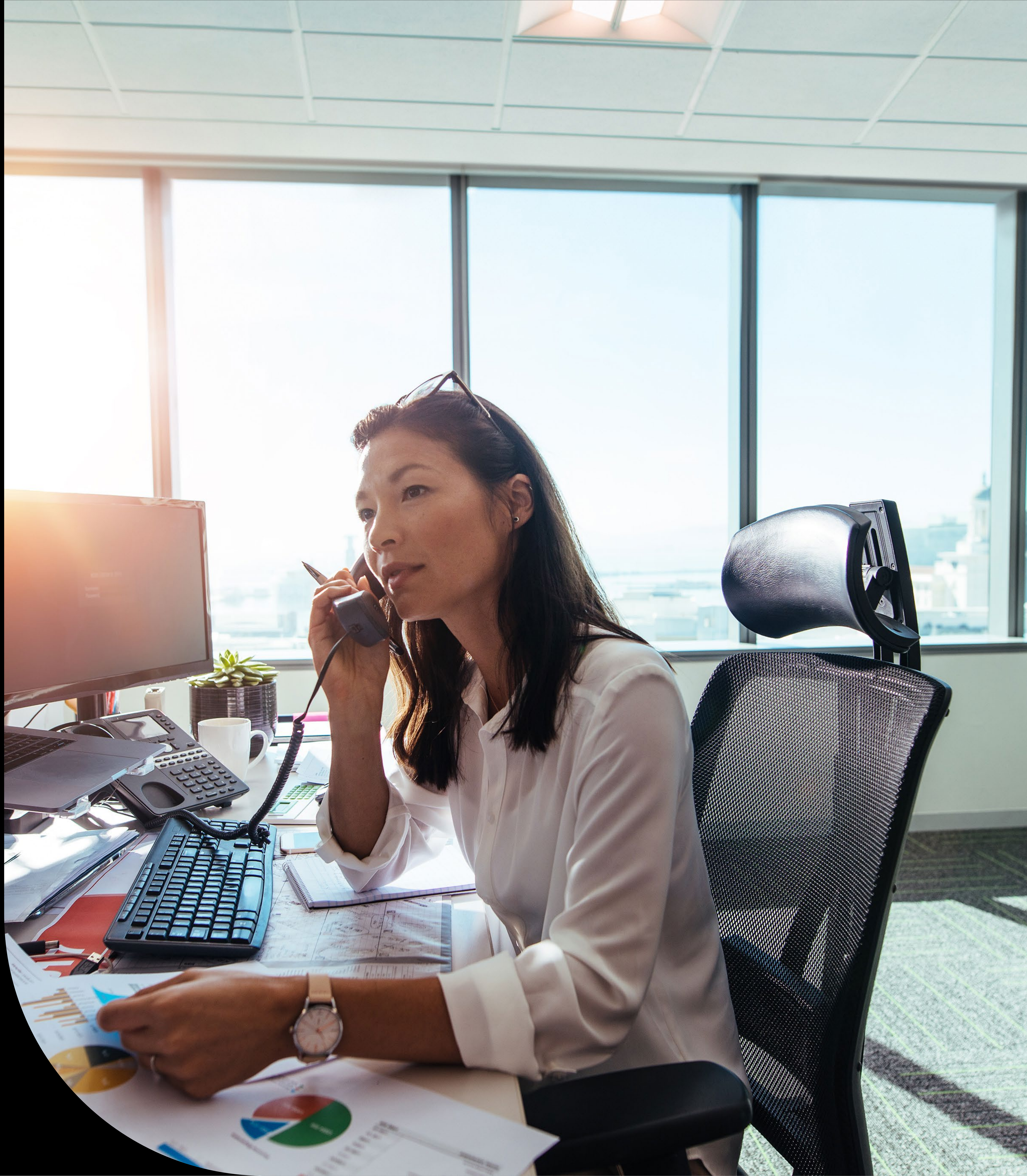
E-book

The Redefined CFO

Today's CFOs have diversified their responsibilities, embracing non-traditional skills, implementing emerging technologies, and championing purpose-led initiatives.



