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The evolution of the French CFOs' role since the introduction of the financial market logic

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Abstract

This paper highlights the changes of the Chief Financial Officers (CFOs) role since the introduction of the financial market logic in France. Through an analysis of thirty-seven interviews with CFOs and observations during events organized by the professional association of CFOs, we show that the CFOs' role evolved in different pathways depending on the relationships between logics. We contribute to the literature that studies professions from an institutional perspective by responding to the question of whether professionals change their role when the logic to which they adhere and from which they derive their role is being challenged, or whether institutional changes are fostered by replacement of actors. We showed that both mechanisms come into play and are sustained by a third one: the actors who made the conscious choice of leaving their job.

Keywords

Institutional pluralism, evolution of profession, financial market logic, CFOs, qualitative study

Introduction

A growing number of researchers are investigating the relationships between institutional logics and professions. While professionals are the most influential contemporary crafters of institutions, they are also guided by institutional logics whose prescriptions are more or less compatible and evolve over time (Scott, 2001; Kraatz and Block, 2008; Goodrick and Reay, 2011; Greenwood et al., 2011). Professionals can take advantage of the evolution of the logics by segmenting or developing new roles, practices or competencies aligned with the dominant logic (Lounsbury 2002, 2007; Goodrick and Reay, 2011; Blomgren and Waks, 2015). However, the survival, homogeneity and cohesion of professionals can also be threatened (Dunn and Jones, 2010; Morales and Lambert, 2013), as professions compete for extending their jurisdiction over each other (Abbott, 1988). It raises the question of whether professionals change their role when the specific logic to which they adhere and from which they derive their role is being challenged, or whether institutional changes are fostered by replacement of professional actors (Meyer and Hammerschid, 2006).

The rise in the financial market logic in diverse fields has been an opportunity for financial professionals to reach dominant positions in society and within organizations (Lounsbury, 2002; Suddaby and Greenwood, 2005). Although numerous studies have demonstrated that financial professionals have replaced other professionals at dominant positions (Armstrong, 1985, 1987; Abbott, 1988; Fligstein, 1990), few scholars have focused on the varied repercussions following the introduction of the financial market logic among the financial professionals themselves (for an exception, Lounsbury, 2007). In this paper, we investigate whether the introduction of the financial market logic has been an opportunity to advance their position for the financial professionals or not.

The French Chief Financial Officers (CFOs) community suits to investigate these issues particularly well. From the end of the 1990s, these financial professionals have experienced the introduction of the financial market logic, which has fostered the evolution of their backgrounds, their job contents and their power in the organizations, as they are now perceived as one of the most influential top managers in the French firms (Bechet and Luthi, 2014). However, their reactions to the changes vary among the individuals. While some of them appear to be satisfied with those changes, others express disappointment and have gone so far as to leave their position. Such differences motivated us to investigate the attributes of the French CFOs and how their role has changed since the introduction of the financial market logic.

In this paper, we investigate the following research question: how has the introduction of the financial market logic influenced the evolution of the French CFOs' role? Relying on a qualitative method based on thirty-seven interviews of CFOs and on observations through participations during events organized by the main professional association of CFOs, we observed that their role has evolved and has been segmented in different pathways depending on the relationships between logics.

Our results also highlight that the dominance of the financial market logic has not been an opportunity for all the CFOs to advance their positions within organizations and, for some of them, has even threatened their job. Some CFOs preferred their role when the financial market logic was not dominant but properly combined with the other logic. Furthermore, we observed that some CFOs have refused to adjust their role and have preferred to quit their job even if the dominance of the financial market logic would have extended their jurisdiction over other organizational professions. Therefore, we contribute to the literature that has investigated the consequences of more or less compatible and evolving prescriptions of different institutional logics on the evolution of professions (Lounsbury, 2002, 2007; Goodrick and Reay, 2011). Finally, we observed that the dominance of the financial market logic has fostered the access of new actors to the CFO position and led to the development of a new profession: the Transitional CFOs. Therefore, we respond to the question of whether institutional changes are sustained by replacement of actors, or whether professionals change their role when the logic guiding their role changes. We showed that both mechanisms come into play and are sustained by a third one: the actors who made the conscious choice of leaving their job when there is a misalignment between what is expected of them and what they want to do.

This paper starts by reviewing the professional and institutional literatures and presenting the context of our study. We then use a qualitative method based on interviews and participations at professional events to show how the CFOs' role has changed over time.

We show that depending on the relationships between different logics, the CFO's role has been segmented and shifted in different ways. We conclude by discussing the contributions and limitations of our study and suggesting directions for future research.

Theory

Insights from institutional theory

The notion of institutional logic was first introduced by Friedland and Alford in 1991. They use this notion to explain how institutions influence and are enacted by organizations and individuals. Thornton and Ocasio (1999:804) define institutional logics as "the social constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which they produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality." According to Friedland and Alford (1991), institutional logics provide actors with elements of motivation and self-awareness and condition the interests and roles of actors.

Since each institutional field is characterized by specific logics, organizations and individuals hold varied roles which are aligned with different logics (Thornton et al., 2012). However, the different logics are not impermeable and may interact and even contradict with each other, thereby leading to "institutional pluralism" and "institutional complexity" (Kraatz and Block, 2008; Greenwood et al., 2011; Ocasio and Radoynovska, 2016). According to Kraatz and Block (2008), institutional pluralism arises when organizations operate within fields characterized by several institutional logics whose prescriptions differ, and institutional complexity refers to “the incompatible prescriptions from multiple institutional logics” (Greenwood et al., 2011:318). Therefore, while institutional pluralism refers to the multiplicity of prescriptions that may be compatible (Mars and Lounsbury, 2009; Goodrick and Reay, 2011), institutional complexity implies incompatibility between these prescriptions (Ocasio and Radoynovska, 2016). Furthermore, scholars have demonstrated that the different institutional logics that characterized a field are not fixed but evolve over time, thereby leading to institutional changes that have important implications on society, organizations and individuals (Greenwood et al., 2011; Thornton et al., 2012).

Therefore, within society, individuals hold different and varied roles in response to more or less compatible and evolving prescriptions of institutional logics that characterized the field in which they operate (Pache and Santos, 2010, 2013). Studying the responses of professions to such prescriptions is particularly relevant as professions are most often guided by different logics (Freidson, 2001; Goodrick and Reay, 2011).

The impact of institutional logics on professions

Many scholars have studied how the degree of compatibility and the evolution of institutional logics affect professions (Thornton et al., 2005; Scott, 2008; Goodrick and Reay, 2011; Muzio et al., 2013). Goodrick and Reay (2011) demonstrated that the simultaneous influence of multiple logics has important repercussions on professionals and their work as they could be segmented between different logics. Some professionals and professional tasks may be guided by one logic while others are guided by alternative ones (Goodrick and Reay, 2011). Similarly, Lounsbury (2007) observed that competing logics may lead to variation in the subpopulation of professionals and offer alternative paths for professionals who can develop their practices in specific ways. Other studies have shown that competing and evolving logics favor the development of new practices or competencies (Rao et al., 2003), paths of legitimacy (Goodrick and Reay, 2010), or ways of communication (Meyer and Hammerschid, 2006), entailing the evolution of professions (Lounsbury, 2002; Reay and Hinings, 2005, 2009; Goodrick and Reay, 2011).

