conclusion* where key findings are presented and the report ends with *Suggestions for future research*.

2. Methodology

This chapter will introduce the reader to the research methodology used in this thesis. It will start in general terms, describing the research strategy and design, after which it will focus on the more specific research and data collection methods. The chapter ends with a brief explanation of how the study's validity and reliability have been assured.

The overall design of a research study can greatly affect its end result. Consequently, it is of great importance for a study like this to be transparent in how it has been performed. This allows its readers to interpret the findings and conclusions of the report in light of how it has been executed. (Bryman & Bell, 2011)

2.1 Research Strategy

General research can be divided into two, quite different, strategies; quantitative and qualitative research. Quantitative research involves extensive usage of measurements, where the researchers try to find statistical evidence from large amount of numerical data. Qualitative studies, on the other hand, do not use numerical measurements, but focuses on reaching a deeper understanding of the studied subject (Bryman & Bell, 2011). This study is therefore considered to be of qualitative nature as it aims to provide a deeper understanding of what CFOs actually do. The study also contains quantitative elements, these are however secondary to the qualitative ones, and the study is thus considered to be of qualitative nature.

2.2 Research design

Bryman and Bell (2011) list five different types of research designs; experimental design, cross-sectional design, longitudinal design, case study and comparative design. A study usually has one primary research design, though with various influences from other design approaches. The reason is that all designs have their implicit limitations, which is why triangulation of two or more designs often is used (Bryman & Bell, 2011). This thesis primarily uses a case study design, with some cross-sectional design traits. A case study design was chosen since it is most applicable to the research questions as well as the project's time and budget constraints. Another reason is the fact that this study aims to answer questions of the type "how" and "why," for which a case study framework is recommended (Yin, 2009). Some cross-sectional design traits are also apparent in the exploratory study related to how CFOs work. This is based on the fact that the findings are derived from several observations, both from secondary data and through interviews, conducted in a short timeframe.

2.3 Research process

Figure 1 acts as an illustration to provide a better understanding of how the research process of this thesis looked like. The process is divided in six sections: *Project definition and initial investigation*, *Theoretical investigation*, *Pre-study*, *Interviews with CFOs*, *Workshop at Medius* and *Conclusions and reflections*. Analysis of the gathered data has been present throughout the process and has been an important factor when deciding how to proceed and what areas to investigate further.

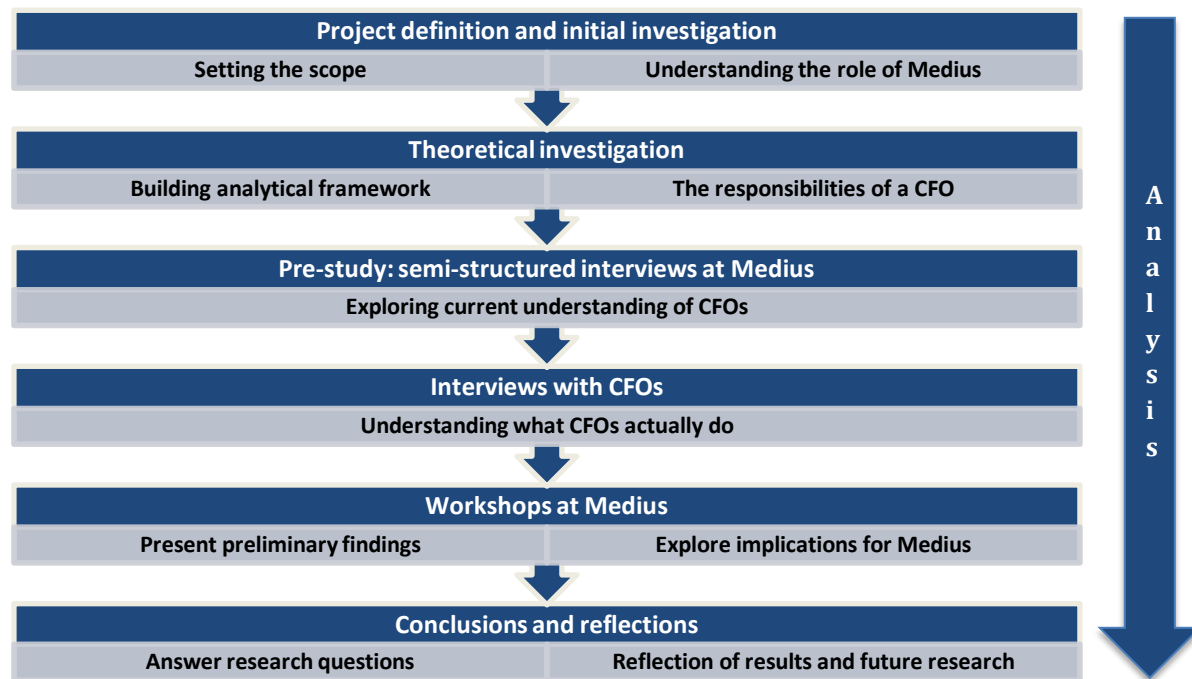


Figure 1 - Thesis research process

The process shown above should be seen as a simplified version of the actual activities in the research process. The initial investigation was, for example, extended into the theoretical investigation. This can be explained by the creation of the analytical framework: The framework was initially influenced by previous research related to formal responsibilities of CFOs. Though, a few adjustments were needed since the authors largely omitted informal processes and actual work habits of CFOs in their framework. An initial investigation was thus performed, with the aim to further develop the framework. One financial manager, one CEO and one professor at Chalmers University of Technology were interviewed in this initial investigation. This provided insights in terms of additional interesting areas of investigation that focused on informal processes. The result was an extended framework with additional fields of research being explored. Furthermore, the theoretical investigation was also iteratively revisited when data from interviews provided insights to new aspects of the research questions. The data collection methods used in the different sections of the research process varies, with the aim to funnel down the topics to eventually answer the research questions of the thesis.

2.4 Research method and data collection

Several research methods have been used throughout the project to collect data, as was shown in Figure 1. Primary and secondary data have been collected, both internally at Medius and through external sources. This study's research methods will be explained more thoroughly below.

2.4.1 Secondary data

Secondary data collection included the use of three different types of documents: internal documents provided by Medius, calendars of CFO's as well as external information from various

databases. Internal documents were used in the initial investigation phase of the research process since it assisted in the work to define the scope and what Medius' role should be for the thesis.

The use of calendar studies, on the other hand, was initialized in relation with the interviews with CFOs. Matthaei (2010) describes this as a suitable data collection method when exploring the work of managers. However, it soon proved hard to materialize any significant findings from the interviewees' calendars, simply because of the fact that the respondents did not utilize their calendars to the expected extent. Numerous calendars were studied during the interview phase of this study, but it was decided that it would not add any significant value to the study. Though, it should be noted that this data collection method could be highly suitable if somewhat larger companies were to be approached, something that will be further discussed in chapter 8.

The external material includes literature from scientific articles and books, as well as other sources. The majority of the materials have been accessed via Chalmers' library, the library at the school of Business, Economics and Law at Gothenburg's University as well as Google Scholar. Triangulation of these findings, i.e. the utilization and combination of multiple sources, has been exercised throughout the study in order to ensure the reliability of the secondary data, in line with Bryman and Bell's (2011) recommendation. Furthermore, when appropriate sources were found their citations were also backtracked to find additional research on the topic. New areas of research were also found after both internal and external interviews which meant that additional theoretical investigation was conducted, i.e. theoretical sampling was used.

The external theoretical investigation of this thesis consists of two separate parts; the first, and primary, section covers the formal responsibilities of the CFO. This part of the literature review is mainly focused on giving an understanding of the role of the CFO and what obligations that typically are associated with this position. Examples of key words that were used in these searches were: "the role of the CFO", "CFO trends", "Chief financial officer roles" and "Responsibilities of a chief financial officer". Theoretical sampling were also applied regarding search key words, i.e. when an area of interest was found, certain key words from that area were used for future searches.

The second part of the theoretical investigation covers the topic of informal processes. Hence, this section focuses more of what the CFOs *actually* do, compared with the previous one, which highlights what they *should* do. It also incorporates research made on informal processes and on other stakeholders than the CFO since, as was stated previously, this research is much less developed for the CFO than for the CEO for example. Examples of key words that were used in these searches were: "What do CFOs do", "Work habits of the CFO", "Informal processes of the CFO", "Challenges for the CFO" and "CFO Survey". The majority of the research found within this area has been used to provide insights to the analytical framework and how to structure the empirical study of this thesis. Hence, this part of the theoretical study was primarily done in the early stages of the research process.

An analytical framework, presented in Chapter 3, has been constructed around this research, and it has been used to create a structure for the thesis. The framework represents both the formal responsibilities of the CFO, as well as aspects that are not responsibilities such as work habits, engagement etcetera. Hence, the aim was to create a framework that could incorporate the entire

role of the CFO and consequently illustrate what a CFO does. Such a framework has not been found within prior research and is considered valuable in order to structure the empirical study with consideration to prior research as well as to successfully link the formal and informal work of CFOs.

2.4.2 Interviews

Interviews with two employees at Medius was part of the initial investigation phase; one interview with Niclas Lilja, product development manager, and one with Mark Möller, application consultant and tutor for the thesis at Medius. This was done to increase the understanding of the firm as well as their offerings, but also to understand their view of the research questions and general aim of the study. This approach is in line with O'Leary (2004) and Bryman & Bell's (2011) recommendation related to methods suitable early in a case study since it provides the researches with consensus on scope and overall direction of the project. These early interviews were of an open character, since the knowledge of the setting was limited at that time.

As was previously explained, three people outside of Medius were also interviewed in the initial investigation phase; one financial manager, one CEO and one professor at Chalmers University of Technology. The aim of these interviews was to provide insights for the development of the analytical framework. Hence, questions had an open character and the interviewees were questioned around areas of their individual expertise. With the increased knowledge from these interviews, and understanding of what areas that needed to be explored, additional focus areas were added to the theoretical investigation. The result was an expanded framework that covered all aspects necessary to answer the research questions as well as fully cover the entire role of the CFO.

A pre-study was conducted through the additional interviews with twelve employees at Medius. The interviews were between 35 to 60 minutes long, with an average duration around 50 minutes. The questions were formulated based on the findings from the previous internal and external interviews as well as the initial theoretical study. The interviews were semi-structured in order to get a thorough understanding of the subject, and to avoid missing any important subjects due to a too narrow interview focus. These internal interviews resulted in a detailed apprehension of Medius' relation to, as well as their present understanding of, the CFO. This in turn influenced the focus of the analysis somewhat, since aspects that were already being evaluated by Medius would be less interesting to explore deeper.

Interviews were also conducted with 12 CFOs, 3 financial managers, 1 accounting manager and 1 controller, i.e. 17 interviewees in total, as can be seen in Table 1 in chapter 5. The interviews were between 40 to 75 minutes long, with an average duration around 60 minutes. These interviews were semi-structured to provide insights into new areas of investigation as well as data on preconceived hypotheses; a choice based on prior interview method experience as well as recommendations from other research (Matthaei, 2010). Furthermore, when additional questions were put forward to the interviewees during the project, the questions became more structured since answers were being sought in specific areas of investigation. This adjustment, from relatively open interviews to more structured ones later in the process, is also consistent with Bryman and Bell's (2011) recommendations on research strategies. The questions asked to the CFO's were based partly on the insights from the internal interviews at Medius, and partly on findings from the

theoretical research. The interview template was pre-tested with Fredberg, the study's academic tutor, as well as with the financial manager that was interviewed in the initial investigation. The interview template can be found in Appendix 1.

The interview template gradually evolved during the course of the interview process. This was a result of interesting findings from the interviews, which were considered worthwhile asking additional respondents about. At the end of the interview process, less *new* interesting discoveries seemed to be covered, thus indicating that an appropriate number of respondents had been interviewed.

Sampling

A non-probability sample was chosen for the internal interviews. This choice was necessary based on two aspects: First, some of the questions were highly specific and demanded high knowledge in the area from the interviewee. The second reason for this choice was the tight schedule of the potential respondents, which did not allow for any random sampling procedure for choosing interviewees. Thus, potential interviewees were discussed with Möller, and interviews with twelve suitable respondents were then conducted.

Interviews with Medius-employees were held with representatives from the sales department, aftermarket as well as with implementation consultants. Respondents from Medius' offices in Gothenburg, Linköping and Stockholm were interviewed. The respondents' work experience on Medius ranged from six months to eleven years.

The external interviews were also chosen based on a non-probability sample. The reason for this was similar to the argument for non-probability sampling for the internal interviews, i.e. that the possible respondents were busy, as well as the fact that the interviews were conducted during a relatively limited time frame. Thus, it was considered suitable to utilize convenience sampling as much as possible by finding possible candidates in the right segments within personal networks, followed by snowball sampling in order to find additional valuable interviewees. In total, this method resulted in twelve persons accepting to participate in the study. Further, cold calls were utilized in order to gather enough respondents for the study. In total, 19 additional persons were contacted, out of which five agreed to participate, six did not answer and eight declined.

It should be noted that the fact that not everyone agreed to participate in this study obviously could affect the end-result. This may have sorted out potential respondents with a different work situation compared with the ones that agreed to participate. One hypothesis here is that the ones who declined did so since their schedule was too full. Such a scenario would affect the outcome of the study, as it would mean that the participants not represent a descriptive sample of Swedish CFOs in medium-sized firms.

Several of the interviewed CFOs requested to be anonymous in this report. This, as well as the fact that personal and corporate names add little value to the report, resulted in the decision to anonymize all the respondents in the entire study. The position of the respondent, as well as a description of the interviewees' company is provided when required in order to provide a sufficient

context for responses and quotes. A full description of the respondents and their companies is provided in Table 1, in chapter 5.

2.4.3 Questionnaire

Both the internal and the external interviews featured a quantitative part. The 12 internal interviewees were asked to estimate how much time they thought CFOs spent on different areas of responsibility. The 17 external interviewees were then asked, with an identical questionnaire, to approximate how they actually spend their time. This questionnaire was also pre-tested on three people as to improve the phrasings and avoid any misunderstandings. It was also thoroughly explained to all the interviewees, to further ensure that no potential misunderstandings could affect the result. The questionnaire can be found in Appendix 2.

2.4.4 Workshop

One workshop was held for three hours with Medius' employees, once the internal and external data had been collected and initially analyzed. The workshop was initiated by a presentation of the findings from the study, in order to give all the participants an understanding of the subject at hand. This was followed by a general discussion which was dictated by a number of open-ended, though somewhat specific, questions about CFOs and how to become their best friend. The questions were constructed based on the previous findings of the study, and were of quite specific character in order to generate some thorough discussion and avoid just scratching the surface of the findings.

The workshop included members from all divisions of Medius' Gothenburg office, i.e. the sales department, Mediusflow implementation consultants, as well the central operations department, which handles the client-specific adaptations of Mediusflow. To include persons from all departments were seen as pivotal, in order for the discussion to become multifaceted and thus generating greater insights. Bryman & Bell (2011) recommend a group size of six to eight people, though it also depends on how active participants are. This workshop included four participants, though since they were active in the discussion it did not cause any issues. If, however, the workshop could have been held for a longer time, additional topics may have surfaced if more employees were involved. The discussion was conducted using open-ended questions, to further encourage a vivid debate. Hypotheses were prepared for each question, in case the question itself did not promote a sufficient discussion or if the level of discussion did not funnel down enough.

The workshop touched upon similar subjects as the pre-study did. However, the pre-study was performed with an information-seeking approach, while the workshop was carried out with the aim that the discussion should generate new insight to all participants. This was also why a workshop was used instead of additional interviews, since this enables the researchers to see how the participants respond to each other's views as well as to promote mutual discussions and conclusions; in line with Bryman & Bell's (2011) recommendations. Some findings from the pre-study were considered to be abundant to elevate on the workshop, as the respondents showed good insight of these during the interviews.

2.5 Validity and reliability

There are different ways to determine how well a qualitative study has been conducted. One such way, according to Bryman and Bell (2011), is by assessing four different criteria; *Credibility* – how

believable are the findings? *Transferability* – do the findings apply to other settings? *Dependability* – are the findings likely to apply at other times? And *Confirmability* – has the investigator allowed his or her values to intrude to a high degree?

Credibility, also referred to as internal validity, can be high in case studies. It is related to the subject of whether a finding that incorporates a causal relationship between two or more variables is sound. Thus, a higher credibility can be achieved by thick descriptions, internally logical findings as well as systematically relating concepts. The credibility should be seen as high in this study since data have been triangulated from many different research methods and data sources, such as academic journals, books, questionnaires, interviews, as well as a workshop. The findings were also submitted to the respondents in order to offer them the possibility to respond to the conclusions, as well to avoid any possible misunderstandings. The study has thus followed Bryman and Bell's (2011) recommendations in how to ensure high credibility.

It should be noted that the internal validity of this study could be increased if observational studies were executed, instead of semi-structured interviews, in order to see how the CFOs divided their time. This is since observational studies limit the chances of personal biases affecting the result (Bryman & Bell, 2011). This method was, however, rejected due to the limited time frame on which this study was to be completed.

Transferability, also referred to as external validity, is generally low in case studies. The reason is that the social context where the study is being made is difficult to compare to other settings. However, using thick descriptions as well as connecting results to prior theory can increase transferability. This study's extensive use of secondary data in the mapping of the CFO's responsibilities, combined with the multiple interviews with CFOs in different firms within Sweden, increases the transferability to a moderate level. (Bryman & Bell, 2011)

Dependability, also referred to as reliability, can be high in case studies depending on the research topic. However, high dependability is more crucial in quantitative research. High dependability can be ensured by clear research questions with fitting study features, as well as careful and systematic investigation. The recording of each interview, where the respondent accepted this, the keeping of fieldwork notes as well as records over who has been interviewed and why they have been chosen, has increased the study's dependability. The research is, however, related to a fast-changing industry where new customer demands as well as company offerings continue to surface. Dependability is thus less applicable in the study due to this market dynamic, but the research was still designed in a way to maximize its dependability. (Bryman & Bell, 2011)

Confirmability, also referred to as objectivity, can be high in case studies. To increase confirmability, Bryman and Bell (2011) recommend using auditors that review the progress and the choices that are made along the study. In order to achieve this, the academic supervisor at Chalmers has been used throughout the study to increase objectivity and get external viewpoints on different topics. Further, pre-testing and discussing the questions before asking them to the respondents have ensured objectivity in questions. Both researchers have attended the majority of the interviews, in order to ensure an objective interpretation of the answers. Ad-hoc questions were also put forward

during the semi-structured interviews as a way to get more specific answers and therefore rely less on trying to interpret what the response probably meant. The respondents' answers were discussed after each interview, to make sure that an objective and unison understanding of the answers had been reached. Further, the recordings from each interview were used in retrospect in cases when a citation was sought and the translation was discussed and agreed upon. This was particularly needed since interviews were held in Swedish while interview notes and citations were translated into English.

3. Analytical framework

This chapter will present the analytical framework for the thesis and explain the constituent parts and their relevance. The framework will be used as a guide throughout the subsequent chapters of the report in order to create a consistent and easy-to-follow structure.

Multiple studies have shown that a deep customer understanding related to new product development is critical (Ekström & Karlsson, 2001). Cooper (1999) relates to one such study which showed that new product projects that included detailed market studies, customer tests, field trials and test markets more than doubled the success rates and showed 70 percent higher market shares than projects with poor marketing actions. It is important then to understand what a *deep* customer understanding implies. Traditional approaches to a customer-centric product development focus on demographics, focus groups and basic one-on-one interviews asking customers what they want (Olson et al., 2008). While these approaches are important when creating a comprehensive picture of customer needs, there is a risk of being too narrow-minded and get stuck in old ways of thinking (Danneels, 2003; Cooper, 1999). As an example, Henry Ford once famously said: *"If I had asked people what they wanted, they would have said faster horses"* (Vlaskovits, 2011, p. 1). The traditional approaches could therefore facilitate an understanding and insights to known issues, i.e. how we could create faster horses. However, if understanding the customer on a deeper level one would understand that the problem has nothing to do with the horse per say, but rather about being able to travel from A to B in a faster way. This may be a simplistic example, but the fact is that many of today's huge product successes, like the paperclip or post-it, are basic in their designs but require a deeper understanding of customer needs.

The question then is how a firm can gain this deep customer knowledge. Several researchers argue that, on top of the traditional approaches, it is achieved by getting an understanding of what customers actually do and how and why they use present solutions (e.g. Cooper, 1999; Ekström & Karlsson, 2001; Christensen & Anthony, 2007; Olson et al., 2008; Matthaei, 2010; Marshall, 2010). This should provide insight to different factors that influence the customer as well as general responsibilities, which in turn could explain what the customer require from someone who wants to be their best friend. Such research is, however, much less developed concerning the CFO, compared with the research regarding the CEO (Matthaei, 2010). Consequently, it is difficult to get a deep understanding of the CFO by only exploring prior research; which is why an empirical study will need to be added. Based on this logic, a framework has been created that will act as guidance for this thesis (see Figure 2). The framework is focused on the CFO and illustrates the importance of understanding formal responsibilities, as well as who they are, their challenges and what they actually do.

