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Building the CFO Function: Roles and Responsibilities

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CFO Connect Symposium 2012

Building the CFO Function: Roles and Responsibilities

**Andrew Lee and Tracey Zhang
Singapore Management University**

15 November 2012

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The logo for the Singapore Exchange (SGX). It consists of the letters "SGX" in a large, bold, blue, sans-serif font. To the right of "SGX" is a graphic element consisting of three horizontal bars of varying lengths, colored in shades of blue and yellow. Below the "SGX" and graphic, the words "SINGAPORE EXCHANGE" are written in a smaller, blue, sans-serif font.

Objective and scope of study

- To achieve a better understanding of the CFO function
- Fundamental question: What do CFOs actually do?
- Examined several facets to this question:
 1. Roles and responsibilities of CFOs
 2. How those responsibilities are structured
 3. Whether those roles have changed in importance over time
 4. What roles occupy the most of the CFOs' attention and time
 5. What factors are challenging the effectiveness of the CFO function today
 6. What factors are enabling CFOs' effectiveness

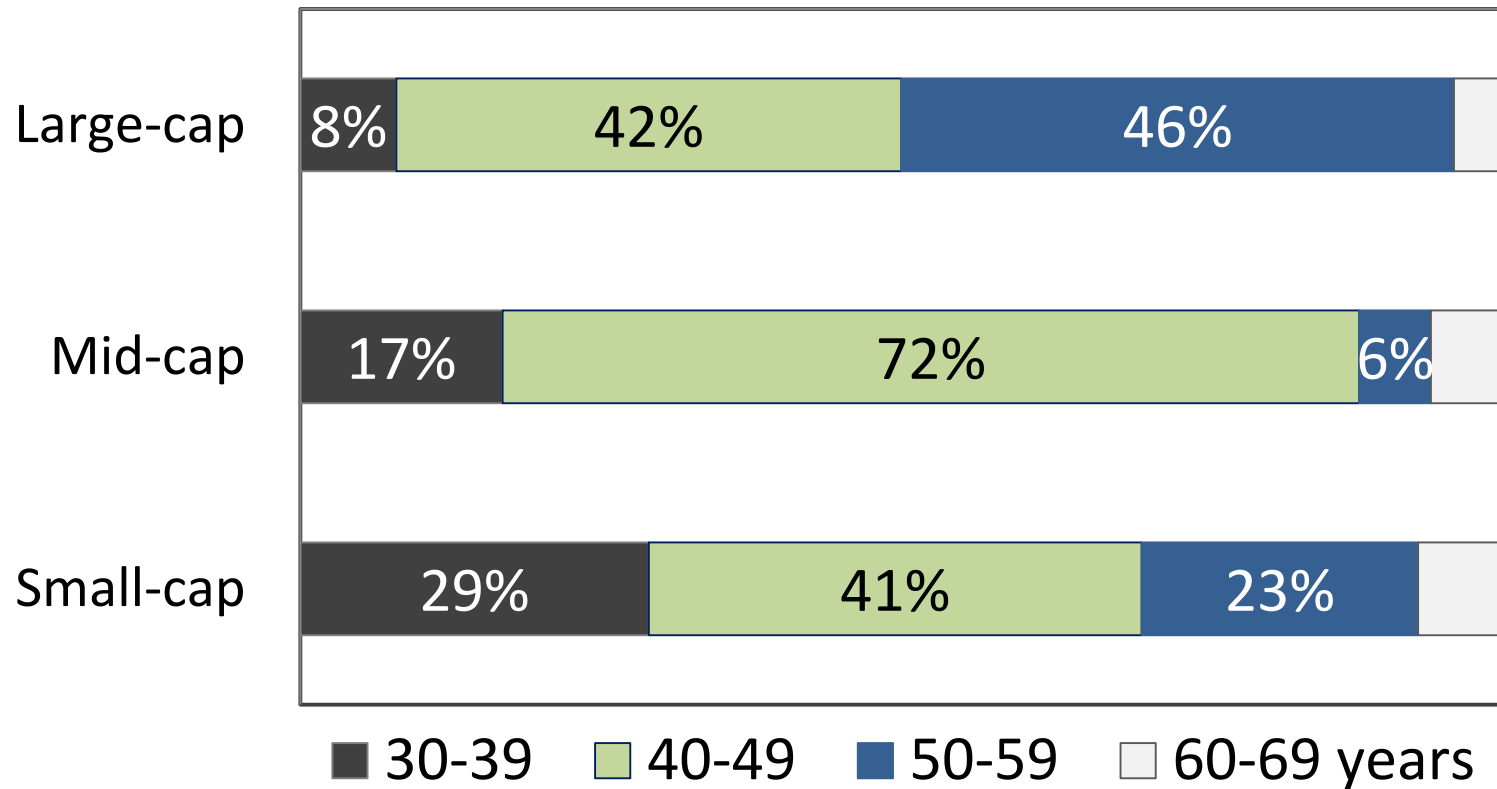
Survey

- Online questionnaire survey in Aug-Sep 2012
 - ◆ Group CFOs of 700+ SGX-listed companies
 - ◆ Received 117 complete and usable responses (16.2% response rate)
- We partitioned responses into three groups by companies' market capitalization
 - ◆ Large-cap (>S\$1 billion)
 - ◆ Mid-cap (S\$300 – S\$1,000 million)
 - ◆ Small-cap (<S\$300 million)
- Interviews with three CFOs – to garner their views on some of the survey results.