Professionals can take advantage of these more or less compatible and evolving prescriptions of institutional logics by segmenting or developing new roles, practices or skills aligned with the dominant logic (Goodrick and Reay, 2011; Blomgren and Waks, 2015). However, such change can threaten their survival and homogeneity (Dunn and Jones, 2010; Morales and Lambert, 2013). Abbott (1988) observed that there are inter-professional struggles and conflicts between professional groups who compete to extend their jurisdiction over each other. When the logic changes or is replaced by a new dominant one, it could be difficult for the incumbent professionals to adapt their role, especially if they have to develop new skills (Jones and Dunn, 2007). Thus, they can be threatened by new professionals who already possess such skills (Fligstein, 1990). Furthermore, within a profession, professionals can introduce a "moral division of labor" and identify the prestigious tasks that can improve their position and seek to delegate the "dirty" one to others (Hughes, 1951; Morales and Lambert, 2013). Such insights raise the question of whether professionals change their role when the logic to which they adhere and from which they derive their role is being challenged, or whether institutional changes are fostered by replacement of actors (Meyer and Hammerschid, 2006).

The introduction of the financial market logic and its implication for the CFOs

Scholars have studied the rise in the market logic in different fields and observed that market logic tends to dominate the other ones (Thornton and Ocasio, 1999; Lounsbury, 2002), but could also complement and be properly combined with other logics (Mars and Lounsbury, 2009; Goodrick and Reay, 2011). Scholars pointed out that the introduction of market logic has had important implications for the development of professions (Scott et al., 2000; Scott, 2008; Goodrick and Reay, 2011). The financial professionals have been affected by the emergence of this logic that provided them with new opportunities to advance themselves in the society and within the organizations (Abbott, 1988; Fligstein, 1990; Suddaby and Greenwood, 2005). Financial professionals such as CFOs, accountants or management controllers have expanded their domain over the last decades and replaced engineering and marketing professionals at the dominant positions within organizations (Armstrong, 1985, 1987; Fligstein, 1990; Ezzamel and Burns, 2005). However, while numerous studies have demonstrated that these professions threatened the position of others and have studied inter-professional power struggles, few scholars have studied if there have been intra-professional power struggles within the financial professions themselves and how they may have been differently affected by the introduction of the financial market logic (for an exception regarding the money managers see, Lounsbury, 2007). Morales and Pezet (2010) observed that management controllers have not reached dominant positions within the organization, and are still in charge of the "dirty" tasks of bookkeeping (Morales and Lambert, 2013). Such insights raise the question of whether the introduction of the financial market logic has been an opportunity for all the financial professionals to advance themselves and to reach dominant positions or whether it has functioned to segment their professions.

To answer this question, we propose to study the evolution of financial professionals that have been affected by the introduction of the financial market logic: the CFOs. Based on range of "financial market logic" studied by scholars (Lounsbury, 2007; Lok, 2010; Almandoz, 2012; Durand and Jourdan, 2012; Almandoz, 2014), we define the financial market logic as a logic supporting the profit maximization for shareholders.

Investigating the implications of the introduction of that logic on CFOs is relevant as scholars have observed that because of increasing pressures from shareholders, CFOs have seen their background, professional role, job contents and relationships with other actors evolved substantially in the recent years (Zorn, 2004; Farag et al., 2012; Datta and Iskandar-Datta, 2014). These studies summarized the main evolution of the CFOs' role over the last thirty years: from an introvert accountant who focuses on the past performance figures to an extrovert communicator who participates in strategy development (Zorn, 2004; Farag et al., 2012; Datta and Iskandar-Datta, 2014). Although their analyses offer many insights into backgrounds, skills, compensation and roles of CFOs, those studies do not examine whether the CFOs could have been differently affected by the rise in the financial market logic. As CFOs operate in varied fields, depending upon industry, firm's size, shareholding or other firm characteristics, a CFO's role vary substantially. Furthermore, firms and consequently CFOs, might be not equally exposed to the dominance of the financial market logic. These professionals thus offer an ideal case study to investigate how they respond to more or less compatible and evolving prescriptions of logics following the introduction of the financial market logic. Hence, we investigate whether the introduction of the financial market logic has been an opportunity for all the CFOs to advance themselves within organizations.

Since CFOs might be not equally exposed to the dominance of the financial market logic, we argue that the evolution of the CFOs' role is not a uniform and global process. We aim at understanding how the professional role of CFOs may drift in different paths depending on more or less compatible and evolving prescriptions of institutional logics following the introduction of the financial market logic.

Method

Research setting

In France, the CFO is a financial professional and is defined by the Association for the Employment of Managers as, "the CFO oversees all accounting, management, treasury, tax and financial reporting functions. S/he controls the financial and budgetary strategies of the firm, the investment and development policies and seeks for competitiveness gains."[1] Sion (2014) records various titles in this same profession and presents different ways to practice this role: from the simple guardian of the management control and accounting to a key actor who decides and develops business strategy. DFCG, the main French Professional Association of CFOs, depicts the moving portrait of the French CFO over time and showed that since the financial crisis of 2008, s/he has become a fund seeking actor and held a leading position alongside with the CEO (Bechet and Luthi,

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[1] Translation of « le directeur financier supervise l'ensemble des fonctions comptabilité, gestion, trésorerie, fiscalité et communication financière. Il pilote la stratégie financière et budgétaire de l'entreprise, la politique d'investissement et de développement des directions, en visant des gains de compétitivité », Association pour l'Emploi des Cadres, 2012, p. 33

2014). These changes underline that the French CFOs' role has changed over the following decades that have undergone the introduction of the financial market logic.

In France, the beginning of the introduction of the financial market logic within firms can be dated back to the end of the 1990s when significant investments in larger French firms by foreign investment funds took place (Morin, 2000; O'Sullivan, 2007). The dilution of shareholding was accompanied by new corporate governance regulations (Viénot 1 and 2 reports in 1995 and 1999 respectively) and management control systems; for instance, stock-option pay, which aim to align the shareholder interests with management. The Enron scandal and the new national and international accounting regulations that followed (SOX 2002, LSF 2003, IFRS 2005) reflected the increasing status of shareholders: more transparency, more standardization, and more information disclosure. To grow the firm and gain access to capital market funding, managers have complied with these new regulations attempting to meet the profitability and liquidity requirements of large shareholders. Lastly, the financial crisis of 2008 has further accentuated the implementation of the financial market logic as the intensification of the credit access constraints has encouraged the competition for financing in the financial markets.