The general structure of the framework is primarily influenced by Copeland et al. (2004), who divide formal responsibilities of CFOs between investment decisions, financing decisions and management decisions. Though, as was mentioned before, a few adjustments were needed since the authors largely omit informal processes and actual work habits of CFOs in their framework. An initial investigation was thus performed, with the aim to further develop the framework. One financial manager, one CEO and one professor at Chalmers University of Technology were

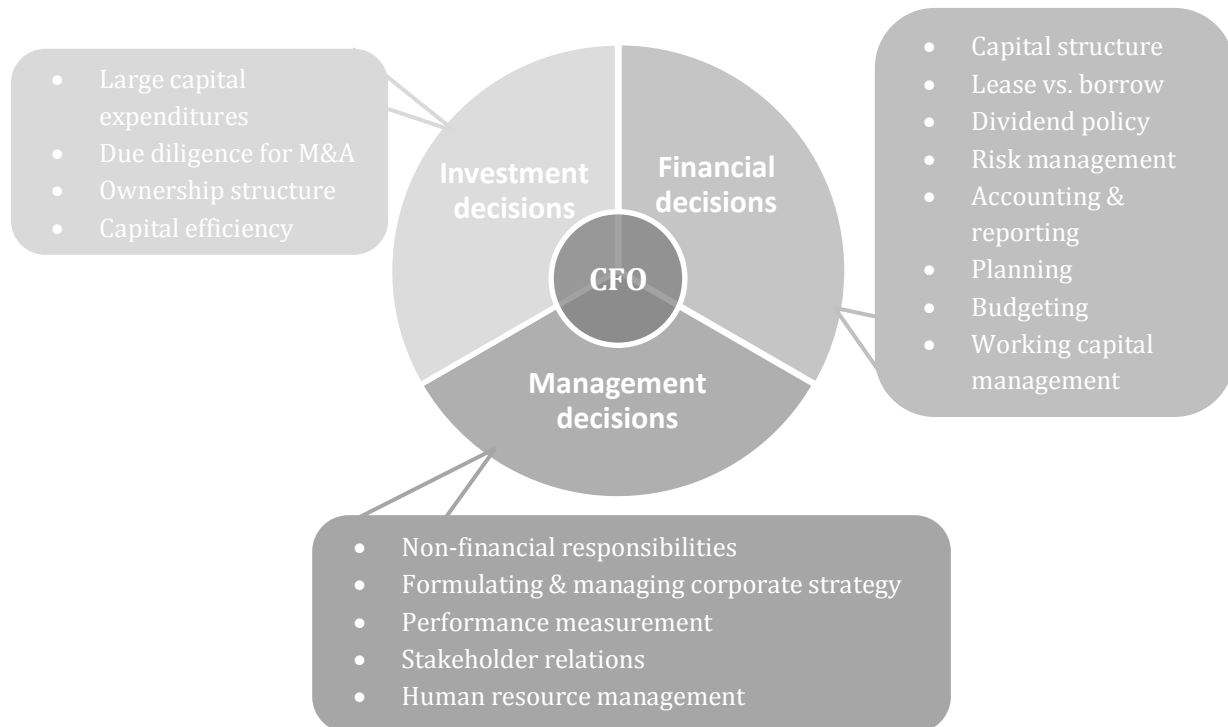


Figure 2 - The CFO Model

interviewed in this initial investigation. Additionally, research by several other authors was also explored (e.g. Bragg, 2011; Nolop, 2012; Ernst & Young, 2010; Siong et al., 2012; Matthaiei, 2010). This resulted in the development of an extended framework that could incorporate both formal processes, actual work habits and the CFOs per say, see Figure 2. The framework consists of four areas: The CFO, and the three areas of responsibility, Management decisions, Financial decisions and Investment decisions. It should be noted that, while other authors might use different terminology and ways to segment the responsibilities, the integral parts of the areas are the most common responsibilities that CFOs may have. As such, this framework is one way to illustrate what CFOs do, but not the only way.

The CFO, which can be seen in the very center of the framework, is included to touch upon aspects that are not actual responsibilities, such as experience, engagement and actual work habits of the CFOs. The structure and focus of this area was largely influenced by a similar study by Matthaiei (2010), by studies of what CFOs actually do (e.g. Page Executive, 2012; IAFEI, 2006; PRS, 2012; Bobak, 2011), but also by findings from interviews in the initial investigation.

The first area of responsibility is *Management decisions*, which in this thesis refer to administrative, or managerial, responsibilities. The structure and focus of this area has largely been influenced by the formal responsibilities of CFOs proposed by Copeland et al. (2004). However, additional information was included from multiple other authors (e.g. Bragg, 2011; Page Executive, 2012; Henderson, 2011; Granlund & Malmi, 2002; Khanna, 2011; Ollrog, 2011) to capture other perspectives of this area. These additional perspectives are often assumed to lie outside of the CFO's work description, but are nevertheless often handled by the CFO. Non-financial responsibilities,

such as being in charge of IT or HR, are therefore important parts of the managerial responsibilities. Corporate strategy formulation and management is one integral part of this area. The CFO is usually also responsible for performance measurement, such as financial, qualitative and satisfactory measures. Relations with different stakeholders also belong to this area of responsibility. Lastly, the CFO is often in charge of a few employees and may therefore have HR responsibilities.

The second area of responsibility is *Financial decisions*, which in this thesis refers to the more hands-on day-to-day responsibilities of a CFO. The structure and focus of this area was largely influenced by Copeland et al. (2004), with additional authors being used to cover all essential aspects of each responsibility (e.g. Bragg, 2011; Nolop, 2012; Graham & Harvey, 2002). This area involves responsibilities such as to manage capital structure, lease versus borrow decisions, dividend policy, risk management, accounting and reporting, short- and long term planning, budgeting and working capital management.

The third area of responsibility is *Investment decisions*, which in this thesis refers to larger decisions that often are out of the ordinary day-to-day operations of the CFO. The structure and focus of this area was largely influenced by Copeland et al. (2004), with additional authors being used to cover all essential aspects of each responsibility (e.g. Löfsten, 2002; Erdogmus et al., 2004; Kruschwitz & Loeffler, 2006; Bragg, 2011; Nolop, 2012; Caprio et al., 2011). To analyze and decide on large capital expenditures as well as due diligence for mergers and acquisitions are found within this area. A decision concerning ownership structure, such as IPOs and stock options to employees, is also found here. Capital efficiency is the last responsibility within this area. This refers to decisions regarding if and how capital should be invested while waiting for it to be invested in the organization or given as dividends to shareholders; for example by investing the money in futures or swaps.

The four areas of The CFO Model are used to create the general structure of both the literature background in chapter 4 and the empirical description in chapter 5. The areas of Management-, Financial- and Investment decisions are emphasized in the literature background since they have been explored extensively by previous authors. The area of The CFO is instead emphasized in the empirical description in chapter 5 as to provide better understanding of topics that are less covered in the literature background.

4. Formal responsibilities of the CFO

This chapter will provide a deeper understanding of the CFO and associated responsibilities, based on prior research. The chapter starts with a description of the typical CFO, which can be related to the very center of The CFO Model. This is followed by a presentation of the main responsibilities, within each of the three areas of responsibility in The CFO Model, as well as current trends in these areas. The chapter concludes with a synthesis and justification for why an empirical study is needed.

While there are numerous differences between people acting as CFO there are also many similarities in terms of demographics, experiences and personality traits. European CFO-studies have shown that many of these similarities can be generalized between certain countries; e.g. between the Nordic countries and Germany (Ollrog, 2011). It is important to understand these underlying characteristics when creating content for CFOs since it can provide an understanding in what motivates them and what problems they share (PRS, 2012).

The average CFO in Swedish medium-sized firms is male (70-80%), in his forties and nine out of ten have an educational background in accountancy (Page Executive, 2012; PRS, 2012; Ollrog, 2011). Every other CFO has previously worked as controller and has international work experience (IAFEI, 2006; Ollrog, 2011). Median work experience as CFO is six years; however this number varies depending on the size of the firm – with longer experience in larger firms (Siong et al., 2012). A risk averse behavior is also common (Francis et al., 2011). A high remuneration level is important for the CFO as well as a possibility of a broad scope of responsibility (Page Executive, 2012). There are as such many different responsibilities, related to this position, that span across many different business areas. It is perhaps not surprising therefore that many CFOs aspire to become CEO in the future (Ollrog, 2011; Page Executive, 2012). Moreover, it can explain that a majority of CFOs describe the relationship to the CEO as collaborative and team-oriented (Ollrog, 2011).

Apart from understanding these similarities between CFOs, however, it is important to understand what responsibilities the CFO generally have and how the relationships with other stakeholders within their firm look like.

4.1 Management decisions

As was illustrated in The CFO Model in chapter 3, there are a number administrative, or managerial, duties that CFOs usually are concerned with; this part of the model is shown in Figure 3. Each constituent responsibility within this area will now be further explored.

4.1.1 Non-financial responsibilities

CFOs are rarely responsible just for the finance department (Bragg, 2011). Nine in every ten CFOs, in companies with fewer

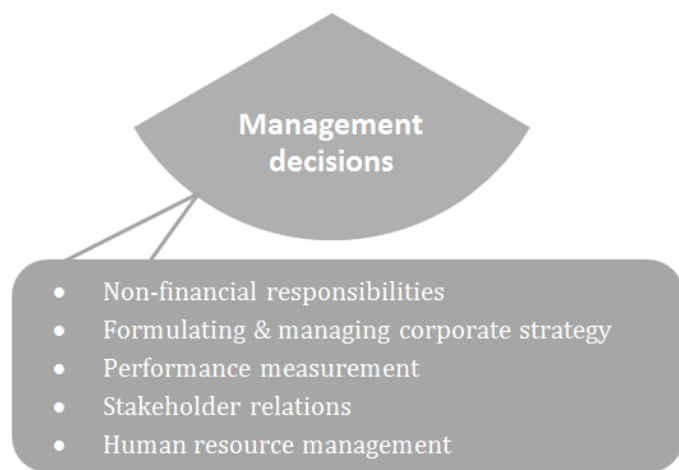


Figure 3 – 1st area of responsibility within The CFO Model

than 1000 employees, have additional responsibilities (Page Executive, 2012). A high proportion of CFOs have administrative duties assigned to them and every other CFO is also responsible for legal, IT and HR functions; a percentage that usually increases for smaller companies, but declines for larger firms (Page Executive, 2012).

Consequently, from the above logic one can see that the area of responsibility is very broad for CFOs in smaller companies. However, when the organization grows it is natural to delegate parts of this responsibility to other people. Figure 4 acts as an illustration of how such a hierarchy may look like; that is, how the original responsibility of a CFO may be divided when the organization grows. Some areas of responsibility are separated completely and create new functions within the company, while other areas are handled by employees that report to the CFO.

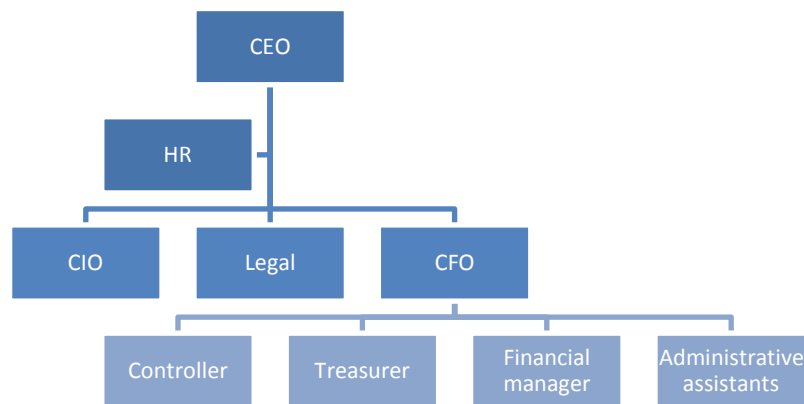


Figure 4 - Illustration of hierarchy and delegated responsibilities in a large organization

When an organization have grown larger, a stand-alone HR department, and sometimes also a legal department, is created to centralize its associated tasks. According to Henderson (2011), HR departments should then preferably specialize in formulating HR policies and act as support for line managers. The CFO would, however, still have obligations to employees in the hierarchy below; something that is further elaborated upon in the subchapter 4.1.5 Human resource management below.

The IT function is another area that commonly gets separated into a stand-alone department when an organization grows, but it is also an area that has increased in importance for CFOs last decade (Bragg, 2011). Capital investments in IT can be substantial, risks are often relatively large but the upside can also be great for many parts of the company (Bragg, 2011). The CFO's interest in IT is therefore both based on new opportunities that it can bring, but also associated with the potential risks and therefore importance of a sound evaluation of potential projects. This can be related to the point that process- and cost optimization as well as fixed cost reduction projects have been identified as most important by CFOs during 2012 (Page Executive, 2012). Consequently, CFOs influence the IT strategy either by being chiefly responsible for the function, which is normal in smaller companies, or by assisting the IT department like the one illustrated in Figure 4 with financial and strategic insights (Bragg, 2011). The goal should be to align the IT strategy with the

overall company strategy, for example by optimizing processes and costs, since the risk otherwise could be to create suboptimal IT systems (Bragg, 2011).

Various non-financial responsibilities are often handled by the CFO in a smaller company but gets gradually delegated to other people within the organization as it grows. It is important however to mention that actual financial responsibilities also normally gets delegated when organizations grow (Bragg, 2011). Several people may therefore be employed into more specified positions, such as Treasurer, Controller, Financial manager or Administrative assistant, to shoulder parts of the CFO's responsibilities (Bragg, 2011; Granlund & Malmi, 2002; Copeland et al., 2004). Though, companies often chose different terminologies for similar positions which makes it difficult to know what a person is responsible for by only looking at the name of the position. One example of how the two former positions, Treasurer and Controller, can be defined is: *"The controller is responsible primarily for the daily administration of accounting activities"* (Bragg, 2011, p. 11), and *"the treasurer is accountable for corporate liquidity, investments, and risk management related to the company's financial activities"* (Bragg, 2011, p. 13). However, Granlund & Malmi (2002) notes in their research that today's controllers are more like business analysts, and that the traditional accounting issues are handled by administrative assistants instead. Consequently, it is impossible to generalize what a specific name of a position means in terms of exact area of responsibility.

4.1.2 Formulating & managing corporate strategy

The strategic role of the CFO is an important part of The *CFO Model*, presented in chapter 3. Khanna (2011) describes the CFO's role as evolving, going from being a financial scorekeeper into an executive that adds value in multiple ways. One of the more prominent emerging roles is the strategic one. As Khanna (2011, p. 1) puts it: *"For CFOs, boardroom-level strategy is now as much a focus as the balance sheet"*. A global study of over 1,900 CFOs made by IBM (2010) draws a similar conclusion. The study argues that current CFOs' company-wide focus have increased significantly, and that the CFO now is considered to be fact-based voice of reason and insight, not just one with knowledge about the financial situation of the company. This conclusion is shared with a study performed by the Singapore CFO Institute (2012), where half of the questioned CFOs answered that strategic planning was the single function that occupied most of their time.

The area of corporate strategy formulation and management is therefore highly related to the previous discussion of how the typical responsibilities of CFOs gets delegated to other employees. Some companies, often the larger ones, have recently taken one step further by dividing the role into two: A CFO, who is responsible for aspects such as strategic issues, M&A, financial related issues and fundraising, and a financial manager, who is responsible for aspects such as reporting, accounting and financial statements (Fredelius, 2010, June 9). Consequently, in these companies the CFO has responsibilities more related to strategic and future needs while the financial manager is more focused on the present. This division is very similar to Bragg's (2011) description of that of the CFO and controller, where the controller primarily handles the daily administration of accounting activities whereas the CFO focus on the general design of control systems, strategic direction and funding issues.

4.1.3 Performance measurement

There are myriads of ways to measure business performance. These methods all have their implicit benefits and limitations and CFOs usually combine a few methods to satisfy different stakeholders (Nolop, 2012). The measure can for example be based on financial expectations such as earnings, rates of return, real options analysis or on discounted cash flow valuation; but also other measures such as quality, stakeholder satisfaction, brand strength, environmental affects or sales volume might be preferred in other cases (Copeland et al., 2004). Regardless of what measures that are being used, they should be related to SMART (specific, measurable, attainable, realistic and timely) goals and the company strategy in general (Hatry, 2006; Kinney & Ruggini, 2008); as Ammons (1995, p. 18) states: *“Unless you are keeping score, it is difficult to know whether you are winning or losing”*. Moreover, he notes that performance measures provide more information than just an historic overview; they influence what will happen, since the data is used by decision makers in the company, and they affect how different actors perceive the firm. It could for example provide information needed in the annual report; it could enable easier recruitment through a stronger brand; and the stock value could become less volatile in times of turmoil since good measures gives an indication on what the firm is trying to do. This is further emphasized by Bragg (2010) who argues that performance measures continuously must be revised, as the strategic direction changes, to encourage behavior aligned with company goals.

Consequently, performance measurements are used to assist many different functions within a firm. The data is needed as a foundation for management decisions, procurement decisions, personnel evaluation, when planning for the future and much more (Kinney & Ruggini, 2008). Different industries, or types of companies, therefore rely on somewhat different measurement tools. For example, a company in the public sector often exists to satisfy a common need among the citizens – not to maximize shareholder wealth – and must therefore increase the quality of the service. Hence, quality and public satisfaction are essential to measure (Hatry, 2006). A publicly traded company, on the other hand, is to a large extent affected by shareholder expectations and their demand for an increase in stock value; financial measurements and future outlooks might therefore be more important for these companies (Hatry, 2006). Furthermore, when comparing unlisted companies to publicly traded companies there are differences between what metrics that need to be measured since the companies are affected in different ways from legislations.

Certain measurements of different functions within an organization are also useful for the CFO; one such example is when trying to measure the performance of the HR function. A large, world-wide study made in 2012 showed that 66 percent of CFOs believe that employee satisfaction surveys are very useful and 53 percent believe that retention rates as well as compensation costs compared with industry benchmarks are very useful (The Economist Intelligence Unit, 2012). However, the study also showed that obstacles often exist to measuring the value of HR function, such as unavailability of data, inadequate IT systems and data overload. These obstacles must therefore be overcome to enable successful measurements, and consequently more value to the CFO.

4.1.4 Stakeholder relations

CFOs are often considered to be a trustful source of information, as they are senior professionals with a thorough understanding of their company's financial situation. This is something that should

be leveraged in the CFO's corporate governance role, as this requires the CFO to create close relationships with both internal and external stakeholders of the firm (Lindsey, 2007). Internally, the CFO normally works closely with the CEO as well as with employees in the finance department. The relation to the CEO is often team-oriented where joint discussions and decisions are taken. Relations with employees, on the other hand, are usually based on more specified objectives where areas of responsibility are delegated to decrease the burden of the CFO (Ollrog, 2011).

Investor relations (IR), and the often interrelated topic of public relations, also put demands on the CFO. In some companies the CFO only acts as a support for the IR department or CEO, other times there is a joint effort by the management team, while in other companies the CFO bears the main responsibility (Bragg, 2010). Understandably, the task becomes more complex for larger companies that have multiple investors often in various countries. Thus, many different tools are often used in combination to satisfy both governmental requirements and investor demands; examples of such tools are written documents, Web site pages, press releases, conference calls, road shows and other meetings (Newman, 2003). Newman notes, however, that there is no IR model that fits all companies. Instead, the most important thing is to have well defined and established communication channels and to continuously improve the relations through dialogue with investors.

One such communication channel that has gained attention in recent years is social media. These media is preferably used for news that is relevant for the company, but still does not justify a formal press release; an example could be news about an important market for the company (Haeberle, 2012). Another trend is for companies to create apps for smartphones and tablets. Information from annual reports, IR presentations and other sources can here be contextualized into easy-to-read material that show company business model, future outlooks, financial information, short- and long term goals and much more (Strahner, 2012). Fredelius (2010, June 17) further emphasizes the importance of these communication channels for small businesses. These companies do not automatically get publicity in media or by professional analysts, but instead need to find additional ways to spread information and company awareness. However, social media is only useful if internal policies are in place, employees get training, enough resources exist and if the content is continuously updated (Fredelius, 2010, June 17).

4.1.5 Human resource management

Cambridge dictionary online defines human resource management (HRM) as *"the activity of managing a company's employees, for example, by employing new workers, training them, managing their employment records, and helping them with problems"* (Cambridge University Press, 2013). While this definition provides a general understanding of what HRM is, it offers little help for managers to understand or apply it in their organizations. Beer et al. (1984 cited by Henderson, 2011) have therefore created a model to provide a more distinct understanding of HRM, see Figure 5. As can be seen, the area involves responsibilities for many people within an organization. Several companies have an HR department, either in-house or outsourced, that is responsible for the majority of these tasks. However, line managers still have to engage in activities such as mentoring, salary negotiations and general work towards high personnel well-being; responsibilities that also includes the CFO (Henderson, 2011). Consequently, organizations need clearly defined areas of

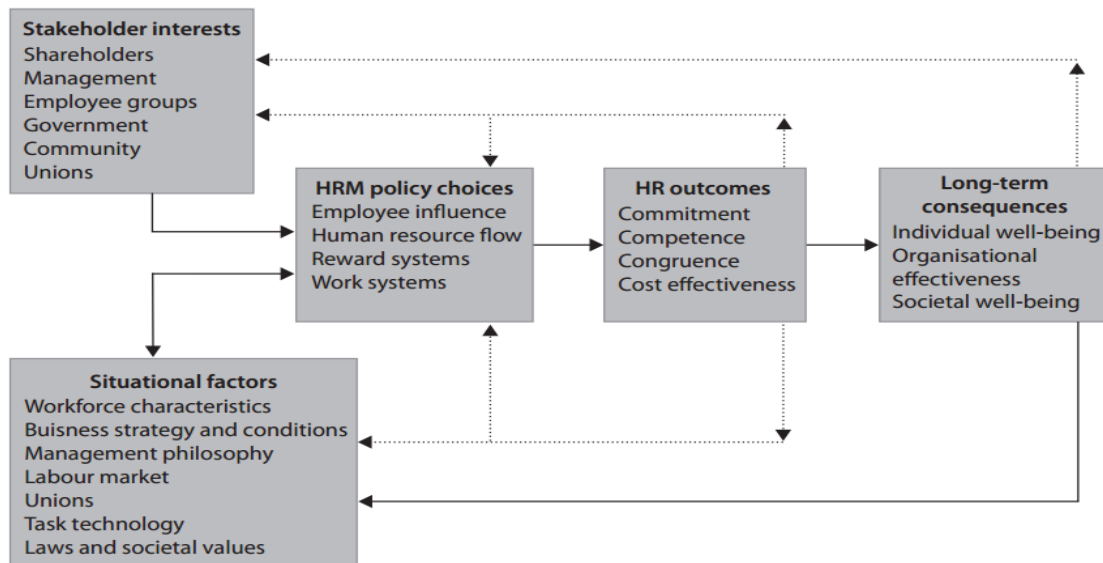


Figure 5 - The Harvard model of HRM by Beer et al. (1984, cited by Henderson, 2011)

responsibility and communication channels between the apartments as well as the right tools to manage their employees (The Economist Intelligence Unit, 2012).

One such tool that has gained a fair portion of attention last few years is employee relationship management (ERM) solutions (Rogers, 2008; Strohmeier, 2013). ERM is still a relatively new concept, one definition that explains the general notion of it is: “...*strategy, programs and technology to effectively manage how firms relate to prospective, current and former employees*” (Rogers, 2008, p. 48). There are many similarities to customer relationship management (CRM), which is understandable since the notion of ERM has been derived from that concept. Software applications are therefore central parts of ERM and should assist in processes such as recruiting, compensation, development of employees, etc. (Strohmeier, 2013)

Incentive design is another important area for CFOs to manage and it involves answering questions such as how pay should be linked to performance, how compensation should be distributed over time and how it should differ between managers and staff (Copeland et al., 2004). It involves difficult decisions since many of the potential benefits of chosen incentive systems first could become visible after a few years. An example could be when a farmer should decide on compensation structure for the workers; if pay is positively correlated to performance, the workers might over farm the land and exhaust future use, while if there is no correlation to performance the workers might work slower and less effective (Copeland et al., 2004). Another example is to decide whether bonuses should be based on individual performance, which might create undesirable competition and tension between colleagues, or on group performance, which could generate widespread free-riding and therefore decrease overall performance (Lawler, 1971).

