
**CFO BEST PRACTICES ROUNDTABLE – AN OPEN DISCUSSION
ON CURRENT EVENTS, ISSUES, AND OPPORTUNITIES FACING TODAY’S CFO**

JULY 9, 2007
CORPORATE AND EXECUTIVE EDUCATION
DREXEL UNIVERSITY, LEBOW COLLEGE OF BUSINESS



PRESENTED BY
The CFO Alliance Board of Advisors
Gary Bender, CFO, ABEC, Inc.
Mark Fehnel, CFO, Telerx
Peter Kay, VP Finance, ICG Commerce
Greg Matecki, CFO, American Shipping Company
Ellen Purdy, CFO, Suveillance Data, Inc.

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Summary

The July 9, 2008 CFO Alliance presented the “CFO Best Practices Roundtable – An Open Discussion on Current Events, Issues, and Opportunities Facing Today’s CFO.” Led by The CFO Alliance Board of Advisors, each table was assigned a topic and attendees chose the discussion group in which they wished to participate.

Tables 1A/1B: State of the Capital Markets

Table 2: Rising cost of Employee Benefits

Table 3: Supply Chain, Logistics and Transportation

Table 4: Employee Recruitment, Retention and Development

Nick Araco, Esq., Director of Consulting Services, RSM McGladrey opened the session by welcoming everyone and reviewing some recent key economic indicators:

- Manufacturing
- Consumer confidence is at a 16 year low
- Industry production...
- Inflation Index has remained at 4.2%
- May Retail Sales were up by only 1% (and that’s double the growth of the month before)
- Job growth – unemployment continues to rise

Seventy-five percent of the AICPA membership will retire in 2014 – where is the replacement talent going to come from?

Nick turned the podium over to Gary Bender, CFO at ABEC, Inc. who moderated the best practices discussions. Participants were asked to spend 45 minutes discussing their table’s topic, then summarize the team’s thoughts and report back to the group. Gary also asked for volunteers to follow up on specific issues that came up in the discussions and arrange mini meetings to further explore the subject matter.

Discussions

State of the Capital Markets (Tables 1A and 1B)

Ellen Purdy facilitated the discussions and reported the tables' conclusions to the rest of the group.

Effects on the market:

- Oil
- Auto Industry
 - Not reading customer's needs, not enough small cars to sell
 - Wants smaller cars with same luxuries as the larger models
- Real Estate
 - Same as auto industry = smaller homes, same luxuries
- All of these industries need time to adjust to the market
- Not a capital crisis = money is "floating" around the world
- Money is available if you want it, even though you don't like the price
- America's lesson = extending themselves too far. Question is should they spend less or save more?

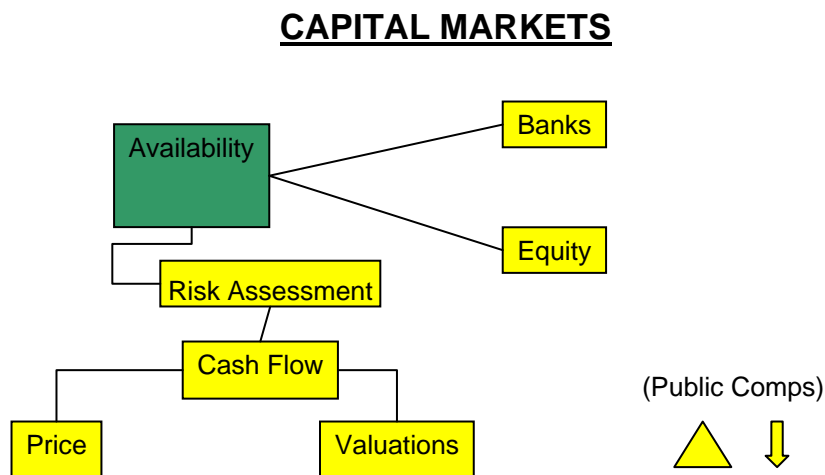
Outline created from discussion:

Availability

Price

Timeline for Recovery

Outlook



Timeline for Recovery

- Oil Prices
 - Housing
 - Autos
 - Structural Changes
- Table 1 X Inflation/Interest Rates
⇨

Rising Cost of Employee Benefits (Table 2)

Gary Bender, CFO at ABEC, Inc. facilitated the discussion.

