THE CHIEF FINANCIAL OFFICER'S ROLE IN MEDIUM-SIZED FIRMS: EXPLORATORY EVIDENCE FROM GERMANY

Martin R. W. Hiebl, Johannes Kepler University Linz, Linz, AUSTRIA
Herbert Neubauer, Vienna University of Economics and Business, Vienna, AUSTRIA
Christine Duller, Johannes Kepler University Linz, Linz, AUSTRIA

ABSTRACT

Research on the Chief Financial Officer's (CFO) role has increased in the last few years, but has so far mainly focused on large firms and neglected the CFO's role in smaller firms. Therefore, in this paper, we study whether the CFO's role in medium-sized firms differs from the CFO's role in large firms. Using a sample of 378 German firms, we investigate the effect of firm size on CFO characteristics, CFO responsibilities and the CFO's participation in strategic planning. Our findings show that CFOs in medium-sized firms have less often obtained a university degree and less often take responsibility for various finance and accounting functions compared to large firms. We do not find a differing level of CFO participation in strategic planning in dependence of firm size, but we find that after the CEO, the CFO obtains a "number two" position in strategic planning regardless of firm size.

Keywords: *Chief Financial Officer, CFO, Role, Characteristics, Responsibilities, Strategic Planning, Medium-sized firms, Large Firms, Firm size, Germany*

1. INTRODUCTION

In scientific as well as in practitioner literature, there there has been increasing interest in the role of the Chief Financial Officer (CFO) in recent years (Bremer, 2010; Hiebl, 2012). This can be mainly ascribed to two developments. First, since the 1970s, more and more firms have installed a CFO position in their management boards. While, by the end of the 1970s, less than 10% of US firms had installed such a position, by the end of the 1990s, already more than 80% had done so (Zorn, 2004). Second, especially practitioner literature claims that the CFO's position not only has increased in importance, but also the core of the CFO's role has changed. Most importantly, such practitioner literature postulates that for modern CFOs it would not be enough to simply manage a firm's finance and accounting functions, but that CFOs should also strongly contribute to shaping a firm's strategic course, thus acting as a strategist (Gerstner and Anderson, 1976; Bremer, 2010; Lüdtke, 2010).

While the first development seems to be well documented and accepted in scientific literature, the second development has only received partial support from scientific studies (Hiebl, 2012). Single case-study findings document the CFO's enhanced role as acting as a "watchdog" for other top managers (Baxter and Chua, 2008). However, Baxter and Chua (2008) also highlight that for the CFO to be accepted by other managers as such a watchdog and also as strategist, the CFO first has to prove his or her proficiency in traditional CFO functions such as finance and accounting. These results indicate that although the CFO may take over a more strategic role, core finance functions still build the foundation of a CFO's responsibilities. Other survey-based studies have shown that CFOs' self-perception is already strongly geared towards a more strategic role (Voogt, 2010; Becker *et al.*, 2011). However, when it comes to a CFO's factual responsibilities, strategic corporate functions such as "corporate development" or "corporate strategy" still reside in the Chief Executive Officer's (CEO's) area of responsibility in most cases and not in the CFO's (Bremer, 2010; Lüdtke, 2010; Hiebl *et al.*, 2012). So in general, extant findings show that contemporary CFOs are somewhat integrated in strategy development, but large parts of their responsibilities still lie in traditional finance functions and thus in performing a rather traditional CFO role.