4.2 Financial decisions

The second area of responsibility is financial decisions, shown in Figure 6, which include many of the key activities and day-to-day responsibilities of CFOs. It includes managing capital structure and the closely related topics of lease versus borrow and dividend policy. Managing risks, such as currency or operational risks, is another broad responsibility which spans across most aspects of the CFO's work. Accounting, reporting and budgeting are central responsibilities within this area as well.

Last, to produce short- and long-term plans as well as inventory management are also found within this area of responsibility. Each constituent responsibility within this area will now be explored further.

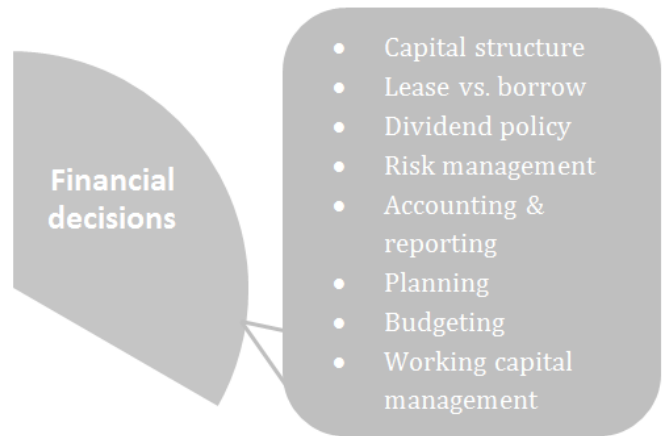


Figure 6 - 2nd area of responsibility within The CFO Model

4.2.1 Capital structure

There is no perfect, empirically validated method to decide optimal capital structure; such an author would, according to Copeland et al. (2004, p. 611), "*deserve the Nobel prize in economics*". However, regardless of what method that is used in order to decide the ratio between equity and loans, the very basics of this responsibility stays the same; loans are raised when equity increases, in order to keep close to the preferred ratio, and vice versa (Graham & Harvey, 2002). A certain debt is often preferred by the CFO since interest payments reduce the firm's taxable income. Tax-deductions cannot be used, however, if financing the business with dividends or share repurchases (Copeland et al., 2004). On the other hand, highly leveraged firms have an increased risk of financial issues in case of economic turmoil and increased interest rates (Nolop, 2012).

This responsibility may appear to be easy to handle, considering the description above. However, if exploring the responsibility beyond this basic description, many different interrelated sub-categories of activities and responsibilities that affect the capital structure appear (Stretcher & Johnson, 2011). Examples of such responsibilities are the lease versus borrow decision as well as the dividend policy management. Further, several more or less complex calculation methods are often used by the finance departments when managing the capital structure, with the aim to optimize it to their best ability (Stretcher & Johnson, 2011). The CFO will therefore need IT solutions that assist with calculations and aggregation of data (Copeland et al., 2004). Still, the responsibility may occupy a substantial amount of time for the CFO. A report by Siong et al. (2012) suggests that capital structure management is one of the most time-consuming responsibilities for CFOs in large-cap companies, while it hardly occupies time for CFOs in small-cap companies at all.

The difference is not only visible between different sizes of firms, but also between firms in different kind of industries and markets. Goedhart et al. (2006) argues that incumbent firms with stable and predictable cash flows should, and often do, have a higher debt-ratio in their capital structure

compared to companies that face higher uncertainty. This is based on the ability to foresee future revenues and investment requirements (Goedhart et al., 2006).

4.2.2 Lease vs. borrow

A closely related responsibility to capital structure is the lease versus borrow decision. On the one hand, the CFO can reduce risks, remove large down payments, obtain tax benefits and decrease cash flow volatility by leasing. However, it may become more costly compared to other financing methods due to poor interest rates related to the lease (Bragg, 2011). On the other hand, the CFO can choose to finance the asset by other types of debt in order to reduce cost and gain higher control of the asset. Consequently, this decision is not solely based on what alternative that is cheapest for the company. Factors such as company indebtedness, risks, market volatility and the nature of the asset also need to be considered (Copeland et al., 2004; Bragg, 2011). Nolop (2012, p. 167) summarize this trade-off related to the lease versus borrow decision by stating: *“the basic tradeoff will be between cost and flexibility”*.

4.2.3 Dividend policy

Many authors argue that the number one goal of private companies is to maximize shareholder wealth (e.g. Nolop, 2012; Bragg, 2011; Copeland et al., 2004; Rappaport, 1998). This can in principal be achieved either through reinvesting potential profits in the company with the aim to increase stock value, or by paying dividends to shareholders (Nolop, 2012). It is the CFO's responsibility, often together with the board of directors, to analyze and suggest if dividends should be paid, and if so how large these should be. The decision is based on both internal and external factors, such as desire of the shareholders, financial needs of the company, debt-equity ratio, general state of the economy and capital market, legal restrictions and contractual restrictions (Bragg, 2011). Fortum's (2013) dividend policy can acts as an illustration how it may look like: *“The new dividend policy will be anchored to the Group's future investment needs, balance sheet strengths and macro - economic environment as well as operational earnings per share growth (without one-offs) in a flexible way”*.

4.2.4 Risk management

The area of risk management is interrelated to almost all responsibilities CFOs have and is a natural part of the role. Figure 7 illustrates its principal approach; the risk tolerance levels are for example affected by the capital structure; the probability of risks occurring can be affected by industry characteristics; risk consequences may be affected by the ability to swiftly adapt to environmental changes; and the availability of information may enable such swift actions (Nolop, 2012; Lindsey, 2005). Consequently, the CFO must work actively both on a strategic and operational level to enhance the company's ability to cope with risks (Nolop, 2012).

The CFO might therefore also be expected to act as a risk advisor for the board of directors, helping the



Figure 7 - The CFO's approach to risk management (Lindsey, 2005)

board to understand the company's current risk profile, and how it reflects in the operating statement and balance sheet (Lindsey, 2005). Certain decisions are therefore made by the CFO in order to reduce risk. For example, if the CFO believe that an operational risk exist due to the dependability of a single supplier, a decision to start using an additional supplier for the same good may be taken – even though the decision would result in increased costs.

There are many more examples of risks that CFOs face; investment risks include contract failures, system failures, unexpected downtime, adverse regulatory changes and choice of suboptimal technology; risks associated to financing decisions are for example increases in interest rates, unforeseen market fluctuations, foreign exchange rate changes and cash flow issues (Bragg, 2011). These risks naturally have different degree of severity for different companies. Firms with small or no safety stock would for example be severely affected by unexpected downtime, while firms with large safety stocks would be more concerned with the possibility of not selling all produced products (Jonsson & Mattsson, 2009). Consequently, since risks vary considerably between companies and different decisions, the most important aspect of risk management is to have an established approach in how to identify, evaluate and handle risks (Lindsey, 2005).

4.2.5 Accounting and reporting

A fundamental role of the CFO is to produce financial reports, often on a monthly, quarterly and annual basis, and compare these reports to prior periods, budgets and forecasts (Nolop, 2012). The most time-consuming report to make is the annual report which contains the foundation for last year's result as well as a road map for the future. The process of producing reports may become rather complex, especially for large multinational organizations, since it involves numerous judgments, data manipulation and high coordination among people in different functions located in different places (Nolop, 2012; Bragg, 2011). The process is therefore dependent on well-functioning and integrated IT systems that enable replication and efficiency. Nolop (2012, p. 252) argues: *"In driving improved processes, automation can be the CFO's best friend"*. This is based on the reduction of errors, improved timeliness of reporting and higher flexibility it will bring. Bragg (2011) describes this area in a similar fashion, but also notes that a controller usually inherits the responsibility of creating reports in larger companies. The CFO will then instead only be responsible of reviewing and certifying these reports.

Tax accounting is another area which may become complex if the organization is operative in multinational locations. IT systems can greatly facilitate this work, both in terms of automating the process but also by reducing the risk of sending incomplete information to external auditors. The external auditor can therefore become more of a supporting character than just someone who put demands and takes up valuable time of the CFO (Nolop, 2012). When firms become somewhat larger, a controller usually inherits the more repetitive tasks related to this responsibility and the CFO acts as support and works on a higher, less hands-on level (Bragg, 2011).

As can be seen, accounting and reporting is closely related to performance measurement. Since these kinds of IT systems normally are integrated in companies, accounting and reporting is to a large extent comprised of repetitive work; nevertheless, it is essential since it ensures an up-to-date view of company finances. Copeland et al. (2004) furthers this point by stating that a common denominator between many of the most successful CFOs in the world is their ability to adapt future

plans and activities to outcomes of prior predictions. A well-structured communications network must therefore also be present within the company to enable successful and swift strategic or operational changes.

4.2.6 Planning

Planning can be seen as an integral part of most of the responsibilities of CFOs, nevertheless it deserves a sub-chapter by its own to illustrate how it creates dependencies between different responsibilities and how CFOs work towards company goals. The plans are usually made on a continuum from very short-term plans to long-term plans that can stretch several years, even decades, into the future (Bragg, 2011). There are also many different kinds of plans, such as to reach financial targets or strategic goals, and they all guide the activities within the company in various ways (Copeland et al., 2004; Nolop, 2012). The CFO is then responsible to sift through large volumes of information, both internal and external, and produce a compressed overview of the company's present situation and a prediction of what it will look like at the end of the planning horizon (Nolop, 2012).

One of the important areas of planning for a CFO is the management and planning of tax payments (Bobak, 2011). For international companies, this function is likely to be even more important, and demand further strategic planning. Large gains can be made if a global corporation's tax structure is optimized on an international level (Infor, 2007). There is a legal side to this responsibility as well, as the CFO typically is in charge of the company obeying to local tax laws and regulations (Copeland et al., 2004). Due to these differences in tax laws and regulations, affected by the particular environment in which the company finds itself, there is no single best tax strategy that fits all companies (Bragg, 2011). However, something that is important for companies that strive towards an efficient tax strategy is the ability to recognize expenses early on. This enables companies to force expenses into the current reporting year, instead of deferring them to the next (Bragg, 2011).

Financial planning and forecasting is also a key activity of the CFO and is highly related to the reporting-, performance measurement- and budgeting process. Nolop (2012, p. 221) furthers this point by stating that *"the company's strategic objectives and long-term financial model provide the framework for crafting the annual budget"*. The financial plans will therefore act as a foundation, or a playbook if you will, that assist decision makers to choose among competing actions and concerns (Nolop, 2012). Risks and preferred capital structure will therefore also be taken into account when planning for the future and the goal is to create an optimal whole, instead of sub-optimal parts, of the CFO's area of responsibility (Copeland et al., 2004).

4.2.7 Budgeting

The budgeting process is seen as a key-activity for CFOs as it serves many important purposes (Bragg, 2011). Drury (2007) explore this topic further and argues that budgets are used for eight principal reasons, listed in Figure 8. Consequently, the overall purpose, which is fulfilled through these eight points, is to create something similar to a road map for the future; thus, it is highly interrelated with the planning-chapter above. However, the information needed to fulfill these purposes is often scattered across various functions which means that its allocation may be very time-consuming (Bragg, 2011).

The budgeting process is also very much intertwined with the area of performance measurement since the process establishes and monitors expected performance. Hence, performance measurements must be chosen in consideration of the budget content. Copeland et al. (2004) further highlight that firms have a lot to gain from easily being able to adjust the budget to changes in the operating environment. Flexible tools, up-to-date data and efficient communication between departments would therefore be required. Moreover, decision rights must be assigned to people with the right skills and necessary information, and responsibilities and accountabilities must be linked with these rights (Copeland et al., 2004).

Purposes of the budget
<ul style="list-style-type: none"> • Planning • Coordination • Communication • Resource allocation • Performance evaluation • Responsibility distribution • Establishing objectives • Motivation

Figure 8 – Main purposes of the budget (Drury, 2007)

However, the budget can also be used in a damaging way by people within the organization. Lower-level managers can for example set expectations low and thus create easily reachable goals; something that often occurs when performance and pay are correlated (Copeland et al., 2004). There are in principal two ways to overcome this problem. First, top management must have a high understanding of the business and the reason for said expectations. This can in part be achieved by having an open culture within the company, but also by gathering information from former managers of the business and other external sources that can provide an indication for future performance. Second, is to form an incentive-compatible compensation design (Copeland et al., 2004) as was further elaborated upon in the section 4.1.5 Human resource management above.

4.2.8 Working capital management

Actively working with capital management is an important responsibility for the CFO, as efficient utilization of the firm's funds significantly can affect its financial performance (Nolop, 2012). The activities stretch from being hands-on, involving accounts payable and receivable and monitoring invoices, to the more general and strategic tasks of optimizing and streamlining workflows (Copeland et al., 2004).

There are numerous ways in which the CFO can work in order to streamline the capital management. One area where considerable amounts of capital could be freed up is in accounts receivable and accounts payable. The CFO can make a great difference when handling accounts receivable, by utilizing his authority in order for the customers to pay with a shorter notice. Working closely with the suppliers, it may be possible for the CFO to offer price discounts if suppliers pay on shorter notice, and thus improving the firm's short-term liquidity. However, it is important that these discounts are balanced against the firm's cost of debt, to make sure that the financial benefits exceed the costs. A similar, however mirrored, strategy can be applied when managing accounts payable, balancing between quickly paying invoices, and thus receiving a discount, or postponing the payment and enjoying improved liquidity. (Nolop, 2012)

Other areas of possible improvement include construction of incentive programs, as was elaborated upon in section 4.1.5 above. Sales commission, for instance, can be withheld up to the point where the money has been transferred from the customer, instead of just when the deal has been agreed,

thus encouraging the sales staff to collect the funds from the customers as swiftly as possible. (Bragg, 2011)

For producing companies, inventory is an area where vast amounts of funds can be tied down. Methods for preventing this include consolidation of storage facilities, continuous work to streamline the material planning process, prioritized storage of subassemblies instead of finished products etcetera. (Bragg, 2011)

4.3 Investment decisions

As explained in Chapter 3, Investment decisions are considered to be work with larger financial decisions, which are out of the CFO's ordinary day-to-day operations. The responsibilities within this area are shown in Figure 9. It is, for instance, quite common that investments above a certain amount of money must be approved by the CFO. The responsibility of the CFO for these kinds of decisions is to initially decide which financial method should be used to analyze the investment, as well as performing the actual calculations.

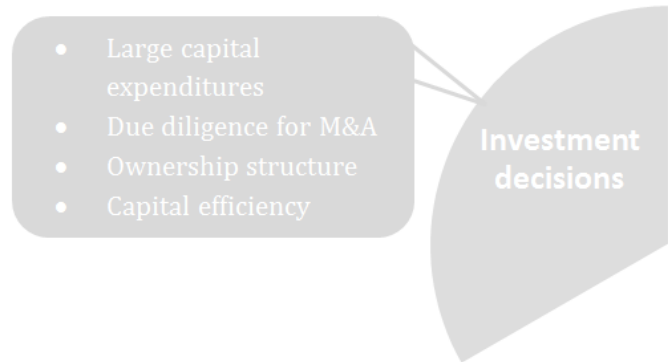


Figure 9 - 3rd area of responsibility within The CFO Model

However, calculations and the gathering of essential data are sometimes delegated to a controller or financial manager, which means that the CFO can be provided with the necessary information to make decisions (Granlund & Malmi, 2002). The calculations are typically based on standard financial parameters such as return on investment (ROI), net present value (NPV) or discounted cash flow (DCF) (Copeland et al., 2004).

These financial tools are natural for the CFO to use since they provide the information needed for many other activities; such as to relate the investment to the budget and capital structure, input for future planning and risk management as well as to provide investors with information. With the role of the CFO becoming increasingly strategic, these kinds of high-level investment decisions are expected to become more common (Khanna, 2011).

In order to thoroughly explain the responsibilities of the CFO a number of expressions require some further explanation. First, NPV is the most commonly used method and gives a value of future payments, or expenses, in terms of what they would be worth at a common time, typically at present time (Graham & Harvey, 2002). Their present time value are calculated by discounting the future amount, i.e. compensating for their time delay by multiplying the amount with a discounting rate (Löfsten, 2002). Further, ROI describes the relation between benefits and costs of a certain project. This can easily be calculated through $(\text{Benefits} - \text{Costs}) / \text{Costs}$, which gives a ratio of how well the investment has gone, in relation to the invested capital (Erdogmus et al., 2004). DCF is another measure for estimating the potential yield of an investment. The method uses discounts estimations

of future cash flow in order to estimate the financial viability of an investment. (Kruschwitz & Loeffler, 2006).

The financial tools allow the CFO to make predictions about future investments, which in turn can serve as decision support for the management team. However, it is important to stress that these are predictions. The NPV depends on the approximation of the discount rate, the ROI depends on the estimation of the future financial benefits, and the DCF depends on the assessment of future cash flow. This highlights the fact that accurate data collection is crucial in order for these financial tools to work efficiently, as they are only as good as the estimations that they are based upon. (Erdogmus et al., 2004; Löfsten, 2002; Kruschwitz & Loeffler, 2006)

A number of sub-areas within the investment decision category have been identified, as was illustrated in Figure 9. Each constituent responsibility within this area will now be explored further.

4.3.1 Large capital expenditures

This refers to large capital expenditures outside of the day-to-day operations and is therefore relative to company size. Successful prioritization between different capital investments is, according to Nolop (2012), one of the most challenging tasks a CFO has. However, this is also an area where the CFO can create tangible value for the company's shareholders. The CFO's work with large investments includes three distinctive parts; analysis, decision support and evaluation. (Nolop, 2012)

The analysis part is where the CFO, both through financial and non-financial methods, investigates a potential investment and its advantages and disadvantages. Typical financial methods include the previously mentioned NPV, ROI, and DCF. Other important parameters include time frame, investment size and non-financial resources that are required for the investment to be feasible. The analysis will then function as decision support material. The purpose of the decision support material is to give the CEO and management team, which typically includes the CFO, a clear and comprehensive overview of the potential investment. This is necessary in order for them to objectively assess potential investments, and compare multiple investment possibilities. The third important part is the evaluation of executed investments. This process includes similar financial methods as in the analysis part, which then allows the CFO to calculate whether or not the investments generated the predicted return or not. (Nolop, 2012)

It is important that the CFO manages to categorize the investment projects within the company. Projects should be categorized depending on importance, but it is also wise to group projects depending on business segments, product lines or geographies. This is helpful as it allows the CFO to clearly see where the resources are being directed. (Nolop, 2012)

4.3.2 Due diligence for M&A

The CFO typically has a central role in the due diligence process, in order to assess whether or not a company is appropriate for a merger or an acquisition. However, the role of the CFO may vary significantly depending on the size of the company. A review performed by the Singapore CFO institute (2012) shows that 83 % of small-cap firms list M&A as a key activity for their CFO, while only 67 % of the large-cap firms do the same.

A due diligence process can quickly become rather complex, and it is often the CFO's role to coordinate both internal and external resources, in order for the procedure to run as smoothly as possible. The CFO's role during a due diligence process then becomes twofold; obviously one goal for the CFO is to, with help of the due diligence team, get a thorough understanding of the investigated company and the possibilities and risks associated with a potential transaction. However, a transaction typically involves several potential acquirers, and thus it is also of high importance for the CFO to ensure that they are quick enough to be included in a potential auction. This could include offering a preemptive bid of the company, in order to keep competing companies away from performing their due diligences, and thus acquiring valuable information from the company that is up for sale. (Nolop, 2012)

There are multiple ways to assess the value of a company before a merger or an acquisition. While a DCF analysis is most commonly used, it is beneficial to utilize multiple valuation methods in order for the acquirer to get a broader understanding of the financial estimation. This can be extra useful when evaluating a company with limited financial history. Publicly traded companies can obviously be valued based on its stock value, as long as the stock is traded in significant amounts. If it is a stock with very limited trading, then a few transactions can heavily affect the stock price, and thus significantly alter the valuation of the company. (Bragg, 2011)

It is, however, important for the CFO to distinguish between the stand-alone value of a company, and the potential synergy value after a transaction. Complementary goods can generate substantial value to the right acquirer, even though it does not present any value according to the valuation methods mentioned above. Furthermore, other issues such as cultural differences and ownership structure may affect future benefits and must therefore also be taken into account. (Nolop, 2012)

4.3.3 Ownership structure

The ownership structure of the company is clearly something that affects the CFO. Demsetz and Villalonga (2001) mention this, as well as the principal-agent problem that arises since it is rare that a member of the management team is one of the larger shareholders. Thus, it is up to the largest owners to design incentive programs in order to align the interests of the managers to that of the owners. Demsetz and Villalonga (2001) draw an interesting conclusion, they argue that the fraction of shares controlled by the five largest owners is a better indication of their ability to control the managers, compared with how the fraction of shares held by the management is an indication of their ability to ignore the interest of the largest owners.

Caprio et al. (2011) further elaborates on the affect the ownership structure has on a company. Their article presents findings that an increase in the voting rights of the largest owner lowers the probability for a company to attempt to acquire another company. A company under family control further decreases the probability of an acquisition.

The ownership share of the management team is something that also affects the company. Several studies have researched the relation between management ownership and company performance. Both McConnel and Servaes (1990) and Hermalin and Weisbach (1988) found a positive relationship between increased management ownership and firm performance up until a certain point; 40-50 percent in the case of McConnel and Servaes and 20 percent in the case of Hermalin

and Weisbach. The relation became negative beyond these levels, meaning that a larger management ownership stake resulted in worse company performance.

4.3.4 Capital efficiency

Funds which are not immediately necessary for a company's current operations, and which are not needed for nearby future payments can be used for external investments. These types of investments can produce a significant surplus, but they also include numerous uncertainties for the CFO to consider. First, there is the actual risk of a certain investment. It would be unwise to invest funds into high-risk investments, if this action jeopardizes the day-to-day operations of the company. Further, there is the time perspective related to investments. The ability to quickly realize investments into cash can be a very important criterion for a company, and something that the CFO needs to keep in mind when setting an investment strategy. (Bragg, 2011)

Another obvious investment criterion is the yield of a certain investment. However, the criteria mentioned above – low risk and quick fund access to capital – is often prioritized, which tend to result in rather low-yield investments. (Bragg, 2011)

Further, the working capital can be used in order for the company to hedge towards future risks, by investing in different types of derivatives, such as options, futures and forwards. These financial instruments present the CFO with the option to hedge themselves against rapid movement on the financial markets. Options are financial instruments that allow their owner to either buy or sell a stock at a given price, at a given time in the future, thus hedging from the risk of volatile fluctuations in the stock price. Futures and forwards are similar, as they both oblige one party to buy and another party to sell a specific quantity of a certain asset. They differ in the way that future are traded on organized exchange, while forwards are private contracts. (Kuhlman et al., 2005)

Another responsibility of the CFO is to keep track of the firm's capital spending, which is of vital importance in order for companies to remain competitive. Copeland (2000) argues that a well-executed capital efficiency program can reduce a company's total capital spending by 10-25 percent. The CFO therefore has a critical role in managing an efficient capital spending structure. The CFO should be able to track how the company is spending its money, which includes both larger investments but also the often overlooked smaller ones (Copeland, 2001). Requesting the right information is an important part of streamlining the capital efficiency, and here the CFO can utilize the authority of being a senior executive in order to thoroughly investigate internal projects and their spending levels (Copeland, 2001). The efficient utilization of IT support systems also plays an important role here, in order for the CFO to quickly get hold of relevant information. It is therefore important for the CFO and the CIO to develop a mutual understanding of how technology can support the business strategy (Owens, 2012).