401k Plans

Assumes the CFO is fiduciary and, in the end, responsible to know the regulations and run the plan! Personal exposure is real. Know the regs - get educated!

- Get educated on compliance; objective seminars exist; go to them
- Learn compliance regs in general AND have your plan reviewed to see what is unique
- Get the data on your offerings, their peer groups, relative performance determine: IS OUR PLAN COMPLIANT?
 - Many plans are not, but 401k annual audit may not dig deep enough to tell you
- Learn about FI360 and other tools - they are objective and data driven
- Get an annual audit done; consider a different audit group to get objectivity and expertise
 - (Keeps financial auditor on his toes-rates may come down on base audit)
- Make sure your investment committee and board of directors get an update at least once a year - in writing, in the minutes and on the record

Think about the participants - it is their money and probably their only retirement vehicle.

- Get the data on inquiries and types of changes from current administrator. They have to have it and give it to you.
- They need reasonable support OR you are at risk; if they can't get answers online or 800 number, "your fault."
- Consider fuller service provider. You get what you pay for from the Internet based houses.
- Need in house support for you and investment committee.
- If you are on the investment committee, you really need the advice and protection.
- If participants don't get their service, they will sue you - not the administrator.
- Treat all employees across all locations the same; data access, face to face, phone call access, otherwise, could be guilty of passive discrimination.
 - Few providers will do face to face-have to be registered in each state, have to be willing to handle phone calls, goofy questions and educate participants Very valuable to participants and new hires.

Look at fee structure

- As plan grows, rates can be negotiated down BUT don't expect an automatic reduction without asking.
- Break out all rates and challenge reporting, compliance, site support costs, etc.- they are negotiable.
- Find out how they get compensated - your offerings could be affected by rebates, bonuses and kickbacks.

Separate 401k plan administration and advice from any executive comp or wealth programs.

- **Strongly consider an administrator who is not your banker-keep separate for several reasons:**
 - Employees deserve best service-can protest shared interests by your banker. Usually not world class support, analysis, tools or administrators.
 - If you use your banker, really understand their compensation and commission model. Often biased.

Very unique "free to company and employee" benefit-**25% tuition scholarship** to over 200 private colleges program that is linked to optional insurances from Allstate and to the employee's 401k plan balance. Annual contribution to the child's or grandchild's tuition scholarship account. Almost too good to be true, not well advertised but legitimate and has been around for years. Many colleges around Philadelphia participate. Contact Gary for more info. He is also willing to coordinate additional sessions on compliance and plan administrator options or to provide introductions.

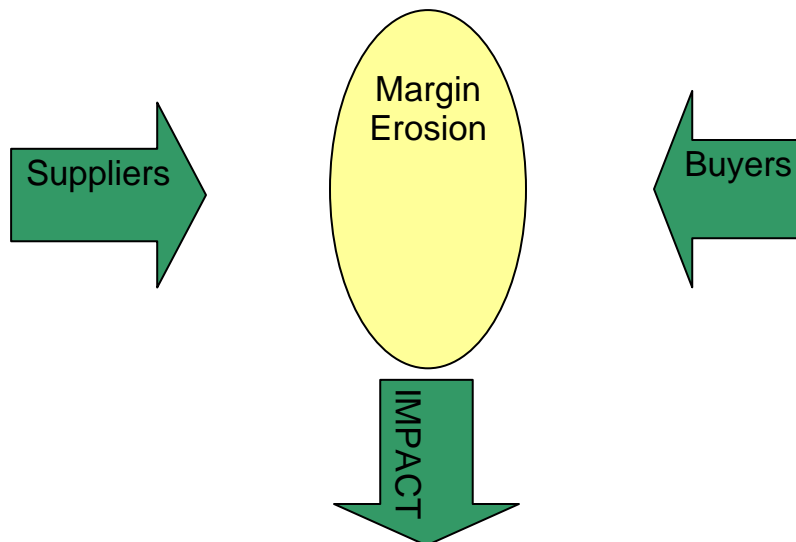
Gary Bender
gbender@abec.com

610 861 4666 215 421 8291

Supply Chain, Logistics and Transportation (Table 3)

Best practices discussions on were moderated by Peter Kaye, VP Finance at ICG Commerce.