Interestingly, although resulting in, to some extent, different conclusions, all of the findings presented above were derived from analyzing very large, mostly public corporations. None of the studies has yet investigated whether the propositions of the CFO's increased importance and changing role also hold for smaller firms. This is somewhat surprising, as small and medium-sized firms build the majority of all firms worldwide (Mitchell and Reid, 2000; Ayyagari *et al.*, 2007) and they, too, frequently have installed CFO positions (Caselli and Di Giuli, 2010; Di Giuli *et al.*, 2011). At the same time, smaller firms face different challenges when compared to larger firms such as limited access to resources (Storey, 1994; Thong, 2001; Hewitt-Dundas, 2006). These idiosyncrasies of smaller firms may also have an effect on what role CFOs can play in these firms. Therefore, this paper aims at investigating whether the CFO's role differs according to different classes of firm size. From theoretical reasoning, both a more traditional as well as a more non-traditional/strategic role for the CFO in smaller firms can be derived (see section 2). Thus, we chose to adopt an exploratory research design and to perform a survey amongst German medium-sized and large firms on the CFO role. Our results indicate that, indeed, aspects of the CFO's role such as education and the functions the CFO oversees vary along with firm size. When it comes to the participation in strategic planning, our findings show that CFOs show similar levels of participation both in medium-sized and large firms. We also find support for the CFO obtaining a "number two" position in strategic planning, while in the vast majority of firms the CEO still leads the strategic planning process.

The remainder of this paper proceeds as follows. In section 2, we present some theoretical considerations, why and how the CFO's role might differ in dependence of firm size. Thereafter, in section 3, we discuss the methodology of our exploratory study and present the study's findings in section 4. Finally, section 5 concludes this paper with a discussion of results, implications and limitations.

2. THEORETICAL CONSIDERATIONS

Before presenting our empirical findings, we draw some theoretical considerations, which further underpin our reasoning for adopting an exploratory methodology, as these considerations lead to conflicting conclusions. We will discuss three theoretical, potential drivers for a CFO's differing role in medium-sized firms as compared to larger entities. Two of these drivers rather point towards a less strategically oriented and more traditional CFO role in medium-sized firms, whereas one driver suggests a more strategically oriented role in medium-sized firms compared to large firms.

The first potential driver is connected to one of the main reasons for the increasing importance of the CFO position in recent decades. A common understanding in the CFO-related literature is that the increased importance of the CFO position is strongly related to the rise of shareholder-value orientation (Zorn, 2004). In this connection, the CFO position has gained more attention as CFOs often communicate with shareholders or directly oversee the investor-relations function. So with the rise of shareholder-value thinking, also one of the shareholders' most important corporate counterparts – the CFO – has gained importance. Along with this gain in importance, practice-oriented publications claim that CFOs also have to be strategists to be able to effectively communicate the firm's strategic course to public stock markets (Bremer, 2010; Lüdtke, 2010). However, in smaller firms, this driver is just not as present as in large firms, because smaller firms are less often stock-market listed and rely less on public equity financing. Instead, smaller firms prefer either debt financing or private equity financing (Berger and Udell, 1995; Berger and Udell, 1998). Thus, from this view, it can generally be theorized that the CFO position in medium-sized firms should have gained less importance and the CFO in medium-sized firms might also play a more traditional role compared to larger firms.

The second potential driver is the fact that, in medium-sized firms, firm owners such as members of the owner family are often heavily involved in the firms' management. In contrast, in larger firms, due to more diverse ownership structures, such heavy owner influence in the firm is less common (e.g., La Porta *et al.*, 1999; Klein, 2000). Heavy owner influence often also leads to the owners claiming most decision-making power in the firm and holding off non-owner managers such as CFOs from decision-making power (Gallo and Vilaseca, 1998; Lutz and Schraml, 2012; Gurd and Thomas, 2012). Therefore, it can be expected that due to more owner influence in medium-sized firms, CFOs are granted less (strategic) decision-making power than in larger firms. Thus, also from this view, CFOs in medium-sized firms can be expected to play a more traditional role as compared to CFOs in large firms.

However, from the third potential driver for the CFO's role in medium-sized firms, a more important and more strategic role for the CFO in medium-sized firms compared to large firms can be concluded. This driver is resource constraints in smaller firms. Due to smaller size, smaller firms have only access to fewer resources (Storey, 1994; Wiklund and Shepherd, 2005). This also includes managerial resources as smaller firms simply employ fewer management personnel than larger firms. Therefore, fewer managers have to take care of more functions, resulting in larger areas of responsibilities in terms of functions in smaller firms as compared to larger firms (Jennings and Beaver, 1997; Mazzarol, 2003). Also the CFO in smaller firms can be expected to have more responsibilities in terms of functions to oversee. Therefore, this larger set of responsibilities may also include some non-traditional CFO functions. Moreover, due to fewer available management personnel to perform strategic planning tasks, the CFO can also be expected to participate more in strategic planning in medium-sized firms, thus performing a more strategic role than in larger firms.