4.4 Takeaway from prior research and the need for an empirical study

This chapter has described the formal responsibilities of the CFO, based on previous research. It has divided the CFO's obligations into three different areas; management-, financial- and investment decisions, which in turn have been segmented and further explained. This breakdown is in line with The CFO Model presented in chapter 3, where the areas of responsibility represent the outer three sections of the illustration.

However, it is also important to remember that thorough customer understanding stretches further than just knowing the customers' formal work responsibilities; it is of equal importance to get an understanding of what the customers actually do, as was explained in chapter 3. Chapter 4 touched upon this, but a better understanding of this subject is required, in order to reach deeper customer insight. This knowledge, visualized through the center circle of the CFO Model, represents aspects that are not actual responsibilities of the CFO, such as experience, work habits etcetera.

This study will, as a result of this, continue with an empirical section where answers from interviews and questionnaires will be presented. The questions focused on what the respondents actually do in their work. They did also, however, touch upon the topics of formal responsibilities, thus complementing the theoretical findings, in line with the structure presented in chapter 3.

5. Empirical Study of the CFO

This chapter will present the data collected through the survey and semi-structured interviews with CFOs. The data focuses on what CFOs actually do and will therefore compliment the formal description found in the literature review. The chapter will commence with a brief overview of the interviewees. The following part is divided in unison with previous chapters, by structuring the data along the four areas within The CFO Model: the CFO, as well as management-, financial- and investment decisions.

Twelve of the interviewees are CFOs, three are financial managers, one is accounting manager and one is controller. These people and some general information regarding their position and firm are listed in Table 1. Notably, most respondents perceived the English title “CFO” to be equivalent to the Swedish counterpart Ekonomichef, hereinafter referred to as financial manager. Though in companies where both of these positions exist, the CFO is closer to the CEO and strategic issues, and the financial manager has more responsibilities related to accounting and operational concerns. This distinction between a CFO and financial manager will be used in this thesis to distinguish between a strategic and an operational position.

Company	Medius client?	Position	Industry	Turnover (MSEK)	Employees	Parent/subsidiary
Company A	No	Financial manager	Municipality	2000	80 (3375 tot)	NA
Company B	No	CFO	University foundation	NA	6 (2775 tot)	NA
Company C	Yes	CFO (temp HRO)	Technical consultants in process industry	150	100	Parent
Company D	No	CFO	Industrial manufacturing	700	440	Subsidiary
Company E	No	CFO	Technical & design consultants	290	123	Subsidiary
Company F	No	Financial manager	Industrial manufacturing	80	50	Subsidiary
Company G	No	Financial manager	Manufacturer for construction industry	160	74	Subsidiary
Company H	No	CFO (& informal CIO)	Amusement park	1000	950	Parent
Company I	Yes	CFO	Car service	280	230	No group
Company J	Yes	CFO (& informal CIO)	Industrial wholesale	350	111	Subsidiary
Company K	Yes	Accounting manager	Marine & industrial safety systems	850	500	Subsidiary
Company L	Yes	CFO	Wholesale for consumer electronics	700	130	Parent
Company M	No	CFO (& informal CIO)	Manufacturer of high performance materials	50	40	No group
Company N	Yes	Controller	Retail	1000	100	No group
Company O	No	CFO & CIO	Forest industry	3500	140 (+450 contractors)	Subsidiary
Company P	Yes	CFO	Industrial manufacturing	300	50	Subsidiary
Company Q	No	CFO	Real estate	2600	184 (+2000 contractors)	Parent

Table 1 – List of interviewees and their companies

For parent companies, the turnover and number of employees that are listed in Table 1 refers to the entire group. For subsidiaries, however, turnover and number of employees are only related to that specific company, not the entire group they belong to. This is based on the CFOs' respective area of responsibility; i.e. a CFO in a subsidiary is responsible for that specific company, but a CFO in a parent company have responsibilities that span across the entire group and is therefore affected by all constituent companies.

5.1 The CFO

This section will include the respondents' answers that can be categorized within the area *The CFO*, which can be seen in the center of Figure 10. This area includes answers outside actual responsibilities, such as experience, engagement and actual work habits of the interviewees.

5.1.1 Workload

The interviewees generally work between 40 and 60 hours every week, as can be seen by the interview data to the right in Figure 11. They all state however that working hours often get longer during specific parts of the year; for example when working with yearly financial statement preparation and budgeting. The left section of Figure 11 was also created based on information from the external interviews, and can thus act as an illustration of how the workload shifts for a CFO during a given year. January and February mean heavy workload for CFOs in companies with normal fiscal year due to the preparation of the annual report and closure of the books. Budgeting preparation is often initiated before the summer vacation, and the actual budgeting work continues in the early fall which means heavy workload in and around October. It should be noted, however, that variations in workload does not always reflect in similar variations in working hours. The



Figure 10 - The CFO Model

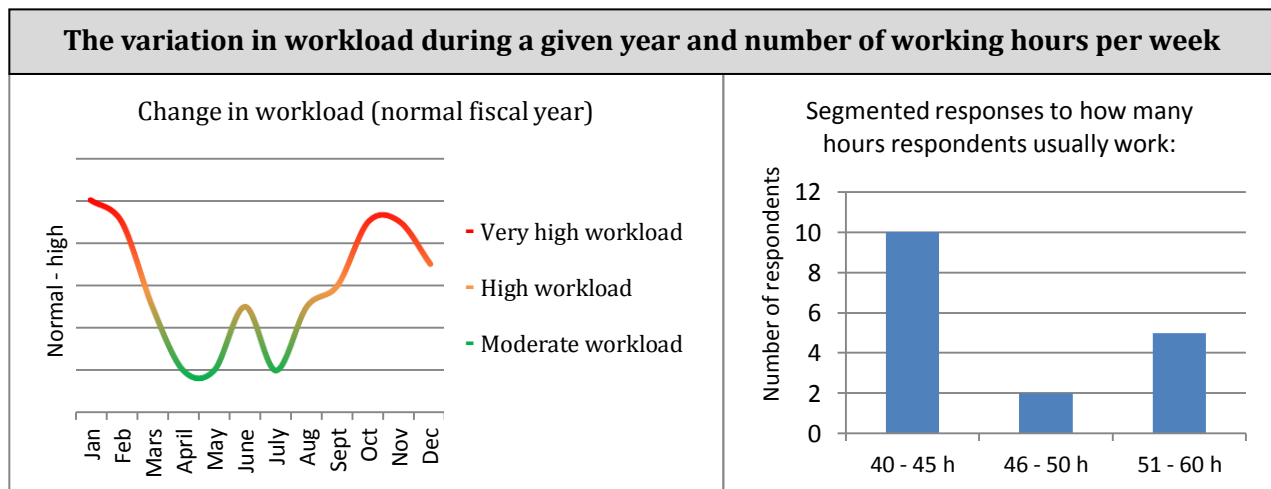


Figure 11 – Illustration of general workload for CFOs during a given year

interviewees stressed the fact that their workload varied as illustrated to the left in Figure 11, but the study could not validate that the working hours necessarily follows the same pattern.

The workload will logically look different for companies with split fiscal year, as for companies operating in industries which are highly seasonally dependent. The CFO of Company L falls into this category since their market is cyclical and they have split fiscal year. He notes: *“Spring is our cleaning period, it’s when we work with inventory management and other things we don’t have time with during the hectic period each fall”*. He continues, *“During the fall, instead, annual reports and closing the books for each company in the group take a lot of my time”*.

The CFO at Company C, who has considerable work experience, believes that CFOs with more experience have an easier time to stick with, or close to, 40-hour weeks since they know when results are good enough; something that interviewees from Company D and Company O also points out. However, he continues by stating that it probably is equally related to the person’s drive and ability to cope with a long working hours. This was further confirmed in the interviews when people with more drive and higher perceived degree of impact to their organization worked somewhat more than those with less drive.

5.1.2 Goals for the CFO

The interviewees have somewhat different goals that they work towards. One interviewee worked as financial manager at a municipality, he summarized the difference between municipal and private companies by stating: *“In a private company, money is the goal, while for us, money is just a means to an end”*. His goal is to provide the politicians with a financial foundation from where they can operate. This is closely related to something that a majority of the respondents put forward as one of their most important general goals: to help develop their company and keep track of the sum of all parts, to be something of a factotum. The CFO of Company A, a university foundation, on the other hand has very specific return targets since his main responsibility is to handle the foundation’s capital and generate a certain percental return each year.

The CFO is generally also responsible for keeping deadlines, such as monthly, quarterly and yearly statements, though this is typically not seen as a goal but rather a responsibility connected to their position. A common denominator between firms in cyclical markets, such as Company H, Company I and Company L, is that performance measurements are very detailed and highly important for the CFO. Another finding from the interviews is that CFOs in larger firms generally have more strategic goals, while CFOs in smaller companies more often work more with operational goals.

5.1.3 Challenges for the CFO

The interviewees were also asked what they saw as their main challenges in their daily work. Many of the challenges that were brought up were related to IT systems, and the process of handling the IT systems in a more efficient way. The following quotes represent a selection of opinions regarding this subject:

- *“One challenge is that we are trying to make our administration more structured. There was a time when I worked in five different financial systems, but I’ve managed to reduce that to*

between three and four.” CFO of Company C, which is parent company in a smaller corporate group.

- *“Our current solution requires way too much manual labor. We have around 40 different financial systems at the moment, with master data stored at multiple locations. That’s obviously far from ideal, and it is something we hope to change when we implement our new information system.”* The CFO of Company Q, a large real estate corporate group.
- *“The billing process doesn’t work very well, as it is handled by an old system. But it is also hard to fully automate, as the payment solution for our customer projects are negotiated on a case-to-case basis.”* CFO of Company E, a large technical and design consultancy firm.
- *“The finance system is a great challenge for us. We have clear directions about what to report to our parent company, since their reporting tools are quite limited. We have one employee who is an excel expert, who is a key resource as a result of these requirements.”* CFO of Company E, a large technical and design consultancy firm.
- *“It is a challenge to find the right level of monitoring in the system, and to be able to utilize it in the entire company. We want a tool which is good enough, but not too complex so that no one utilize it.”* CFO at Company D, a large manufacturing company.

Several respondents brought up personnel-related challenges when asked about obstacles in their job. The CFO of Company Q, a large real estate corporate group, is one of them. She has 20 people working in her financial department with just below 200 employees in the entire company, which also employs around 2000 consultants. She comments: *“Keeping the organization together is a challenge, it always is in firms of this size”.*

The CFO of Company C, also describes staff-related issues: *“There are a few areas which are a bit problematic, which is mostly down to the fact that we have such a technology-oriented organization. Technicians are typically very focused on their own area, but less so on matters such as personnel issues, management tasks etcetera.”* He describes that he has taken an unofficial HR manager role as a result of his employees’ disinterest in these matters.

The CFO of Company P faces personnel-related challenges which are heavily characterized by the nature of the industry that the company operates in. The company is very project-focused, which is reflected in the CFO’s challenges: *“Working with projects naturally means that there is a great variation in personnel requirements, depending on whether we have received large orders or not. How to handle these variations is a great challenge.”*

Efficiency-related issues were brought up by several interviewees. The CFO of Company B, a university foundation, comments: *“A challenge for me is to streamline the usage of our capital within the whole group. There are companies in the group who are making significant profits, but are unable to use the money in an efficient manner. This is something that we need to work more on.”*

The CFO of Company P faces similar efficiency challenges as a result of the rules dictated by their parent company. He explains: *“Our company group has decided to follow the IFRS reporting rules of the stock market, as we are so large. However, our subsidiary trades a lot in foreign currency, for which the IFRS has incredible complicated reporting regulations.”*

Another process that was described as inefficient by some respondents is to compile reports, where gathering of information can be troublesome. The CFO of Company C describes his reporting problems as:

“It is quite troublesome to generate the financial reports. One of our companies executes very large projects, worth around 30 MSEK, and we don’t have a good tool to monitor how far these projects have proceeded. The project manager thus needs to give his assessment on the completion status, which is not something that is done through the push of a button.”

5.1.4 Important relations for the CFO

The most important people for CFOs are generally found within the management team, and the CEO is of particular importance. Many of the interviewees are in charge of a few employees which also mean that these people are important, since they together operate the financial department. If the company has a CIO this person is also of high importance since, just like the area of responsibilities for the CFO, IT is incorporated throughout most parts of the organization. For companies operating in cyclical markets, such as Company I and Company H, the relation toward sales- and marketing directors is also indicated to be of higher importance. The CFOs operating in a parent company will understandably have close relations to the financial managers in each subsidiary.

Although the actual people that are important for CFOs often are similar, the nature and power balance of these relations vary significantly. This balance is affected by many aspects, such as experience and knowledge, organizational structure, industry characteristics and, perhaps most important, personality traits. The CFOs in companies with more technically complex solutions, such as Company M and Company C, have less influence over their production managers and engineers. The finance departments in these companies are instead seen as a support function that should facilitate the needs of the core technical departments. Consequently, the CFO is less involved in the decision process when technically advanced items are bought in these companies.

The most important and frequently used relations with external stakeholders are towards the accountant, bank, insurance company and owners to the company. Though, most respondents say that these relations are in minority compared to the internal relations. The CFO of Company Q, a large real estate firm, emphasized the close and time-consuming relationship with banks. However, their financial director takes the majority of these discussions. This is typical for firms within the real estate industry since loans are taken for each individual property which means that hundreds of loans with several banks must be managed. The CFOs’ personal network is also often used to discuss potential solutions to issues within their firm. The CFO, and CIO, of Company O, stated that professional CFO- and CIO networks are highly important to him. No other interviewee uses these kinds of networks, and the CFO of Company L stated that these networks in general are rather expensive and time consuming.

5.1.5 Prioritization between responsibilities

The respondents were also asked how they prioritized between different types of meetings. This was considered to be a non-issue, as there were few interviewees who had trouble to prioritize. Most said that the quite low amount of meetings meant that they very rarely were put in a position

were prioritization was necessary. The CFO of Company J commented, *“I don’t have that many meetings, so two never collide”*.

Choosing between different types of meetings is not considered to be a large issue, in those situations where prioritization was needed. Work on a strategic level, related to the board and the management team is prioritized, as is meetings related to customers. The CFO at Company I summarized it as *“meetings related to the CEO and the board are always prioritized, and meetings for internal support can then be down-prioritized”*.

The amount of responsibilities that the respondents delegate varies greatly, as the organizations of the different companies differs. Some of the interviewed CFOs were the only person with economical knowledge in their company, while others manage a finance department with 20 employees, to whom they delegate assignments. Several of the respondents delegate “purely economic tasks,” i.e. accounting and other processes that require repetitive manual labor. Many also emphasized that they try to push the economic responsibility down in the organization. The CFO at Company D, with 440 employees, explains *“I let people manage their own budgets, including their investment budget. If a procurement is within budget, then it’s fine.”*

When respondents were asked what duties they enjoy most to look after, two somewhat different segments emerged: one where respondents favored the more analytical parts and issues at a strategic level, and one where respondents favored numbers and to see how well the company is doing from a financial viewpoint. It was also evident that many of those who favored strategic issues and analysis disliked repetitive work, such as accounting. On the other hand, those who favored numbers and to produce reports also said that some analysis were fun to do. This can be related to the fact that almost all respondents said that their position becomes so interesting, fun and challenging due to the breadth of responsibilities.

5.1.6 Concluding observations

It is evident, to recapitulate the findings about the CFO, that they normally work more than 40 hours every week and that the variations in workload generally look similar for all the respondents. A common goal for the CFOs is to keep track of the entire organization, which means that the CFO usually has a broad range of responsibilities across many functions. The interviews also show that most CFOs enjoy this broad area of responsibility but also to analyze different issues. Something that was found to be disliked by every other CFO was the more repetitive responsibilities such as reporting and accounting. The management team, the CEO in particular, is important for CFOs and so are the employees in the financial department and the CIO. External stakeholders are mostly used in relation to yearly statement preparations, financing decisions and other less commonly recurring events.

The question then arises: But what do CFOs actually do? Figure 12 and Figure 13 show what kind of work the respondents do on average as well as where this work takes place.

Figure 12 clearly shows that the respondents spend the majority of their time at their desk, but also that meetings occupy a significant part of their work time. For this survey, scheduled meetings were defined as formal, while unscheduled meetings were titled informal. The individual answers

indicate that CFOs in larger companies, such as Company D, Company O, Company A and Company H, spend less time than average on desk work and more than average on different kinds of meetings. The opposite result can be related to smaller companies such as Company M, Company G, Company F, Company P and Company C.

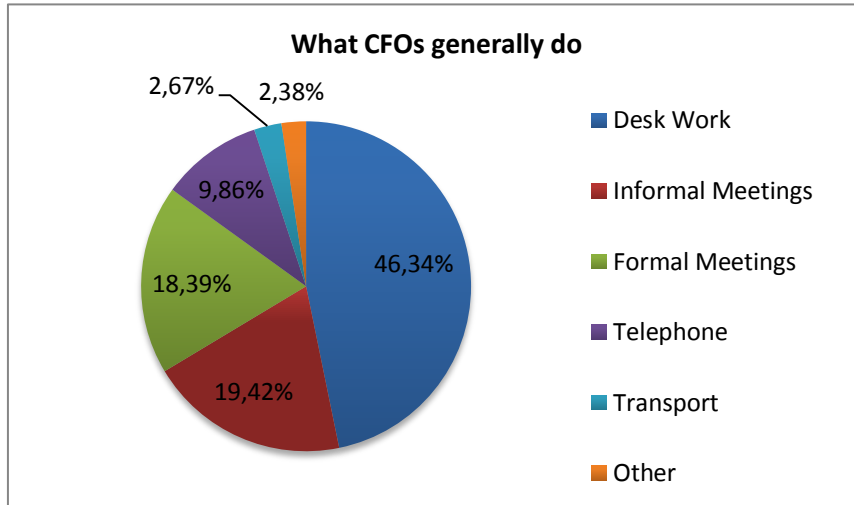


Figure 12 – The average response to the question: “How much of your total work time do you estimate that you spend on the following activities?”

Figure 13 reveals where the respondents indicate that they perform their work. It is hardly surprising that the absolute majority of their time is spent within their office, or at other locations within the company, considering the numbers in Figure 12.

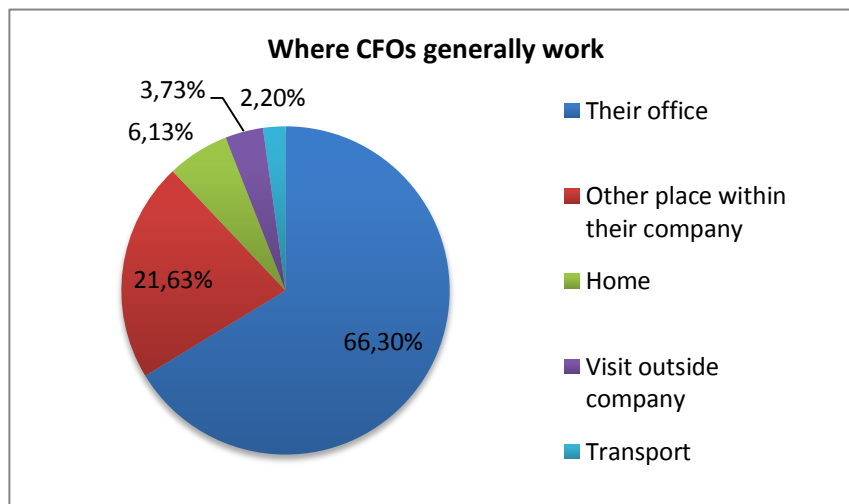


Figure 13 – The average response to the question: “How much of your total work time do you estimate that you spend in the following locations?”

Next section will dive deeper into the specific responsibilities that CFOs have, including quantitative illustrations showing breakdowns of the respondents’ workdays.

5.2 Responsibilities of the CFO

This part will present the different work responsibilities of the interviewees. The answers will be categorized in line with the CFO Model, developed in Chapter 3, i.e. by management-, financial- and investment decisions. Further, it will show how the respondents divide their time between these three areas of responsibility, but also highlight how they divide their time between different tasks within these areas of responsibility.

The respondents revealed that they have a wide variety of work tasks, ranging from strategic work to operational jobs, from board meetings to employee mentoring sessions, either project-related or on an ordinary day-to-day basis. The CFO of Company O summarized it as *“if you are CFO, then you are responsible for almost everything”*.

Figure 14 shows the result of how the respondents indicate that they divide their time between the three areas of responsibility. This general overview of the division reveals a relatively even match between the three areas, with financial decisions being the most time-consuming area for the respondents. However, some interesting indications can be seen when the numbers are further segmented.

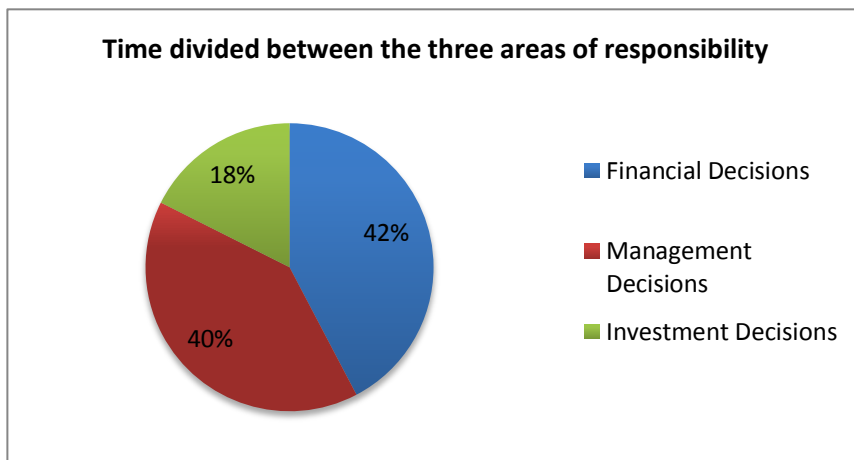


Figure 14 - Average answer to the question: “How do you divide your time between these three areas of responsibility?”

It is clear that the respondents representing companies with lower revenue spend significantly more time on financial decisions compared with the average response, as can be seen in the left section of Figure 15. The figure illustrates how much time a selection of the respondents rate that they spend on financial decisions, compared with the average of all interviewees. The firms Company M, Company G and Company F, all have revenues of 160 million SEK or less, and their CFOs consider themselves to spend between 60 and 78 percent on their time on financial matters, compared with the average of 42 percent. The financial manager of Company G stated that she does not spend any time at all on investment decisions.