Profile of CFOs – by company size

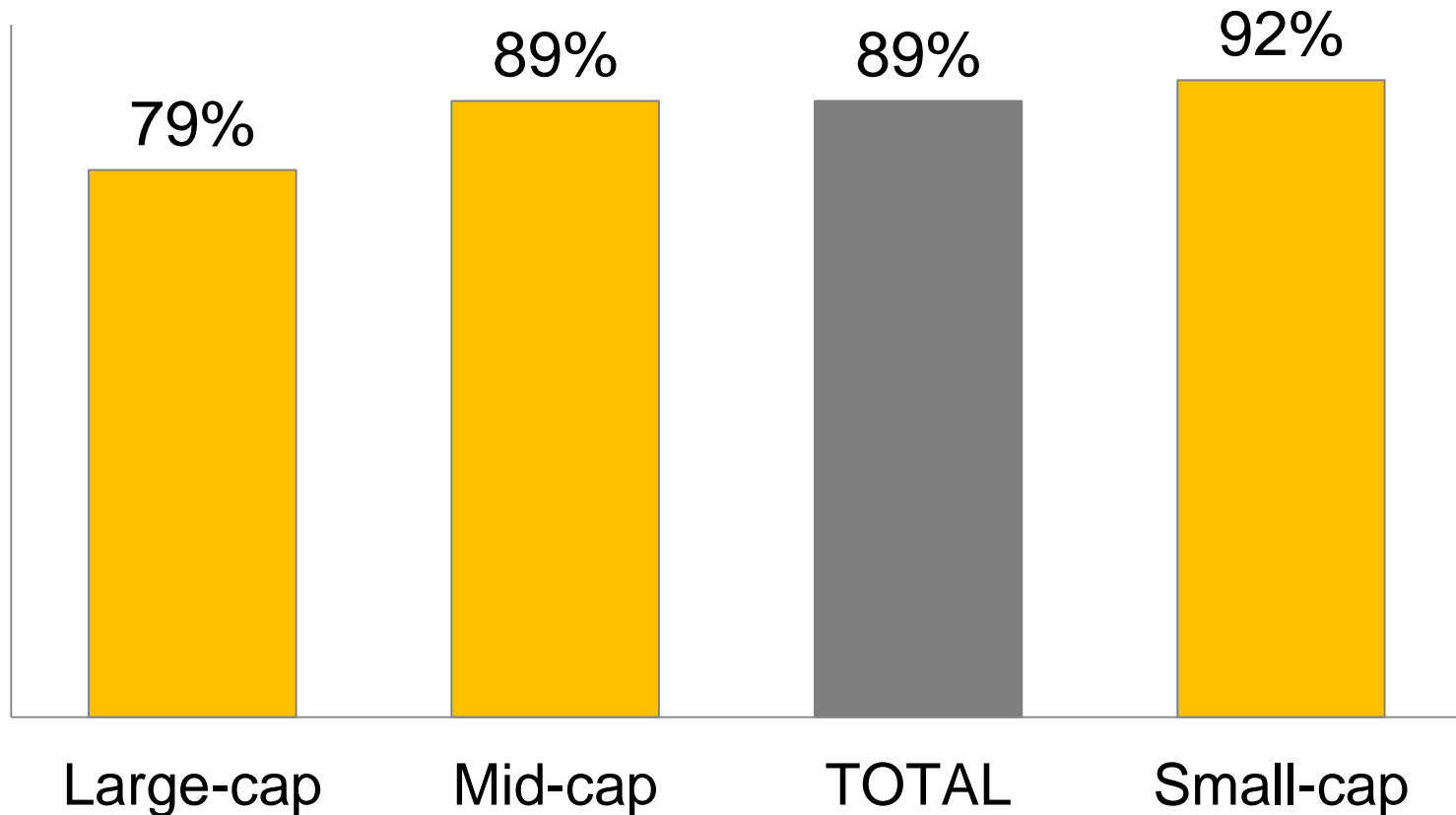
| Company size | Market capitalization (S\$ mil) | No. of responses | Response Rate |
|--------------|---------------------------------|------------------|---------------|
| Large-cap | > \$1,000 | 24 | 24.5% |
| Mid-cap | \$300 – \$1,000 | 18 | 18.9% |
| Small-cap | < \$300 | 75 | 14.2% |
| TOTAL | | 117 | 16.2% |

