Global

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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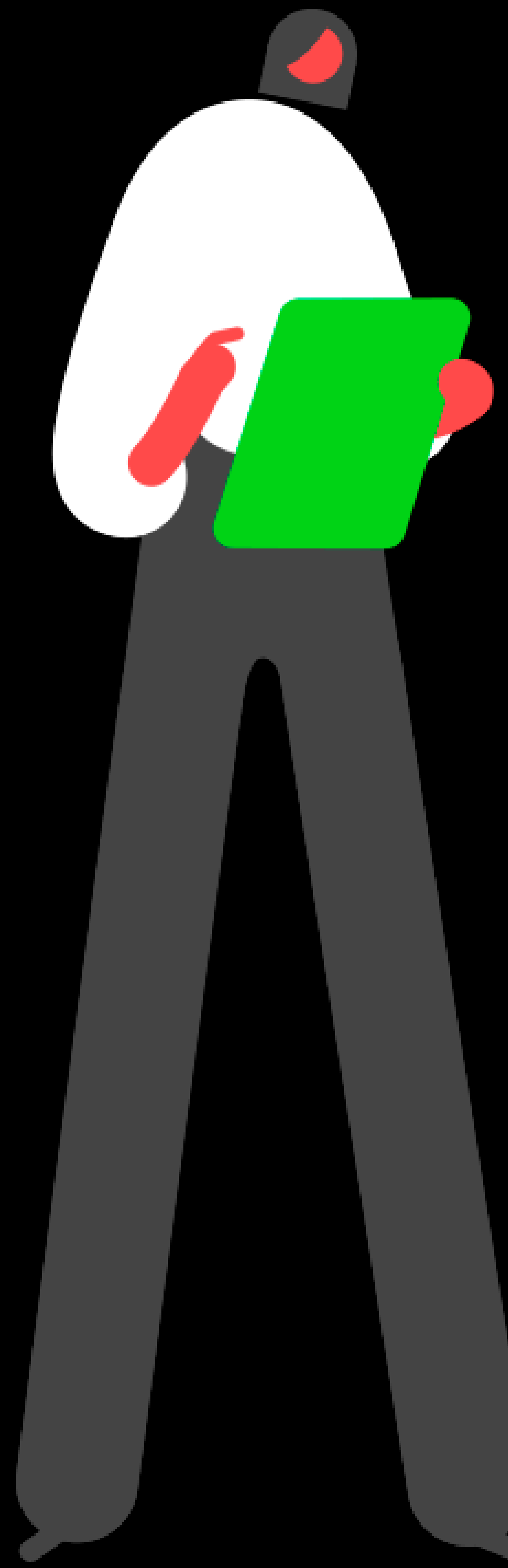


Executive summary

Roles and their associated responsibilities naturally evolve over time, and the position of CFO is no exception. During my 40 years in Finance, 20 of those as CFO in FTSE organizations, 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 shape the future, not just report on what's gone before.

This evolution means finance leaders have moved from being holders of the purse strings and keepers of historical records to future-focused strategists and advisors capable of providing guidance and commercial insights when their businesses need them most.

Our profession has moved from a reliance on historical data to the utilization of real-time analysis, and then onto predictive modeling and forecasting—that helps businesses see around corners, rather than looking in the rear-view 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 both 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 world, changing CFOs

Over the past two years, individuals, businesses and governments across the world have been subject to immense social change and disruption.

Unprecedented pressures—from supply chain issues and a shift towards hybrid and remote working to a growing awareness of environmental and social justice issues—have catalyzed organizational change on a global scale.

A changing world calls for new kinds of leadership. Now, leaders must be flexible enough to adapt to new challenges and ways of working, as well as opportunities for growth. Increasingly, they need to nurture non-traditional skills that help them navigate complex, technologically-enabled industries and deliver digitalization initiatives. Many are also required to deliver purpose-driven strategies that meet environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) targets.

With these new responsibilities, Chief Financial Officers (CFOs) can no longer focus solely on the financial performance of a business. Today, these executives play a multifaceted role in guiding their organizations on the path to productivity, equity and innovation. This holistic role has redefined what it means to be a CFO.

Supply chain disruptions, hybrid working arrangements and environmental and social issues have played a role in driving organizational change.

Indispensable leaders

During turbulent times, CFOs play a vital role in ensuring their organization's stability and success. In fact, almost all (97%) of CFOs globally agree that they are embedded into nearly every facet of business operations.

63% **of CFOs agree that CFOs are underappreciated.**

79% **of CFOs eventually want to become a CEO.**

More than half (52%) of CFOs are consulted by CEOs on at least a weekly basis. Nearly two thirds (61%) of finance leaders in the nonprofit sector consider these consultations too frequent, favoring greater autonomy. Meanwhile, leaders in retail and financial services are more likely to say that the frequency is appropriate, with 59% and 56% agreeing respectively.