Another indication is seen when looking at the right section of Figure 15, which illustrates how much time a selection of the respondents spend on investment decisions. These respondents

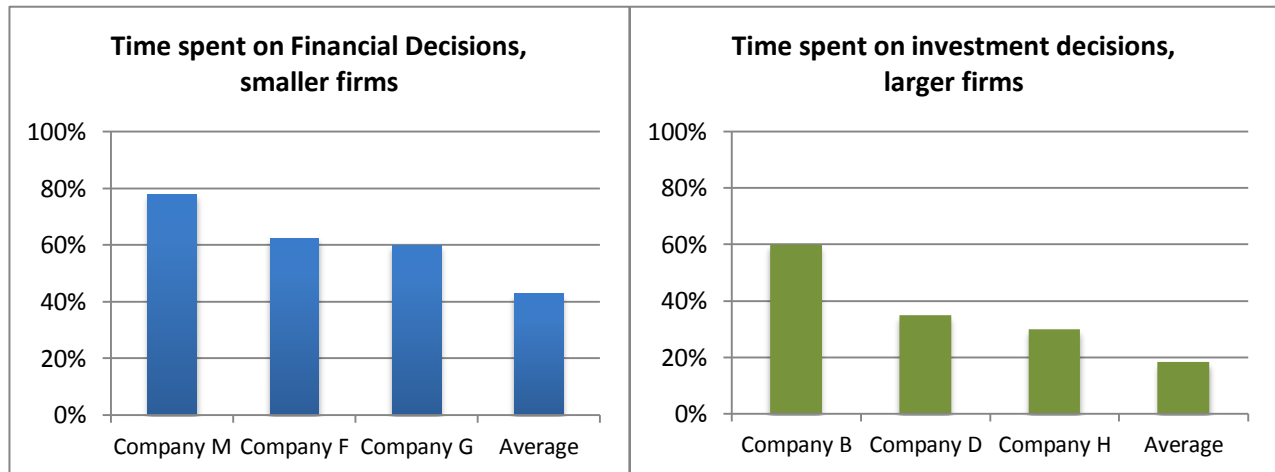


Figure 15 - Selection of answers to the questions “How much time do you spend on financial decisions?” and “How much time do you spend on investment decisions?”

represent the larger companies in the survey, and it is evident that they spend considerably more time on investment decisions, compared with the average of all respondents.

The interviewees were also asked to more specifically segment the time they spent in the different areas of responsibilities, in order to get a more detailed picture of how they divide their time. The following sections will further detail their responses.

5.2.1 Management decisions

The first area of responsibility is management decisions, where the respondents were asked how they spend their time between performance measurement tasks, human resources assignments, stakeholder relations and other responsibilities that lies “outside the ordinary role as CFO”. Figure 16 reveals how the interviewees considered themselves to spend their time within this area. It is clear from the graph that performance measurement is the single part that the respondents spend most of their time. The CFO of Company I, from the car service industry, is one who highlighted the importance of continuous performance measurement: “I monitor our pre-tax profits on a daily basis, it is very important”.

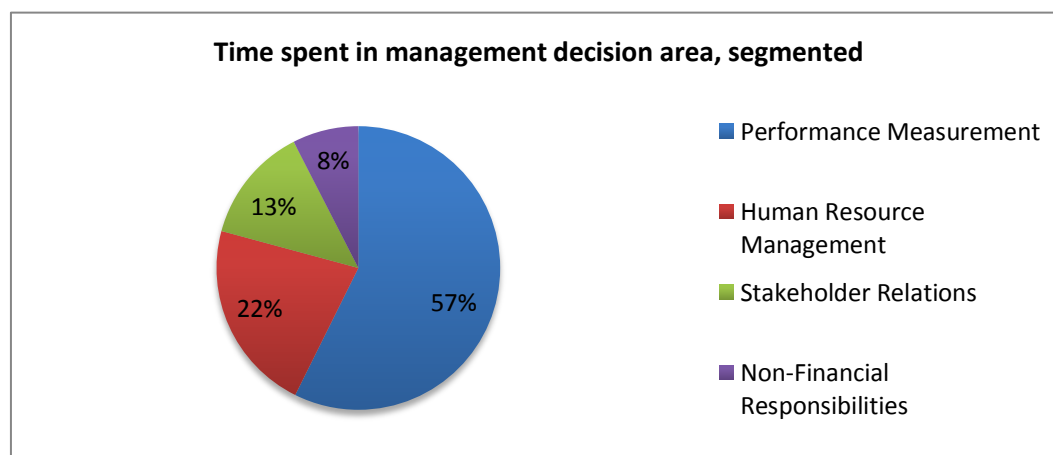


Figure 16 - The average response to the question “Out of the time spent in the management decision area, how much time do you spend on these separate parts?”

Another person who prioritizes performance measurement is the CFO at the wholesale firm Company L. He spends 97 percent of his time in management decisions on performance measurements, and explains: *"We measure different types of cost/income differences, as well as margins, inventory performance etcetera. We also look at KPIs such as purchase order line cost, and the cost in relation to income per number of invoice order lines."*

The amount of time that the respondents spend on HR related matters vary significantly between the different respondents. This can be explained with the organizational differences of the companies within this study. One CFO manages 20 employees in her department, and thus spends significantly amount of time for these matters. Others operate in an organization where there is no HR manager, and thus a larger responsibility lies on the CFO in for HR topics. On average, the respondents spend 22 percent of their management time on HR related matters.

Some respondents indicated that they spend a considerable amount of time on responsibilities that are outside the ordinary role as CFO. The respondents often have a role as informal, or formal, CIO in their organizations. The IT responsibility cannot be generalized between certain industries, but is instead greatly affected by organizational structure and the CFO per say.

The CFO of Company J, said that *"I have been involved in several different projects that has taken my focus from ordinary economic tasks; I have been part of the Microsoft AX upgrade, implemented Mediusflow, worked with EDI implementation and now Qlikview. I am responsible for the company cellphones as well, so I spend way too little time with economy-related assignments."*

The CFO of Company O is in a similar situation as he also is responsible for IT. He comments *"I stand very strong as IT manager, my influence regarding IT is comprehensive within the organization. It's harder to influence on the economical side, where it's more a case of presenting powerful information, as groundwork for decisions."*

The IT focus became even more apparent when the respondents' role in the procurement process was discussed. Most interviewees have a much more active role in procurement processes of IT related products, compared with non-IT related dittos. The CFO of Company P summarizes his role in procurement as *"I am only slightly involved in our most important procurement projects: the ones connected with customer projects. However, I have a much greater responsibility when it comes to IT related purchases, then it's more or less my decision to take."*

The respondents typically have quite a limited role when it comes to generic procurement processes. Several of the respondents said that they might be included on a "sanity check" level, i.e. going through the financial part of a proposed procurement ahead of the final decision. In some industries, the CFOs role is even less influential. This is especially clear in the companies who procure very technically advanced products or services. Here, the CFO's role in the procurement process can be non-existent, with the CFO's sole responsibility being indirect, through his/her work with the investment budget. The CFO of Company C describes his role as *"quite subordinate in the procurement process, as we buy products that are technically very specific, so there are rarely any alternatives on the market."*

The way in which the respondents' organizations formalize the procurement process varies greatly. Some companies have dedicated procurement departments, which naturally are responsible for its purchases. The respondents with these types of organizations typically have a supporting role in the financial matters of the procurement projects. Interviewees at firms without dedicated procurement departments typically have a less defined role in the purchase process.

5.2.2 Financial decisions

The time the respondents spend on financial decisions can be seen in Figure 17 below. It is clear that the interviewees spend the majority of their time with accounting and reporting, budgeting and working capital management.

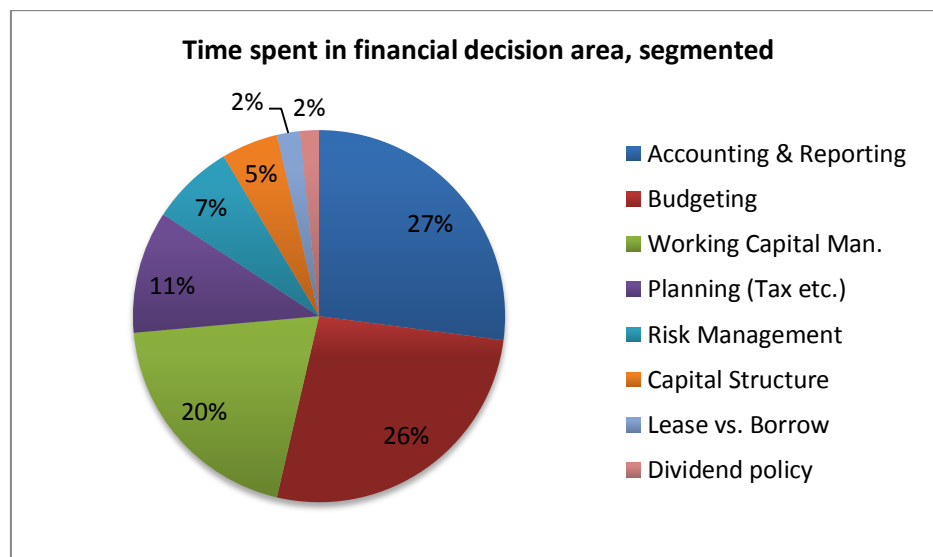


Figure 17 – The average response to the question “Out of the time spent in the financial decision area, how much time do you spend on these separate parts?”

When looking at the accounting and budgeting section, it is clear that the interviewees at companies with larger revenue spend limited time on this matter, while it is the opposite situation for the respondents representing smaller companies. Company H and Company D both have revenues of more than 700 million SEK, and their CFOs spend two and three percent respectively on these tasks, as they have employees that handles them. Company M and Company F, on the other hand, both have revenues below 100 million SEK, and their CFOs spend 45 and 50 percent respectively on accounting and reporting.

The amount of time spent on budgeting is rather the reversed compared with accounting and reporting; the respondents representing the larger companies spend more time here, compared with the ones representing the smaller companies. Company O and Company A both have revenues exceeding 2 billion SEK, and their CFOs spend 62 and 48 percent respectively on budgeting. This is significantly more compared with Company F, which has revenue of 80 million SEK, where the CFO spends 20 percent of her time on budgeting.

Working capital management is also a section where the respondents spend a significant amount of time. Tasks included in this area are management of accounts payable and accounts receivable as

well as inventory management. Several respondents spend less than ten percent of their time on working capital management, but there are two outliers. The CFOs of Company G and Company D spend 70 and 44 percent respectively of their financial management time on working capital management. The newly appointed CFO of Company D, commented: *“There is a reason why I am here¹, some things haven’t been as well-functioning as they could have been. The absence of routines and policies is currently an issue, too many invoices etcetera had to pass by the old CFO. But that is something we are trying to change, so less stuff need my review and certification.”*

5.2.3 Investment decisions

Figure 18 shows how the respondents divide the time that they spend on tasks related to the investment-decision area. The graph clearly shows that the respondents spend the majority of their time in this area with assignments associated with large capital expenditures. The CFOs of Company A, Company J, Company H and Company P, though with no apparent common denominator, listed that they spend between 80 and 100 percent of their time in this area on large capital expenditures.

It is clear that the respondents representing the smaller firms, such as Company M and Company G, spend significantly less time on these matters. The CFOs of these companies spend 25 and zero percent respectively on large capital expenditures. However, size must not be the only determinant deciding how much the CFO focuses on large investments. The CFO of Company O, which has a revenue of 3.5 billion SEK, spends ten percent of his time on investment decisions, and explains: *“We don’t do any large investments, which otherwise can represent a significant part of a CFO’s work responsibility. We only lease some IT equipment, cars etcetera, we have always worked that way, keeping a slim balance sheet.”*

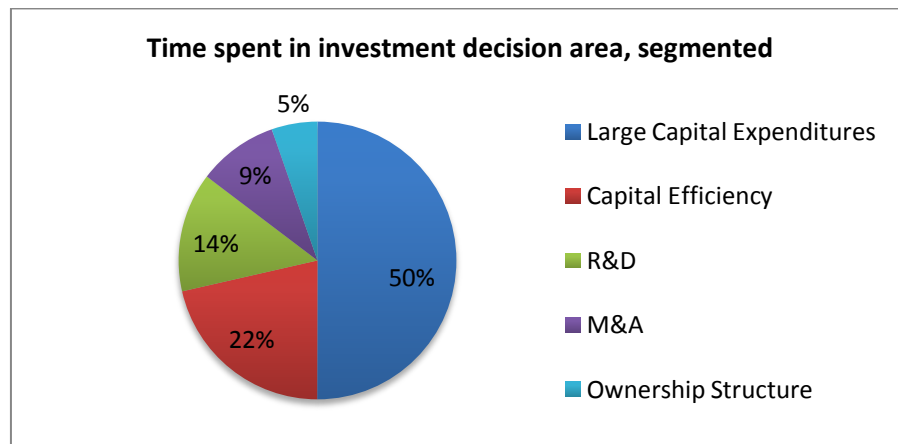


Figure 18 – The average response to the question “Out of your time spent in the investment decision area, how much time do you spend on these separate parts?”

The tasks in the investment decision area are, as explained in Chapter 4, “out of the CFO’s ordinary day-to-day operations”. Strategic work typically falls into this category, which many of the respondents are involved with through involvement in the management team and/or the board. The CFO of Company I comments: *“I am working with strategic questions of the highest order, i.e. should we focus on growth for the company, or slow down a bit and focus on profitability?”* The CFO of

¹ Editors’ note: Old CFO was fired.

Company H, is in a similar role, he comments *“I’m working with the strategic questions, such as the larger investments, whether or not the park should be open during a certain weekend or not”*.

A clear outlier in the capital efficiency section is the CFO of Company B, a university foundation. A significant part of his position is to manage the foundation’s capital, and he thus spends 92 percent of his time within investment decisions on capital efficiency. He comments *“I work 50-60 hours per week. Half of that time is spent on asset management, which requires lots of reading”*.

Several respondents did, when discussing larger investments, express their discontent with how they were approached by different kinds of salespeople, especially salesmen contacting them over the phone. The CFO of Company O is one of the skeptics, he comments *“It is hard for salesmen to get hold of people these days, I hardly answer calls from numbers that I don’t recognize anymore”*.

This concludes the findings from the empirical part of the study. The following chapter will analyze these findings together with data from the theoretical background presented in chapter 4, with the aim to answer the research questions of this thesis.

6. Analysis

This chapter will present the analysis of the empirical findings, where they will be linked with the theoretical context presented previously in the report. The section will further elaborate on what a CFO expects from his best friend, and what is required to become one.

Chapter 3 explained, in theoretical terms, why deep customer understanding is of high importance. It also detailed why it is necessary to know what your customer actually does, in order to thoroughly understand its true needs. Chapter 4 complemented this by elucidating on the formal responsibilities of the CFO, as well as briefly describing the typical demographics and professional backgrounds of a CFO. The chapter further explained the three main areas of responsibility of the CFO; management-, financial- and investment decisions. Further, chapter 5 described the empirical part of the study, which consisted of responses from the interviewees, formed around the same three areas of responsibility as in chapter 4.

The division of this chapter is in line with the research questions in this report, with one sub-chapter representing each question. A short recapitulation of the research questions presented in chapter 1 is in order:

1. What are the general responsibilities, actual work habits and characteristics of a CFO in a medium-sized firm?
2. What implications does this have in terms of what CFOs value from their potential best friend?
3. How can this knowledge influence Medius' work towards becoming the CFO's best friend?

6.1 What does a CFO do?

So what does a CFO actually do? The following section will describe just this, as well as in which direction the role is evolving. It will do this by highlighting the aspects that both are found in prior research and the empirical study, as well as aspects that only are found within one of these areas. Thus, The CFO Model, shown in Figure 19, will once again be used to provide a similar structure as the rest of the report.

This model can possibly also act as a good illustration, or summary if you will, of what CFOs do. The primary focus of this overview is the formal responsibilities of CFOs, since these more easily can be illustrated compared with aspects related to who the CFOs are, what they value, what problems they face etcetera. The empirical study has, however, explored several of these aspects and it is important that these are understood in order to fully grasp the meaning of the model. The aim is to show that the area in the center of the model, The CFO, influences the three areas of responsibility in various ways; and therefore also what the CFO actually does.

The types of influencing factors will possibly diverge between different CFOs, though the empirical study indicates that the primary influencers are the CFOs' ability and willingness to act in certain ways. The ability could refer to influencing factors such as number of work hours, breadth of responsibility, financial constraints, available support systems and the background of the CFO. All these factors would arguably affect the CFO in different ways and influence the choices that are

made. Similar claims can be made regarding factors that influence the CFOs willingness to act in certain ways. Hence, this study shows the importance of understanding more than just the formal processes of the CFO. Further it argues that this naturally also changes the wants and needs of the CFOs, and therefore also what they value from someone who tries to become their best friend.

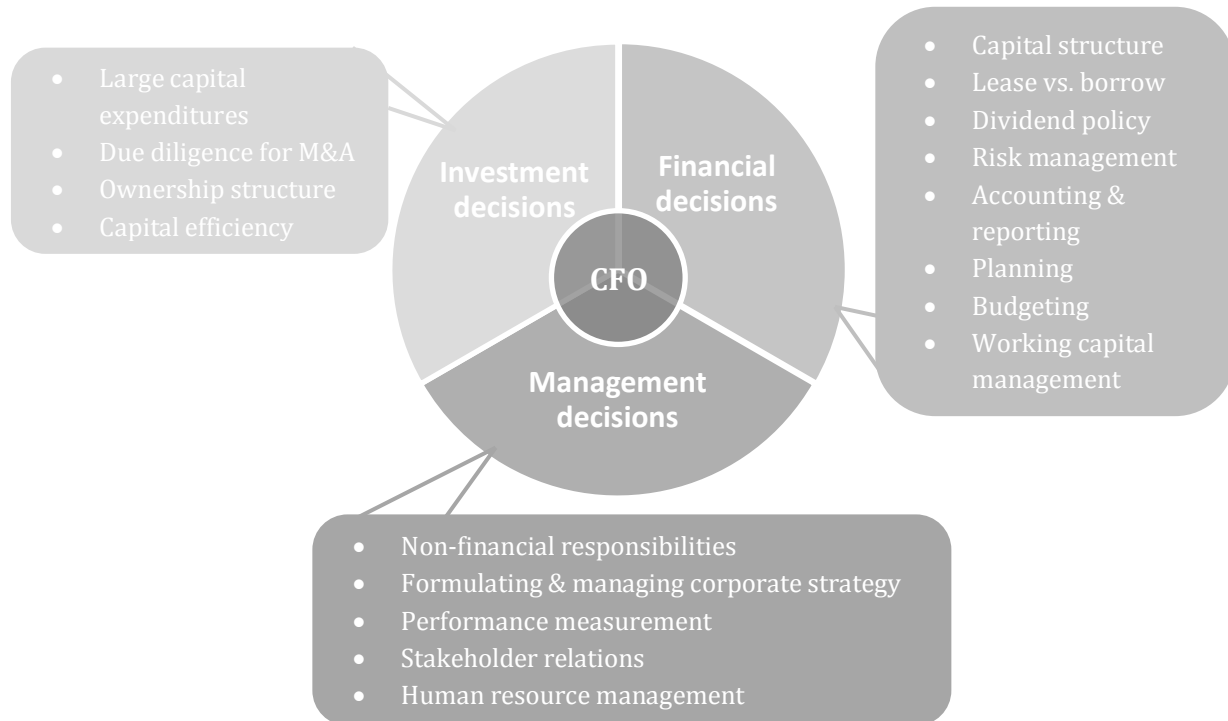


Figure 19 - The CFO Model

6.1.1 The CFO

It became evident in the initial investigation in this thesis' research process that previous research focused less on the aspects found within this area of The CFO Model. Hence, the data gathered through the empirical study constitute the majority of this section. The small amounts of data that could be found in previous research however (e.g. through Page Executive, 2012; PRS, 2012; Ollrog, 2011; Francis et al., 2011; Siong et al., 2012), correlated quite well with the empirical findings. Notably though, that previous research focused on CFOs in many additional countries around the world and used samples with a larger size-difference between the companies. It is therefore interesting that the results could correlate to such an extent. Perhaps this can be seen as an indication that many similarities also exist between CFOs operating in different countries. On a speculative level, this could mean that the role of the CFO will change in similar ways for companies around the world. If that is the case, it could suggest a greater need for companies to share information between multinational locations, since it could enhance their ability to adapt to changes; in other words, if gaining a higher understanding in an American subsidiary of what CFOs need, such an understanding could benefit a Swedish subsidiary as well.

The left part of Figure 20, seen below, represents an illustration of the variations in workload among the interviewees in the empirical study. This overview was previously shown in chapter

5.1.1 and can be generalized, to a rather high degree of certainty, across firms with normal fiscal year. The reason for this specific curve-shape is the need for producing a financial statement and closing of the books in the beginning of the year, as well as the budgeting work during the fall. CFOs in firms with split financial year will therefore experience a different variation in workload. The data also indicates that workload can be affected somewhat by variations in customer demand, which is the case for Company H, Company I and Company L. Due to these market changes, the CFOs need to focus on specific activities during seasonal peaks and others between these peaks. Further, it should be noted that the chart would look a bit different for companies where the CFO delegates large parts of the activities in accounting and budgeting. This claim is based on the otherwise high workload due to these specific responsibilities. Consequently, if these tasks were delegated the workload during the year would presumably be less volatile. An example among the respondents would be the CFO of Company Q, who delegates many activities within accounting and budgeting and consecutively works around 60 hours every week. She does however also focus more on a few specific activities during certain parts of the year; though this does not affect her workload as much as it seemed to do for many of the other respondents.