3. METHODOLOGY

3.1. Sampling procedures

To analyze whether the CFO's role differs along with firm size, we conducted an electronic survey in Germany. Before our actual survey, we performed pre-tests with ten corporate executives to ensure that the questionnaire was legible and understandable for them. We then contacted all businesses in the German federal states of Bavaria, North Rhine-Westphalia and Lower Saxony which had their e-mail addresses included in the Amadeus database and which had at least 50 employees. We used the threshold of 50 as this marks the minimum number of employees for a business to be considered "medium-sized" or "large" by the European Union (European Commission, 2003).

We contacted the CFOs of these firms by e-mail in August 2012 and sent out reminders in October and November 2012 to those respondents who had not answered after the first invitation. These invitation e-mails included a link to the actual questionnaire, which could be answered in a web browser. A total of 716 addressees clicked on the invitation link. Of those, 378 questionnaires were evaluable, which represents a rate of 53%. These 378 survey responses also build the basis for the below-presented results. To control for a potential non-response bias, we compared the answers of early respondents (first third of respondents) with those of late respondents (last third). There were no significant differences between these two groups. Therefore, we can assume that no non-response bias is inherent in our data (Armstrong and Overton, 1977).

3.2. Measures

To analyze the CFO's role, we looked at characteristics of CFOs as well as their responsibilities and participation in strategic planning, as all these factors are considered part of or influencing a CFO's organizational role (Katz and Kahn, 1978; Hiebl and Feldbauer-Durstmüller, 2013). Firm size acts as the independent variable in this study and various characteristics of the CFO as well as the CFO's responsibilities and the CFO's integration in the strategic planning process serve as dependent variables. To operationalize "firm size", we followed the recommendation of the European Commission for the definition of medium-sized enterprises (European Commission, 2003). We offered survey participants a closed choice of size classes of employees. The responses in which the respondents chose "50-249 employees" were regarded as "medium-sized" and those responses in which the respondent opted for an employee number of more than 249 were regarded as "large" (European Commission, 2003).

For CFO characteristics, we followed the upper-echelons tradition of CFO research (e.g., Hambrick and Mason, 1984; Naranjo-Gil *et al.*, 2009; Pavlatos, 2012) and studied CFO age and education. For CFO age, we distinguish between CFOs aged up to 45 years and CFOs older than 46 years. For education, we distinguish between CFOs with and without university education. Moreover, as in CFO research the manner of CFO recruiting has been discussed intensively (e.g., Mian, 2001; Geiger and North, 2006), we also integrated this characteristic in our questionnaire and offered survey participants three values for the parameter "CFO recruiting" ("internal recruit", "external recruit", "self-appointed"). As further CFO characteristics, we included CFO gender ("female" or "male") and an item on whether the CFO is part of the respective firm's controlling family (with the two values "part of the controlling family" and "not part of the controlling family"). The latter variable was included as, especially amongst smaller firms in Germany, a significant number of firms can be regarded as family firms (Klein, 2000). Thus, there is also some likelihood that the CFO might be a member of the controlling family. However, considering the fact that the share of family firms usually decreases with increasing firm size (IFERA, 2003), this CFO characteristic could also differ in dependence of firm size.

To study the CFO's responsibilities, we asked survey participants which of their firm's management team members take final responsibility for various corporate functions. We offered the participants a total of 15 corporate functions which are known to be regularly or at least sometimes part of the CFO's responsibilities (Bremer, 2010; Lüdtke, 2010; Hiebl, 2012). For each of these functions, we asked participants to state whether the respective function lies within the CEO's, the CFO's or another management team member's area of responsibility. Furthermore, participants could also state whether the respective function was non-existent in their firms.