Profile of CFOs – by age group



Profile of CFOs

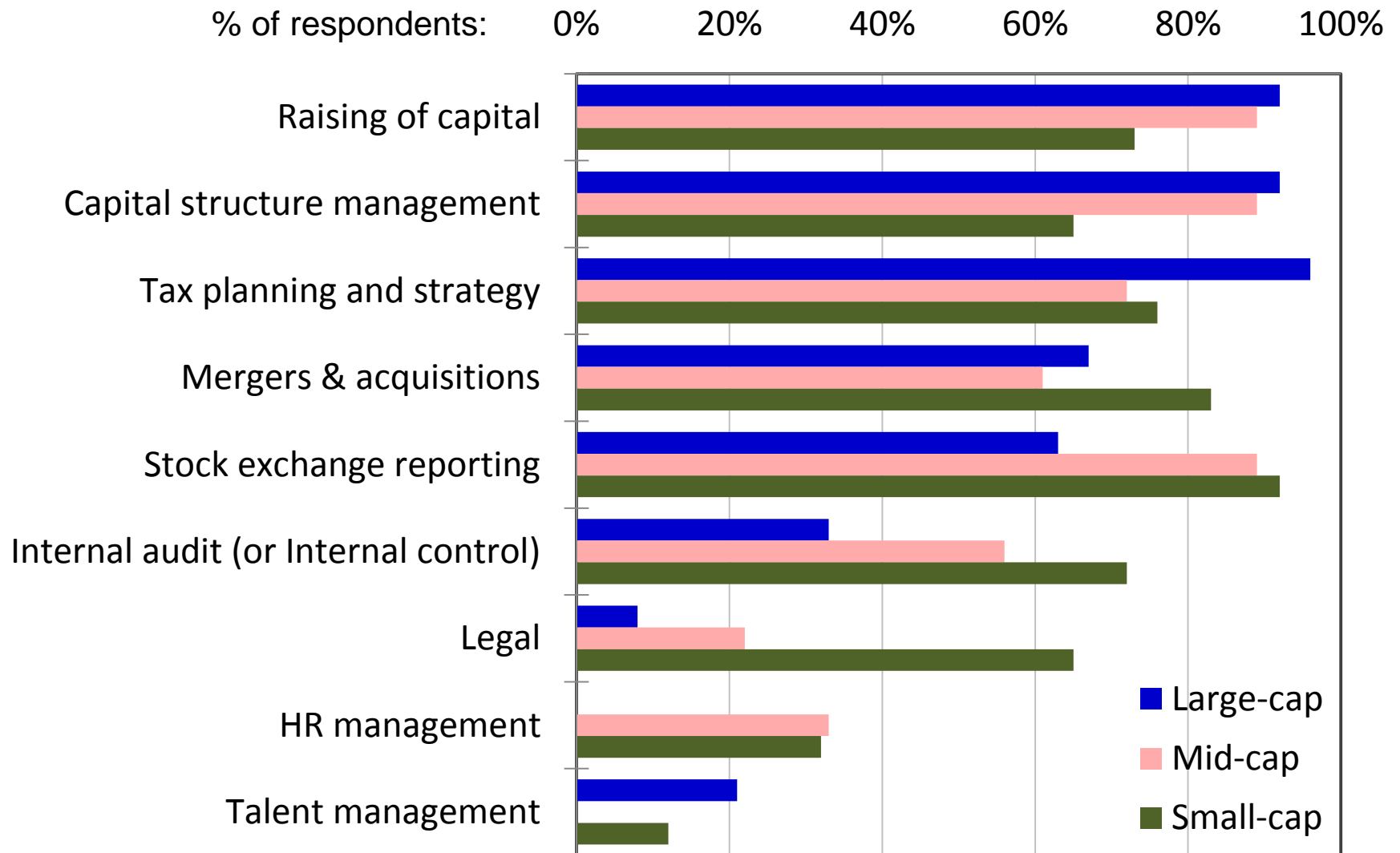
– % with accounting qualification



Functional responsibilities of CFOs



Functional responsibilities (by firm size)