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Executive summary

Roles and their associated responsibilities naturally evolve over time, and the position of CFO is no exception. During my 40 years within Finance, over 20 of those as CFO in FTSE listed companies, I've seen a huge change in the role that finance leaders and their teams play. The core DNA of a finance function is as important as ever—and getting the numbers right will always be critical—but today's teams are using data and insights to add value and shape the future, not just report on what's gone before.

This evolution means finance leaders have moved on from just being holders of the purse strings and keepers of historical records. They are now futurefocused strategists, and advisors capable of providing guidance and commercial insights where their businesses need them most.

Our profession has moved from a sole reliance on historical data, to the utilization of real-time analysis, and predictive modelling and forecasting—that helps businesses see around corners, rather than looking in the rearview mirror. And as the world around us continues to change, the onus on organizations to show leadership has never been more prevalent. Technological prowess combined with human ingenuity will enable CFOs to influence company strategy and build deep resilience.

We've seen time and again that it's the organizations with access to the right digital tools—and the skills to glean valuable insights from data—that are most successful. As our profession undergoes its own digital transformation, we must ensure we have the right talent and the right technology to deliver success.

Introducing the redefined CFO.

Jonathan Howell, Chief Financial Officer, Sage

Chapter 1
Changing leadership for a changing world

The past two years have seen unprecedented social change and disruption. This demands new kinds of leaders, capable of delivering purpose-driven strategies flexible enough to embrace digitalization and new ways of working. In response, finance leaders are proactively nurturing non-traditional skills to help them navigate complex, technologically-enabled industries.

Almost all US CFOs (98%) agree that, like CEOs, they're embedded into nearly every facet of the operation of their business. This may be unsurprising—a CFO will want to monitor optimization across each area of their organization to ensure financial efficiency. But despite shouldering widespread responsibilities, many CFOs feel their efforts go unnoticed. Two thirds (67%) of US finance leaders claim that CFOs are underappreciated within their business, while the same percentage believe their CEO counterparts are overappreciated.

Percentage of US CFOs whose responsibility has increased within alternative business areas

76%
Data and cybersecurity

79%
Digital transformation

75%
Sustainability

The feeling that finance leaders are underappreciated may be exacerbated by the frequency that colleagues require their support. 38% of US finance leaders say the C-suite executives in their business consult with them on a weekly or bi-weekly basis—too frequent for over half of them (54%). These sentiments lead more than three quarters (79%) of finance leaders to think they may eventually be suited to a CEO role, where they would get the recognition they deserve.

CFOs are driving digital transformation

> "US finance leaders are now prioritizing technology to maximize business success."

COVID-19 lockdowns in 2020 and 2021 accelerated the rise of digital customer services. Now, consumers expect instant transactions, self-service tools and always-on support, all as standard. It is this demand for change that is driving the objectives of today's CFOs.

Beyond boosting sales and revenue, US finance leaders now name their top priorities as upgrading software and technology solutions to drive digitalization, integrating emerging technologies into their company and developing new products and services. This highlights a defined and responsive approach from CFOs in striving towards meeting customer expectations.

Another common focus is Artificial Intelligence (AI) and Machine Learning (ML). Almost two in five (38%) finance leaders say that AI and ML will have a major impact on creating or maintaining a competitive advantage in the future. However, less than half (47%) say that their wider organizations are prepared for upgrading software, developing new products and services (46%), or integrating new technologies (46%). This lack of readiness could not only leave them vulnerable to a customer exodus—but also dangerous digital threats.

Cybersecurity and talent are priorities

"US finance leaders aged 35–44 are more wary of digital dangers than both their younger and elder counterparts."

Compared to 2020, the number of US data breaches in 2021 increased by 10%, in stark contrast to a worldwide decrease of 5%. It's no surprise that Americans are more conscious of cybersecurity threats than their counterparts overseas.