Given their involvement in decision-making across their organization, it is perhaps unsurprising that many CFOs aspire to take on a CEO role in the future. Almost two thirds (65%) of CFOs agree that CEOs are generally overrated, and may feel that they themselves are deserving of greater recognition.

In the driving seat of digitalization

Organizations that hope to thrive in the near future must be proactive in their adoption of new technologies. Artificial Intelligence (AI) and Machine Learning (ML) can be applied across many areas, from financial forecasting and supply chain management to customer service and performance management. These solutions provide enhanced efficiency and intelligent decision-making, giving businesses an edge against the competition.

75% **of CFOs say their responsibility for digital transformation has increased in the last year alone.**

In fact, almost two in five (39%) of financial leaders globally say that these technologies will have a major impact on creating or maintaining a competitive advantage. Despite this potential, less than half of finance leaders say their organizations are prepared for upgrading software (47%) and integrating new technologies (46%).

Beyond increasing sales and revenue, CFOs' top priorities are the upgrade of software and technology solutions to drive digitalization, integrating emerging technologies and developing new products and services—likely thanks to the growing prevalence and powerful capabilities of emerging technology.

Finance leaders working in healthcare lead the pack in prioritizing the integration of emerging technologies (26%), with those in financial services (22%) and non-profit organizations (18%) close behind. Meanwhile, those working in the technology sector are unsurprisingly most likely to say they are already prepared for integration—over half (55%) agree.

Transformation through talent

If they are to succeed, organizations must recruit, retain and develop the right talent. But currently only half (50%) of finance leaders across the globe say their organization is prepared to hire new or retain existing talent. In the context of the 'Great Resignation', which has seen increased competition for talent, this lack of preparedness could be a barrier to growth.

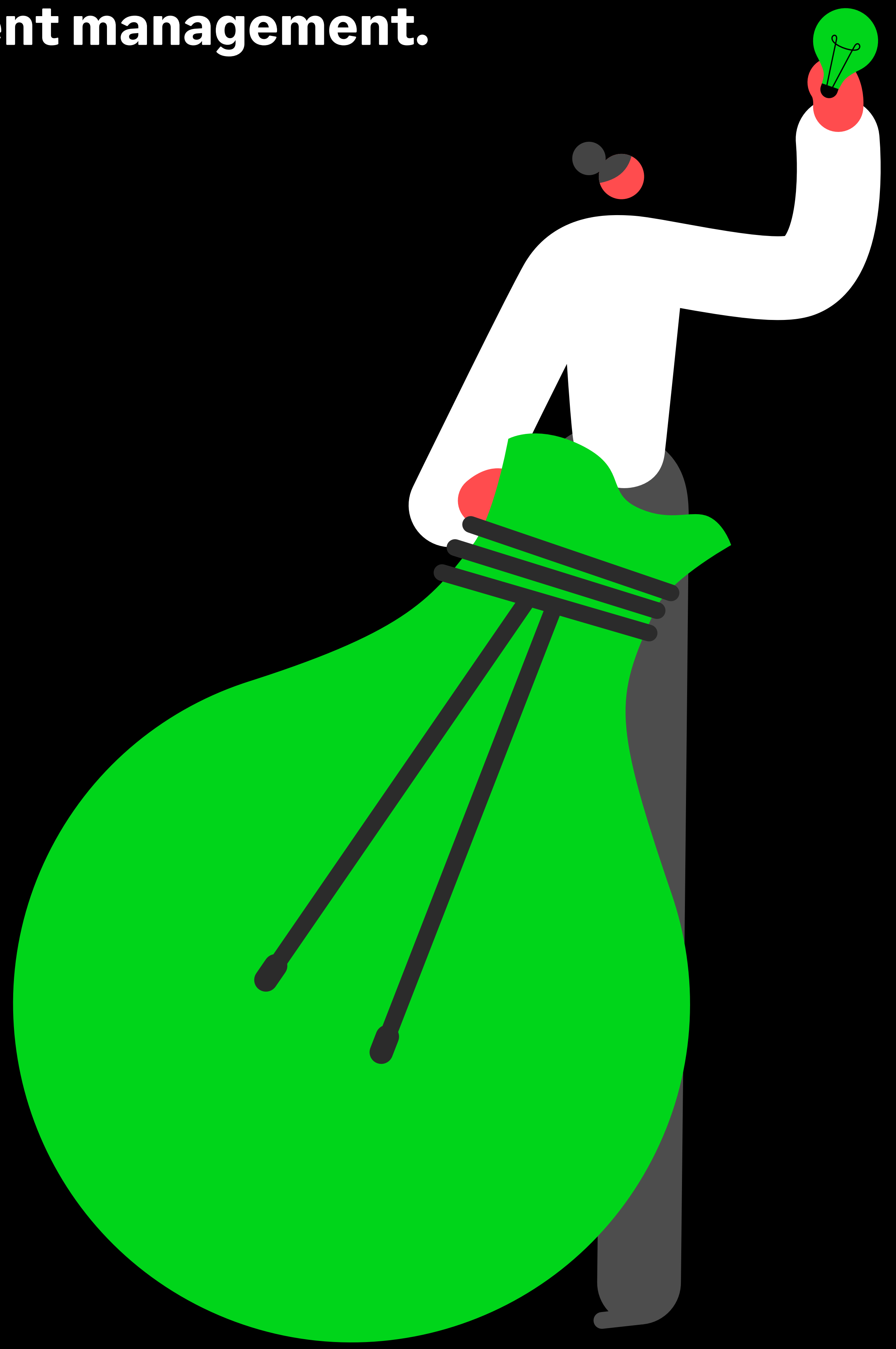
Steps are being taken to remedy this: in response to emerging hybrid and remote working models, four fifths (82%) of finance leaders say their organization has made changes in its compensation structure. For instance, 41% state they have removed compensation differences based on the geographical location of employees, which could strengthen the loyalty of existing staff and appeal to new hires.