Data sources: French CFOs

To understand how the CFOs changed over time we used a qualitative method based on personal interviews to assess CFOs' reactions to changes in roles and job contents (Leicht and Fennell, 1997). We also participated in meetings and events organized by the main professional association of CFOs in France.

We conducted thirty-seven interviews with CFOs, CEOs, consultants and an external auditor during the period 2014-2017. As we focused on the CFOs who belong to the DFCG association, thirty-one informants are CFOs who work and have been working at either small or medium-sized firms or in the business units of large firms in France since the 1980s.

We attended several events organized by the association over the last four years and talked informally with many CFOs, which made us aware of the diversity of their evolution regarding their job contents, scope of practices, expectations, backgrounds, etc. We were surprised to hear from almost all the CFOs we talked to mention that they are atypical and differ from the others. We have also noticed that they are not unanimous about their views regarding the changes in their job. While some of them told us they are satisfied with the changes, others are disappointed and not satisfied with such changes. Such differences motivated us to investigate the key attributes of the French CFOs and how those attributes have changed.

Table 1 summarizes the data collected.

Insert Table 1 here

The interviews were semi-structured, conducted in French and lasted between 30 minutes and 2 hours. These data underline what “being a CFO” meant in the past and means today and show that behind the term “CFO” there are professionals whose roles are diverse and have evolved over time. We asked questions concerning changes in their job contents, the scope of practices and their responsibilities, and how they benefitted or not from such changes. As each CFO has often experienced several CFO positions during his/her career, we have been able to observe several specific cases for each individual allowing us to analyze sixty-six CFO experiences. Table 2 summarizes the interview protocol.

Insert Table 2 here

Data analysis

The interviews have been transcribed and analyzed with the NVivo software using interpretative coding (Corbin and Strauss, 2008; Gioia et al., 2012). Investigating the elements that shape the CFO’s role, we identified the main themes that emerged in multiple interviews: the influence of logics on the CFO's role, the CFO profiles and the CFO's own assessment concerning the evolution of his/her role, as summarized in Figure 1.

Insert Figure 1 here

We began by identifying statements regarding our informants' descriptions of their professional work and their evolutions through a process of open coding. Then, we compared and contrasted these open codes in order to cluster them into first-order themes. For example, several CFOs said that an important change in their professional work was the responsibility for the settlement of key performance indicators that support business decisions, we coded them with a first-order theme: "settlement of key performance indicators." In contrast, others feel that a key thing was to be positioned closer to the operational staff and helped them drive the business, we coded them "proximity with operational staff." Then, we consolidated first-order themes into second-order themes by establishing conceptual connections between the first order themes. For example, we gathered the codes "settlement of key performance indicators" and "proximity with operational staff" under the same second-order theme "CFO's role under the combination of the corporate and the financial market logics" in order to highlight our interpretation of how the different logics impact the CFOs. Finally, we built the aggregate theoretical dimensions underlying our second-order themes by connecting the different second-order themes into a coherent overarching picture. In the findings that follow, we complete our analysis with salient quotations illustrating our interpretation of the data.

Findings

Identification of logics that shaped the French CFOs' role

The analysis of the interviews suggests that most French CFOs operate in fields that have been mainly characterized by two logics since 1980: the corporate logic of the firm that employed them, and by the financial market logic. The identification of these two logics is not surprising as many scholars have often outlined that professions are guided by the financial market logic and the corporate logic (Thornton et al., 2005; Goodrick and Reay, 2011; Nicolini et al., 2015).

Except at the beginning of the 1980s, where the financial market logic was not institutionalized, we found that CFOs are simultaneously guided by both logics. Although most CFOs seem to have been influenced by both financial market and corporate logics, there were also CFOs who were mostly influenced by one or the other, and could be considered as ideal types (Weber, 1978). Table 3 summarizes the characteristics of the ideal types of institutional logics we have identified.

Insert Table 3 here

On the one hand, according to the CFOs, when they operate in an institutional field dominated by the corporate logic, the top managers are interested in growing and expanding the firm and often see the production of financial statements as a mandatory constraint. The CFO must concentrate on the maximization of profits and sales performance of the firm and focuses on indicators like gross margin, sales revenue, etc. On the other hand, according to the CFOs, when the financial market logic dominates, the maximization of the share price and the production of formalized and compliant financial statements are the priority of the firm to cater to the demand of activist shareholders. The CFO has a lot of power, must focus on the maximization of the shareholder value and uses indicators that indicate the liquidity of the firm, for example, free cash flow. Finally, according to the CFOs, there also exist fields where these two logics complement each other. The top executive and shareholders want to maximize both long-term sustainability and profitability of the firm and see the financial functions as a tool to reach such goals. The CFO focuses on the allocation of resources and uses indicators of profitability such as return on equity or net income for the resource allocation decision.

According to the interviewees, while the corporate logic dominated most of the fields before the 1990s, they are increasingly dominated by the financial market logic since then.

> *"I feel that at the beginning of my career the subjects were turned towards the notion of management control, trade, activities of our customers. Our customers were concerned about evaluating the economic performance of their firm which was based on indicators like income statements, sales revenue, costs, that I would call "trade ratios," these are still important topics but, over the years, topics focused more on the financial performance of the firm, return on equity, shareholder value."*
>
> I10, external auditor since the end of the 1980s, he works and has been working with many CFOs during his career.

However, we have further identified that the institutionalization of the financial market logic did not occur similarly in all the fields. While some firms have experienced the dominance of the financial market logic over the corporate logic and turned to strategies to boost their shareholder value even if that shift may endanger their long-term entrepreneurial project as I9 said, others have succeeded in combining the benefits and downsides of both logics as I11 highlighted.

> *"The first constraint is the creation of value for the shareholders, it is necessary that the stock price goes up, and therefore managers will dress the short-term results in order to make them very satisfying so the price goes up. Perhaps at the expense of the medium-term and long-term strategy and the sustainability of the firm."*
>
> I9, Consultant, former CFO

> *"The cursor was really placed on the medium-term in terms of growth and profitability. [...] the CFO was there to ensure the sustainable and profitable development of the firm."*
>
> I11, Business Unit CFO of a large firm

Finally, we have identified that, in a specific firm, the combination of these two logics may evolve over time and has important implications for the CFO's role. For example, when the shareholding structure changes, it may foster a shift from the combination of the two logics to a dominance of the financial market logic.

> *"From the day that we fell into the control of the investment fund, they asked us to grow the Ebitda because we have to generate cash to pay the banks and we needed to have the Ebitda as high as possible. The culture has completely changed. They started looking at expenditures more than growth. Today we are in a hallucinating situation: when we work on budgets, they ask us how we will be able to save money before even ask where the potential sources of growth are. I think that's a little sad."*
>
> I30, Business Unit CFO of a large firm

Therefore, by investigating the logics that guide the CFOs' role, we have identified that they operate in fields characterized by two logics: the corporate logic of the firm and the financial market logic whose relationships vary among organizations and over time. While some firms have experienced the dominance of the financial market logic over the corporate logic, others have succeeded in combining the logics.