Of US finance leaders, 16% believe that cybersecurity threats are holding their organization back, compared with 11% in the UK, and just 7% in Canada. Age is also a factor. As digitally-native older millennials, or 'Xennials', ascend to financial leadership positions, they'll have a greater understanding of online dangers than their predecessors, and greater visibility into cyber threats than their younger peers. As a result, a fifth (20%) of leaders aged 35 to 44 feel the danger of digital attacks is palpably impacting their business, against 14% of those aged 25 to 34 and 9% of those aged 45 to 54.

Meanwhile, 40% of finance leaders think that AI and ML will have a major impact on cybersecurity over the next three years. But these powerful technologies are not 'plug and play' additions—they require specialist help to set up and maintain. And with the US's "Great Resignation"—which saw the nation's "quit rate" reach a 20-year high—expected to rumble on throughout 2022, recruitment is set to remain a priority. Whether in terms of skills or employee numbers, finance leaders believe a lack of suitable talent is inhibiting their work and that of their wider business. Alongside cybersecurity threats, these leaders say that the ability to integrate new and emerging technologies and hiring new talent are the top issues impeding organizational progress. Indeed, less than half (47%) of finance leaders claim their organization is prepared to hire new talent or retain existing workers.

To ensure continued business-wide progress, skills and recruitment must be prioritized by finance leaders.

Chapter 2

New responsibilities, new potential

The pandemic has led to dramatic changes in both life and business around the world. On a national scale, US finance leaders believe their level of responsibility for the digital, strategy and social responsibility aspects of their organization has increased. These changing models and duties demand different kinds of leaders to ensure continued company progression.

It is becoming evident that CFOs with non-traditional skills or responsibilities are needed to shape a successful future. As a result, we're seeing new variations—or personas—of the traditional CFO role emerging which each incorporate unique skillsets to help guide their organizations. Specifically, three key CFO personas are emerging: Chief Facilitative Officers, Chief Fairness Officers and Chief Future Officers. Some leaders already conform to these classifications, while others aspire towards them.

86%

of US finance leaders say the industry needs a new breed of CFO.

Chief Facilitative Officers

> “The majority of US CFOs believe they personify a Chief Facilitative Officer.”

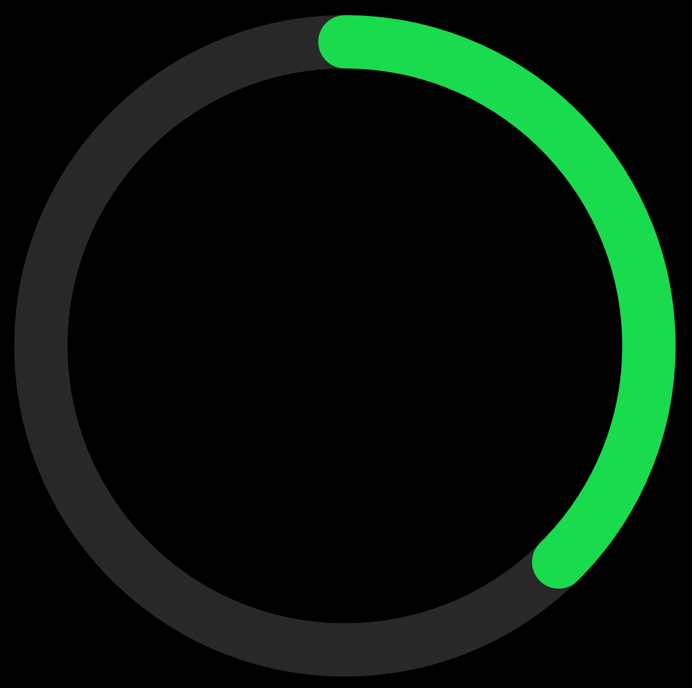
Chief Facilitative Officers are responsible for making decisions that matter and getting the job done. Traditionally, CFOs have been viewed as finance purists, but those who possess traits of the Chief Facilitative Officer persona are also involved in business functions such as HR, operations, sales, and marketing.

In the US, a year of economic regrowth, fueled by inventory rebuilds and cash-rich consumers, may be replaced by a period of deceleration and uncertainty. As a result, strong and decisive Chief Facilitative Officers are in higher demand than ever.