Finally, to analyze the CFO's participation in the strategic planning process, we asked survey participants to which degree various corporate officials are included in the strategic planning process. Specifically, we asked for the chairman of the supervisory/advisory board, other members of the supervisory/advisory board, firm owners who are not part of the supervisory/advisory board, the CEO, the CFO, and other management team members. For each of these officials, survey respondents were asked to state whether these officials lead the strategic planning process, are heavily involved in the process, are partly involved or are not involved. Again, we also offered the possibility to state that the respective official's position was non-existent in the respondents' firms.

4. RESULTS

Our findings on CFOs' differing characteristics in medium-sized and large firms are summarized in Table 1. For CFO gender and CFO age, we did not find significant differences between medium-sized and large firms. CFOs in both groups of firm size are predominantly male (over 80% of them) and 46 years or older (more than 60% of CFOs).

However, for CFO recruiting, CFO education and the CFO being a member of the controlling family, we found significant differences between medium-sized and large firms. Regarding recruiting, we found that in medium-sized firms, CFOs are significantly more often self-appointed (in 19% of all cases). In contrast, self-appointment is less common in large firms and both internally promoted and externally hired CFOs are more common than in medium-sized firms. An explanation for this larger share of self-appointments can possibly be found in a larger share of CFOs in medium-sized firms who are members of the controlling family. We found that also the share of members of the controlling family acting as CFO in medium-sized firms (22%) is significantly higher compared to the situation in large firms (14%). Eventually, also the last CFO characteristic we examined – CFO age – shows significant interaction with firm size. Our findings show that university education is significantly less common among CFOs in medium-sized firms compared to large firms.

TABLE 1 – CFO CHARACTERISTICS

Variable	**Medium-sized firms**			**Large firms**			**p value** (Pearson's Chi-squared test)
CFO gender	Female 18.4%	Male 81.6%		Female 13.1%	Male 86.9%		0.205
CFO recruiting	Internal recruit 31.0%	External recruit 50.3%	Self-appointed 18.8%	Internal recruit 36.8%	External recruit 55.6%	Self-appointed 7.5%	0.016 **
CFO is part of the controlling family	Part of the controlling family 22.1%	Not part of the controlling family 77.9%		Part of the controlling family 14.0%	Not part of the controlling family 86.0%		0.077 *
CFO education	University-educated 67.0%	Non-university-educated 33.0%		University-educated 78.2%	Non-university-educated 21.8%		0.027 **
CFO age	Up to 45 years 38.7%	46 years and older 61.3%		Up to 45 years 38.9%	46 years and older 61.1%		0.965

Level of significance: * $p < 0.100$; ** $p < 0.050$; *** $p < 0.010$

Regarding the second aspect of the CFO's role we examined – the CFO's responsibilities for corporate functions – our results (see Table 2) indicate significant differences between medium-sized and large firms mainly for core finance and accounting functions (Bremer, 2010; Lüdtke, 2010; Hiebl, 2012). The corporate functions "management accounting", "cost accounting", "financial accounting", "treasury", "risk management", "legal", "tax" and "insurance" are all significantly more often in the CFO's area of responsibilities in large firms compared to medium-sized firms. In contrast, for medium-sized firms, our findings show that the CEO more often takes responsibility for these rather traditional finance and accounting functions than in large firms.

We also found significant differences in the top management responsibility for the functions "human resources", "procurement" and "information technology", which are also sometimes found in the CFO's responsibilities (Bremer, 2010; Lüdtke, 2010; Hiebl, 2012). For "procurement" and "information technology", our findings are similar to the results for the traditional finance and accounting functions.

In large firms, the CFO takes responsibility for "procurement" and "information technology" significantly more often than in medium-sized firms, in which these functions more often reside in the CEO's responsibilities. For "human resources", however, our findings suggest a move from the CEO being most often responsible for this function in medium-sized firms to a top management team member other than CEO and CFO being responsible most frequently for "human resources" in large firms.