By attracting new talent using AI solutions and utilizing this new talent to help consolidate their implementation of these technologies, organizations can benefit from a virtuous cycle. Finance leaders see the potential of this approach: two fifths (38%) are targeting candidates with deep data and AI expertise, and plan to increase their financial training.

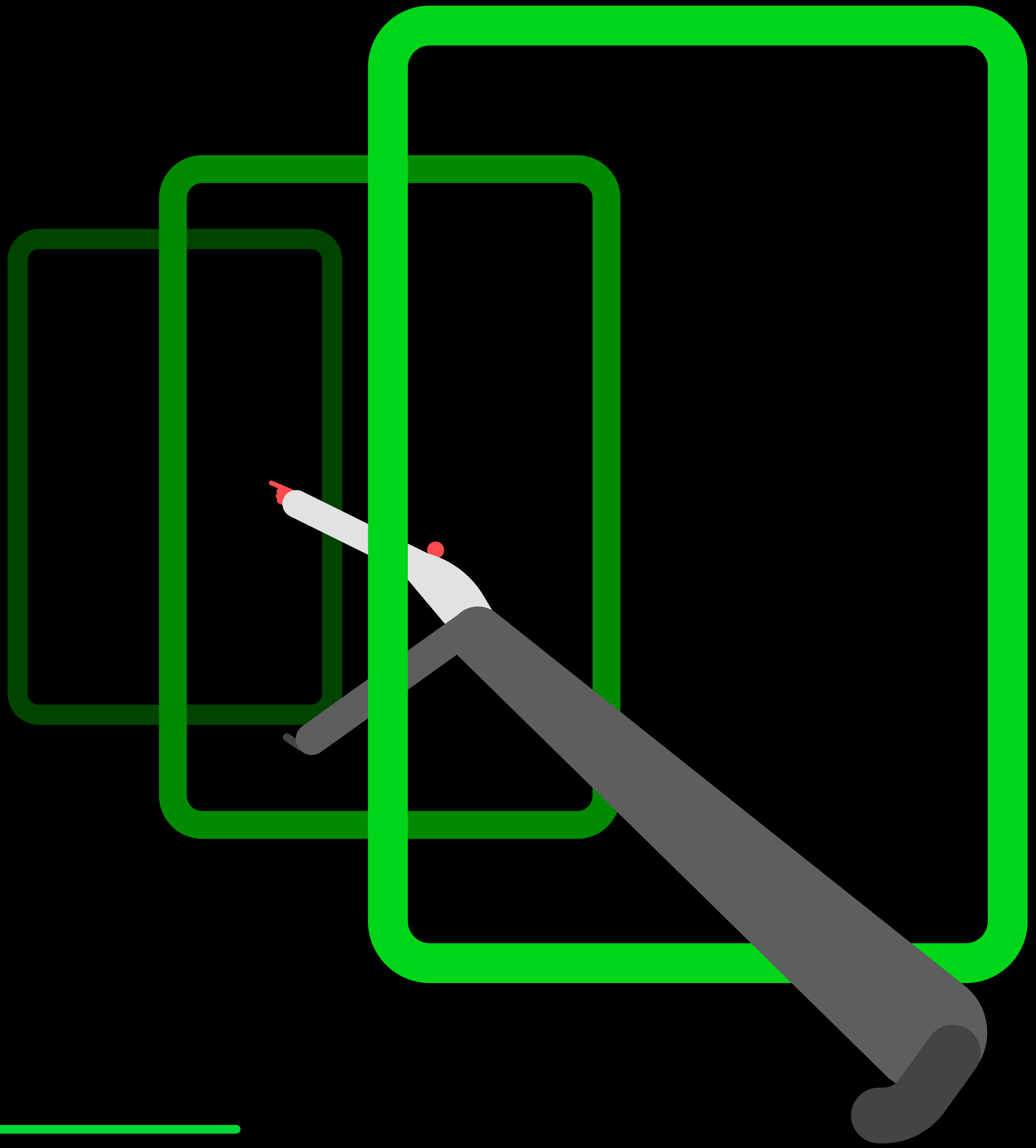
Only 1% state that big data and AI have had no impact on the type of talent they are looking for.