Almost half (44%) of US CFOs think their industry needs Chief Facilitative Officers more than any other persona, while 60% of US CFOs think they are most like the Chief Facilitative Officer. Just over half (53%) of other finance leaders agree that their CFO matches this persona.

CFOs who aspire to adopt the traits of Chief Facilitative Officers have seen increased accountability outside of their conventional business units. 69% say their level of responsibility for approving non-financial projects has increased in the past 12 months. Meanwhile, more CFOs with facilitative traits say they are responsible for digital transformation (81%), strategy and future planning (80%) and IT and technology purchase decisions (78%) than the other two personas.

Chief Fairness Officers



38%

of finance leaders agree their industry needs Chief Fairness Officers the most.

The Chief Fairness Office is defined by empathy and an understanding that a business is defined by its people, not its profits. Connecting math to mood and facts to feelings, CFOs with these traits nurture their employees and guide their organizations towards a more equal future.

This is particularly true in the US, where more than three quarters (79%) of finance leaders agree that their organization actively encourages them to put purpose over profits, prioritize their people (77%) and account for empathy and understanding when making business decisions (75%).

These CFOs are responsible for diversity, equity, and inclusion (DEI) initiatives. They’re also more likely to be involved with committing a certain percentage of budget or organizational resources to DEI programs (40%) than those who fall under the Chief Facilitative Officer persona (29%). Meanwhile, 35% would like to be more involved in discussing DEI efforts during strategy or annual planning.

The people-focused approach of the Chief Fairness Officer persona proves highly popular, even for senior employees. Almost half (48%) of other types of US finance leaders say they would want a Chief Fairness Officer at their organization. And more than a third (38%) of these leaders agree that their industry needs Chief Fairness Officers the most—more than Chief Future Officers (36%).

Chief Future Officers

“If CFOs want to have a seat at the top table and enjoy the recognition they deserve, they may want to strive towards the Chief Future Officer persona.”

Today’s CFO must prepare their organization for tomorrow. The rapid pace of business means companies cannot simply react to change. Instead, CFOs must foresee and plan for new technology, market shifts and wider economic or political events that could affect their business.

As a result, CFOs who fall under the Chief Future Officer persona focus on a variety of forward-looking issues within their organization. They believe the issues most holding their organizations back are the ability to integrate new and emerging technologies, the remote and hybrid work environment and a lack of diverse talent.

These future-focused CFOs tend to feel embedded into nearly every facet of business operations (58%), more so than the Chief Fairness Officer (42%) and Chief Facilitative Officer (38%) personas. They also enjoy their level of collaboration with other executive leaders and are more likely than other CFO types to say that the frequency of consultations is appropriate.

Chapter 3
Tomorrow's CFO, today

Irrespective of the traits of a particular CFO, the key characteristic of the redefined CFO is their versatility. They are capable of taking on a range of responsibilities, while driving the adoption of new technologies and initiatives. Compared to their predecessors, this new generation of CFO has more opportunities to make a positive impact within their organizations and beyond.

Today, the role of CFO requires a balance of traditional and non-traditional skills. In contrast to their predecessors, a redefined CFO may find themself making crucial decisions for an ESG program one day and devising a strategy for cryptocurrency adoption the next.

"CFOs now have the power to make more of a positive impact than ever before."

US CFOs lead the way on cryptocurrency adoption

Cryptocurrencies are one of the most promising emerging technologies. Their secure transactions, along with auxiliary assets like NFTs, open up new business opportunities and revenue streams, particularly in light of fiat currency inflation and the continued rise of e-commerce.

Americans are ahead of the curve when it comes to cryptocurrency adoption. Around half of US finance leaders have either used cryptocurrency for payment for personal transactions (47%), invested in it (51%) or plan to invest in it (49%). Meanwhile, one in five (21%) of these leaders say their organizations currently accept cryptocurrency as payment, compared to around one in ten finance leaders in the UK (13%) and Canada (12%). A further one-third (33%) of US finance leaders say their organization has plans to accept cryptocurrency as payment within the next year.

