



Delivering Financial Research to Every Member

Since the last issue of the Research Forum, Financial Executives Research Foundation (FERF) has been busy partnering with members across the U.S. on its ongoing research initiatives. Attending FEI technical committees meetings such as those of the committees on Corporate Reporting, Finance and Information Technology and Taxation, allows FERF to contribute to the national think tank of topics and issues that are most relevant to the profession. Meanwhile, presentations at FEI's area leadership and chapter meetings and discussions with FERF's research committees ensure not only that our work is objective and unbiased, but that it is delivered effectively to members like you.

From these meetings, FERF was delighted to be able to bring back all of the positive feedback concerning the latest research and programs and how they provide a solution to the professional development needs of members and their staff. Additionally, the value of this think tank demonstrates how new and prospective members can benefit from being part of FEI. Finally, our research reports receive both national and local press coverage, which, in turn, should help increase awareness of how each FEI member contributes to continuing education for our profession.

Your contribution to the FERF think tank has resulted in the

following new FERF projects:

What's New in Financial Reporting: Financial Statement Notes from Annual Reports will analyze selected Annual Report filings for the year ended Dec. 31, 2007 and provide disclosures from 10-K filings as examples of how different companies addressed current accounting issues.

International Financial Reporting Standards Survey will provide a systematic assessment of international accounting/financial reporting standards and the related standards-setting process for both public and private companies.

Global Strategies of Private Companies. This research project, developed with Deloitte, will be based on a survey of FEI members from private companies.

These are only a few of the one-of-a kind research offerings that FERF provides that can deliver continuing professional education (CPE) credits for members and their staff. Other services and programs include: Issue Alerts, electronic newsletters, FERFPros and *Financial Executive* magazine articles. Financial Executives List Exchange (FELIX) allows members to poll their peers for answers to their most pressing questions. Upcoming efforts include an update of the FELIX archive, as well as a potential upgrade to how it is delivered to the 3,070 members that currently use the service. Related initiatives include enhancements to FERF's knowledge center and online bookstore that has received 6,179 visitors and is broadly used by many members. ■

Trustee Spotlight: Marsha L. Hunt



"What I would really like to do," says Marsha L. Hunt, vice president and controller of Cummins Inc., "is to sit on my deck with a good book, listen to the waterfall in my backyard and feed the 26 fish and two frogs that call the pond home."

But, like so many other senior financial executives, there just isn't enough time to do what one really wants to do. Hunt says she also likes to travel, visit new places and meet new people. Fortunately, she adds, "the global scope of Cummins allows me to travel extensively." Indeed, the photo of Hunt to the left was taken while she was touring the Cotswolds in England. Another highlight of her 2007 travels was seeing the Terracotta Soldiers in Xi'an, China, after attending a Cummins location opening.

Hunt has been a member of FEI since 2000, and has been involved with FEI's Committee on Corporate Reporting (CCR) since 1996; she became a CCR member in 2003. It was through her involvement with CCR that she developed a close relationship with FERF staff, and, in July 2003, was invited to become a FERF trustee. Hunt has served on FERF's Budget & Investment and Audit Committees since then, and currently chairs both.

"I have been very impressed with the scope and quality of FERF's research, which has been done with a minimal budget," she says. "I am also impressed with the timeliness of the information provided on emerging issues, not only for controllers, but for all senior financial executives."

Hunt notes that FERF has been able to leverage its relationships with FEI members, and comments that its objectivity adds to the quality of its research program, in a way that other organizations with which she is familiar cannot. "At the same time," >>

she adds, "CCR benefits from its relationship with FERF, because FERF can reach out to a broader constituency." For example, she cites the recent FERF Executive Report, *What's New in Financial Reporting: Financial Statement Notes from 2006 Annual Reports*.

"I was always aware of FERF, but now I see the potential benefits for my company," she says. As a President's Circle donor, Cummins' staff can get continuing professional education (CPE) credits at cost. "This is a very budget-friendly way for finance professionals to get quality CPE."

Now, if there was just time to start reading that book..... ■



Why Donate to FERF?

Chapter Leader

Testimonials

"As an FEI member who has achieved success, I believe that means investing in the profession in ways that grow over time. I'm privileged to serve our profession by supporting FERF. When you support FERF, through contributions of your professional time or through your financial support, you are making an investment that directly leads your profession into the future."

George Boyadjis, Twin Cities Chapter

"The research done by FERF is so value-added to addressing issues I am faced with daily. The topics are very timely — FERF has its pulse on its members' issues and meeting their needs."

Marie Hollein, New York City and Chicago Chapters



The Deloitte Scholarship Fund

Deloitte's premier sponsorship of the FEI Hall of Fame 2007 included a donation to FERF's scholarship fund. The monies will be given to a top college or university to support a student enrolled in a program granting an undergraduate degree in the field of finance. This donation underscores Deloitte's commitment to the development of talent in the finance profession, an issue that emerged in a recent Deloitte research project on the top challenges CFOs are facing today. Below is an overview of key findings and conclusions from the study.