Importance of function now vs. 3-5 yrs ago

1 = Much LESS
important now

3 = Little
change

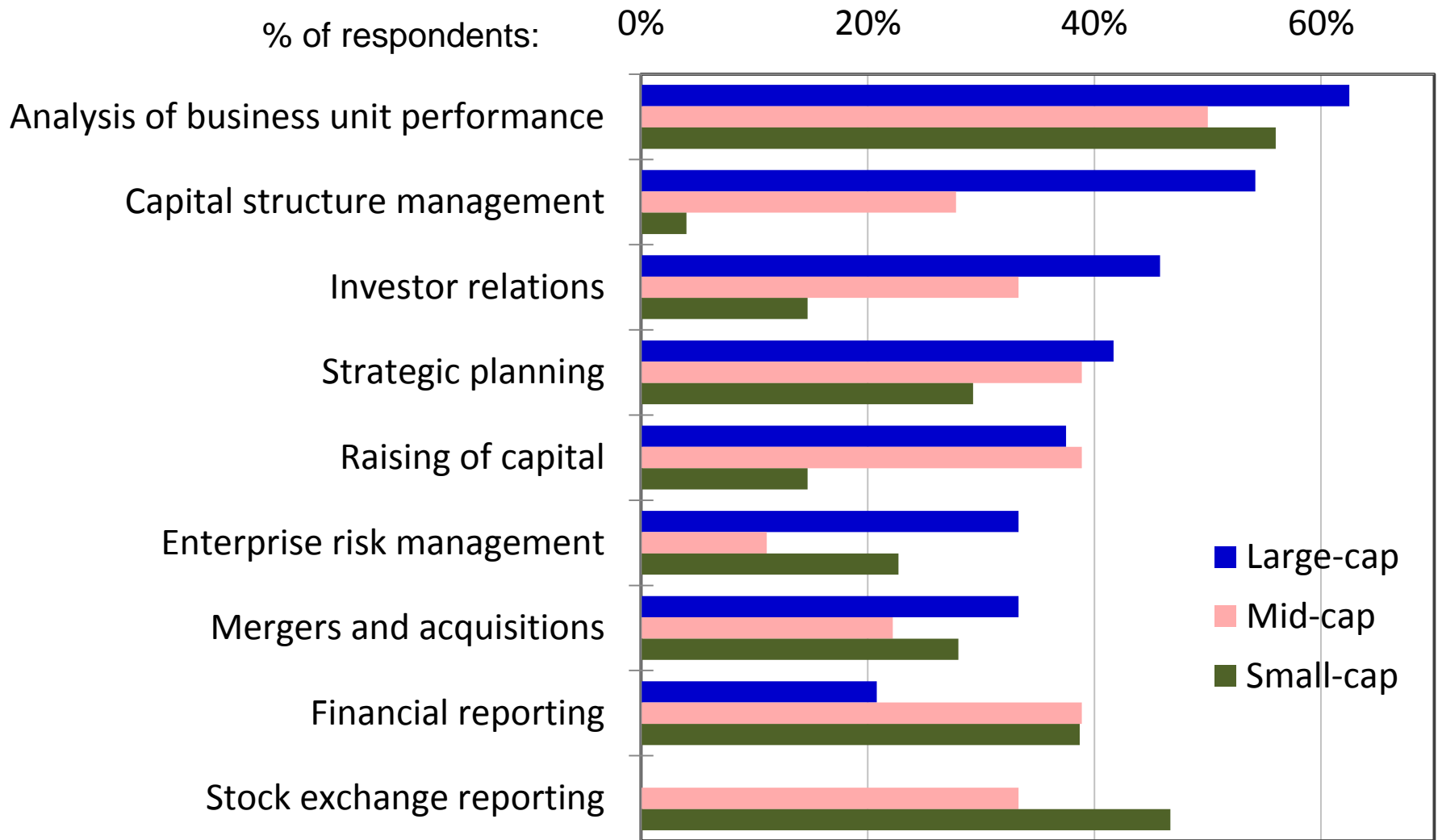
5 = Much MORE
important now



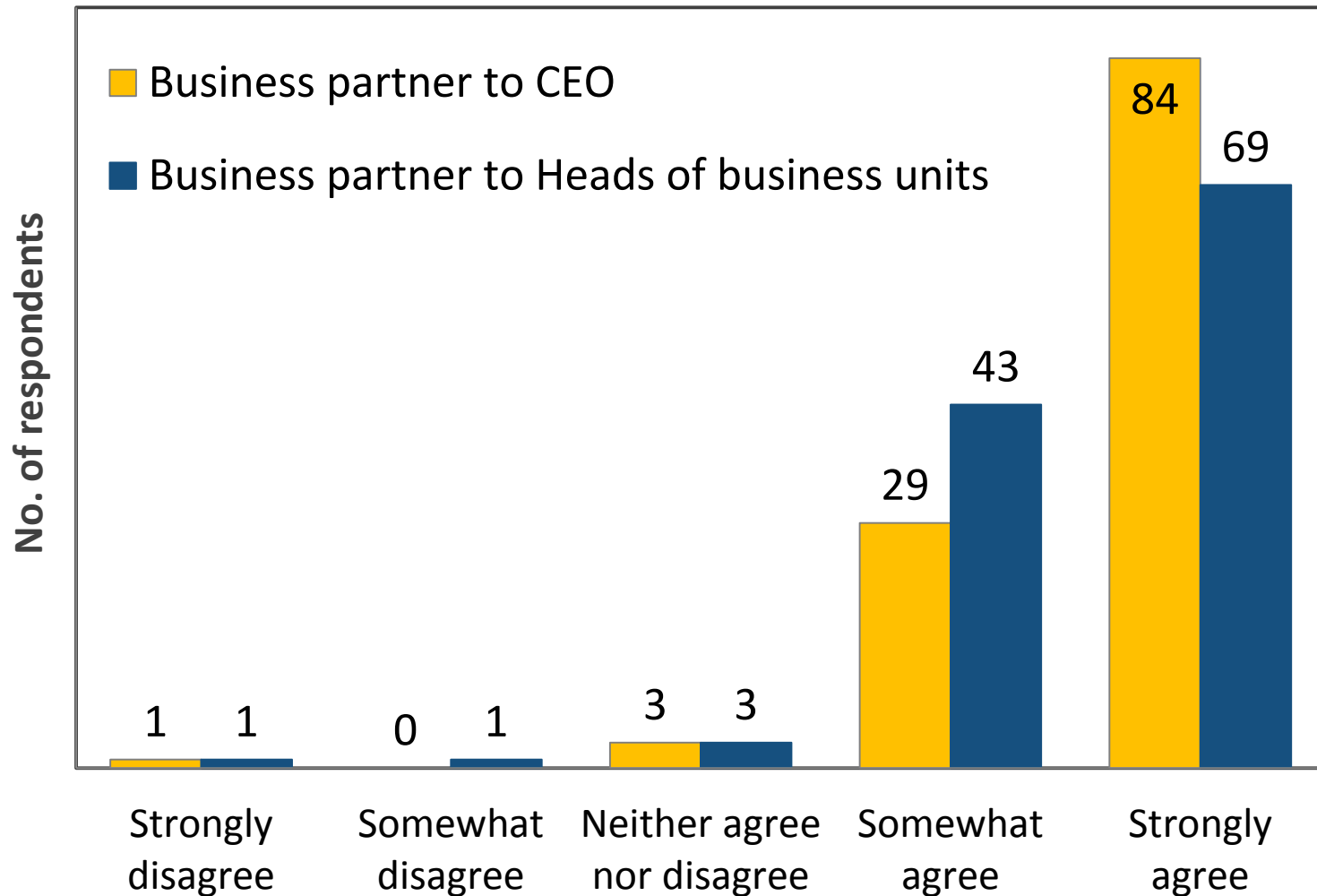
What do CFOs spend the most time on?