However, like many emerging technologies, crypto has its drawbacks. Finance leaders name finding the right talent to manage cryptocurrencies and the internal perception of cryptocurrencies within their organization as challenges to further adoption.

The environmental impact of cryptocurrencies is also a concern for some. For example, mining Bitcoin requires energy intensive computing to verify transactions. As of April 2022, the average transaction consumes 2116 kWh of electricity. Such high-energy usage could be mitigated by cryptocurrency miners using low-carbon energy, or by organizations only accepting less energy-intensive crypto such as Ethereum. But at present, this issue may require extra CFO scrutiny, particularly in conjunction with sustainability targets.

Percentage of countries' organizations accepting cryptocurrency

21%	13%	12%
United States	United Kingdom	Canada

Journey into the metaverse

> "The metaverse has the potential to transform how we work, learn, socialize and shop."

The metaverse is an emerging network of immersive virtual worlds, allowing users to interact with each other in digital environments. Previously a buzzword, multi-billion-dollar investments from tech giants like Meta (formerly Facebook) and Microsoft have convinced many that the metaverse is the next great innovation.

As a result, US organizations and their CFOs are preparing to capitalize on the opportunities it presents. The metaverse could enable organizations to free up human resources where possible, among other benefits.

For instance, enhanced data visualization provided by this emerging tech could provide finance teams with more precise, frictionless ways of working.

Almost half (46%) of US finance leaders say their organization has completely entered the metaverse, compared to around one-third of organizations in Canada (32%) and the UK (30%). In addition, over half say they are preparing for the potential impact of the metaverse by exploring new finance or accounting processes (55%) and developing relevant professional development training (54%).

Growth in ESG

As we move ever closer to the US target of net zero emissions by 2050, climate concerns are intensifying for both businesses and consumers. Now, 55% of Americans say they're willing to spend more for eco-friendly products—while four in ten would boycott companies that fail to go green.

US finance leaders want to play a larger role in ESG initiatives. 30% would like to be more involved by developing KPIs for ESG programs and reporting on sustainability programs on a more regular basis. And in line with ecoconscious younger generations, finance leaders aged 25-34 are more likely to indicate that enhancing sustainability programs is a top priority for their organization than their elders.

Fortunately, CFOs are managing to make impactful changes with their current resources. Nearly nine in ten (86%) US finance leaders agree that the ESG program of their organization is run efficiently and achieves the maximum output for the allocated budget. This gives them a solid foundation for the enhancement of such programs.

Percentage of US finance leaders who believe enhancing sustainability programs is a top priority for their organization, organized by age