CFOs have a vital role to play in overseeing this process. Close to three quarters (74%) report that their responsibility for hiring decisions within the business unit has increased over the last year. A similar proportion (73%) have taken on more of the same responsibility outside of their business unit, too. They can leverage their technological and interpersonal expertise to drive organizational change.

80% **of finance leaders globally agree that AI and ML will have a major impact on HR, recruitment and talent management.**



Chapter 2:
Financial leadership, redefined



New ways of living and working have emerged. Customers are increasingly gravitating towards digital services. Companies are fast-tracking investments in new systems and solutions, while risk management has taken on new significance. Senior decision makers have changed too: finance leaders have a greater responsibility for digital, strategy and social responsibility.

To thrive in today's climate, CFOs are acquiring non-traditional skills. We are seeing new variations—or personas—of the traditional CFO role emerging that each deploy unique skillsets to help guide their organizations.

Specifically, three key CFO personas have become apparent: Chief Facilitative Officers, Chief Fairness Officers and Chief Future Officers. These classifications represent certain attributes that finance leaders may already have, or else aspire to.

78% **of finance leaders believe the financial industry needs a new breed of CFO to build a successful digital future.**

Chief Facilitative Officers

Finance leaders with the traits of Chief Facilitative Officers are responsible for making difficult decisions and getting the job done. They can drive change across their organizations, leveraging the influence they have across a range of business units to break down siloes and lead impactful initiatives.

The dynamic professionals who currently possess traits associated with the Chief Facilitative Officer persona are often relatively young, with a fifth (21%) aged 25-34. They also tend to be employed at mid-sized organizations with 500-749 employees, which benefit from their versatility.

They are expected to champion digital transformation, and believe that technological, global and internal issues are holding their organizations back.

They are also more responsible for digital transformation (81%), strategy and future planning (80%) and IT and technology purchase decisions (78%) than those who identify with the other CFO personas.

Percentage of CFO personas who report increased responsibility in approving projects outside of their business unit over the last year:

74%
Chief Facilitative Officers

67%
Chief Future Officers

63%
Chief Fairness Officers

Chief Fairness Officers

Finance leaders with traits associated with the Chief Fairness Officer persona understand that a business is defined by its people, not its profits. They are empathetic and take steps to nurture their organizations' employees.

Finance leaders with Chief Fairness Officer traits often shoulder responsibility for DEI strategy. They proactively seek out ways to improve and measure equity in their organizations. For instance, they are more likely to have removed compensation differences based on the employee's location (48%) compared to Chief Facilitative Officers (37%) and Chief Future Officers (32%).

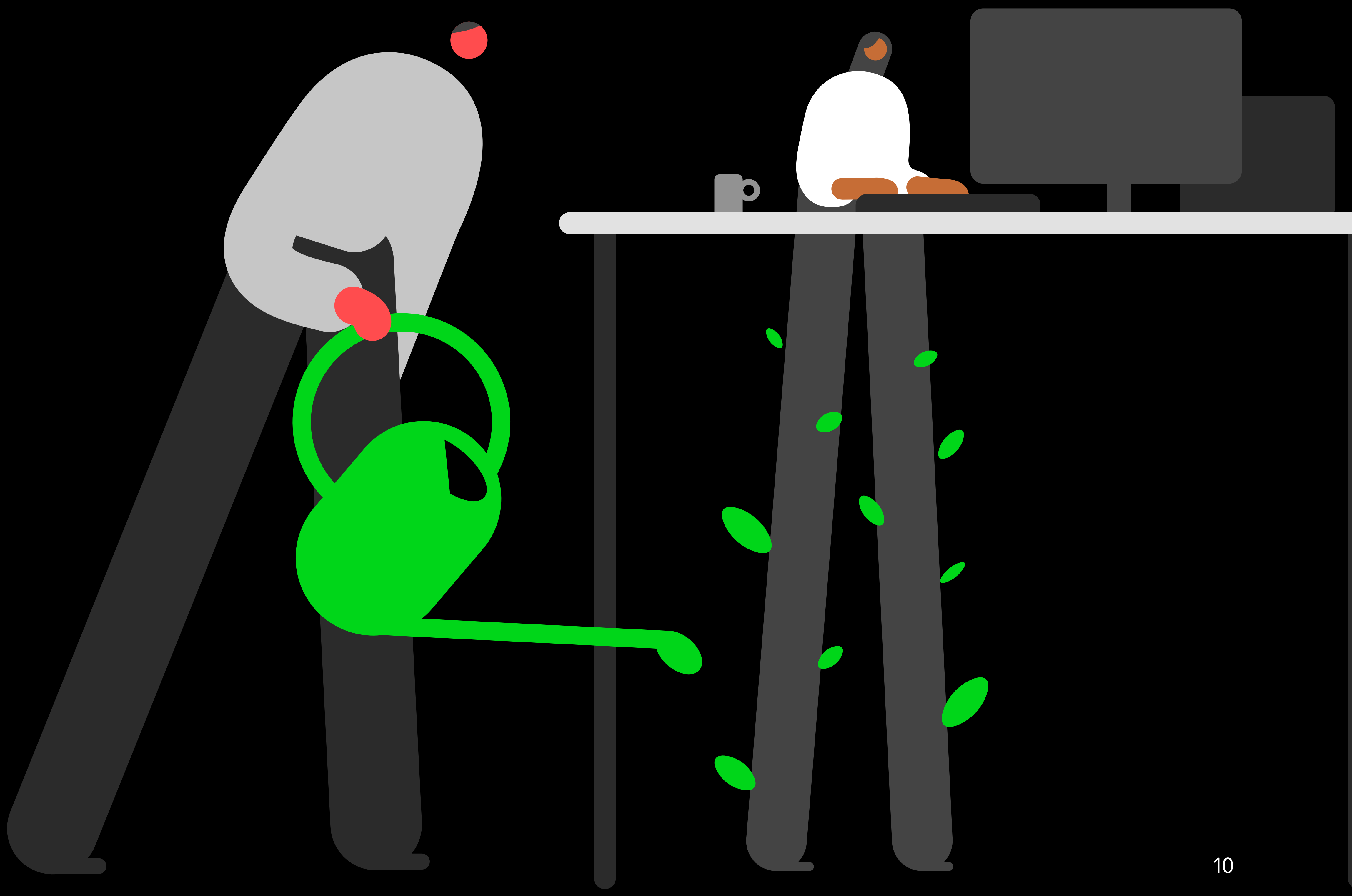
Two thirds (68%) of CFOs aged 25-34 aspire towards the Chief Fairness Officer persona, compared to less than a third (31%) of those aged 35-44. This could be due to increased awareness of employee wellbeing and equality in recent years, coinciding with a new generation of CFOs entering their current positions.