Help Wanted

"It's hard to find good help these days." While this may sound like a tired old cliché, it's a very real complaint from today's CFOs who are facing the headaches of a talent crunch. And, it's all too common. The job market for finance professionals is red-hot. Good people have more choices than ever, and that's not likely to change anytime soon. If anything, the finance job market will

only become more competitive.

In a recent Deloitte /Economist Intelligence Unit survey, only one-third of respondents said their finance organization has a talent management strategy in place. (See *"The Finance Talent Challenge: How Leading CFOs Are Taking Charge,"* Copyright 2007 Deloitte Touche Tohmatsu, in association with the Economist Intelligence Unit.)

It's imperative to have a talent strategy specific to the finance function. Truth of the matter is, an organization's ability to execute on its broader strategy and business goals is tightly linked to the quality of a firm's people.

The key distinction is about skills, potential and talent. It's not just about making room for more bodies in the budget. Talent management means thinking broadly about the types of people you need now, but also anticipating and planning for the right mix of talent that you will need over a three-to-five-year period. Clearly, talent management in the finance function requires serious thinking.

A good talent strategy begins with a close look at the most critical

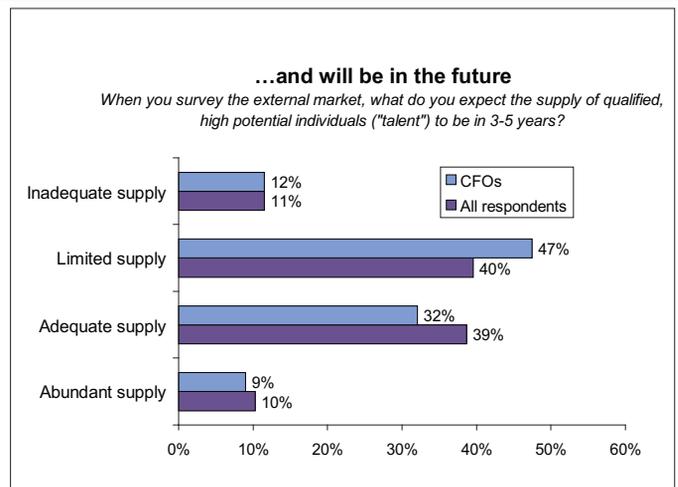
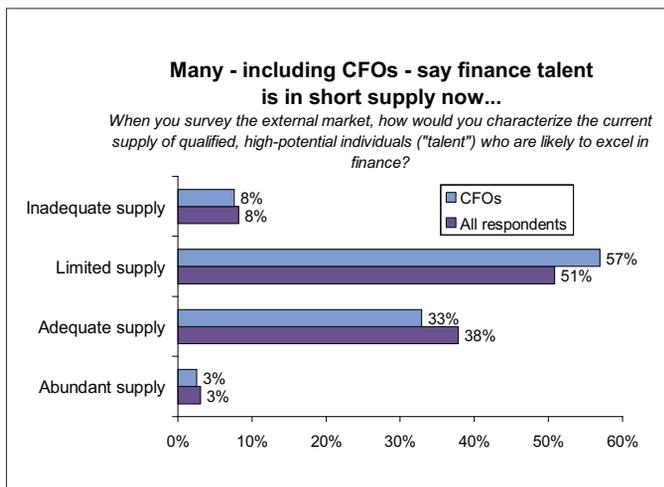
Assessment: The Key to Good Boards

As a rule, we find out how effective a board is when something really bad happens. So how do you know today if you have a good board? "You measure it: independently, confidentially and professionally," says Susan F. Shultz, CEO and founder of The Board Institute, a FERF Research Sponsor.

"At The Board Institute, we have developed the first suite of independent, Web-based, professional tools to help directors and officers assess, benchmark and enhance the effectiveness of their boards and committees," Shultz explains. The Audit Committee Index, which was developed in cooperation with FERF, is a keystone of this board-centric solution. "If there is no assessment and no accountability, how can shareholders know that the board, and the audit committee, are effectively representing them and doing their jobs?" she asks.

Evidence increasingly proves that good boards mean good companies. "We know that investors will pay a 20 percent premium for a good board," says Shultz. Substantive board assessment is increasingly appreciated — and required — as an essential element of best practices. Assessments are now mandated by the New





Source: "The Finance Talent Challenge: How leading CFOs are taking charge" Copyright 2007 Deloitte Touche Tohmatsu, in association with the Economist Intelligence Unit.

workforce segments. Everything can't be fixed overnight, so prioritization is important. For instance, financial planning and analysis (FP&A) is a good example.

Deloitte's research shows that within the finance function, FP&A is prime training ground for future CFOs. If there's a dearth of talent in this area, it might be time to take action. Remember — don't just think in terms of technical skills or the stewardship role. The best people also should bring business acumen and other experience to the table.