Spent most time (by firm size)



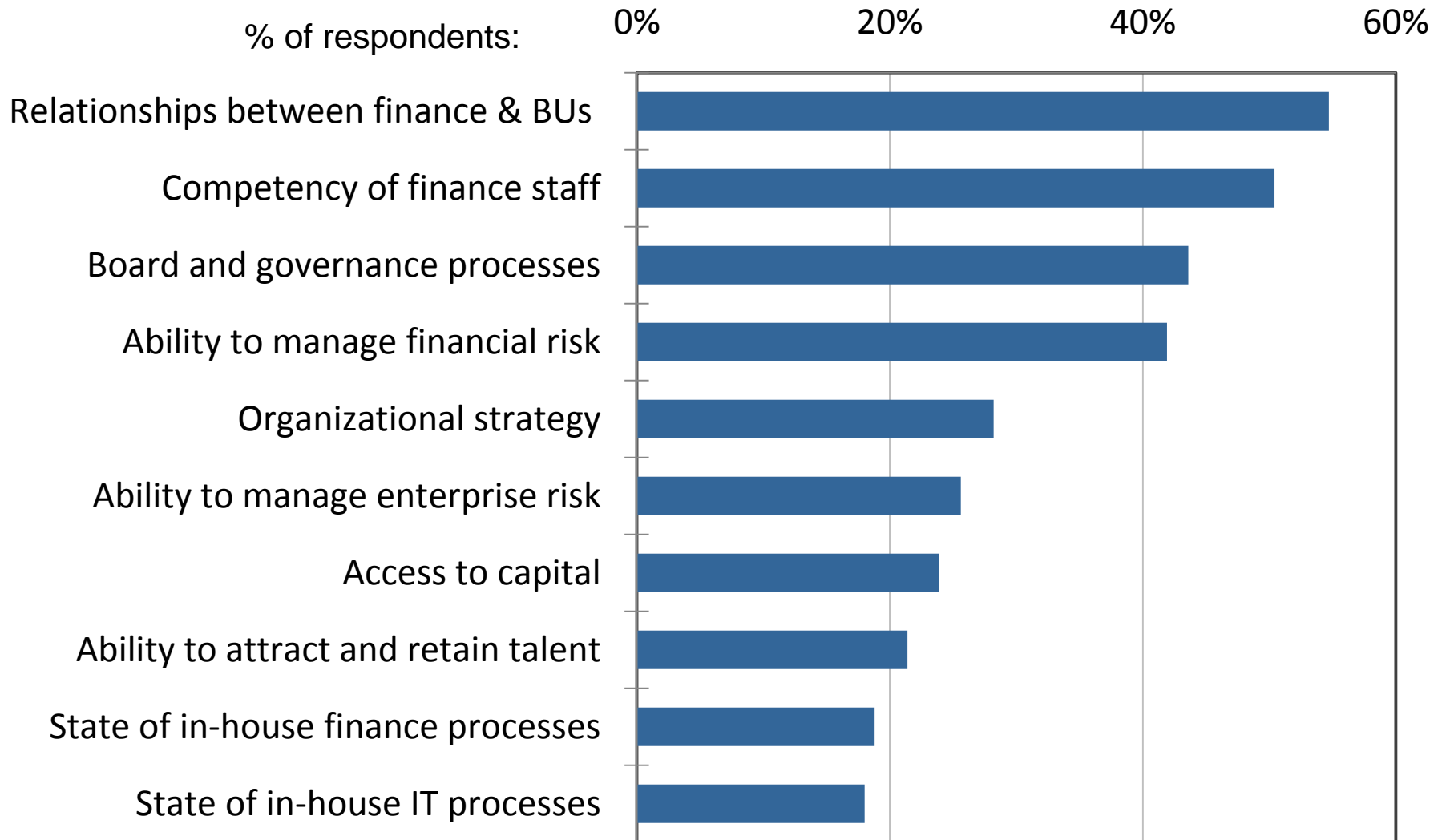
CFO as Business Partner