Percentage of CFO personas who say they would like to be more involved in developing a measurement structure for DEI programs:

37% Chief Fairness Officers

32% Chief Facilitative Officers

29% Chief Future Officers



Chief Future Officers

Finance leaders who identify with the Chief Future Officer persona are more likely to focus on business continuity, propelled by the awareness that today's fast pace of business means companies cannot simply react.

These CFOs plan for new technologies, market changes and world events that could impact their organization's operations. It is perhaps unsurprising, then, that they tend to think the issues holding their organization back are the ability to integrate new and emerging technologies, as well as a lack of diverse talent.

Those with Chief Future Officer traits feel ingrained within their organization and executive leadership team.

In fact, over half (58%) say they feel embedded into nearly every facet of business operations, compared to 42% of Chief Fairness Officers and 38% of Chief Facilitative Officers. They generally enjoy consultations with executive leaders at a regular cadence and are more likely than the other types of CFO to say that the frequency is currently appropriate—over two thirds (69%) agree.

32% **of CFOs globally believe their industry is most in need of Chief Future Officers.**

17% **of CFOs globally currently identify with the Chief Future Officer persona.**

Chapter 3:
New possibilities

Redefined CFOs have an opportunity to make a positive impact within their organizations and beyond. Their non-traditional skills sit outside the conventional field of finance: they are futurists, technologists, environmentalists and talent specialists.

The disciplines and traits that underpin the redefined CFO enable them to not only prepare for change, but also to catalyze it.

In contrast to their predecessors, the responsibilities of the redefined CFO extend beyond managing and securing their organizations' finances. In the current climate, they may find themself making crucial decisions for an ESG program one day and devising a strategy for cryptocurrency adoption the next.