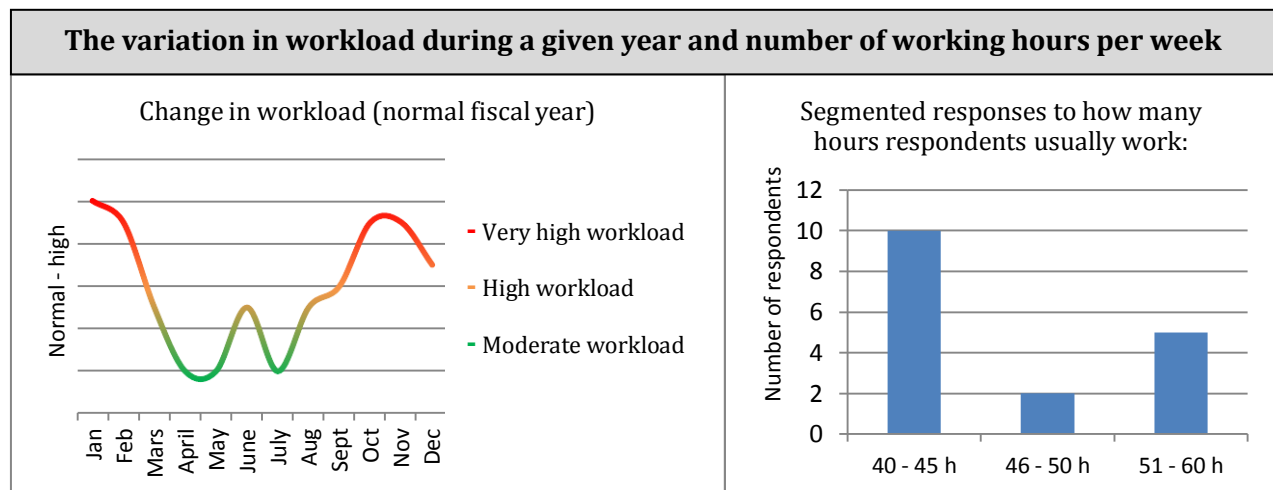


Figure 20 – A condensed overview of the empirical data regarding how the workload varies during a given year and how much the respondents generally work

The general number of work hours per week, seen to the right in Figure 20, seems to the most part depend on the willingness, drive and ambition of the CFO. As was shown in the empirical findings, a few of the respondents (e.g. Company C, Company E, Company F) stated that they surely could work many more hours every week if they wanted; though, they choose not to. This choice seemed to the most part be based on a general sense of when results were good enough. Thus, it could probably be easier for an older and more experienced CFO to keep working hours closer to 40 hours per week. Further, it should be noted that most of the respondents stated that they work somewhat more during times of heavy workload. There are probably other factors that also affect how much a CFO generally work, though the influence from these factors could not be supported by this study. One such factor could be the nature of the environment the company operates in; more specifically, the rate of change in the environment. If operating within such an industry the CFO would presumably need to work more in order to manage risks and put structures in place to enable actions against

sudden changes. Company L could probably be described as one of these companies, and its CFO duly works about 55 hours per week.

The empirical study indicated that CFOs generally have both generic and more hands-on goals. Many respondents saw themselves as a factotum, albeit a senior one. When related to prior research (e.g. Khanna, 2011; IBM, 2010) the findings seem hardly surprising since the formal responsibilities are found on such a broad spectrum within a company. It makes the CFO an important asset both on a boardroom-level as well as on an operational level. Hence, it seems to come natural for CFOs to strive towards enhanced integration between departments in order to streamline the organization.

Both prior research (e.g. Ollrog, 2011; Lindsey, 2007; Copeland et al., 2004) and the empirical findings show that the CEO, CIO and other people within the finance department are important stakeholders for the CFO. For larger corporations, it also seems natural for CFOs in different companies within the corporate group to exchange ideas. No data suggested that this is about to change. Though, if comparing today's companies with the situation 10-15 years ago, the CIO has presumably become more important than before.

An interesting finding in the empirical study is that the power balance between the CFO and other stakeholders in the firms differ. First, the organizational structure may influence this power balance. This was seen to be the case for the CFO in Company C, a subsidiary within a larger industry group, who stated that he could not influence what IT systems they used; that was chosen by their mother company. Apart from the organizational structure, the most prominent influencing factor seems to be the CFO itself, which is why specific characteristics that influence this power balance may be difficult to pinpoint. However, the interviews indicated that CFOs with high engagement and willingness to make changes and improve their firm in different ways also had a greater ability to influence. Furthermore, CFOs with higher educational background and more experience seem to get more influence towards the CEO as well. This can be related to the CFOs of Company M and Company C, who had little influence over investment decisions of technical production appliances, since their knowledge within this field were limited. Thus, it can be presumed that CFOs will get the influence they seek over decisions where they have the essential knowledge and background, as long as the organizational structure is in their favor. One such example is the CFO at Company B that has influence over IT since he previously worked as CIO in another company.

There are a few external stakeholders that are more or less important for the respondents. Those that were repeatedly referred to were their accountant, bank, insurance company and owners. It is difficult however to generalize how frequent these interactions normally are among CFOs; some of the respondents had almost no contact with external stakeholders, apart from a minimal amount with the accountant during the financial statement preparation and closure of the books; while others stated that external relations were more common. Though, it can be assumed that publicly traded companies as well as larger companies have more contact with their accountant since the accounting and reporting process could be more complex for them.

6.1.2 Management decisions

The management decisions area does highlight the width of responsibilities of the CFO. The previous research brought this up (e.g. through Bragg, 2011; Page Executive, 2012; Khanna, 2011), mentioning potential duties related to HR, IT, finance etcetera. These tasks typically range all the way from the operational level, to the highest types of strategic decisions. It also highlighted the variations in CFO obligation in different areas, which mostly depends on company size, and thus number of potential supporting staff members. The size of the company therefore heavily affects the responsibilities that the CFO is required to take, with CFOs for smaller firms typically having a wider area of obligations. This correlated well with the empirical study, where several respondents (Company A, Company C, Company D, Company E, Company H, Company I, Company J, Company O, Company Q) stressed the breadth of their position. Further, the data shows that CFOs of larger organizations typically have fewer tasks that requires direct attention, due to more personnel to whom tasks can be delegated.

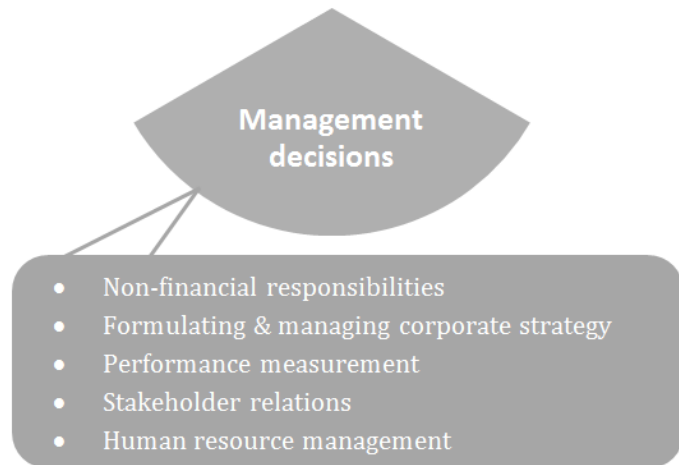


Figure 21 – 1st area of responsibility within The CFO Model

Another apparent indication was that the majority of the time that the respondents spent in this area was spent on performance measurement. On average, the respondents answered that they spent 57 percent of their time within this area on performance measurements, which makes it the largest sub-section in the entire study. It should, though, be noted that there were significant variations in the performance measurement sub-section as well, with respondents indicating that they spent between 15 and 97 percent of their time on performance measurement.

One reason for the high focus on performance measurement can be the quick market changes seen by several respondents. The CFO of Company L is one of the respondents who highlighted how they are affected by rapid market fluctuations. He comments:

"We can't predict the external outlook. The cycles² are too short, so we can't access that information. We utilize Gartner etcetera, and we're looking at macro-economic reports as well, but that can't be trusted to 100 percent." He continues: "There are a lot of things that affect our business, tax deductions for home improvements for instance".

Company P works with industrial manufacturing towards the energy sector, their CFO also sees rapid changes in the industry. He comments: *"Three months ago, we had low occupancy, with a project that only had three months left. Today on the other hand we are fully booked for the next three years".*

² Editors' note: Financial cycles

It is therefore difficult to predict the future for companies operating in these kinds of volatile markets. If speculating on a more general level, future predictions could become increasingly difficult for other companies as well. An increased interconnectedness between economies and a faster rate of change in general in the environment could be influencing this. On the other hand, IT has also decreased the perceived vastness of the world, making it possible for companies to access huge amounts of data more quickly, which could result in faster reactions to sudden changes. Consequently, this could mean that CFOs will focus more on establishing reliable and quick performance measurement tools in the future compared to today.

Another common theme found in previous research (e.g. Bragg, 2011; Khanna, 2011; IBM, 2010), is the increased importance of the CFO's strategic work. The role of the CFO is slowly moving away from being a chamberlain who "keeps track of the numbers" into being a central figure in the firm's strategic development, and a trusted senior advisor in a variety of business areas. This was also something that was confirmed by the empirical interviews, as several respondents were convinced that this trend has existed for some time, and is likely to continue. These interviewees had personal experience about how more advanced, and user-oriented, support systems allow them to spend increasingly less time on data collection, as these tasks have become increasingly automated. The extra time that is being freed up is spent on strategic issues, as well as more thorough analyses of the collected data. This way, the interviewees could presumably add more value to the organization and take advantage of larger parts of their skillset.

It is therefore evident from the interviews that automation is one important catalyst for this change. This is arguably the case since CFOs already work long hours and often have many additional non-financial responsibilities next to the normal role. It therefore becomes difficult to have time for additional strategic work without something first being done to free up time for the CFO. Automating processes and making them more efficient could be one way to solve this issue. The other would arguably be to delegate parts of their responsibilities to other people. A discussion regarding what processes CFOs would value to get automated are further elaborated upon in section 6.2.2 Problems & solutions.

An interesting finding from a number of interviews is that new difficulties may arise if the CFO delegates responsibilities to other people. In Company Q, a controller had gotten responsibilities concerning budgeting work and to provide the CEO with specific information. Hence, the controller reports both to the CEO and CFO. Company E, on the other hand, is part of a corporate group and here the dual-bosses issue manifested itself by the CFO himself reporting to both the Swedish CEO as well as the CFO in the American mother company; presumably a very common situation for CFOs in subsidiaries. Consequently, it could be difficult to know what to do in cases where the two authorities have conflicting requests. This issue was not brought up by other CFOs though. An explanation to why the CFO of Company E had experienced this kind of problem could be that their mother company is based in the US, and therefore have a different organizational culture and ways of handling things.

Stakeholder relations section is, however, the smallest sub-section within management decisions, occupying 7 percent of the respondents' time. This is likely to be connected to the relatively small size of the companies that were included in the study, where CFOs typically do not have the same

strict stakeholder relationship requirements, as CFOs of larger, publicly traded companies have. Social media was elevated in previous research as an important communication channel, especially for smaller companies, though the empirical study could not support its importance.

6.1.3 Financial decisions

The empirical study revealed that there is a significant difference between the amount of time CFOs in smaller companies spend on responsibilities within the area of financial decisions compared with the larger companies. It is perhaps quite natural that this is the case, as the CFOs of the smaller companies typically have a more hands-on role in the financial department. The CFOs of larger firms, on the other hand, often have a more strategic role, with operational tasks delegated to other employees. Larger firms arguably also automate processes to a higher degree, since they have the financial

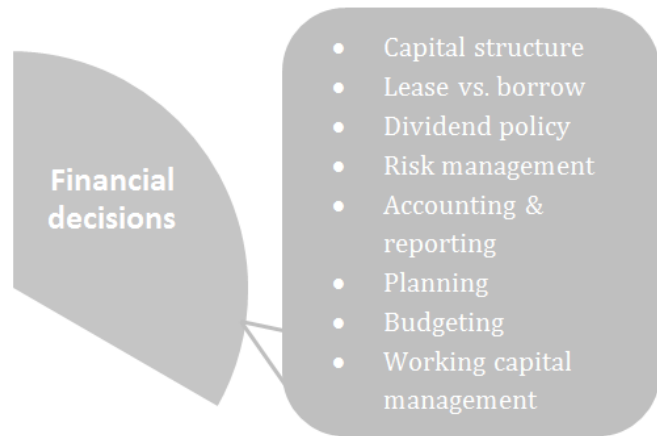


Figure 22 - 2nd area of responsibility within The CFO Model

capacity to do so. Thus, in an area of responsibility where plenty of repetitive activities can be found, it is understandable that CFOs in larger companies have less to do. However, if contemplating about the future, it is reasonable to believe that IT solutions will become more affordable for smaller companies. This could enable smaller companies to automate more processes which in turn could reduce the amount of time spent on these activities.

There are also a few responsibilities which dominate the respondents' time in the financial decisions area. Here, the interviewees spend most of their time on accounting and reporting, budgeting and working capital management. These responses correlate quite well with the previous research (e.g. Drury, 2007; Nolop, 2012; Bragg, 2011; Copeland et al., 2004) presented in chapter 4. It is likely, however, that responses would have been different if larger companies were added in the study; e.g. a responsibility such as accounting would in that case probably have been indicated to be less time-consuming, since many of the interrelated tasks are delegated or automated in these companies.

The budgeting process was another recurring topic in the interviews, and it was rated as the sub-section which required second most time in the financial decisions, just after accounting and reporting. This was reflected in the theory as well (Bragg, 2011; Drury, 2007; Copeland et al., 2004), which described budgeting as a key activity for CFOs. The results do not indicate any future change in terms of importance of this responsibility, nor does it show that the responsibility is changing towards a specific direction. However, new tools that make the budgeting processes more efficient will logically become available in the future. For example, the budget will probably be more interconnected to various performance measurement tools. The result could be faster reactions when errors occur or when results fall far from estimations for other reasons. Hence, the main purposes of the budget, see Figure 8, could then be better fulfilled and the budget could more easily

be adjusted to changes in the operating environment; something that Copeland et al. (2004) stressed as highly important.

The respondents listed working capital management as the third most time-consuming task within management decisions. This ranking correlates well with the theory (Nolop, 2012; Copeland et al., 2004), which also stresses working capital management's importance. The theory especially highlights the importance of efficient working capital management for smaller firms, in order to manage a reasonable liquidity level for the firm. It is thus reasonable to believe that the high percentage for working capital management also would be lower if larger corporations were included in the study. Furthermore, internal interviews in Medius as well as the interviews with CFOs indicated that there is a trend towards invoice standardization and an increase in the utilization of digital invoices. The result could be increased efficiency in accounts payable since invoices increasingly would be sent electronically directly to the ERP systems. Consequently, CFOs could possibly spend less time within this area of responsibility in the future. It could also enable companies to recognize expenses early on and therefore be able to force expenses into the current reporting year, instead of deferring them to the next; a valuable aspect when it comes to the tax strategy (Bragg, 2011).

On a speculative level, tax and currency planning could become increasingly important in the future due to globalization, potential increase in trade between countries around the world and faster changes in the environment. This could also make risk management more important since structures would need to be in place that enables identification of and reaction to such changes. Larger companies would most probably be able to spend additional time and resources on these responsibilities. Smaller companies however would presumably have to depend on their bank contacts and accountants to a higher degree since these have much more knowledge within tax and currency planning. Thus, there is a chance that external contacts become more important for companies in the future.

6.1.4 Investment decisions

An interesting finding in the empirical study is the difference between how much time CFOs spend on investment decisions. The larger companies in the study, such as Company B, Company D and Company H, spend considerable more amount of time on investments compared with the average of the respondents. This is also quite natural considering that the smaller firms in this study have revenues between 50 and 100 million SEK, and thus have limited financial capacity for larger investments.

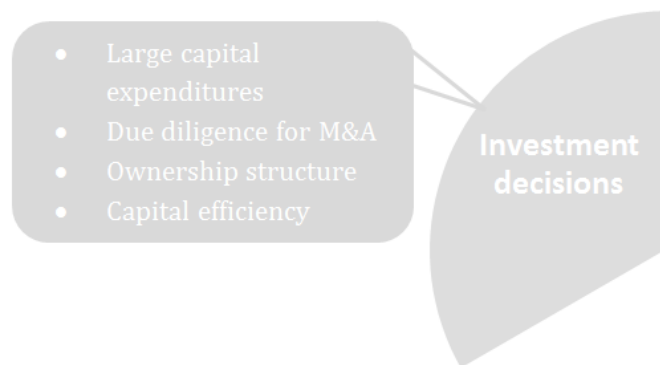


Figure 23 - 3rd area of responsibility within The CFO Model

Another finding is that large capital expenditures are the most prioritized area within investment decisions. It represented 51 percent of the interviewees' time, making it the second largest sub-section in the entire study. This was also reflected in the theory (e.g. Copeland et al., 2004; Granlund

& Malmi, 2002; Nolop, 2012; Löfsten, 2002), which highlighted the multiple responsibilities for the CFO during substantial investments, as well as the point that it is one of the most challenging tasks a CFO has. The CFO is typically responsible for choosing how to estimate the financial legitimacy of the investment, performing and presenting the economic analysis, and finally evaluating the investment. Most companies use more or less the same calculation methods, such as NPV, DCF and ROI, and the interviewees did not appear to have any difficulties in performing these calculations. However, many of the respondents stated that such work mainly is done in Excel and a few noted that the data is collected manually to some extent. Thus, if the environment is changing towards being less predictable, as was discussed previously, companies would probably need to enhance their ability to collect and analyze this information faster. This could result in faster decisions and thus improved ability to adapt to changes in the environment.

The amount of time respondents spend on the responsibilities of due diligence for mergers and acquisitions, ownership structure and capital efficiency varies greatly. It is reasonable to believe that research done towards larger companies would have resulted in additional time spent on these areas. These larger companies logically have a greater ability to procure other firms; a greater percentage of firms in such research would probably be publicly traded companies and thus spend more time on ownership structure; and they would most probably have more equity to manage and invest. The research does not display any trends, or future changes, in terms of how important these areas of responsibility will be for CFOs.

6.1.4 Concluding observations

This study has also shown that while formal responsibilities CFOs *may* have can be illustrated, it is quite hard to explicitly define what a CFO does in general. There is a great variety in tasks and responsibilities among CFOs, which both the theory and the empirical study revealed. However, the study has shown that it is reasonable to generalize the responsibilities of the CFO into the areas within The CFO Model. The generalization emerged from the early phases of the research process where both interviews and a theoretical study were made, and it reflected well with the answers received through the empirical study.

The empirical study did reveal many interesting points, which were not brought up in the theoretical chapter. It was for example evident that the roles of the respondents were heavily affected by the industry in which their firm was operating. Several interviewees stressed this as something that notably affected their workday, and how they prioritized. An example of this is the interviewees who operated in cyclic markets. These CFOs clearly prioritized performance measurement more than the other respondents. These respondents, the CFOs of Company I, Company H and Company L, clearly stated that they needed to keep constant track of important KPIs, because of the great variances in business during a given year. It was also evident that the roles are affected by the company size. This was to some extent also brought up by previous researchers (e.g. Copeland et al., 2004; Bragg, 2011; Ollrog, 2011), though that research more often compared small cap, mid cap and large cap companies; i.e. firms below a market capitalization of 150 million EUR, above 1 billion EUR and the ones in between. Hence, it is interesting that this thesis also find differences, in part similar to previous research, between firms with different sizes although the span is much smaller.

Last, the study shows that it is possible to gain a better understanding of the CFO if looking beyond the formal responsibilities. The empirical study and the analysis so far have revealed many aspects that prior research did not. If referring back to the first research question, the report has now been able to show what CFOs generally do by mapping the formal responsibilities as well as softer aspects such as who the CFOs are, what challenges they face, etcetera. It has also discussed potential trends of how the role will evolve. Next section will instead explore if this mapping can provide a better understanding of what CFOs value from their potential best friend; i.e. it will aim to answer the second research question.

6.2 Key aspects that CFOs value from their potential best friend

CFOs have many different requirements from someone they would see as a valuable partner. Many of these requirements become apparent for the supplier along the continuous dialogue with the CFO within the sales process. However, the empirical study reveals additional aspects that shed further light over such requirements. The more critical of these requirements will now be elaborated upon in further detail. They have been divided between two areas:

1. The sales process, which relates to the actual relation and activities in an initial sale, implementation, support and aftermarket for a purchased solution;
2. Problems & solutions, which relates to common issues for CFOs that would be beneficial to minimize or remove.

6.2.1 The sales process

The research shows that CFOs generally work long hours, that their workload generally changes in cycles during a given year and that important differences can be seen between the CFO position in various industries. Most respondents also noted that phone calls from salespeople and market researchers are very common, which would occupy plenty of valuable time if all were answered. Consequently, it has led to reluctance to answer the phone when people with unknown numbers call. The reasoning above indicates that CFOs have requirements both regarding when and how a salesman should approach them.

The matter of *when* a salesman should approach the CFO is heavily affected by the yearly variations in workload. For companies that follow a normal fiscal year, this means that CFOs generally have more time to evaluate new deals after the financial statement and closure of the books are done; normally somewhere between March and May. An evaluation of the deal can then be made before and/or after the summer vacation. If the budget allows it and a decision to buy the solution is taken, the data shows that implementation favorably is made in August to September. If, however, there is no room in the budget for such a purchase, the matter can be taken into consideration for the budgeting process and thus enable a purchase and implementation next fiscal year.

For companies with large seasonal market fluctuations, where the majority of income is made during a peak season, the optimal time for implementation is normally shortly after the peak season. This choice is made by the CFO to reduce risk of downtime during the most important period of the year and to provide sufficient time for testing and fine tuning before next season. The CFOs' preferred time for purchase and implementation, in these kinds of markets, may therefore be more affected by the market fluctuations than the yearly variations in workload for the CFO.

The matter of *how* a salesman should approach the CFO is, however, not as easy to answer. Many of the respondents stated that telemarketing is a flawed system. Though, at the same time most CFOs could not specify a better or more preferred way to be contacted. A reasonable claim would be that CFOs prefer to have new solutions recommended to them by other people within their networks. This claim can be related to the point that many of the interviewees noted that people within their networks are important sources of ideas for them. However, a potential downside with this indirect sales channel could be the risk of only finding solutions to known issues, not the unknowns. For example, the accounting process seemed to be inefficient within one of the companies included in the empirical study. Though, the respondent appeared to be unaware of this inefficiency, and would therefore probably not try to seek information within personal networks regarding how to streamline their accounting processes. In these cases, a more direct sales technique would be beneficial for the CFO since the unknowns can be explained and exemplified through reference cases, and therefore create understanding of the potential inefficiencies and the need for a solution.

Further the CFO of Company O suggested that proactive selling would be an improvement to the traditional sales techniques. He illustrated this by referring to the case of company cars: *"It is incomprehensible that the supplier does not see that I soon have had my car for three years, so why doesn't he call me?"* For this to be feasible, the supplier must store such information and have a system in place that indicates when, and for what reason, a client or prospect should be approached. Hence, even though a CFO turns down a particular solution, the salesman should arguably note important information, such as what their present solution is, to enable proactive selling to the CFO when that solution begins to be outdated.

Proactive selling could therefore increase the value for the CFO, but from another perspective it could also improve the relations between a supplier and their present customers. This can once again be related to the empirical findings, where CFOs stated that they value advices from people within their personal networks. Consequently, if a supplier has satisfied customers, these will probably recommend that supplier to others in their networks which in turn could provide an increase in sales for the supplier. The result could therefore be a more preferred way for CFOs to find new interesting solutions.