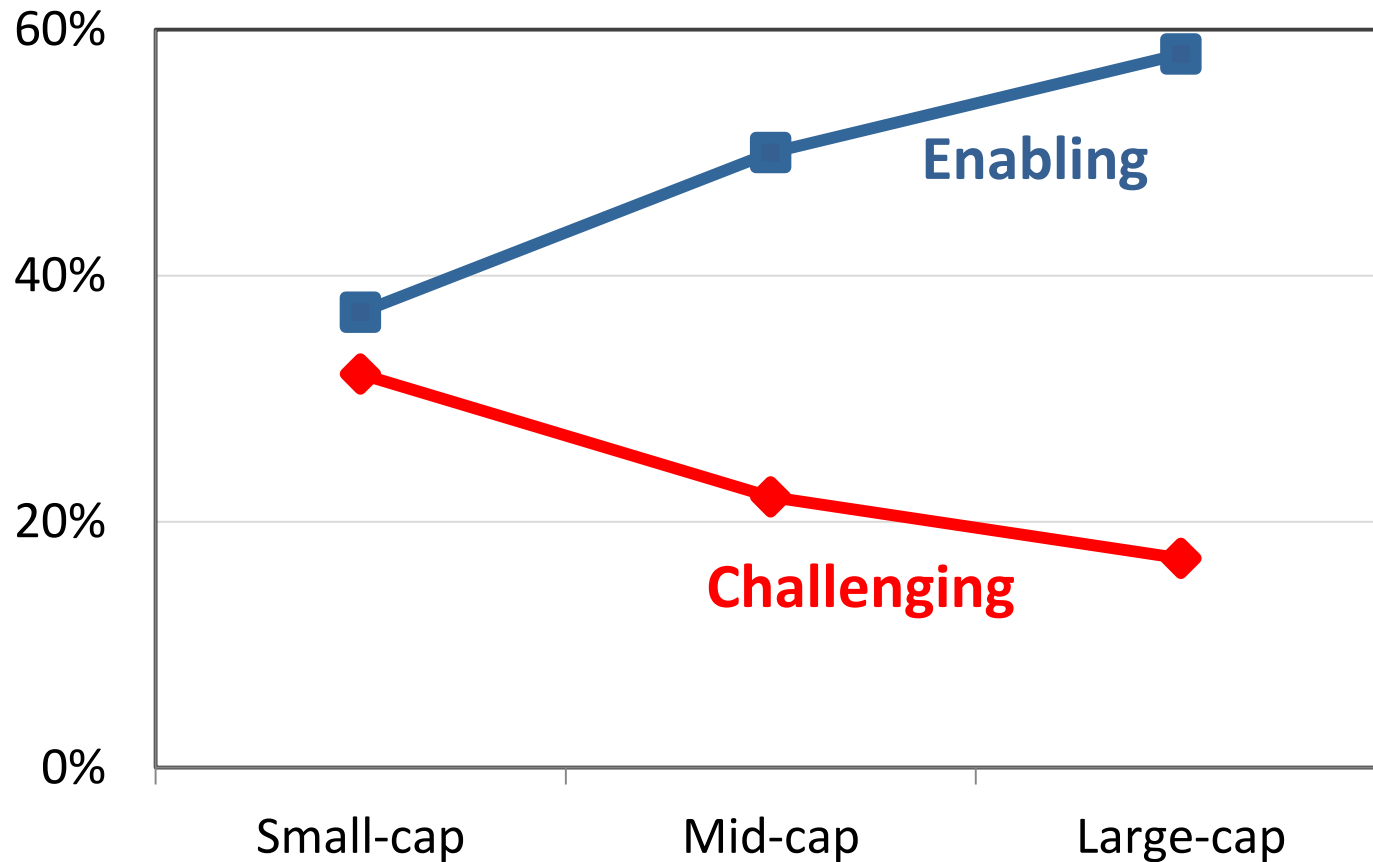
Factors CHALLENGING the CFO Function



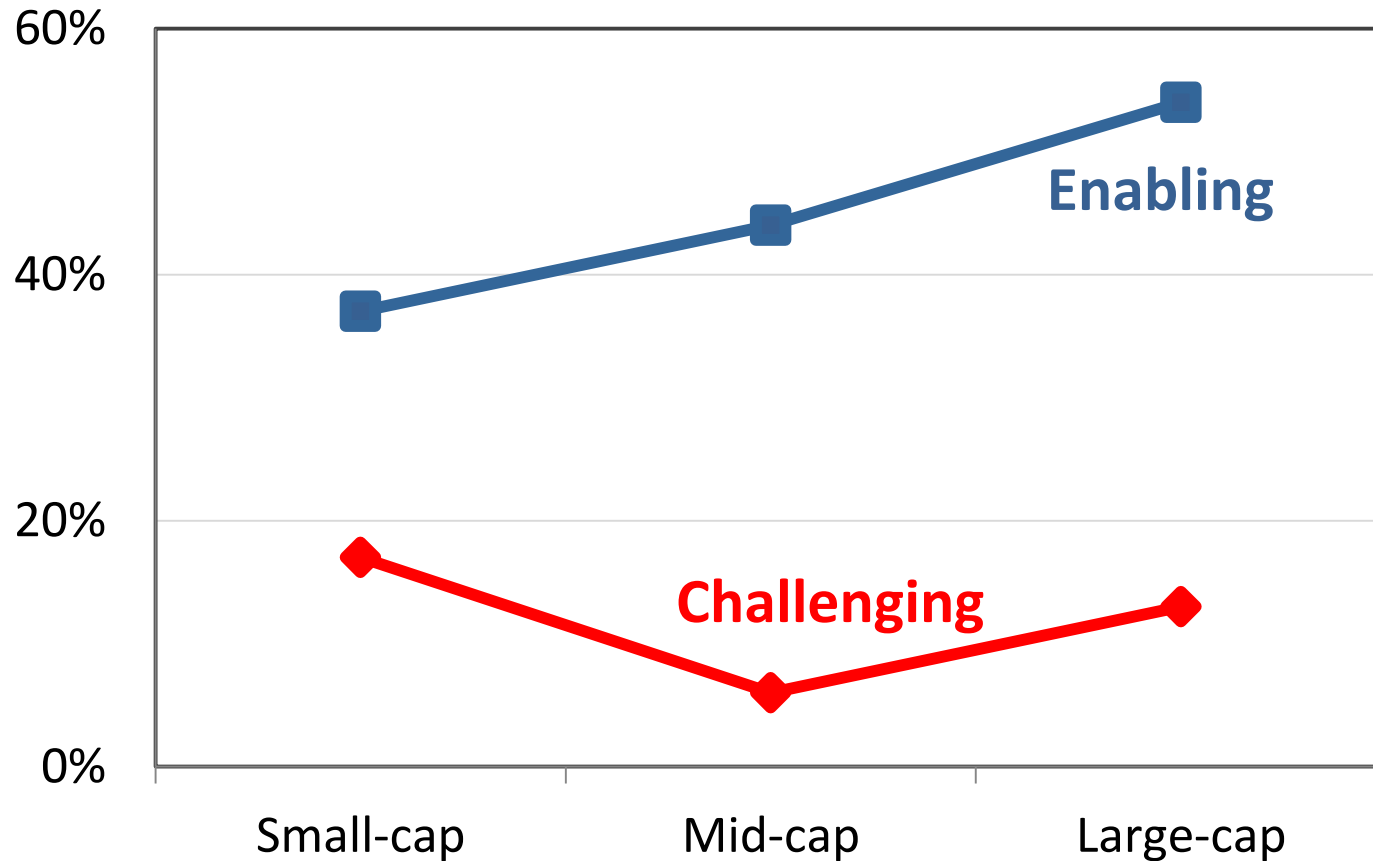