TABLE 3
RISING COST OF FUEL



- Reverse JIT
- Vendor/Customer collaboration
- Re-think manufacturing process
- HR – Training/Flexible Schedules/Use of Public Transportation
- Vendor – Local Vendors – Order Aggregation

Key advice-

- Have a strategy to manage your energy spend.
- Don't reverse "lean" manufacturing. The energy price concerns dwarf the benefits of being lean.
- Re-assess transportation mode/frequency on a quarterly basis.
- Revisit off shoring in light of energy costs (does it make sense to manufacture overseas and ship via ocean)?

This group also shared the following thoughts, recommendations, and best practices:

- Implement "reverse just in time" inventory management whereby customers and vendors are working together to purchase more than needed and taking inventory "positions" of up to 24 months in some cases.
- Work with vendors to collaborate and manage the fuel cost problem together.
- Rethink the manufacturing process; where are goods manufactured vs. where are the raw materials coming from? (Dell has already employed this practice in the mfg process).
- Explore alternate transportation means wherever possible (air, rail/intermodal, etc).
- Consider using local mfg and producers where possible thus enabling you to be environmentally or locally "acceptable" and possibly offering you the potential to raise prices based on these alternatives offered.
- Consider "order aggregation" so multiple plants in your company might purchase together for greater volume discounts and possibly shipping cost efficiencies.
- Other HR considerations are to consider 4 day work week to help employees manage excessive transportation costs, consider telecommuting, etc.

Employee Recruitment, Retention and Development (Table 4)

The discussion was facilitated by Mark Fehnel, CFO at Telerx who provided the results of a survey by Bersin & Associates: Talent Management: State of the Industry.¹ Participants at table 4 answered the Bersin & Associates survey questions and the group compared their answers to those of the industry.

¹ Posted on The CFO Alliance website

Talent Management Scorecard

Based on 2008 study sponsored by Development Dimensions International (DDI)

Presented in June 2, 2008 edition of *Human Resource Executive*

	<u>CFO Alliance</u>	<u>DDI survey</u>
<u>Leadership Development / Succession Planning</u>		
1) Top business executive is actively engaged in Talent Management	<u>75%</u>	50%
2) Company has a formal process for Leadership Development	<u>63%</u>	50%
3) Company has a comprehensive leadership development process considered strategic	<u>25%</u>	20%
4) Organization has a consistent, enterprise-wide process for Succession Planning	<u>13%</u>	20%
<u>Performance Management</u>		
5) Company has a standard process for establishing employee goals	<u>100%</u>	57%
- employee goals aligned with manager or corporate level goals	<u>63%</u>	40%
6) Employee development plans are consistent across the company	<u>63%</u>	33%
<u>Recruiting</u>		
7) Company has well established processes for Internet recruiting	<u>88%</u>	67%
8) Company has well established process for gathering/reporting recruiting metrics	<u>25%</u>	33%
<u>Talent-Based Workforce Planning</u>		
9) Company goes beyond current open headcounts and plans for future headcount needs	<u>63%</u>	37%
10) Company has a good-to-excellent view of talent gaps within the company	<u>25%</u>	22%
<u>Systems</u>		
11) Company uses an automated, integrated HRMS (HR & Payroll system)	<u>50%</u>	80%
12) Company uses a recruiting / applicant tracking system	<u>38%</u>	60%
13) Company uses an automated performance management system	<u>0%</u>	53%
14) Company uses an LMS (Learning Management System)	<u>38%</u>	40%
<u>Talent Development - Top 5 Priorities for Improvement</u>		
1) Leadership Development		
2) Succession Management		
3) Performance Management		
4) Recruiting & Staffing		
5) Career Development		