Interestingly, for the more strategic corporate functions of "strategy/corporate development", "mergers & acquisitions" and "investor relations", we did not find any significant differences between medium-sized and large firms. Our findings show that if these functions are institutionalized, they most often reside in the CEO's responsibilities. For both medium-sized and large firms, the percentage of firms where the CFO takes responsibility for "strategy/corporate development", "mergers & acquisitions" and "investor relations" is low, mostly around the mark of 10% of firms or even lower.

TABLE 2 – MANAGEMENT TEAM RESPONSIBILTIES FOR CORPORATE FUNCTIONS

	Medium-sized firms				**Large firms**				
	Management team member responsible for function				**Management team member responsible for function**				
Corporate function	**CEO**	**CFO**	**Other**	**Function non-existent**	**CEO**	**CFO**	**Other**	**Function non-existent**	**p value** (Pearson's Chi-squared test)
Management accounting	34.5%	55.2%	9.7%	0.7%	18.3%	72.0%	9.7%	0.0%	0.036 **
Cost accounting	21.0%	67.8%	11.2%	0.0%	8.7%	83.7%	7.6%	0.0%	0.020 **
Financial accounting	17.3%	61.2%	9.4%	12.2%	8.9%	80.0%	4.4%	6.7%	0.029 **
Treasury	32.9%	55.2%	5.6%	6.3%	9.0%	78.2%	4.5%	7.9%	0.000 ***
Risk management	54.5%	25.9%	7.7%	11.9%	26.1%	46.6%	17.0%	10.2%	0.000 ***
Legal	40.7%	33.8%	5.5%	20.0%	26.7%	43.3%	14.4%	15.6%	0.019 **
Tax	18.2%	57.3%	11.2%	13.3%	8.8%	79.1%	6.6%	5.5%	0.008 ***
Insurance	28.2%	50.0%	16.9%	4.9%	16.7%	67.8%	14.4%	1.1%	0.034 **
Internal audit	19.0%	35.0%	9.5%	36.5%	19.1%	31.5%	16.9%	32.6%	0.423
Investor relations	42.7%	13.0%	3.8%	40.5%	34.5%	10.3%	4.6%	50.6%	0.477
Mergers & Acquisitions	51.9%	8.4%	7.6%	32.1%	46.0%	12.6%	10.3%	31.0%	0.623
Human resources	50.3%	28.3%	20.7%	0.7%	30.8%	29.7%	37.4%	2.2%	0.008 ***
Strategy/Corporate Development	88.8%	6.3%	2.8%	2.1%	78.7%	7.9%	9.0%	4.5%	0.113
Procurement	38.4%	16.7%	37.0%	8.0%	30.0%	28.9%	37.8%	3.3%	0.079 *
Information technology	29.0%	39.1%	22.5%	9.4%	30.0%	43.3%	25.6%	1.1%	0.086 *

Level of significance: * p < 0.100; ** p < 0.050; *** p < 0.010

Finally, our analysis of the participation of corporate officials in the strategic planning process displayed in Table 3 reveals that, both in medium-sized and large firms, the CEO is the one corporate official who most often leads this process. However, there is a significant difference regarding the CEO's participation in strategic planning between the two size classes. In medium-sized firms, the CEO emerges from our study as being even more often responsible for leading the strategy process than in large firms. In large firms, other officials such as the CFO more often take responsibility for this process. However, for the CFO, the differences between medium-sized and large firms are not significant.In both size classes, from our analysis the CFO emanates as the corporate official being responsible for leading the strategic planning process second most often, after the CEO.

In terms of significant differences between medium-sized and large firms, we found that both the chairmen and other members of the supervisory or the advisory board are more heavily involved in the strategic planning process than in medium-sized firms. However, this finding can mainly be traced to the fact that large firms simply (have to) install supervisory/advisory boards more often than medium-sized firms, which is also reflected in our data by a clearly more frequent existence of such boards in large firms compared to medium-sized firms. Overall, our findings show that also other management team members than the CEO and CFO are significantly more involved in strategic planning in large firms compared to medium-sized firms.