Factors ENABLING the CFO Function



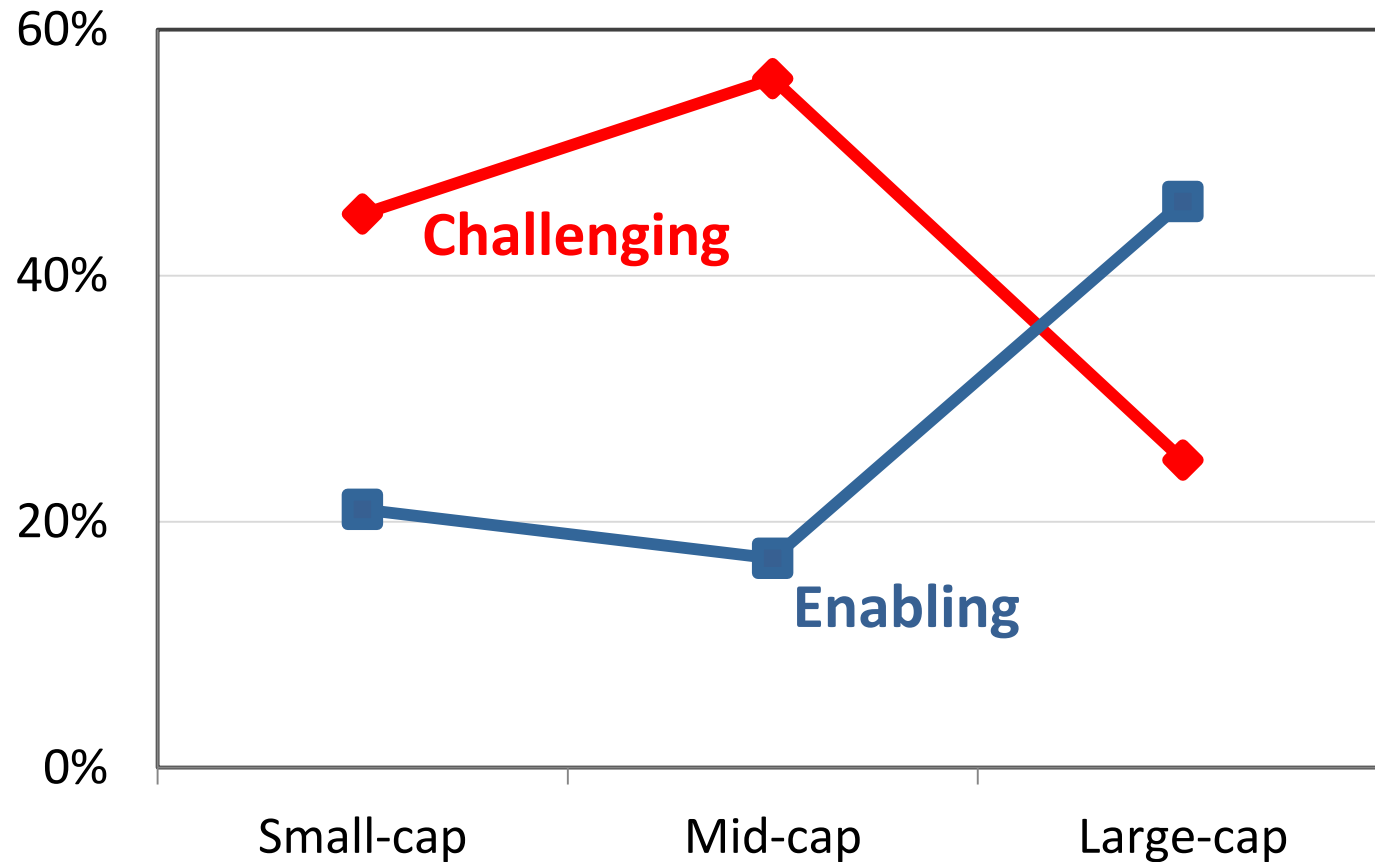
Board and governance processes: Challenging or Enabling?