We are now going to present the different CFOs' profiles identified using the ideal-types and how the CFOs' role has changed when the combination of the logics has shifted.

Identification of the CFOs Profiles

We have analyzed the interviews of CFOs in order to understand how the different relationships between the financial market and corporate logics have shaped their role.

Depending on his/her scope of practice, his/her interlocutors, and the performance indicators s/he uses, we have identified that not all the CFOs are equally guided by both logics. For instance, while some CFOs do not feel that they have been shaped by the financial market logic, others see themselves as the partners of shareholders. We have thus defined five different profiles of CFOs as summarized in Table 4.

Insert Table 4 here

The secretary-general before the introduction of the financial market logic. First, as we mentioned earlier, the financial market logic has been progressively introduced mostly in large firms only from the end of the 1990s. Therefore, as our sample contains several CFOs that began their career before the 1990s, we have identified a first profile of CFO that is not guided by the financial market logic.

The secretary-general was the first ancestor of the French CFOs. This kind of CFO was a particularly representative one from the 1980s to the beginning of the 1990s when the financial market logic was not yet institutionalized in most firms. The financial functions were seen as a regulatory constraint, "*a necessary evil*," which must not jeopardize the development of the business, "*it was an impediment to entrepreneurship for them.*" Firms needed a CFO who was responsible for the production of the annual financial statements, which were then analyzed by the top managers. Therefore, s/he must stay behind the "real" business and his/her discretion was appreciated by the top managers, and s/he was just an "*accounting technician.*" S/he was graduated with accounting or law major, and could also be responsible for the administrative and legal services. Often called "Chief Administrative and Financial Officer[2]," s/he was detached from the business, seen as the guardian of the rules and his/her daily work would have been the same whatever the firm. This kind of CFO no longer exists today as indicated by one of the interviewees; it has gradually been replaced by other kinds of CFOs in all the firms in later periods along with the institutionalization of the financial market logic within the firms.

> *"The CFO is not anymore in his/her office checking numbers all day."*
> I30, Business Unit CFO of a large firm

[2] In French: Directeur Administratif et Financier

The emergence of the business partner CFO. Over the 1990s and the 2000s, the financial market logic began to be introduced in the firms that have progressively shifted their focus from the maximization of sales or revenues to the income optimization and the costs reduction. The introduction of this logic and its successful combination with the corporate logic had important implications for the CFO's role. Indeed, firms incorporated profit forecasts and cost optimization into the CFO's job contents and positioned him/her closer to the operational staff. S/he began to be involved in the business activities daily and advised the operational staff concerning the resource allocation. The involvement of the CFO in the business resulted in the development of additional competencies in management control in order to serve both the corporate and the financial market logics that are properly combined.

> *"Whereas before we were the basic accountants, we were just there to give the figures, today we put in place the management control, the information systems etc. CFOs are, in my opinion, better recognized than what they could have been in the past."*
>
> I9, Consultant, former CFO

This new kind of CFO does not see him/herself as a simple "*accounting technician*" but as a "*co-driver,*" a "*compass,*" or even a "*business partner*" of the CEO, hence we call him/her the business partner CFO. S/he produces the key performance indicators (KPI) that help the CEO to make the best decisions for the firm and is responsible for the financial education of the operational staff. Although essential, responsibilities of this kind of CFO are still modest as s/he is neither responsible for strategic decisions nor corporate funding which are traditionally under the responsibility of the CEO. S/he is seen as a business helper to meet the shareholder requirements and boost the long-term profitability of the firm. Therefore, the introduction of the financial market logic had positive implications for the development of the CFOs who have succeeded in adapting their role to the new logic by developing new competencies in management control and took the opportunity to advance within the organization.

> *"Compared to my previous position, it was an opening position on the business aspects that could be associated with finance, and it turns out that finally, you could be more than just someone who does accounts."*
>
> I33, Business Unit CFO of a large firm. She had a previous experience as "secretary-general" before becoming a "business partner CFO."

The cost killer and the Transitional CFOs. However, as underlined in the previous section, not all the firms are characterized by the combination of the two logics and many of them have experienced the dominance of the financial market logic over the corporate logic, which is often illustrated by the shift from an "income-oriented culture towards a cash-oriented culture."

> *"We feel much more the shareholder pressures since we are in a logic of production of figures with a very strong cash optimization."*
>
> I27, Business Unit CFO of a large firm

> *"Before any other indicator, having a good control of your cash is very important, that means a firm can go bankrupt while growing in sales."*

> I13, CFO in a startup who had experienced several CFO position in varied firms

This shift has important implications for the business partner CFO's role. Based on the insights from the literature (Abbott, 1988; Zorn, 2004), we could speculate that the dominance of the financial market logic is an opportunity for the CFO to become more influential within the firm. Indeed, thanks to his/her background s/he is more aligned with the financial market logic in comparison with the other C-suite managers and has the legitimacy to lead the cash optimization. With the support of shareholders, s/he would be positioned closer to the CEO and will advise him/her concerning the resource allocation or the cost reduction in order to satisfy the shareholders' requirements. In some cases, s/he might even be the officer in charge of the resource allocation and hence, according to the interviewees, his/her power would equal the CEO's.

Many CFOs who have experienced this shift attested that their daily professional work prioritizes the costs reduction, and sometimes at the expense of the sustainability of the firm. Instead of analyzing the KPI understanding the business and finding potential ways of improvement in order to develop the business itself, they often track the cash savings, focus on the working capital requirement (WCR) and highlight what is cost consuming for the firm. Hence, we have identified that the business partner CFO, may drift to another CFO's profile when the financial market logic becomes dominant: the cost killer CFO.

> *"We had an LBO so we had to create value. It was necessary to put under pressure, to reduce the costs to optimize the cash."*

I26, Business Unit CFO of a large firm

"Today they expect changes in results that are so important that we have to pass on the operational staff all this financial pressure."

I27, Business Unit CFO of a large firm

Surprisingly we identified that some of them do not feel that the dominance of the financial market logic had been an opportunity for them. They preferred the previous situation when they were business partners and not equal, but just complementary to the CEO. According to the CFOs, the cost killer CFO is a "bad guy" who uses his/her competencies to scrutinize the operational staff's use of expenses and who could be responsible for business unit's closures and for the associated layoffs.

"Try to find 30 million cost savings, you'll get there, and you'll prove it by a nice presentation with a nice PowerPoint. It's simple, just firing people."

I31, Business Unit CFO of a large firm

"Two months later they ask me to think about the closure of the French site. I tell them that I'm a little disappointed to not have known it before because firing 70 persons from a U.S. group that makes a lot of money is going to be complicated."

I16, Business Unit CFO of a large firm

"Every 3 months we check in, if it does not work, we fire a person or two."

I32, Business Unit CFO of a large firm

This shift is difficult to experience for the business partner CFOs because they missed their involvement in the firm's business. There is a misalignment between what they want and used to do when the two logics complement each other and what it is expected of them to do when the financial market logic dominates.