TABLE 3 – PARTICIPATION OF CORPORATE OFFICIAS IN THE STRATEGIC PLANNING PROCESS

	Medium-sized firms					Large firms					
	Level of participation of corporate officials in the strategic planning process					Level of participation of corporate officials in the strategic planning process					p value (Pearson's Chi-squared test)
Corporate officials	Leads the process	Heavily involved	Partly involved	Not involved	Position non-existent	Leads the process	Heavily involved	Partly involved	Not involved	Position non-existent	
Chairman of the supervisory/ advisory board	1.7%	16.4%	7.8%	4.3%	69.8%	3.5%	30.6%	23.5%	11.8%	30.6%	0.000 ***
Member of the supervisory/ advisory board (non-chairman)	0.0%	12.5%	10.7%	5.4%	71.4%	0.0%	23.8%	29.8%	13.1%	33.3%	0.000 ***
Firm owner not being member of the supervisory/ advisory board	16.1%	10.7%	17.9%	12.5%	42.9%	6.1%	14.6%	11.0%	13.4%	54.9%	0.111
CEO	82.4%	17.6%	0.0%	0.0%	0.0%	70.6%	24.7%	3.5%	1.2%	0.0%	0.053 *
CFO	34.5%	49.1%	6.0%	0.9%	9.5%	40.0%	51.8%	4.7%	1.2%	2.4%	0.338
Other management team member	13.9%	56.5%	4.3%	1.7%	23.5%	9.6%	50.6%	19.3%	3.6%	16.9%	0.012 **

Level of significance: * $p < 0.100$; ** $p < 0.050$; *** $p < 0.010$

5. DISCUSSION AND CONCLUSIONS

This paper has set out to analyze whether the CFO plays a different role in medium-sized firms compared to large firms. Against the backdrop of conflicting theoretical considerations, we chose to adopt an exploratory research design and to conduct a survey amongst mediums-sized and large firms in Germany. Our findings show that there are indeed various significant differences between the CFO’s role in medium-sized and large businesses.

The analysis of CFO characteristics revealed that CFOs in medium-sized firms more often reached the CFO position by self-appointment and are more often members of the controlling family compared to CFOs in large firms. Obviously, these two results seem to be interrelated and connected to the fact discussed in section 2 that, amongst medium-sized firms, owner influence is more common than amongst large firms. So our results can be interpreted as shedding additional light on the outcomes of owner influence in smaller firms. Our results suggest that higher owner influence amongst smaller firms not only leads to owners (or their family members) taking over CEO positions (Anderson and Reeb, 2003; Salvato, 2004), but also to owners taking over CFO positions. For reaching these positions, our results suggest that such owners or family members do not undergo normal recruiting processes, but self-appoint themselves to the CFO position. Another significant result on CFO characteristics which we found in our sample is that, in medium-sized firms, CFOs less often hold university degrees than in large firms. This finding can be seen as further evidence for the notion that smaller firms have less access to or are less able to afford managerial resources such as university-educated managers. Our findings reveal that this relationship is not only true for the owner-manager or CEO of small and medium-sized firms (Brush and Chaganti, 1999), but also for CFOs. Moreover, taken together, our findings indicate that firm size acts as a significant predictor for top managers’ characteristics. Therefore, we conclude that firm size should be controlled for when conducting research on top managers such as studies based on upper-echelons theory (Hambrick and Mason, 1984).

Concerning our results of CFO responsibilities for corporate functions, our findings rather point into the direction that, in larger firms, CFOs today perform a more powerful role. Our findings show that, in large firms, CFOs more often take responsibility for key finance and accounting functions such as management accounting, financial accounting or treasury. In contrast, in medium-sized firms, CEOs more often have the final responsibility for these functions. This nurtures the notion that CEOs in smaller firms (who are often also major owners of the firms) often uphold responsibility and power over finance and accounting functions despite employing a CFO. So these results can be seen as supporting the second potential driver for the CFO's role in smaller firms discussed in section 2, which suggests that due to heavier owner influence in smaller firms, CFOs play a less important and less powerful role compared to larger firms ((Gallo and Vilaseca, 1998; Lutz and Schraml, 2012; Gurd and Thomas, 2012). Interestingly, and contradicting claims from practice-oriented (Bremer, 2010; Lüdtke, 2010) and academic literature based on CFOs' self-assessment of their influence on strategy (Voogt, 2010; Becker *et al.*, 2011), our results do not deliver support for the idea that the CFO has already developed into the true strategic leader of the firm. Our findings rather suggest that it is still the CEO who in the vast majority of cases – and independent from firm size – has the responsibility for strategic functions such as "strategy/corporate development" or "mergers & acquisitions".