Finance’s new frontier

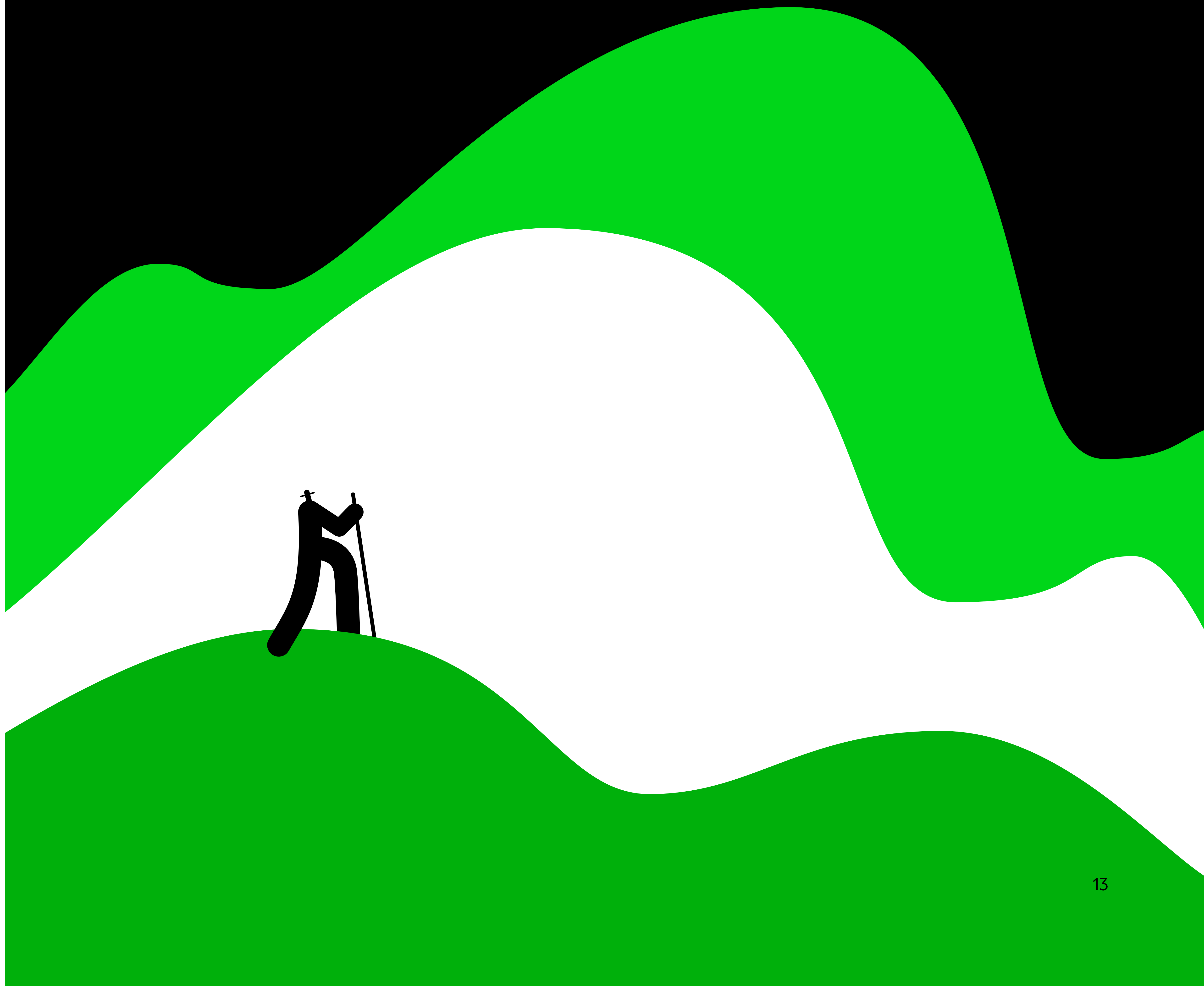
Decentralized cryptocurrencies such as Bitcoin and Ether are powerful tools for both storing and exchanging value across the world, and the blockchain that underpins them has exciting potential. Finance leaders recognize this potential, with over a fifth (21%) globally stating that their organization already accepts cryptocurrency as payment.

The hospitality and tourism sector is above the global average: nearly a quarter (24%) of finance leaders in this sector say they already accept cryptocurrencies, compared to 15% of those working in financial services.

While many finance leaders are striving towards the integration of cryptocurrencies, opinions vary regarding the biggest barriers to its adoption. Finance leaders in financial services firms are the most likely to be concerned about the challenges they pose for security, with a quarter (25%) viewing this as a hurdle. Meanwhile, non-profit and healthcare finance leaders are most likely to worry about public perception of crypto, with a fifth (20%) from each sector sharing this concern.

Female finance leaders are just as likely as male leaders to have personally used or invested in cryptocurrency, but they are more likely to say that the environmental impact of cryptocurrencies is a hurdle to adoption at their organization than their male counterparts. This is a valid concern: mining Bitcoin requires energy-intensive computing to verify transactions, with the average transaction consuming **2116 kWh** of electricity as of April 2022. Moving forward, this issue could be mitigated by leveraging low-carbon energy or organizations accepting less energy-intensive crypto.

92% **of finance leaders globally state that their organizations are planning to accept cryptocurrency as payment within the next four years, at the latest.**