> *"Today, what motivates me is giving work and saving jobs. I know these persons. The operational staff works a lot. I want to save the firm and give people jobs because they are not unworthy, but there is a lot to do."*
>
> I34, Business Unit CFO of a large firm

Many of them have badly experienced this shift and have lost their job when the financial pressures led them to be responsible for layoffs.

> *"They imposed us a restructuring plan, called "disability plan," with the condition of reducing the staff. So they saw that I was braking, they fired me."*
>
> I31, Business Unit CFO of a large firm

Furthermore, finance and accounting had undergone profound evolutions with the introduction of the Information Technology (IT). The emergence of the Enterprise Resource Planning (ERP) has highly simplified the production and control of formalized financial statements and has fostered the externalization of the financial functions through the creation of shared services centers. Hence, firms that aim to reduce their costs consider the externalization of the financial functions abroad to reduce the costs.

> *"What was the goal? It was to save money, it's a cleaning. It cleans everything. And the first goal of shared finance centers is to make more money. More exactly, to spend less. There are other benefits, but the number one is to earn more money, to reduce costs in order to save money."*
>
> I23, Transitional CFO

Several CFOs attested that the introduction of shared services centers has threatened and changed their job. Due to the shared services centers, firms can cut jobs in France and outsource them aboard, where the labor costs are cheaper.

> *"There is also a revolution we have not talked about, but our accounting has been transferred to Poland and India. We are only three here today and we are providing the entire interface between everything happening here and there."*
>
> I37, Business Unit CFO of a large firm

Therefore, somewhat surprisingly, the dominance of the financial market logic over the corporate logic is not experienced as a positive change for some CFOs and has even threatened their job.

> *"It is a regression; s/he is called to implement what others have decided. And implementations are not sexy at all because they involve slaughtering, carve-out, organizing layoff plans, evacuations of sites, transfers of head offices abroad!"*
>
> I24, Retired Business Unit CFO of a large firm

However, because some of them were fired or quitted their job when the financial market logic has become dominant, it has offered an opportunity for a new kind of profession to emerge: the Transitional CFOs. These CFOs are recruited by a firm for a short period of time (often less than a year) in order to manage specific operations. We observed that Transitional CFOs are increasingly recruited by firms that have undergone the dominance of the financial market logic. They are responsible for reducing costs or managing the introduction of a shared services center.

> *"In 80% of cases, it is a restructuring operation. So I'm fine. I am looking for, without really searching. It consists in creating a shared services center, […] a platform anywhere in France, if it is not abroad, proposing geographical mutations, "you do not want, too bad, you're fired.""*
>
> I31, who has been hired as Transitional CFO after his dismissal by a large firm

> *"It merged. There are people who have left. Of course, there was a plan. And so, they had to put all that back in order. So they recruited me for a short period of time to put all of this in order."*
>
> I17, Transitional CFO

Therefore, we have seen that the introduction of the financial market logic has been an opportunity for the secretary-general to be more involved in the business and to become a business partner CFO when the two logics complement each other. However, when the financial market logic dominates, not all the CFOs appreciate the shift towards cost killer role and some of them prefer to quit his/her job rather than adapt their role. Hence, it offers an opportunity for a new kind of profession to develop: the Transitional CFOs.

The compliant CFO. We have identified that in large firms, another profile of CFO exists that we call the compliant CFO. With the globalization of the firms' businesses, the international accounting regulation has evolved and tends to converge (Chiapello, 2005). Furthermore, the 2000s have undergone financial scandals like Enron, Parmalat, etc. that have led to new accounting regulations (SOX, IFRS). Hence, firms are required to produce even more formalized financial statements that comply with these new requirements.

> *"We have been introduced on the stock exchange so the group started shareholder meetings, financial communication with shareholders, conferences with investors, etc., so it was a big change in financial management, with much more information to produce."*
>
> I37, Business Unit CFO of a large firm

Many CFOs have thus experienced a shift in their professional role: from the production of selective figures or financial indicators that serve and enlighten the business towards the production of mandatory financial indicators that comply with the new regulations. Thus, the compliant CFO has strong skills in accounting and delivers information to satisfy the market rules. As the regulation is increasingly binding, s/he spends a larger part of his/her time producing these formalized documents, sometimes at the expense of the deep analysis of them. This shift has been boosted by the introduction of the IT, which simplifies and fosters the production of formalized information. Because the work behind the production of these documents would have been the same or very similar for any firm, the compliant CFO often feels that s/he is doing a very bureaucratic job, which removes him/her from the real business. Thus, CFOs tend to see the shift from the business partner CFO's role to the compliant CFO's role as a regression.

> *"These tools have allowed the phenomenon of centralization which has removed positions of CFO and replaced them by financial controllers'. They are more in the reporting, in the feedback of information."*
>
> I11, Business Unit CFO of a large firm

We observed that this shift may occur even if the financial market logic and the corporate logic complement each other, especially for the CFOs of the business units of large and international firms where the CFO’s job contents tend to be segmented between management control and accounting (Mian, 2001). Therefore, the emergence of the compliant CFO shows once again that the dominance of the financial market logic may threaten his/her job and that the size of the firm is an important factor when we analyze the evolution of the CFO’s role.

The strategic CFO. However, we found in the light of our interviews that many CFOs have reached a strategic position in the organization when the financial market logic dominates: the strategic CFOs. Like the business partner CFO, the strategic CFO is responsible for the resource allocation but also for fundraising and all other essential tasks that entail. Indeed, while the CEO was originally responsible for the external communication with investors, fundraising, or external growth operations, we observed that such tasks are increasingly delegated to the CFO in small and medium-sized firms.

> *“Put it in a language and format that investors will understand in order to raise funds. That also the CFO’s role.”*
>
> I13, CFO of a startup

> *“And one of the other big parts that I have, and I did not have before, is the management of the shareholders. I came to find new investors.”*
>
> I28, CFO of a small firm

Since the development of the financial markets and their liberalization, we have observed that large firms have developed a specific financial division in order to manage the equity-related issues like IPO, M&A, corporate finance, etc. The financial professionals in this division are highly qualified in finance and had previous experiences in banks, insurance or financial services firms, and the majority of them do not have any experience in management control nor in accounting. In large firms, these professionals are very distinct from the business unit CFOs who are located near the operational staff in subsidiaries and manage the working capital issues.

> *"I do not have a very financial role because I am CFO of a subsidiary in the group, the financing part is treated by the M&A department."*
> I37, Business Unit CFO of a large firm

According to our interviewees, due to the recent financial crisis and the restricting conditions of banks, equity-related issues and the ability to manage them have become increasingly essential for the sustainability of all the firms whatever their size and shareholding structure may be.

> *"We were less and less profitable, and it had implications on the cash, so we had negotiations. So they expected me to go and get financing."*
> I31, CFO of a small firm

However, it requires specific skills that the business partner CFOs with accounting or management control backgrounds do not always have as indicated by our interviewees.