However, our results on the participation of key corporate officials in the strategic planning process support the view that the CFO might have already developed into a "number two" position in firm hierarchy (Zorn, 2004) when it comes to strategic planning. We find that in the vast majority of medium-sized firms, and to a lesser extent also in large firms, the CEO is still the one who leads the strategic planning process. However, both in medium-sized and large firms, the CFO is clearly the one who emerges from our study as the official who obtains the second-most influential role in strategic planning. So while, again, this does not support the view that the CFO is already a firm's prime strategist, we find evidence that the CFO often is a firm's "number two" strategist.Regarding our research question whether the CFO's strategic role differs along with firm size, we did not find evidence for a significant influence of firm size on the CFO's level of participation in strategic planning. This suggests that if a CFO position is installed, regardless of a firm being medium-sized or large, today the CFO holds the hierarchical number two position after the CEO in the strategic planning process.

Beyond the exploratory evidence on the CFO's role in medium-sized firms presented in this paper, there remain a lot of fruitful avenues for further research. One such avenue would be to study whether certain types of CFOs (regarding characteristics, responsibilities or strategic planning participation) are able to foster better or worse firm performance and whether "preferable" CFO types vary across different classes of firm size. Moreover, in this study, we did only indirectly touch upon the topic of owner and family influence. However, it might be rewarding to analyze direct and indirect (e.g., moderated by firm size) effects of owner and/or family influence on the CFO role. In addition, when having already investigated preferable CFO types in terms of performance implications, it would be valuable to know how to recognize such CFOs already when recruiting them. Such research could include longitudinal research designs, which take into account the decision factors for the time when hiring a new CFO and the performance implications of the new CFO recruit a few years later.

Of course, our study results also come with some limitations. First, we relied on CFOs as our informants for the study, which involves the possibility that our results are biased due to social desirability bias (King and Bruner, 2000). In the case of the present study, this could result in CFOs having tried to create a more strategic role image of themselves in answering our questionnaire, as practice-oriented publications have created the notion that a modern CFO just has to be more strategically oriented (Bremer, 2010; Lüdtke, 2010). However, we tried to overcome this potential bias by not asking the CFO respondents subjective questions about how they view themselves in terms of which potential (strategic) roles they hold. Instead, we rather asked questions which did not leave much room for interpretation and which dealt with corporate facts, such as if or if not a certain function resides in the CFO's area of responsibility. A second limitation is that we studied the CFO's role in medium-sized firms only by performing bivariate analyses. For corroboration, it would therefore be valuable to test our findings also using multivariate analyses. Eventually, we obtained our findings from one European economy (Germany). Thus, our findings of course cannot be readily generalized for different cultural or legal settings.

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AUTHOR PROFILES

Prof. Dr. Herbert Neubauer earned his Ph.D. at the Vienna University of Economics and Business. Currently, he is professor of entrepreneurship and small business management at the department of Cross-Border Business at Vienna University of Economics and Business.

Dr. Martin R. W. Hiebl is an Assistant Professor at the Institute of Management Control and Consulting at Johannes Kepler University (JKU) Linz. He has also earned his Ph.D. at JKU. His main areas of research include the role of CFOs and management accountants in family firms as well as the institutionalization of management accounting and financial management in family firms.

Dr. Christine Duller earned her Ph.D. at the Johannes Kepler University (JKU) of Linz in 1999. Currently she is Assistant Professor at the Institute of Applied Statistics at JKU.