17%	8%	9%
Ages 25–34	Ages 35–44	Ages 45–54

Summary

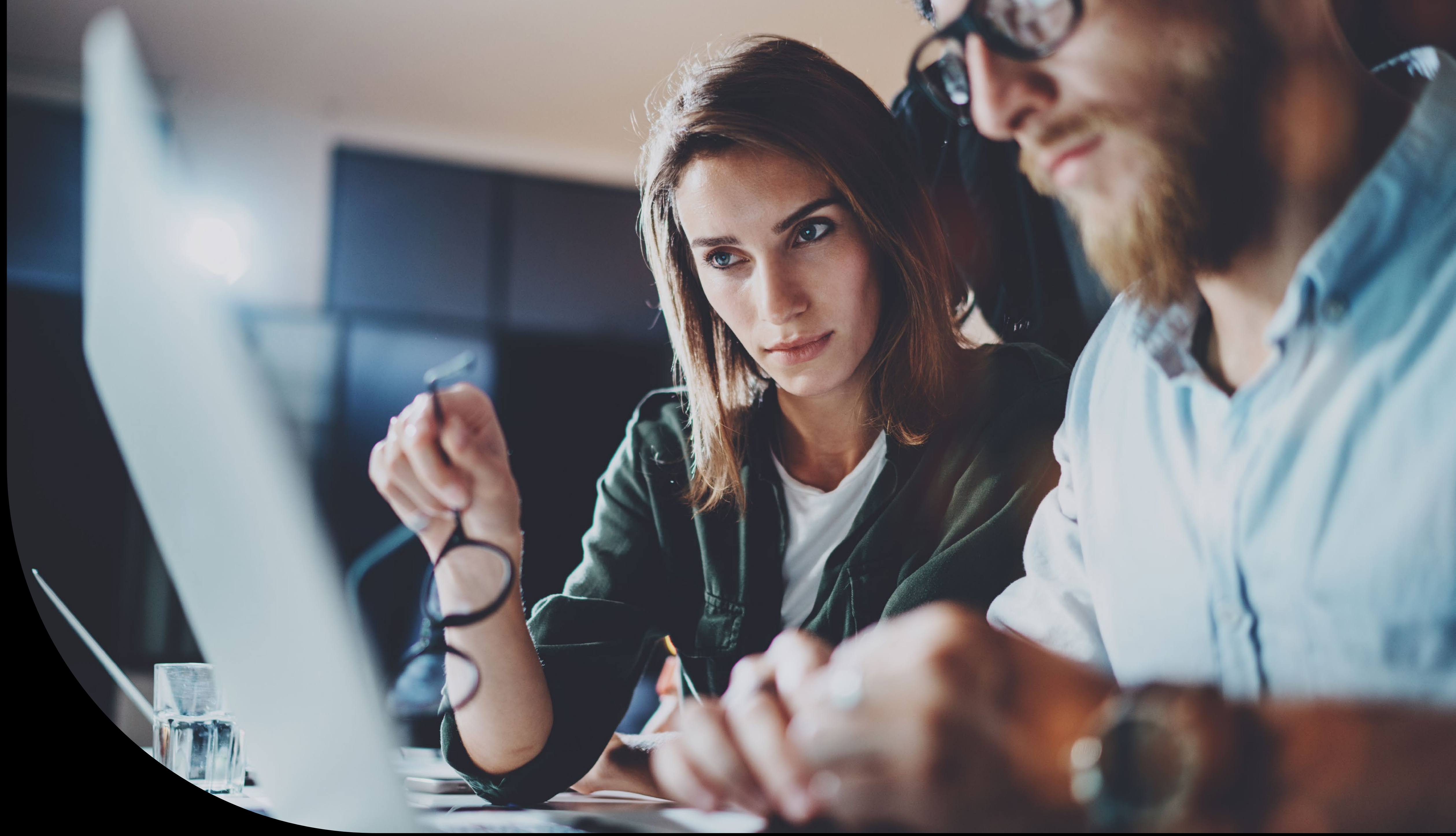
"Finance leaders in the US are redefining what it means to be a CFO. Through their purpose-driven approach to the role, their adoption of breakthrough technologies and work across a range of business units, they are taking their place as forward-facing guides for organizations."

~ Judy Romano, VP and Chief Financial Officer, Sage North America

To meet the demands of today's business landscape, we're seeing new variations—or personas—of the traditional CFO role emerging which each incorporate unique skillsets to help guide their organizations. From diversifying their expertise and recruiting the right talent, to ensuring they implement emerging technologies and purpose-driven programs, there are a range of ways that finance leaders can ensure their organizations stay ahead of the curve. As businesses continue to evolve finance leaders must blend the attributes from across the Chief Focus, Facilitative and Fairness Officer, dialing them up and down as needed, to meet the challenges and opportunities their businesses are facing. As a result, a new rationale for the role has emerged—one that enables the CFO to embrace new opportunities and be flexible in responding to challenges.

A redefined CFO is poised to disrupt, and prepared for disruption.

Our approach



Methodology
Surveyed 1900 total respondents (500 respondents from the US)
10-minute online quantitative survey

Respondents
American finance leaders in businesses with <1000 employees and annual revenue of at least $50 million across retail, financial services, healthcare, hospitality, technology, non-profit, and professional services

Fieldwork dates
Survey fielding conducted from January 7 2022 to January 28 2022

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