> *"You cannot raise funds like that […] There have been some changes that for me, are very important regarding all the financial tools we have on the financial markets, the interest rate hedges, the currency hedges."*
>
> I40, CFO of a medium-sized firm

> *"Discussions with analysts, investors, I was not prepared at all."*
>
> I18, former management controller, CFO of a small and listed firm

Because of the dominance of the financial market logic and concerns about fundraising, small and medium-sized firms began to hire CFOs with financial services background as they could help and enlighten the CEO on activities such as external communication with shareholders and IPO. Thanks to their previous experiences in financial services, these financial professionals communicate more easily with the financial market participants and can raise the funds needed to develop firm's businesses. However, these tasks are rather atypical and often temporary in small and medium-sized firms. Therefore, while firms entrusted them with the equity-related issues, they also delegated other financial and accounting tasks that were initially under the responsibility of the CFOs with accounting or management control backgrounds.

> *"They thought "he has been good to advise us in equity, he is not stupider than another, there is no reason that he would not be good in working capital operations.""*
>
> I30, Business Unit CFO of a large firm

Therefore, the dominance of the financial market logic has important implications for the CFOs' evolution as it favors the development of new skills in finance that are more valuable than the old ones. We have observed that many CFOs have completed their background through continuing education in finance to improve their employability by showing that they can do an IPO or be responsible for equity-related issues in small and medium-sized firms.

> *"So I really learned new concepts. To manage the business we did not care about cash-flows, we wanted to have our main operational indicators ok, that the firm grows at a reasonable pace, etc., but then I learned to put myself in the shareholders' shoes, they put 100 million, they look at the cash that comes out."*
>
> I31, CFO who has completed his education by a specific degree in finance, just after his graduation he has been hired by a small firm to manage the IPO

The business partner CFO thus may adapt his/her role to the financial market logic by developing new competencies in order to become a strategic CFO. Indeed, the responsibility for the equity-related issues increases his/her power within the organization because s/he has more the ability to raise funds for a firm. Therefore, in small and medium-sized firms, the CFO is able to access a privileged strategic position alongside the CEO and becomes the shareholders' spokesperson.

> *"By participating in this due diligence, I felt the preponderance of the relationship between the CFO and the CEO."*
>
> I16, CFO of a medium-sized firm

> *"I see it in my group, I have this M&A label which until then had not served me but since they have ambitions of development by external growth I am regularly asked to discuss an acquisition target."*
>
> I30, Business Unit CFO of a large firm

> *"I managed the IPO and the financial parts so I was the shareholders' privileged interlocutor."*
>
> I15, CFO of a small firm

Our analysis thus shows that while some CFOs have seen their business partner position threatened, others have reached a better position within the organization in small and medium-sized firms. These strategic CFOs are either new actors with financial backgrounds or the previous business partner CFOs who have successfully evolved by acquiring new skills in finance.

Discussion and conclusion

Evolution of the CFOs in different pathways

In this study, we investigated how the CFOs have changed over the last decades since the introduction of the financial market logic. When the financial market logic was not institutionalized, we found a first profile of CFOs, the secretary-general, who was only responsible for the production of the financial statements and held a bureaucratic role. As we expected, the introduction of the financial market logic and its combination with the corporate logic had been an opportunity for them to evolve into a business partner role and to improve their position. They developed new skills in management control and involved themselves in the business issues.

We identified that the corporate and the financial market logics could be properly combined, but that this combination may shift into the dominance of the financial market logic over the corporate logic. We identified that especially in small and medium-sized firms which need to raise funds, the business partner CFOs could gain access to a strategic position by developing additional skills in finance and hence, become strategic CFOs who are responsible for the fundraising and strategic issues. We underlined that this kind of CFOs do not exist in large firms because the strategic issues are not under the responsibility of the business unit CFOs.

In large firms, we noticed that the dominance of the financial market logic boosted the emergence of another profile of CFOs, the compliant CFOs. This role is very bureaucratic as the CFOs are not involved in the business and mainly focus on the production of formalized and compliant statements in order to satisfy the shareholders' requirements. Thus, CFOs tend to see the shift from the business partner role to the compliant role as a regression. Therefore, the dominance of the financial market logic had not been an opportunity for the CFOs who work in the business units of large firms because they cannot advance to the strategic role, and they can rather drift towards the compliant role especially if they have strong skills in accounting.

In the case when the financial market logic becomes dominant, we also identified an evolution from the business partner role, towards a more influential role, the cost killer role, who is mainly responsible for the cash optimization, resource allocation and cost reduction required by the capital market. This shift may affect all the firms and does not require the development of any additional competencies in finance. However, it is often experienced as a negative change for the CFOs who see themselves as the “bad guys” who look after the costs of operational staff. Interestingly, our findings indicate that some CFOs prefer to waive the opportunity to become cost killer CFOs and leave their position rather than adapt their role.

Finally, the dominance of the financial market logic has also fostered the access of new actors to the CFO’s position and the development of a new profession. We observed that when the financial market logic dominates, CFOs are challenged by new actors who are more aligned with the financial market logic thanks to their financial background. These new actors thus challenge the incumbent CFOs who are stuck in the cost killer role. Furthermore, as some CFOs prefer to quit their job rather than adapt to the cost killer’s role, it offers an opportunity for a new kind of profession to develop: the Transitional CFOs.

We thus showed that the CFO role may shift in several paths depending on the relationships between the different logics, as summarized in Figure 2.

Insert Figure 2 here

Contributions

We contribute to the institutional literature, especially the line of studies that has investigated the consequences of more or less compatible and evolving prescriptions of different institutional logics on professions (Lounsbury, 2002, 2007; Goodrick and Reay, 2011). As Lounsbury (2007) and Goodrick and Reay (2011) have shown, we observed that the relationships between the logics evolve and, depending on their combination, the CFOs' role evolves and is segmented in different paths. We thus contribute to the literature on the CFOs' role (Zorn, 2004; Farag et al., 2012; Datta and Iskandar-Datta, 2014; Bechet and Luthi, 2014), as we showed that the CFOs' role does not follow a uniform process of evolution but shifts in several ways depending on the relationships between the logics.

As Mars and Lounsbury (2009) and Goodrick and Reay (2011) have shown, we observed that the financial market logic does not systematically dominate the others but could be properly combined with the corporate logic. As CFOs operate in varied fields, they are not equally exposed to the dominance of the financial market logic. Thus, we have been able to analyze different scenarios of relationships between the logics (dominance of the financial market logic or combination with the corporate logic) and their specific implications for the CFOs. As the insights from Armstrong (1985, 1987), Abbott (1988) and Fligstein (1990) suggested, we observed that the CFOs may benefit from the introduction of the financial market logic to shape their role by developing new practices, skills in management control and finance aligned with the new logic and enhance their position within the organization.