Exploring the metaverse

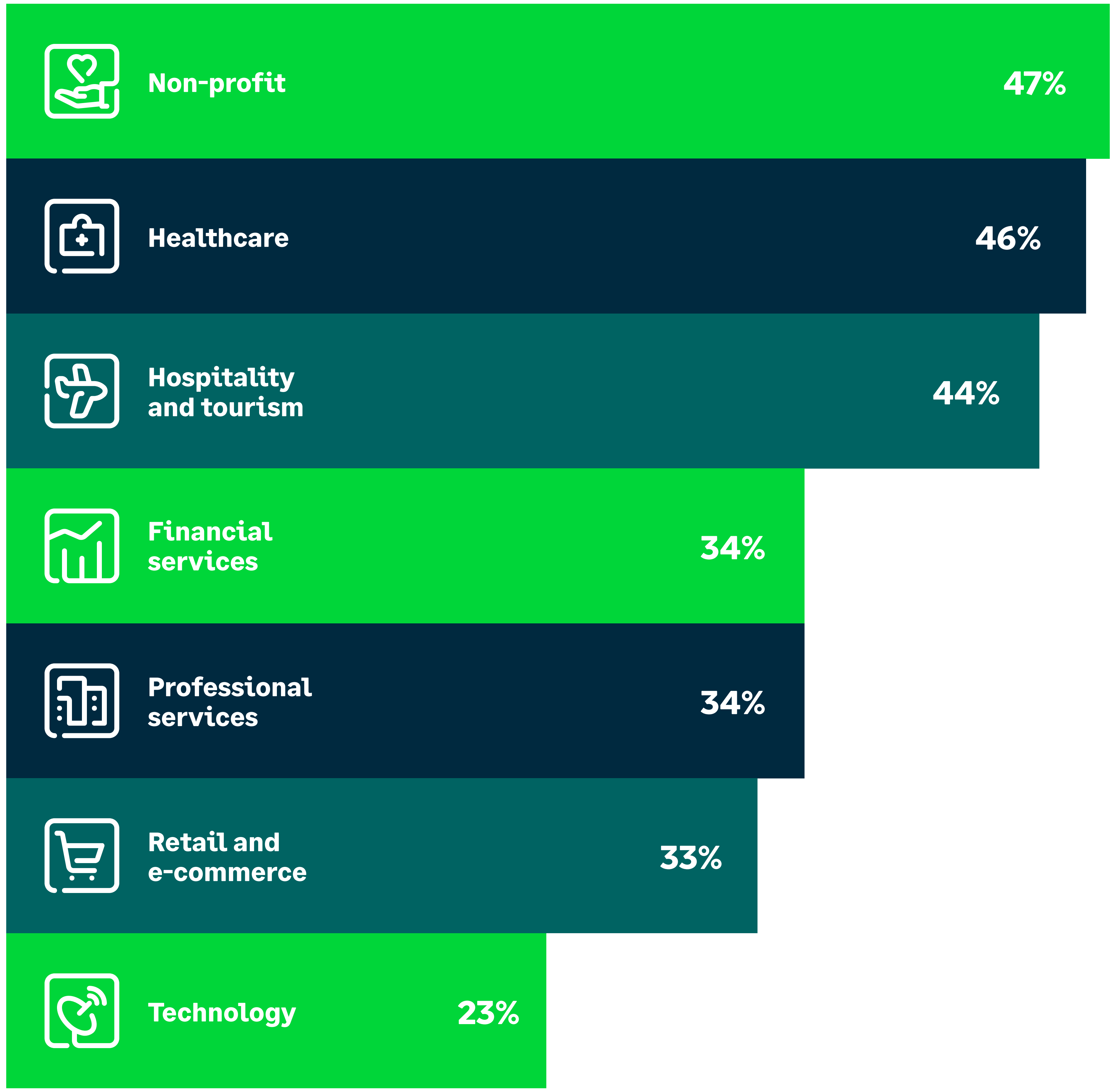
The metaverse is an emerging network of immersive virtual worlds, which allows users to interact with each other in digital environments. Though still in its infancy, the metaverse presents a range of opportunities for organizations, from freeing up human resources to offering enhanced data visualization that enables more precise, frictionless ways of working.

CFOs are keen to reap the benefits. Over half report that they are preparing for the potential impact of the metaverse on the future of finance by exploring new finance or accounting processes (56%) and developing relevant professional development training (55%).

Businesses across different sectors are entering the metaverse at varying rates. Perhaps surprisingly, finance leaders from technology firms are least likely to report that they have fully entered, with less than a quarter (23%) having reached this milestone. However, almost two thirds (62%) report having made at least moderate progress.

Organizations with finance leaders aged 25-34 are most likely to be purchasing virtual real estate via NFTs, with 42% already doing so. In contrast, finance leaders aged 55-64 are most likely to think that the metaverse will not impact the finance function—however, only 3% of this group harbor these doubts.

Percentage of finance leaders globally who say their business has fully entered the metaverse, organized by sector:



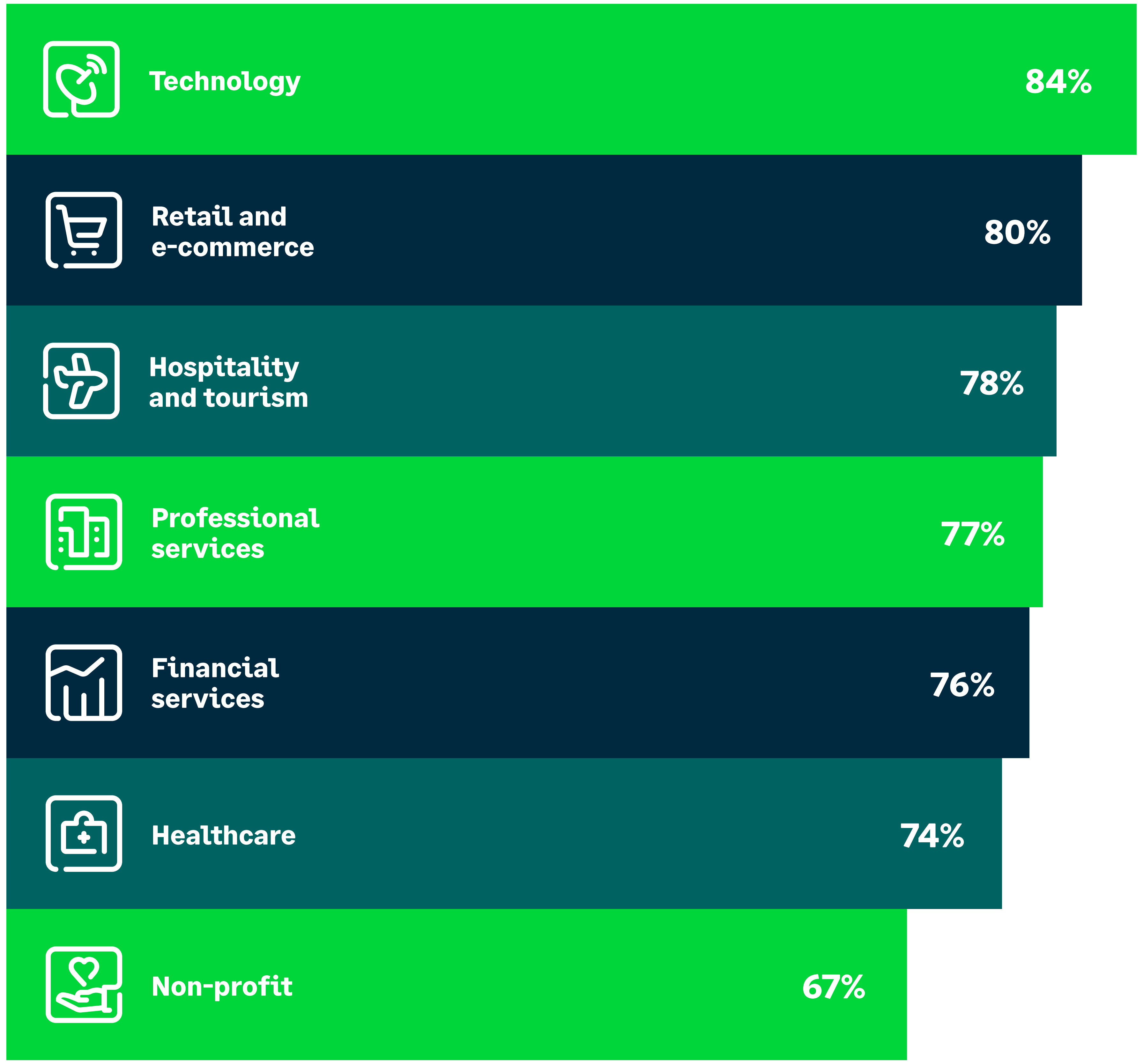
Sustainability in the spotlight

Globally, finance leaders want to play a larger role in ESG initiatives. They are already involved in sustainability efforts, with close to three quarters (74%) saying they are either “extremely” or “very” responsible for ESG decision-making. Finance leaders aged 25-34 are more likely to say that enhancing sustainability programs is currently a top priority for their organization—13% share this opinion, compared to 8% of those aged 35-44 and 9% of those aged 45-54.

Finance leaders working in technology are most likely to have seen increased responsibility for ESG decision-making, followed by those in retail. Both sectors are subject to scrutiny from their customers and the general public, making it especially important that they prioritize sustainability goals alongside growth. Non-profit finance leaders are the least likely to report that their responsibility has increased, although 91% say they are already at least moderately responsible for ESG decisions.

Across every industry, leaders understand that robust measurement is vital to achieving their organizations’ sustainability goals. Over a quarter (28%) would like to be more involved in developing KPIs for ESG programs, and a similar number (30%) strive towards further involvement in reporting on sustainability programs on a regular basis. Fortunately, 89% of finance leaders globally agree that their organization’s ESG program is run efficiently and is achieving the maximum output for the allocated budget.

Percentage of finance leaders globally who say their level of responsibility for ESG decisions has increased or significantly increased in the last 12 months, organized by sector:



Summary

"Financial leadership today is the most diverse it has ever been. As they evolve, CFOs must blend attributes that allow them to engage in cross-functional decision making, operate with purpose and future proof their organizations."

Jonathan Howell
Chief Financial Officer, Sage

To meet the demands of today's business landscape, CFOs have embraced new non-traditional skills and responsibilities. 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. 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
- 10-minute online quantitative survey

Respondents

Finance leaders at organizations with <1000 employees and annual revenue of at least $50M for the US, UK, Australia, and South Africa and at least $5M for Canada

Fieldwork dates

Survey fielding conducted from January 7, 2022, to January 28, 2022

Sage