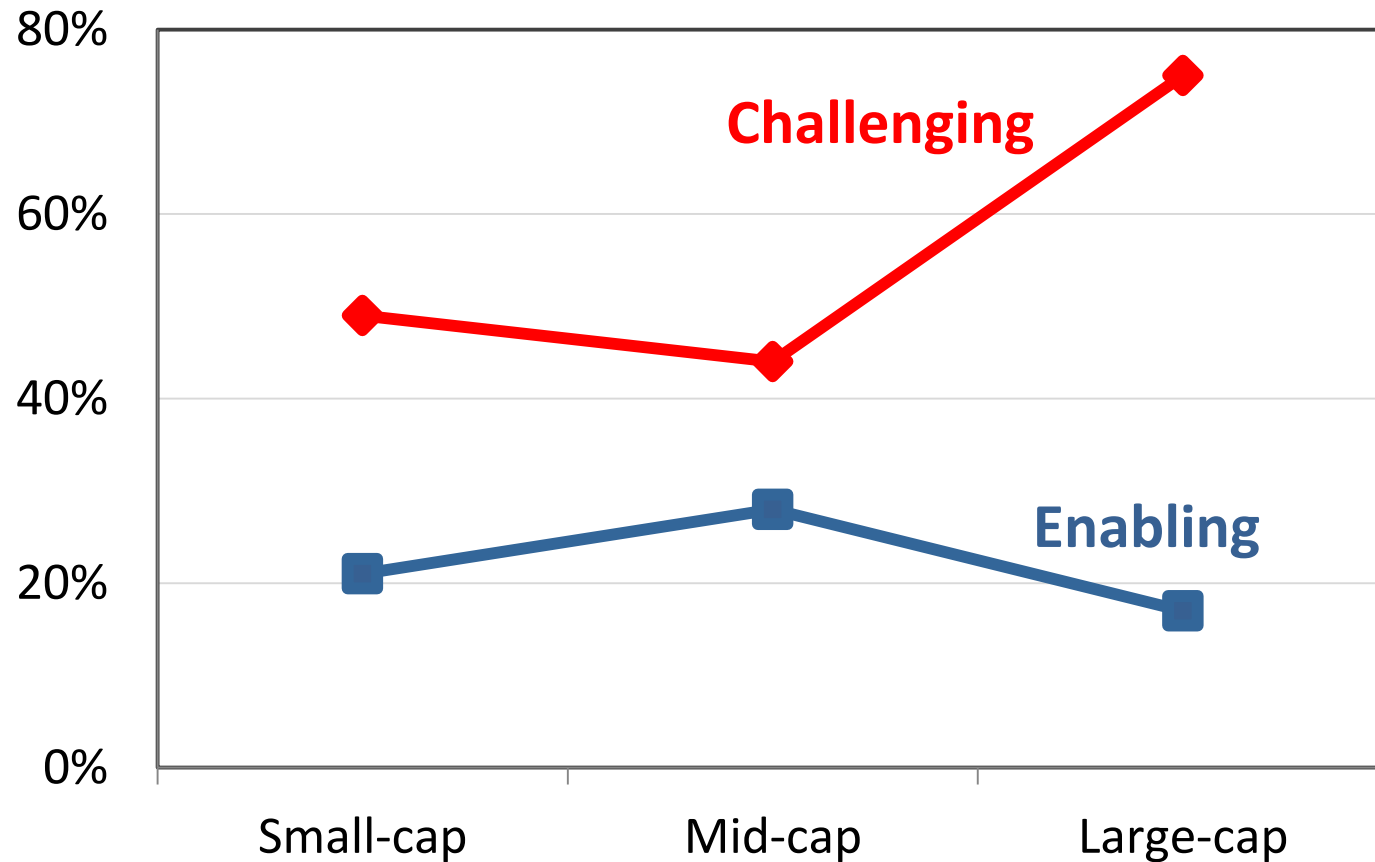
Ability to manage financial risks: Challenging or Enabling?



Ability to manage enterprise risks: Challenging or Enabling?



Ability to attract and retain talent: Challenging or Enabling?



Key Takeaways

- Traditional controllership and compliance functions of CFO office have not changed. However, CFOs also assume many additional roles.
- Enterprise risk management is increasingly very important
 - ◆ Ability to manage enterprise risks among the most challenging to finance's effectiveness
- Improving certain organizational processes and capabilities can potentially enhance effectiveness of finance function:
 - ◆ Board and governance processes
 - ◆ Ability to manage enterprise risks
 - ◆ Ability to attract and retain talent

Thank You

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