However, when the financial market logic becomes dominant, the CFOs must develop competencies in finance to move towards the enhanced position (the strategic role) or are condemned to drift to less valued ones (the compliant or cost killer roles). Therefore, surprisingly, we observed that the dominance of the financial market logic has not been an opportunity for all the CFOs to advance themselves and to reach leading positions within organizations. While the dominance of the financial market logic has been an opportunity for the CFOs with financial backgrounds, the positions of the CFOs with management control or accounting backgrounds are more enhanced when the financial market logic is properly combined with the corporate logic. This insight shows that there are intra-professional struggles and that the CFO profession has been segmented when the financial market logic has become dominant. Some of them have benefitted from the dominance of the financial market logic and have reached dominant position, while others are doing the "dirty tasks" (Hughes, 1951; Morales and Lambert, 2013). Furthermore, we observed that some CFOs have refused to do these "dirty tasks" and have preferred to quit their job even if that would have extended their jurisdiction over other organizational professions. This insight contradicts Abbot (1988) as it shows that professionals are not only guided by their professional aspirations and do not always seek to extend their jurisdiction over other professions. Finally, we observed that the dominance of the financial market logic has a) fostered the access of new actors with financial background to the CFO position and b) led to the development of a new profession: the Transitional CFOs who replaced the CFOs who have refused to adopt the cost killer’s role. Therefore, we respond to the question of whether institutional changes are sustained by replacement of actors, or whether professionals change their role when the logic guiding their role changes. We showed that both mechanisms come into play and are sustained by a third one: c) the actors who made the conscious choice of leaving their job when there is a misalignment between what is expected of them and what they want to do.

Our study offers several opportunities for future research. While some CFOs accept to drift towards the cost killer role, others quit their job. In future research, one could investigate further the reasons why some CFOs accept while others refuse to adapt by using the identity salience theory (Wry and York, 2017). Another future research direction would be to analyze the agency of the CFOs on the combination of the different logics using the institutional work theory (Lawrence and Suddaby, 2006; Lawrence et al., 2009). Indeed, professions are not only shaped by logics by are also enacting them and may introduce some variations in their reproduction that lead to institutional changes (Lawrence and Suddaby, 2006; Lawrence et al., 2009).

However, since this study relies on qualitative data, our research has some limitations and the results could not be fully generalizable to the whole CFO profession as we have interviewed only thirty-seven CFOs. However, we have confronted our results to secondary data highlighting the evolution of the CFO's role within a specific firm since the 1980s. The results of this additional analysis are consistent with the results of this paper.

Finally, this research delivers practical contributions as we found from our sample of CFOs that the evolution of their role is conditioned by the size of the firm. Indeed, in large firms, we highlighted that the business partner CFOs could drift towards the compliant role and cannot attain the strategic one. Therefore, it seems that the CFOs from our sample have more a fulfilling career in small and medium-sized firms than in the business units of large firms.

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Tables and Figures

Interviews	
Individuals	**# of experiences as CFO**
# CFOs: 31	64
# CEO: 3	2
# Consultant: 2	-
# External auditor: 1	-
Total: 37	**Total: 66**
Meetings and events	
2015: 8 (around 35 hours)	
2016: 3 (around 15 hours)	
2017: 1 (around 10 hours)	

Table 1 - Data sources

Interview protocol		
1.	**Background**	What is your education background? What does this background/experience bring to you (legitimacy, skills, etc.)?
2.	**Professional work**	*Same for all experiences* What is your first professional experience? What did you do? (Scope of practice, interlocutors, indicators) Who are your main interlocutors (CEO, shareholders, operational staff, etc.)? What did you learn/gain from this experience? Did you appreciate this experience? How and why did this experience finish?
3.	**Contextual Factors**	*Same for all experiences* How was the finance function perceived within your organization? What were the main characteristics of the firm? How has the firm changed over this period? Have those changes impacted you? How?
4.	**Summary**	How do you define the CFO's role? How have you changed during your career? How do you consider the prospect of your career?