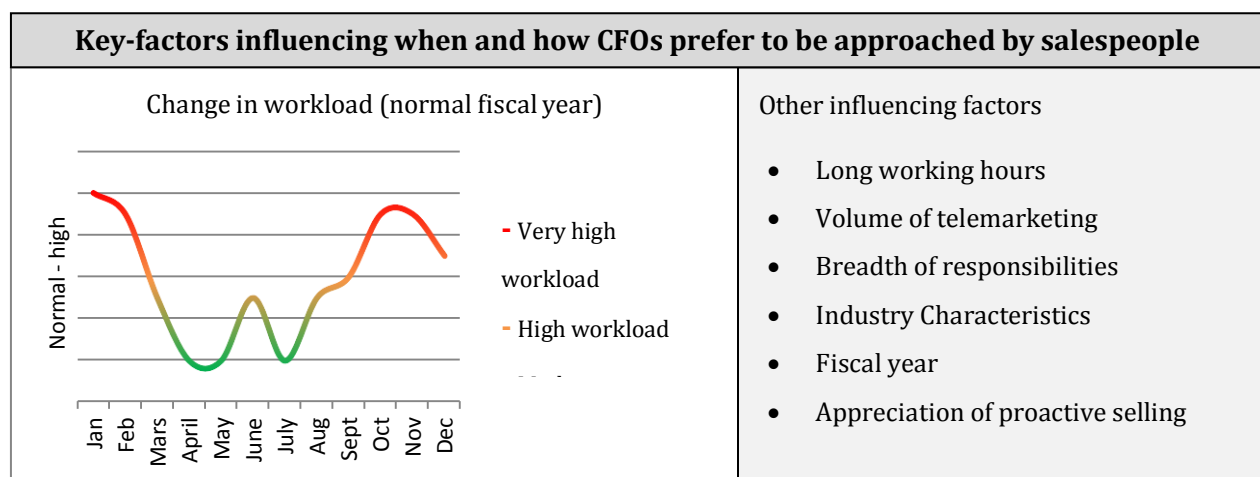


Figure 24 - Summary of key-factors influencing when and how CFOs prefer to be approached by salespeople

Figure 24 acts as an overview and conclusion of the discussion of when and how CFOs prefer to be approached by salespeople. The study has found differences between various companies and it is therefore not possible to generalize the findings of an optimal way CFOs would like to be approached. What can be done, however, is to generalize the most important factors that influence these requirements. The illustration therefore shows key factors that influence how a particular CFO would like to be approached.

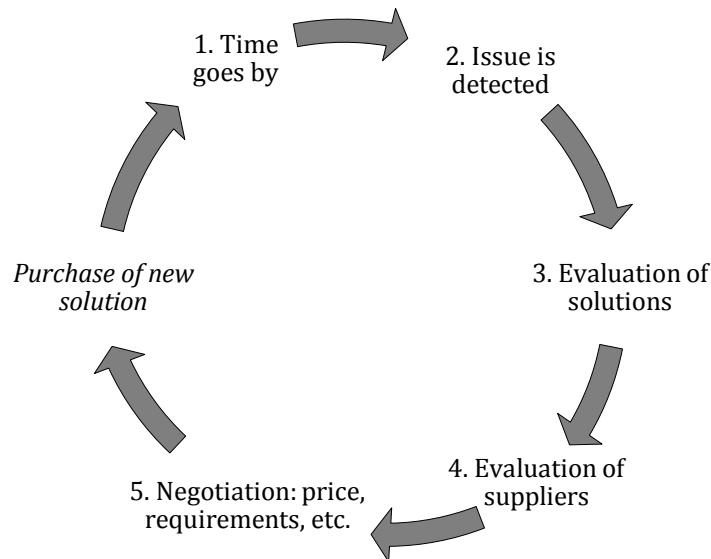


Figure 25 - Illustration of positions within the decision process (influenced by Rackham, 1989)

Not only do CFOs value suppliers that understand when and how to approach them, but equally important is the aspect of being provided with the right kind of information from the very beginning by a salesman. Logically, the “right” kind of information varies between CFOs since they are positioned at different places within the decision process; i.e. they need different kind of information to be able to move to the next position. Figure 25 illustrates the main positions CFOs have in their decision process and each bullet point below can be related to its corresponding number in the figure. That is, CFOs would logically appreciate when the supplier quickly understands where they stand in this process;

1. Are they not yet aware of the problem that the solution solves? – *CFOs would value to understand the problem to a better degree;*
2. Are they aware of the problem, but still evaluating whether or not to solve it? – *CFOs would value to understand the intensity of, and urgency to solve, the problem to a better degree;*
3. Do they know that the problem should be solved but not yet how? – *CFOs would value to understand what different solutions that exist as well as their various pros and cons;*
4. Do they know how, but not which supplier to choose? – *CFOs would value to understand the differences between various suppliers and their various pros and cons;*
5. Have they decided on all those aspects but still need to know more about the specifics of the supplier’s solution? – *CFOs would value to understand the more specific aspects of the solution, sales process, implementation, time frame, costs, etc.* (Influenced by Rackham, 1989)

This difference in awareness of their present situation and knowledge about available solutions will therefore influence the need for certain information. On a speculative level, CFOs could be negative towards telemarketing due to a poor understanding from suppliers regarding these stages in the decision process. If the stages were better understood and only the essential information was brought forward, this could increase the CFO's perceived value of the sales pitch since the feeling of losing valuable time would decrease.

A few interviewees also stressed that trustworthy suppliers not only list all the benefits with their solutions, but also potential aspects that are equally good as, or even worse than, other solutions. Furthermore, trustworthy suppliers show that they have a good understanding of the CFO's particular industry and therefore help to mitigate potential risks as well as to create company-specific solutions. This also means that the supplier can pinpoint important soft, or intangible, values to a greater extent; which according to a few of the interviewees was even more important than actual quantifiable values. This notion was further emphasized by one of Medius present customers when speaking about automation of processes: *"It is clear that time can be saved and thus money, but the soft values, such as quality assurance and broad integration are even more important"*. These aspects are probably highly important for most CFOs since it helps them to hold their organization together, enhance estimation accuracy as well as increase trust towards the supplier; factors that the empirical study indicated as highly important.

Another kind of information that many respondents stated as very important was the access to reference cases. The advices from other people within the CFOs networks could be seen as reference cases, but the information can also be put forward by the supplier directly. The CFO of Company O notes *"the use of reference customers is a hands-on way to impress me"*. It provides the CFO with something more than just promises from salespeople, a confirmation that the solution works if you will, which arguably would decrease the perceived risk related to the investment. Moreover, if reference cases from a similar industry exist, it further shows that the supplier has prior knowledge of their specific industry and therefore potential ability to create higher value. This is highly valued by the CFO since it enables them to produce more accurate estimations of the solution's impact before a purchase, and therefore also a way to manage risks. Furthermore, reference cases could also be essential for CFOs that use inefficient solutions without the knowledge of them being inefficient; i.e. the first bullet point above. This can be exemplified through the response of one of the interviewees when being asked if they have any particular well-functioning processes: *"Yes, we have a good accounting process in the finance department. It takes us about 10 days to produce the monthly statement, though we do this work rather thoroughly"*. This can be compared to many of the other respondents that also thought their accounting process were efficient, though with the exception that their monthly statements were made in two or three days. Hence, reference cases could create an awareness of the CFO's present situation compared to other firms and thus an understanding of what improvements that could be made.

The research also shows that managing capital structure and financing options for investments is important for the CFO. They want to increase their financial flexibility which indicates that they appreciate being offered a variety of payment options; i.e. related to the last bullet point above. The options could include to lease or to pay by installments, or various degrees of down payment versus

monthly payments, or to have the possibility of postponing the down payment to next fiscal year, etc. This could arguably provide value in many ways for the CFO; one example is through tax planning; another is through eliminating the need for increased loans or large down payments and thus more stable expenses; a third example is through being able to adjust this year's payments to be able to fit the investment into this year's budget; a fourth could be to keep equity high in able to secure future dividend payouts; and a fifth example is to force the transaction amount below the decision maker's authorization limit. Hence, the access to various payment options can create alignment to the CFOs general financial plan and strategic goals. Moreover, it can also assist the CFO in meeting goals on a more personal level, which could be particularly important if a bonus in the incentive design would be affected. One of the interviewees said the following when being asked about what goals he worked towards and how this work could be affected: *"We also have a bonus program and I am, of course, influenced by it"*.

There are a few additional aspects that CFOs value in the continuing process after the decision has been taken to purchase a solution from a specific supplier. The data shows that the combined effort between the CFO and supplier of managing risks is one of these key aspects. This can be solved through the use of legal documents, but also through trust and by putting the CFO first. The CFO of Company I presses this importance by saying that customer focus is essential from a valuable supplier. He was critical regarding how Medius had handled their Mediusflow implementation: *"Parts of the system weren't functioning correctly when we went live. After a while, we couldn't even authorize invoices at all. At this point Medius had far too low sense of urgency, they had no idea how bad it was. It's not good if you have to call and shout for help."* Clear areas of responsibility related to the implementation are therefore essential. This also makes it easier for the CFO to coordinate

Key elements that CFOs value to be integrated into the sales process and their implications
<ul style="list-style-type: none"> • Understanding of the CFO's place in decision process <ul style="list-style-type: none"> ➢ Confidence in that supplier understands specific situation, higher value of presented information, reduced risk of wasting the CFO's time • Presentation of reference cases <ul style="list-style-type: none"> ➢ Trust in supplier, risk management, <i>"hands-on way to impress"</i>, provides better foundation for decision, <i>"proven"</i> solution, can make unknown issues surface • Presentation of benefits <u>and</u> disadvantages <ul style="list-style-type: none"> ➢ Trust in supplier, risk management, better foundation for decision • Industry knowledge <ul style="list-style-type: none"> ➢ Confidence that supplier understands specific challenges, reduced perceived risk, potential to provide higher value • Tangible <u>and</u> intangible values <ul style="list-style-type: none"> ➢ Confidence that supplier understands specific challenges, better foundation for decision, higher perceived value of solution, <i>"soft values are more important!"</i> • Combined efforts to mitigate risk, follow plans and establish clear areas of responsibility <ul style="list-style-type: none"> ➢ Trust in supplier, more accurate estimations, risk management, better foundation for decision • Different payment options <ul style="list-style-type: none"> ➢ Faith that the supplier can optimize financial solution, tax benefits, fit within budget, increased financial flexibility, within authorization limit, stable expenses, benefit personal incentives

Figure 26 - Summary of key-elements that should be integrated into the sales process

internal resources to the project when needed; an important aspect, especially for a CFO that delegate large parts of the responsibilities. Consequently, the project plan will be more accurate and the CFO will have an easier time to focus on additional matters.

Figure 26 summarizes the key elements that CFOs value to be integrated into the sales process by their suppliers, as well as the implications these have on the CFO, when fulfilled. It illustrates what have been mentioned above, i.e. that CFOs prefer suppliers which are transparent and honest. It is also clear that CFOs appreciate suppliers that are able to understand the specific situation of the CFO's firm and industry, and adapt their offering in order to match their needs in the best possible way.

This concludes the discussion regarding what key elements a CFO expects from a supplier within the sales process, and how these can affect the CFO's relation with the supplier. The analysis will now continue with a section that describes what problems the typical CFO faces, but also how these issues can be minimized or removed.

6.2.2 Problems & solutions

There are a few issues that seem to be more prevalent among CFOs. Some of these problems were stated as common or important to recognize in previous research, some were stressed by interviewees in the empirical study and some issues can be deduced by analyzing the collected data within this thesis. These general key issues that CFOs experience are:

- Too little time for value-adding activities, e.g. strategic work (*e.g. indicated by: Most respondents; Khanna, 2011; IBM, 2010; Fredelius, 2010, June 9; Bragg, 2011; Nolop, 2012; Ollrog, 2011*);
- Many disparate systems unable to be used in unison (*e.g. indicated by: Company Q, Company C, Company G, Company H, Company K, Company P; Bragg, 2011; Copeland et al., 2004*);
- Slow and untimely (not real-time) data collection (*e.g. indicated by: Company M, Company C, Company G, Company P; The Economist Intelligence Unit, 2012; Nolop, 2012; Copeland et al., 2004*);
- Faults due to human error (*e.g. indicated by: Company J, Company O; Copeland et al., 2004; Nolop, 2012*);
- Boring and repetitive tasks (*e.g. indicated by: Most respondents; Nolop, 2012; Bragg, 2011*);
- High cost & too many work hours for activities that produce little value (*e.g. indicated by: Majority of the respondents; Page Executive, 2012; Copeland et al., 2004; Nolop, 2012*);
- Difficulties, or challenge, to make the entire organization work as one unit (*e.g. indicated by: Company Q, Company C, Company B, Company D, Company P; Copeland et al., 2004; Lawler, 1971; Demsetz and Villalonga, 2001*);

- Challenge to explain financial matters to people with other background (*e.g. indicated by: Company J, Company A, Company D, Company N; Bragg, 2011; Strahner, 2012; IAFEI, 2006; Page Executive, 2012*).

Consequently, solutions that can eliminate one of these issues, or preferably many of them, would arguably be seen as valuable for the CFO. As was previously discussed, and illustrated in the first bullet point, a majority of CFOs would value to become more strategically oriented. This change entails that there is time for such work, which is why some of the current processes either need to be delegated or automated. There are some activities within a few responsibilities in particular that CFOs would like to automate. These are all related to repetitive work and tasks that by their own do not add much value to the organization. The most reoccurring example from both interviews and prior research is to condensate data that need to be analyzed. The majority of the value in this process arguably comes from the actual analysis, not the data collection phase. Hence, CFOs should value solutions that can assist with data collection, often from many disparate systems. There are many desired benefits with these systems, such as:

- To increase time for value-adding activities;
- To provide integration between many disparate systems;
- To enable more timely and faster data collection;
- To improve the ability to recognize errors faster;
- To improve data quality and reduce errors;
- To reduce boring and repetitive work;
- To reduce costs and work hours required for specific tasks;
- To make the workplace more attractive for employees;
- To create additional ways to ensure that the organization works as one unit.

One important aspect with these benefits is that they can be related to most issues that were presented above and also to almost all responsibilities of the CFO. This notion can be further explored by providing some examples: Value is brought to the area of management decisions in terms of freed up time for strategic work. The important responsibility of performance measurement will also be affected in terms of more accurate and timely data that is collected faster than before. This can also assist the CFO regarding stakeholder relations, and the interrelated responsibility of HR management, since information can be gathered and coordinated faster. Value is also brought to the area of financial decisions in since it provides a tool for mitigating risks as well as reducing work hours required for repetitive work. Accounting, reporting and budgeting will also be assisted since these responsibilities require the CFO to sort through large amounts of data and condensate this into a standardized form. Responsibilities that may demand quick response to changes in the environment, such as working capital management, will also be improved. Last, value is also brought to the area of investment decisions since these responsibilities also put demands on aspects such as high data quality and ability to condensate data quickly. These examples illustrate many of the aspects that CFOs value when a data collection process gets automated. Furthermore, it shows how the responsibilities are interrelated and how the CFO's ability to get the company working as one unit can be improved.

While on the topic of automation, the responsibility of accounting and reporting deserves some additional exploration. Previous research (e.g. Bragg, 2011; Nolop, 2012) showed that this area requires well-functioning and integrated IT systems to facilitate data replication and efficiency. Furthermore, it showed that the collection of data may become a very complex process since it needs to be gathered from many different functions, sometimes in multinational locations. The empirical study supported these findings and also showed that many CFOs lack an efficient IT system that can assist with the creation of financial reports. Instead, the CFOs had to manually gather a lot of the information from many different systems. This tedious work was arguably also one of the main reasons for why every other CFO found the repetitive parts of these tasks to be boring. However, it was mostly CFOs in smaller companies that spent considerable time with these tasks. While the integration of ERP systems probably has made this work easier, there are still many firms that use several IT systems that are difficult to use together. The CFO of Company Q, the mother company of a larger corporate group, was one of the interviewees that pointed out that they previously had used many sub-optimal systems. The problem with this choice became apparent when data was updated in one system, while other systems continued to have the old data; i.e. their use of master data was flawed. Consequently, many firms would value a solution that can aggregate and condensate information from many different sources and assist with the creation of reports and financial statements. This way, CFOs could focus more time on analyzing the information and less time on manually gathering information.

It can also be claimed that automation becomes more valuable for the company if the freed-up time makes the CFO work more with strategic concerns rather than other repetitive work. In other words, automation could enhance a company's ability to leverage the CFO's background and skillset. Further, it could also reduce the amount of repetitive tasks for other less senior employees within the finance department, which could result in increased value-added work and thus greater support for the CFO.

A popular tool for CFOs is business intelligence software. These are commonly used to satisfy different needs for retrieving, analyzing and reporting data. Further, it can facilitate analysis on a strategic level, something that would be valued by many CFOs. This can be related to the fact the most interviewees spend a majority of their time in their office and that this choice often is made consciously so that they remain available to other individuals within the organization. Thus, it would arguably be highly important for CFOs to get access to tools that can be used from their office, which can help them to manage their responsibilities, unite the organization and ensure that the strategic objectives are being followed. Furthermore, since the responsibility of performance measurements was seen to be such a time-consuming activity among the respondents, efficiency improvements in this area could most probably free up plenty of time for the CFO. Additionally, business intelligence tools would possibly be even more important for firms operating in volatile markets where the ability to spot environmental changes fast is crucial.

The ideal scenario for CFOs would naturally be to have access to all essential internal and external information. The CFO of Company L did, however, describe this as a utopia, since external information is much harder to come by. A few respondents stated that they kept track of changes in the external environment. However, this was most often done by reading news in financial

newspapers, and for some of the larger firms by purchasing reports from Gartner or other researchers. Though, information regarding sudden changes in the external environment seems to be hard to come by, and is instead recognized when it affects the company. Therefore, it can be claimed that firms instead must put structures in place that enables them to react faster to changes in the environment. Consequently, it is very important for CFOs to be able to connect the performance measurement scheme to certain key performance indicators with the aim to be notified when results land far from estimations.

When the topic of invoices was brought up in a few interviews there was also a general consensus regarding one common issue, namely that they arrive in so many different formats with no common standard. This issue seems to be more severe for firms with less leverage towards its suppliers; i.e. for firms with suppliers a lot bigger than themselves. The CFOs in these companies would most probably value a solution that can standardize all incoming invoices. This could either be made through a scanning platform like Readsoft, or by sending all incoming invoices through a middleman like Pagero that standardizes them and sends them electronically to the company. The CFO of Company J was one of the interviewees that currently use Readsoft and Mediusflow, but he still thought that purchasing such a service from Pagero could be interesting. This was based on issues with scanning the incoming invoices from certain suppliers, which in turn produced manual labor in terms of correcting the errors, even though the system was supposed to be able to deal with it. A few other customers of Medius, however, also used Mediusflow and Readsoft and stated that it worked very well. The CFO of Company L concluded: *"If we hadn't been using Medius' system we would have had something else. It would not have worked otherwise; we get an awful lot of invoices."*

Perhaps the most evident aspect of the CFO's responsibilities is the objective to hold the organization together – to make sure that different functions work toward the same goal. This manifest itself through financial responsibilities such as the budget, financial plans and reports, but also through other activities such as the coordination of employees, distribution of information to different stakeholders, incentive designs as well as the formulation and management of the company strategy. The results in this report indicate that this work can become very complex within organizations with multiple companies. The CFOs of Company Q and Company C, which are both part of industrial groups, both stated that it is a great challenge to get people within different functions and locations to work toward the same goal. Therefore it would logically be highly important for CFOs, operating in mother companies with multiple subsidiaries, to have a range of tools, preferably that can be used in unison, which together can enable alignment of the organization. Further, it could also mean that a visual overview of different processes and workflows within the organization become more important.

On a speculative level, the preferred benefits of solutions could vary between firms situated in different places within the industry life cycle. That is, a firm operating in the early stages of the life cycle would probably seek solutions that could enable scaling of their business. Tools for planning could also be less needed since it is difficult to plan in such unpredictable phases. Hence, the ability to react to sudden changes may be more valuable. On the other hand, firms in the latter stages of the life cycle would presumably seek efficiency optimization and cost reductions. Further, tools for

planning could be more central for them as well as the ability to find, evaluate and decide on potential mergers and acquisitions.

6.2.3 Concluding observations

Several key issues have been identified within this section of the analysis and potential solutions have been analyzed and discussed. The findings are found on a fairly generic level, which is logical since the focus of the study has been broad. This research could therefore be claimed to be a sound pre-study, where specific characteristics, needs, challenges and potential solutions for CFOs are identified and evaluated. However, a more focused study would arguably be needed if more specific solutions with high success rates should be generated. Still, the identified main problems and solutions have been deduced from both previous research and the empirical study, which makes it highly probable that these are among the most reoccurring and important problems and solutions for CFOs in medium-sized companies.

6.3 Implications for Medius when trying to become the CFO's best friend?

The previous sections of this chapter have explained what the CFO does, as well as what a CFO expects from a best friend. This part will continue the analysis by exploring how Medius could act to become the CFO's best friend. These conclusions are mainly generated through the workshop that was held with employees at Medius. The workshop included members from Medius' sales department, their application consultants, who manage the implementation projects, as well as the central operations department, which handles the client-specific adaptations of Mediusflow.

The aim of this workshop was to show preliminary findings from this report, to employees within various functions in Medius, as well as to discuss potential implications of these findings. To avoid only scratching the surface on many different topics, a few questions were chosen for further analysis. More specifically, these questions were dedicated towards the first of the two areas of investigation within previous chapter, namely the area of *the sales process*. Hence, the discussion primarily revolved around the topics of how to approach the CFO, what information that should be included in the sales process and potential implications this could have for Medius' internal processes.

How to approach prospects

The empirical study showed that telemarketing is imperfect, though it did not reveal that there is another approach which respondents find impeccable. When this subject was raised during the discussion, the sales representative noted that it is the best method available. Sometimes the prospect is unaware of the potential issue and would therefore not have become a customer if Medius did not approach them directly. Further, he stated that goals and priorities change so often within companies which can result in a rejection to a solution one day, but acceptance and purchase the next. Consequently, salespeople need to call over and over again until the prospect has reconsidered. The difficulty lies in not being too pushy, while still trying to convince the prospect to purchase the solution from Medius before turning to someone else.

An interesting thought, though not touched upon during the workshop, could be derived from the above logic if also referring to how the general workload of a CFO changes during a given year: What if Medius were to employ additional salespeople during the periods when CFOs experience lower

workload? The period would stretch somewhere from around March through May when CFOs presumably are more inclined to answer calls from salespeople, due to the lower workload. Though, this entails that there are more prospects to approach during this period than what normal capacity can withstand. Further, for this to be a viable approach towards becoming a more valuable supplier for CFOs, these additional workers need to be able to instill trust and competence during the initial sales pitch. Otherwise, this approach could be more damaging than helpful.