Find out exactly what is lacking

across the finance function, within a given business unit or department and for each current member of the Finance team. Once the gaps are known, a prioritized, multi-pronged strategy and roadmap addressing shortcomings can be developed. This will likely include succession planning, performance management, rewards and recognition, recruitment, workforce planning, knowledge management and leadership development.

Ultimately, branding finance as a career launching pad is an essential strategy for attracting top-notch talent. It will also do wonders for the

expansion of finance's role as a strategist within the organization. With better talent, finance can generate more value-creating ideas for the business. That can provide more opportunities for finance to play a leadership role in the organization, which, in turn, can help attract better people. It's a virtuous cycle.

"Help Wanted" is just one of the issues that should be on the mind of CFOs. These are the types of issues that concern Deloitte also.

As used in this document, "Deloitte" means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

York Stock Exchange (NYSE) and the U.S. Securities and Exchange Commission (SEC), and assessments are rewarded by insurers when pricing directors and officers (D&O) insurance. "Directors need to be confident that not only the audit committee, but also the full board and the other committees, are effective. Board members now realize there is real accountability, and they need to proactively mitigate risk," Shultz explains.

Since accountability and transparency are important, assessment should be not only mandated, but expected. The market is evolving, moving beyond in-house and paper questionnaires and beyond cumbersome processes," comments Shultz. "Directors and officers are seeking a more professional solution. The Audit Committee Index reduces the time and resources spent on the assessment process, and increases time spent on performance issues and productivity," she adds.

According to the Public Company Accounting Oversight Board (PCAOB), auditors must consider the effectiveness of audit committees as part of their assessment of the effectiveness of the company's internal control over financial reporting under Section 404 of The Sarbanes-Oxley Act. The

Audit Committee index can be an independent validation for the committee.

The Audit Committee Index is an easy to use, secure, scientific, educational, Web-based solution for public and private companies that can be customized to the needs of individual committees. The front end consists of qualitative and quantitative questions completed online or on paper, anonymously by the full board, as well as those, if the committee wishes, who work closely with the committee. Expert content is continuously updated in collaboration with FERF. "The construct is validated by professional research experts," comments Shultz. "The resulting confidential report highlights strengths and areas for improvement, the range of responses, key variances, anonymous comments and provides information relative to each area, detailing current practice, law and regulations to educate the respondents."

For more information about The Audit Committee Index, visit: www.theboardinstitute.com/web/products.asp. FEI members receive a 10 percent discount.

In addition to The Audit Committee Index, The Board Institute also offers The Board Index, The Compensation >>

Committee Index and The Governance Committee Index. The Director Index, which will help individual directors better contribute to the effectiveness of the board, is in development with Dr. Mark Edwards, Ph.D., founder of 360-degree feedback and a member of The Board Institute team.

You do get what you measure. So assessment matters. Benefits and examples of outcomes range from being able to attract the best directors, spending more time on strategic discussion, changing the way revenue recognition is realized, enhanced independence, improved transparency, better

shareholder relations, emphasis on succession planning and more time in interactive discussion.

“Assessment is a positive,” says Shultz. “The focus is where it should be — on good practices. The opportunity is to move beyond compliance to a strategic audit committee that adds value to the business.”

Both Shultz and Edwards are available to speak at FEI chapter meetings and other forums relating to board, committee and director assessment and general board structure, make-up and practice. ■

FERF'S CHAPTER CHALLENGE PROGRAM

FERF's Chapter Challenge Program was launched in honor of FEI's 75th Anniversary. The Chapter Challenge program encourages FEI chapters to make a leadership donation. Considering chapter size and treasury, FERG assembled a robust offering of contribution levels that included member benefits. Each level — Silver, Gold, Diamond and Platinum — included acknowledgement in FERG's Annual Report; on FERG's website and on all FEI conference signage.

Each level of Chapter Leadership Giving came with specific benefits for the chapters, i.e. the Silver Level included a Summit Registration and a FERGPros Subscription; the Gold Level included 2 Summit Registrations and 1 FERGPros Subscription; etc.

Many chapters enthusiastically participated in this and took full advantage of awarding free FEI Summit or CFRI registrations as well as one-year free subscriptions for FERGPros. Several chapters used their benefits as awards or in membership raffles.

The chapters that have par-

ticipated in fiscal year 2008 include: Boston, Central Florida, Chicago, Detroit, Indianapolis, Kansas City, Los Angeles, Memphis, New Jersey, Orange County Pittsburgh, Silicon Valley, Twin Cities, Washington State.

FERF would like to acknowledge and thank our generous Major Gift, President's Circle and Leadership Donors and FEI Chapters that have pledged or made donations as of March 24, 2008 — YOU make our research work possible.

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Our SPECIAL THANKS to the following for their support of the Research Forum's first anniversary issue.

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