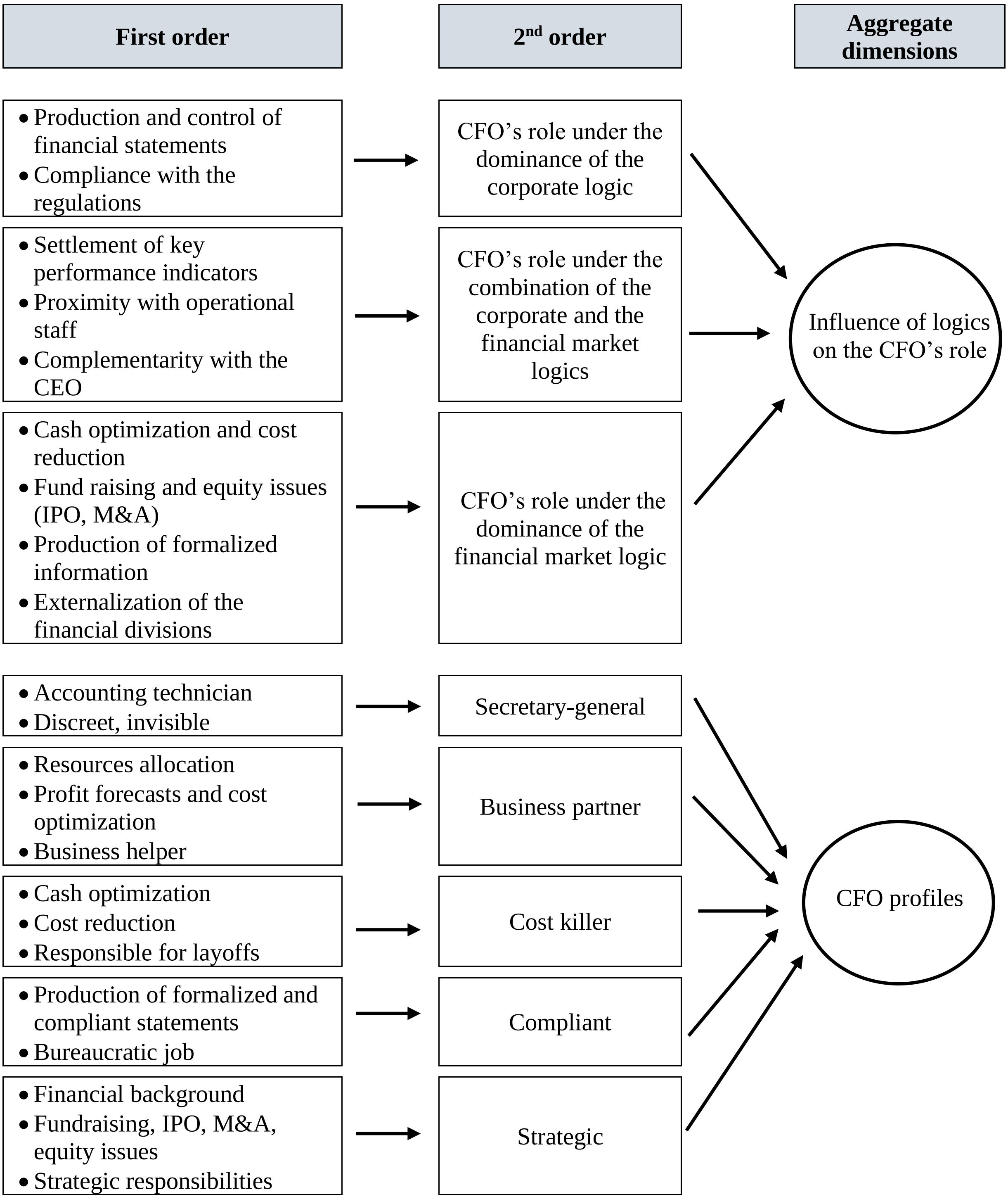
Table 2 – Interview questions

	Corporate logic	**Combination of logics**	**Financial market logic**
Authority Who is guiding the CFO’s role?	Top managers	Shareholders and top managers	Activist shareholders
Legitimacy What is giving legitimacy to the CFO?	Market position of the firm	Sustainability of the firm	Share price
Basis of attention What are the main indicators the CFO focuses on?	Economic performance, gross margin, sales	Profitability, return on equity, net income, resources	Liquidity, cash flow, EVA
Root metaphor What does the CFO represent for the firm?	Mandatory constraint	Tool	Power

Table 3- Ideal logic types

	Secretary General	Business Partner	Cost Killer	Compliant	Strategic
Relationship between the logics	Dominance of corporate logic	Combination	Dominance of financial market logic	Combination/ Dominance of financial market logic	Dominance of financial market logic
Role of the CFOs	Produce the statement	Cost optimization	Cash maximization	Produce compliant statements	Fundraising
Interlocutors	-	CEO Operational actors	CEO Operational actors	-	Shareholders CEO Operational actors
Scope of practices	Accounting Law	Management control Accounting	Management Control Accounting	Accounting	Equity Management Control Accounting
Background	Accounting Audit	Audit Management control	Audit Management control	Audit Management control	Financial Services Audit Management control
Kind of firm	All	All	All	Business Unit of large firms	Small-Medium

Table 4 – CFOs profiles


First order
2nd order
Aggregate dimensions
• Production and control of financial statements
• Compliance with the regulations
CFO's role under the dominance of the corporate logic
• Settlement of key performance indicators
• Proximity with operational staff
• Complementarity with the CEO
CFO's role under the combination of the corporate and the financial market logics
Influence of logics on the CFO's role
• Cash optimization and cost reduction
• Fund raising and equity issues (IPO, M&A)
• Production of formalized information
• Externalization of the financial divisions
CFO's role under the dominance of the financial market logic
• Accounting technician
• Discreet, invisible
Secretary-general
• Resources allocation
• Profit forecasts and cost optimization
• Business helper
Business partner
• Cash optimization
• Cost reduction
• Responsible for layoffs
Cost killer
CFO profiles
• Production of formalized and compliant statements
• Bureaucratic job
Compliant
• Financial background
• Fundraising, IPO, M&A, equity issues
• Strategic responsibilities
Strategic

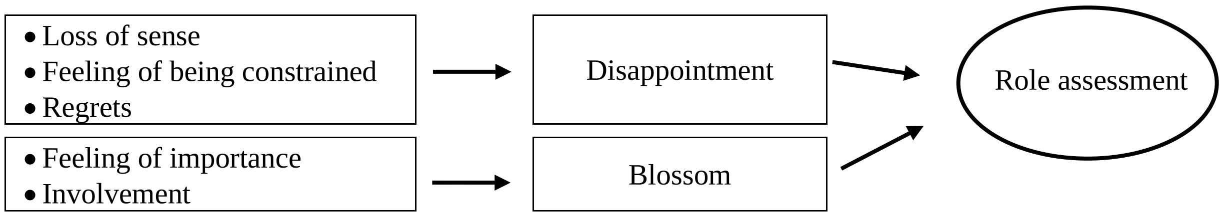


Figure 1: Data Structure

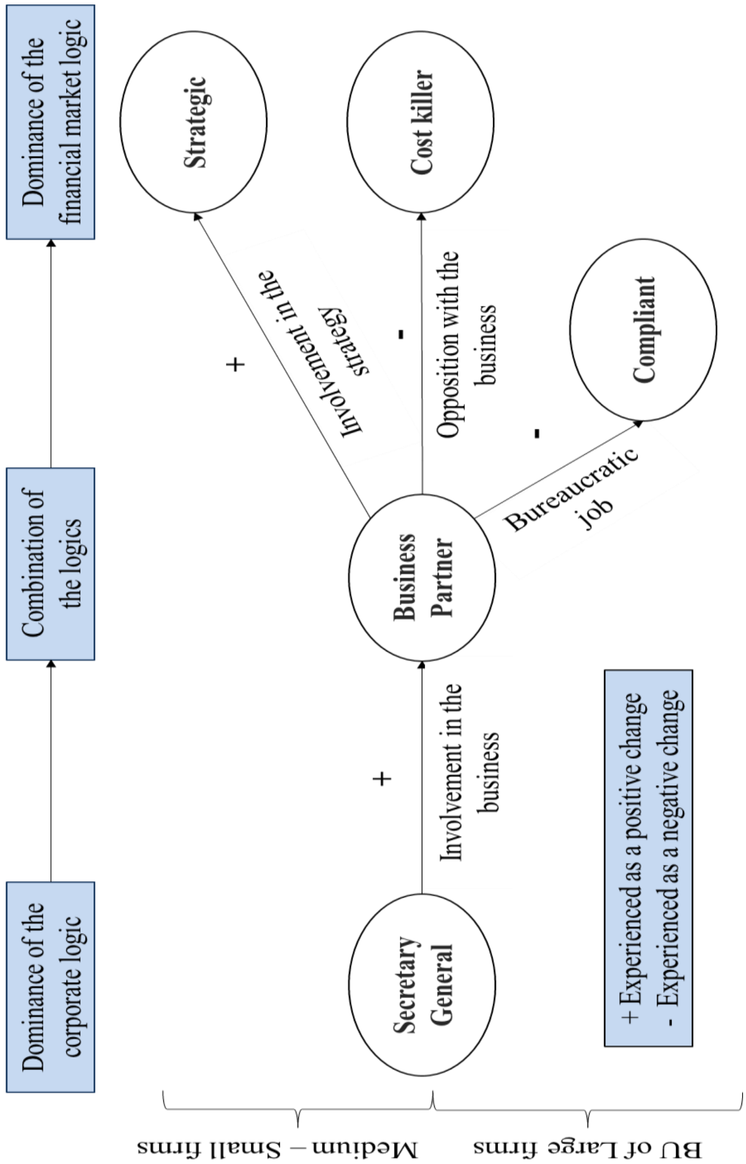


Figure 2 – The evolution of the CFOs role