The workshop also covered the question of whom to approach in a prospective client company. This was brought up with consideration to how both the theory and the empirical study revealed that the role of the CFO is quite different in different companies, with varying responsibilities and authority. The group agreed that it is crucial to quickly understand who the actual decision maker in the organization is, sometimes the CFO has this authority, but it is not uncommon that a purchase decision requires CEO or board approval. If the salesman cannot work directly with the decision maker, then it is important to find a sponsor, i.e. the person or persons that influence the decision makers, and make sure that their impression of the product is positive.

Related to this issue is the question of how to handle a CFO which also works as CIO. The workshop reached a consensus that these CFOs need a slightly different treatment, as they typically are more technically interested and knowledgeable. The application consultants did, however, appreciate these types of clients, as CFOs with CIO experience often have a greater understanding of IT related projects, and the difficulties that they may face. One application consultant commented: *“Some CFOs have a plug-and-play mindset regarding these types of integrations, and expects them to be finished within two weeks. The CFOs that also work as CIO typically have a better understanding of the systems, and the fact that it takes time to implement them.”* Consequently, it highlights an important aspect that were brought up previously in this report, namely the importance of being honest and clear about what CFOs should expect from the solution that is purchased. In other words, it is important that salesmen inform the CFO regarding the solution per say but also what the implementation process will imply.

A related question was the potential for Medius to offer their existing customers some sort of reward for finding new clients. This was brought up since respondents in the empirical study indicated that telemarketing is flawed, while recommendations from people within their network are highly valuable for them. The workshop participants were not very enthusiastic regarding this possibility, as it might hurt the Medius brand. Further, it could decrease the overall value of Medius' solutions if many clients started to get discounts. The sales representative stressed that Medius work close with a number of sales partners instead, for instance companies implementing ERP systems. Further, it was noted that Medius probably would benefit more from being a trustworthy and highly respected service provider, since this presumably would make customers recommend Medius to other people in any case. This would most probably be the right way to go, since “becoming the CFO's best friend” is more about gaining their trust, understanding their issues and providing them with valuable solutions; not creating salespeople out of them.

Important information that needs to be communicated

A discussion was brought up during the workshop concerning the decision process CFOs find themselves in; i.e. the process when a solution is purchased, time passes, a new issue is detected,

available solutions are evaluated as well as suppliers, negotiations take place and finally a new purchase is made. When the sales representative saw this illustration, and each constituent stage within the process, he noted that it holds water in theory but it gets far more chaotic in real life. Instead, from his experience most customers wanted to know all costs involved very early in the decision process. This could indicate that CFOs often have evaluated the issue before Medius approaches them, and thus has a good idea what solutions and suppliers that exist. However, it could also mean that costs are more important to them in the early phases of negotiation and that intangible values become increasingly important as they begin to understand what the solution can bring.

The question regarding how to describe possible downsides of the product was also brought up during the workshop. Several CFOs in the empirical study explained their appreciation of such behavior from salesmen, and the discussion during the workshop largely agreed with this standpoint. It was agreed that humbleness is of high importance when approaching a CFO. However, the participating sales representative noted that it is not ideal to explicitly mention drawbacks of Medius' products. What is typically done, instead, is to offer transparency regarding general difficulties that the client may face with the solution. The application consultants agreed with this statement, as they brought up the fact that the client's end-users typically represent the largest element of risk with a Mediusflow integration. An example of this was discussed where a client faced difficulties as a result of inconsistencies in how quantities were handled on their invoices. This issue was evident in the early part of the sales process, and Medius' sales representative had thus brought this up to the client, explaining that an automated system like Mediusflow cannot handle those types of inconsistencies, and that the client thus needed to alter its processes in order for the implementation to be successful. Another important factor, which was brought up when drawbacks were discussed, was the fact that salesmen never should talk ill of competitors, since the result most often is decreased respect from the potential clients.

Another topic that was explored previously, derived mainly from prior research, is that the availability of various payment options may be valuable for CFOs. This was brought up during the workshop and the participants agreed that it could be valuable. Payments for Medius' solutions are made in two steps: first, a down payment for the necessary consulting hours related to the implementation, and then a monthly rent or license deal that typically is contracted for 36 months. The down payment could also, by request from the customer, be integrated into the monthly cost. Hence, Medius do offer some flexibility for the customer, though not the kind of variety that was discussed in previous sections. However, a demand for such variety must exist and the participants had not recognized such demand. Consequently, additional payment options could be necessary if trying to please all requests that may appear from customers, though it may not be the most financially viable option for Medius.

The importance of reference customers

One thing that was brought up during the discussion was the usage of reference customers, which both the theory and the empirical study highlighted as highly important. Medius' sales staff is currently offering reference customers, as almost all their potential new clients request this. However, it soon became clear in the discussion that there are ambiguities regarding how the

reference customers should be treated. The workshop participants agreed that it could be more efficient to offer personal compensation for the person acting as reference, compared with offering the person's company some sort of reward. Personal compensation may, though, conflict with company regulations. It was, however, agreed that maintaining a good relation with reference customers was of highest importance, regardless of how they could be compensated. If contemplating about potential risks regarding such compensation, it could be that prospects find Medius to be unreliable since compensation could be seen as the main reason for why a firm talks well about the solution. Hence, a compensation scheme could potentially increase sales, though it would not be recommended if striving towards becoming a trustworthy and respected supplier.

Furthermore, the workshop participants agreed that some customers could have great strategic value, as they can act as especially powerful reference customers. The application consultants mentioned that this can be particularly important in new markets, where Medius is less known. They brought up an example of the Danish market, where Medius' national management team were well prepared to lose money on a strategically important client, in order to ensure that the customer was pleased with the implementation. The same was said about a significant client in Norway, which was described as a "must-be-pleased", more or less at any expense. This further highlights the importance of reference cases and arguably displays the need for involving top management when creating strategies in how to become the CFOs best friend. This claim is based on that the decision to undertake a non-profitable deal in order to reap strategic benefits logically would be taken by the management team.

Internal processes: Knowledge transfer & incentive design

One potential area of improvement that emerged during the discussion was Medius' internal rigidity. It soon became clear that the three separate divisions: sales, application consultants and central operations have problem coordinating in joint projects. The representatives agreed that their respective divisions internally were well functioning, with good communication and coordination. However, they agreed that the cooperation and communication could be improved between them. Consequently, without such communication between departments it could for example be difficult to reap the benefits of proactive selling, which was requested by a few respondents in the empirical study. However, the sales representative noted that needs and requests change so frequently among potential customers. Hence, proactive selling is extremely difficult to manage; perhaps even a utopia when it comes to IT systems.

Related to this issue is the question of how product improvement suggestions are handled. One application consultant commented that the system could be improved. He described that when he was a new employee, he posted numerous improvement suggestions through the internal communication tools, without receiving any feedback at all. Furthermore, the technical consultants have 20 percent of their time free to put on developments of their choosing. The aim is for new ideas to be put into practice and to further develop their existing solutions. This did not seem to work as intended however, since the employees had more incentive to spend that time on other client-projects which could mean a higher salary. This can also be related to the communication issues between departments, since it too can hamper the product development scheme. All things

considered, it may be difficult for Medius to fully accommodate all the needs of CFOs without first looking into their own processes.

The attendees agreed that it could be useful if there was more flexibility regarding how the sales and application consultants worked together. Currently the salesmen answer to their sales manager, and are incentivized by their sales bonus. The application consultants answer to their manager, and work towards a “delivery bonus”, which related to delivered projects and billed consultant time. A result of this setting is that there is little incentive, aside from being a nice coworker, for the employees to stretch out and “walk the extra mile” for their coworkers in a different department. Here, increased flexibility was discussed, so that the employees could spend their time on a project of a different division, without it affecting their billable time in their own division. The potential of implementing some sort of group-related bonus was discussed, but the participants agreed that such a change would not be without difficulty; as was previously elaborated upon in section 4.1.6 Human resource management. This clearly shows the difficulties in creating an incentive design that is aligned with the overall company strategy and goals. Potential drawbacks for Medius could be suboptimal departments where the value that could be created for CFOs could be even higher.

General observations

It was apparent during the workshop that the participants especially valued insights related to chapter 6.2; i.e. valuable elements within the sales process, what the main problems of CFOs are and what solutions that generally are most valued. A few topics were, however, more focused upon than others; something that could indicate that discussions primarily were held regarding topics that had been previously considered by the participants. The discussion was vibrant around these findings throughout the workshop and additional insight could definitely be reached if the workshop would have continued for a longer time.

However, the variation in focus between the different discussion topics is also something that can be considered as an issue. It is possible that insights, way outside things previously considered by the workshop participants, could have been discovered had the less discussed topics been further pursued. As such, it might have been beneficial to specifically focus on the less highlighted topics of the first workshop, in a second session. Such a discussion could have provided insights that might have been less biased by the current knowledge and perceptions of the participants.

Furthermore, the inclusion of employees from three different departments resulted in valuable discussions from different viewpoints due their different backgrounds and experiences. Though this also mean that an even more enriched discussion could presumably have been possible if additional employees would have participated.

7. Conclusions

This chapter will present the conclusions that can be drawn from the analysis and offer brief answers to the three research questions.

The purpose of this report is to help Medius become the CFO's best friend, by helping them to gain a deeper customer understanding. Three research questions were developed in order to break down the purpose into manageable parts.

1. What are the general responsibilities, actual work habits and characteristics of a CFO in a medium-sized firm?
2. What implications does this have in terms of what CFOs value from their potential best friend?
3. How can this knowledge influence Medius' work towards becoming the CFO's best friend?

The conclusions for each of these research questions will now in turn be summarized briefly. If turning to the first research question, it is difficult to answer this with just a short paragraph. The combined writings of chapter 4 and 5 answer the question at length and main findings are presented and analyzed in chapter 6.1. However, the CFO Model, shown in Figure 27, demonstrates how the role of the CFO can be illustrated. The model combines the formal responsibilities, segmented between Financial-, Management- and Investment decisions, along with the more informal part, The CFO, illustrated by the central circle. The figure illustrates how the formal responsibilities are influenced by the informal parts of the CFO, and vice versa.



Figure 27 – The CFO Model

The study has also, aside from answering the first research question, been able to shed further light over how small companies work, and how the CFO's role is positioned within these organizations. While this has not been the primary objective, it can be seen as an indirect result of the mapping process. Thus, the thesis adds additional value to the field of organizational research.

The second research question covered the topic of what a CFO expects from a best friend. This question was segmented into two sub-areas. The first one was related to what a CFO expects from a potential supplier within the sales process. The second area covered problems that CFOs face as well as potential valuable solutions.

Many CFOs have a workload that is heavily influenced by certain reoccurring tasks, such as closing of the books, budgeting etcetera. These tasks thus dictate when it is appropriate for suppliers to approach them. Figure 28 acts as an overview of the influencing factors to when and how CFOs prefer to be approached by salespeople. It includes an illustration of how the CFO's workload shifts during a given year, as well other key influencing factors. This means that the preferred time to be approached, for most CFOs, is somewhere around March through May. Implementation of solutions similar to Medius' is, on the other hand, preferably done around August through September.

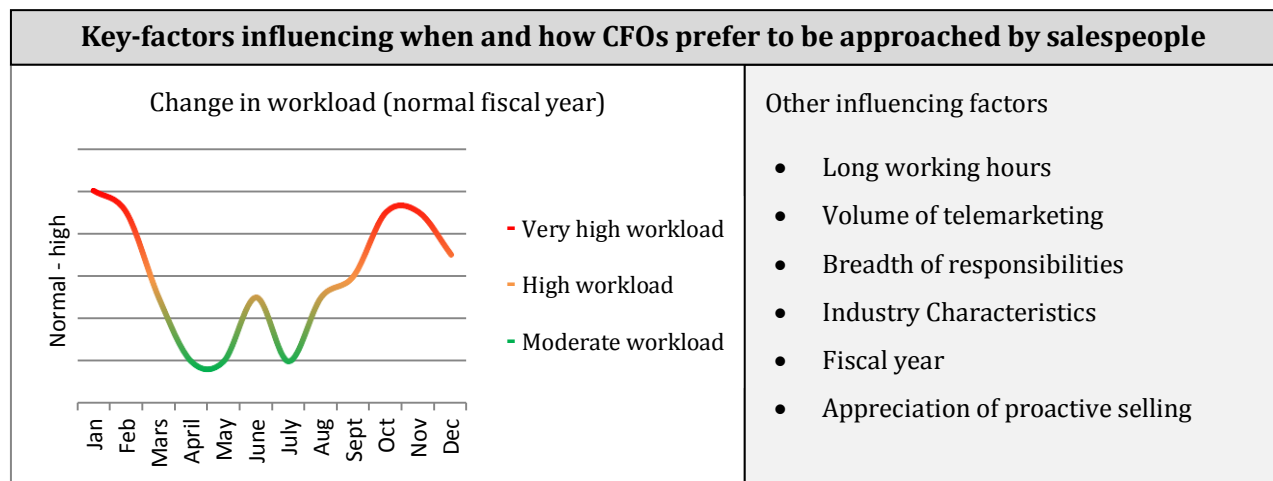


Figure 28 - Summary of key-factors influencing when and how CFOs prefer to be approached by salespeople

The question of how CFOs would like to be approached is not as easy to answer. The empirical study showed that CFOs have a strong reluctance towards telemarketing sales, however it did not reveal any other way that the CFOs preferred to be approached. One finding that did emerge was the importance of the respondents' private networks and getting solutions recommended from these people, which is something that a potential supplier should keep in mind.

Multiple elements that CFOs value to be integrated into the sales process were also identified in chapter 6.2.1. These are summarized in Figure 26 on page 58 where their individual implications also are shown.

Further, there are a number of problems that are prevalent among CFOs, as they were highlighted both by the theoretical investigation as well as the empirical study. These issues are listed below.

- Too little time for value-adding activities, e.g. strategic work
- Many disparate systems unable to be used in unison
- Slow and untimely (not real-time) data collection
- Faults due to human error
- Boring and repetitive tasks
- High cost & too many work hours for activities that produce little value
- Difficulties, or challenge, to make the entire organization work as one unit
- Challenge to explain financial matters to people with other background

Solutions for these problems are thus regarded as highly valuable in the eyes of CFOs. A general takeaway from these issues is the fact that many can be resolved through automation and digitalization of manual processes. This would for example save time for the CFO, limit the faults made by human error and limit the time spent on boring and repetitive tasks.

A workshop was held at Medius at the end of the study, in order to discuss the third research question: how Medius can utilize the findings in the study to work towards becoming the CFO's best friend. The workshop revealed several tangible conclusions regarding things that Medius should utilize in order to become a better friend to the CFO. The participants noted that it was especially interesting to see what elements CFOs value within the sales process, as well as what the most common issues and solutions are. The discussion also displayed the need for top management, all the way down to floor-level employees to be involved when trying to become the CFO's best friend. Further, it showed the importance of internal collaboration, knowledge transfer and incentive design; three areas that, if improved, could put Medius on the right track towards becoming the CFO's best friend.

8. Suggestions for the future

This chapter will provide insights for further research as well as a brief discussion around how Medius can leverage the findings within this report in the best possible way.

This study has deliberately had a wide area of focus. The reason behind this is to fulfill the purpose of the report in the best possible way, while still minding its budget and time constraints. A potential drawback of such wide focus is therefore the lack of time to also explore certain areas on a deeper level. Hence, interesting findings within this thesis could preferably be further explored, both by Medius and academia, as to gain an even deeper understanding of the CFO. This thesis has for example indicated a few differences between organizations operating within different industries as well as between companies with unlike organizational structures. Hence, future research could be made with a narrower scope as to further validate, or reject, these and other findings. Moreover, other research methods could preferably also be used in order to complement this study, which could add new perspectives and shed further light on more specific matters.

Observational studies could be an interesting method to use since the approach would remove potential biases that otherwise is comprised in respondents' answers. Additional issues, that CFOs are unaware of, could presumably be found in such a study. Though, it is important to point out that this should be seen as a compliment to the research method used in this thesis and a way to explore matters from additional viewpoints. Valuable insights can also be drawn from knowing the general sentiments of CFOs since these influence their decisions to a large extent.

Another method that could provide valuable insights, regarding how CFOs divide their time between various responsibilities, would be the use of calendar studies. The approach was tested in this thesis' research process but was discarded as a result of the fact that too few respondents used their calendars to a large enough extent. A hypothesis is that it would have been easier to execute the calendar study if the thesis had focused on larger companies. Almost all companies in this study are categorized as small cap category due to their relatively low revenue. It is likely that CFOs of larger companies have more organized calendars, which would have aided a potential calendar study. From the above logic, it can be assumed that observational studies would be needed for research that aims to gather more unbiased data within smaller companies while calendar studies also could be used for research targeting somewhat larger companies.

The efforts to become the CFO's best friend should be seen as a continuous process within Medius. The findings within this report can provide them with an overview of several important aspects that should be accommodated in order to achieve their goal. However, as was stated before, the findings are found on a relatively broad level which means that additional work must be done in order to fully understand what needs to be done. The value of this report would therefore arguably become much higher if someone within Medius evaluated and explored the findings even further and became an advocate for the necessary continuation of this work.

First, the findings regarding what elements that CFOs value to be integrated into the sales process should be further explored. Do Medius accommodate all these requirements? Are there any advantages of not pursuing these? Would any internal processes need to be changed? Etc.

Second, the general key issues and desired solutions for CFOs that were derived from previous research and the empirical study need to be evaluated. Which of these problems could be seen as a strategic fit to Medius' current solutions? Are there any areas that should be avoided due to harsh competitiveness from ERP developers? If solutions should be provided for any of these key issues, how should these solutions look like and what would be the requirement specification? Etc.

Third, it is important to evaluate whether any internal processes need to be changed. Could the structure that enables a good understanding of what customers want be improved in some way and what would be its implications? Could various departments cooperate and exchange information differently than today and what implications could such a change have? Is there a need to evaluate today's incentive program and what would be the implications of a potential change? Etc.

In conclusion, Medius do have the possibility to become a highly valuable supplier for CFOs. Their focus towards automating financial processes is in agreement with many needs found within companies, and many more solutions within this area are sought after by CFOs. Though due to the ever changing requirements from CFOs, it is essential that Medius see this as a continuous process where the objective throughout the organization should be to reach the goal of becoming the CFO's best friend.

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Appendix 1: Interview template

[Short introduction of who the interviewers are, the purpose of the interview and how it is structured. Notably, the questions below were put forward in Swedish during all interviews and additional ad-hoc questions were added when interesting areas were found.]

- How many hours a day do you work on average?
 - How would you describe the general division between different types of tasks?
- How do you prioritize between different types of meetings?
- What is your role in the purchase process?
 - Is there a difference when it comes to IT solutions?
- Are there processes that work well in your organization?
 - Why / how?
- Are there processes that do not work as well?
 - Why / how?

- What are your main goals you are working toward?
- How can you affect the operations of your business?
- What are the main challenges you have in your work?
- What kinds of tasks do you enjoy most to perform?

- What are the hassles in your work? I.e. are there things in your work that could be done easier than it is today?
- How do you perceive your role as CFO change during a given year?
 - Based on this, you see that you have season-specific problems and if so, how?
- How do you think the role of the CFO will change during the next five to ten years?
- What kind of implications do you see due to your position within a larger company group?

- Which individuals within your business are most important to you?
 - In what way? (guides you? Helps you? Places demands on you? etc.)
- What people outside of your company are most important to you?
 - In what way? (guides you? Helps you? Places demands on you? etc.)

Appendix 2: Questionnaire

[The interviewers began by describing the questions of the questionnaire to the respondents as to avoid misunderstandings. A brief overview of these explanations can be seen in parentheses after the choices within each question below. Notably, the questions below were put forward in Swedish during all interviews.]

How much of your total work time do you estimate that you spend on the following activities?

Formal meetings *(face-to-face meetings)*

Informal meetings *(face-to-face dialogues)*

Transport/travel

Telephone *(regular calls, telephone and video conferences)*

Desk work *(fax, mail, e- mail and other desk work)*

Other

Total work time (in %)

100 %

How much of your total work time do you estimate that you spend on the following sites?

Your office

Other place within your organization

Home

Transport

Visit outside your company

Total work time (in %)

100 %

Please allocate 100% between these "investment decision" areas according to how much time you spend on them (note if an area is fully / partially delegated).

		Delegated
Large capital expenditures (<i>analysis, decision, evaluation</i>)	<input type="text"/>	<input type="checkbox"/>
R&D (<i>Investments outside the day-to-day budget</i>)	<input type="text"/>	<input type="checkbox"/>
Mergers & Acquisitions (<i>analysis, decision, evaluation</i>)	<input type="text"/>	<input type="checkbox"/>
Ownership structure (<i>decisions that dilute shareholders value, IPOs of business units, stock options to employees, etc.</i>)	<input type="text"/>	<input type="checkbox"/>
Capital efficiency (<i>how capital should be invested to maximize its return</i>)	<input type="text"/>	<input type="checkbox"/>

Total time within this area

100 %

Please allocate 100% between these "financial decision" areas according to how much time you spend on them (note if an area is fully / partially delegated)

		Delegated
Capital structure (<i>proportion of equity vs. loans</i>)	<input type="text"/>	<input type="checkbox"/>
Dividend policy (<i>cash / stock dividend, now / later, based on what? etc.</i>)	<input type="text"/>	<input type="checkbox"/>
Lease vs. borrow (<i>analysis, decision, evaluation</i>)	<input type="text"/>	<input type="checkbox"/>
Risk management (<i>currency risk, operational risk, credit risk, etc.</i>)	<input type="text"/>	<input type="checkbox"/>
Accounting and reporting (<i>Produce reports, financial statement, closing of the books, etc.</i>)	<input type="text"/>	<input type="checkbox"/>
Budgeting (<i>analysis, decision, evaluation</i>)	<input type="text"/>	<input type="checkbox"/>
Planning (<i>short/medium/long-term financial projections, tax planning, etc.</i>)	<input type="text"/>	<input type="checkbox"/>
Working capital management (<i>inventory management, accounts payable, accounts receivable and coding / certification / monitoring of invoices, etc.</i>)	<input type="text"/>	<input type="checkbox"/>

Total time within this area

100 %

Please allocate 100% between these "management decision" areas according to how much time you spend on them (note if an area is fully / partially delegated)

Performance measurement

Delegated

☐

HRM (*recruitment decisions, act mentor / leader / sounding board, delegate tasks, incentive structure, etc.*)

☐

Stakeholder relations

☐

Non-financial responsibilities (*Other responsibilities outside of the "normal" role as CFO*)

☐

Total time within this area

100 %

Of these three areas of responsibility that have now been addressed, how much of your total work time do you estimate that you spend on each?

Investment decisions (*large capital expenditures, M&A, ownership structure, capital efficiency*)

Financial decisions (*capital structure, lease vs. borrow, dividend policy, risk management, accounting & reporting, planning, budgeting, working capital management*)

Management decisions (*Non-financial responsibilities, performance measurement, stakeholder relations, HRM*)

Other: _____

Total work time

100 %