

The CFO of the Future

What lies in store for the next generation of finance leaders



The role and responsibilities of the group CFO have been expanding for many years. Long gone are the days when the CFO's work was defined by finance and accounting. Today's finance leaders have much more on their plate. Not only are they expected to work alongside the CEO on critical strategic, commercial and transformation projects, but they must grapple with a host of external forces affecting the business, from shifting global trade patterns and regulatory environments to disrupted business models and growing scrutiny from investors over sustainability and ESG issues.

Changes already underway within the finance function are only going to hasten in the wake of COVID-19. In a world of accelerating digital transformation and rapidly evolving technologies, talent will need to be brought in from other disciplines. By the end of this decade, the finance function will look very different from what it is today. The demands of leading a rapidly modernising function, the need to master disciplines outside the finance domain, an evolving investor and stakeholder environment, and the importance of a close partnership with the CEO all point to the fact that CFOs of the future will have to possess leadership capabilities and character traits that surpass what has been expected from their predecessors.

In this article we look ahead to what will be expected of CFOs and suggest how companies can bridge the gap between the finance leadership skill sets that predominate today and those needed in the future. Our research included over 50 in-depth interviews with leading CFOs around the world, representing all sectors.

Focus on growth

As companies move beyond the uncertainty of the pandemic into a renewed focus on driving growth, the mentality of the CFO will need to shift from accounting to value creation, with less time looking in the rear-view mirror and more time looking ahead, focusing on broader strategic issues and exerting influence across the business in pursuit of value.

CFOs will need to have a bird's-eye view of the business, yet be operationally savvy, increasingly assuming the role of COO. "The CFO role is getting broader and this development is accelerating," says Niclas Rosenlew, CFO of Swedish manufacturing company SKF. "An important part of the role is also building internal bridges and executing on agreed strategies — and not just in finance and control." Marie Joyce, CFO of NTR plc, an Irish leading investor in renewable energy across Europe, says that the CFO role today is about strategic leadership and challenge, shaping actions and decisions in harmony with overall business goals, all the while with a strong hand on operational excellence and value creation. "CFO is really a very narrow title — you are the right hand to the CEO, it's a robust collaboration," she says.

While continuing to simplify and streamline processes for efficiency will remain important, a truly effective CFO will partner with other leaders in the business to identify and capitalize on commercial opportunities. This will mean harnessing technology, embracing data analytics and AI, and, in the words of Maria Grigorova, group senior vice president, strategy, finance and accounting at The Adecco Group, becoming the chief insights officer: "Transformation won't be about changing systems, it will be about creating, managing and leveraging data."



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Harness technology

The CFO of the future will need a broad, multi-disciplinary skill set, capable of overseeing a diverse set of projects from sustainability and the path to net zero to the application of machine learning and data analytics. It could be argued that the CFO is uniquely positioned to master data governance, not least because much of the data in an organisation lies within the finance function. “The CFO is first and foremost a numbers person, so along with their teams they already have stronger analytics capabilities than others in the company,” says Stephen Ma, CFO of Nissan Motor Co. The task is to get insights to the business as fast as possible. “Whoever can make use of the data to identify opportunities first will have the competitive edge,” he says.

Prashanth Mahendra-Rajah, CFO of global semiconductor company Analog Devices argues that the complexity of many large organisations is such that the CFO must rely on people with deep specialist knowledge, while becoming “more of a generalist who knows enough about everything and is skilled at asking the right questions, probing, and identifying the patterns.”

Technology developments will drive growth on the one hand and provide defensive capabilities on the other. With real-time information and advanced analytics it is getting easier to monetize data and make faster decisions, according to Hon Chew Chan, CFO of Keppel Corporation, a Singaporean conglomerate. “Some are further ahead in that journey, so CFOs will need to get increasingly tech-savvy,” he says. “From a defensive perspective, the risk profile associated with technology has changed dramatically in terms of data and cyber risk.”

The CFO will play a critical role in sponsoring technology innovation, overseeing investment decisions, helping define what success will look like, understanding what technology can do and the benefits it brings. The CFO will also have to work closely with the chief technology/information officer to ensure that these new capabilities are fully embraced across the organisation. “Companies that don’t make those investments fast enough, or smartly enough, will lag behind. Those that overspend will damage their profitability,” says Chris Turner, CFO of Yum! Brands. “So getting the balance right is crucial, ensuring you’re investing enough, investing ahead, investing in the right places and getting the right return. The CFO will have to partner with technologists to create an economically sustainable way to win and create value with technology.”

“The willingness to support and adopt ever-changing technology with a growth mindset is the difference between the old finance professional and the future CFO,” says Sherry Duhe, CFO of Woodside Energy. “A member of my team is constantly being praised by the broader business as the best finance partner they have worked with. She is very young but has a learning, open, collaborative and problem-solving mentality. This is the future of finance leadership.”



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Address sustainability and stakeholders

Companies are coming under deeper scrutiny on ESG issues from investors, customers and employees. The trajectory is clear: sustainability will assume increasing strategic importance, particularly in publicly-traded companies where access to capital will depend on demonstrable progress against a range of ESG measures, many of them set by companies themselves.

While it may not be up to CFOs to drive the ESG agenda, they will always be deeply involved in sustainability issues. A growing number of investors are taking an intense interest in how companies are dealing with the medium- to long-term risks posed by climate change and environmental degradation throughout the value chain, while joining calls for investee companies to play their part in building a more stable and just society. In addition to their investor relations role, CFOs will be closely involved in ESG-related compliance and reporting (including setting up KPIs), prioritizing investments, exerting financial discipline around the costs of transitioning to a more sustainable enterprise. This is one of many factors that will bring CFOs closer to their CEOs in the coming years.

“Just in the last two years, the proportion of investors who raise ESG issues has risen from 10% to 80%,” says Glen Instone, CFO of Swedish Husqvarna, a manufacturer of outdoor power products. “Sustainable investments need to come higher up the agenda and that may mean short-term sacrifice for long-term gain. There is a definitive first-mover advantage.”



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Today’s CFOs did not grow up dealing with the ramifications of ESG and for many ‘stakeholder capitalism’ is a foreign concept. However, for the next generation of finance leaders, these will be defining issues that require time, energy and resources. CFOs will need to be advocates of long-term thinking, applying analytical rigor to weigh the costs and benefits of all the associated projects involved in building a sustainable enterprise. This will have a profound impact not only on the work CFOs do, but also on the acquisition and development of talent.

10 characteristics of future CFOs

1. Future CFOs will have accumulated a **variety of experiences** during their career, spanning multiple functions and business divisions. Finance may not have been the primary focus of their career
2. CFOs will present a well-rounded profile beyond the realm of financial expertise: from their unique vantage point, they will know the business inside and out and be able to create value by bringing **strategic, commercial, and operational insights** into their decision-making
3. CFOs will be close **advisors and business partners** to the CEO and the board and play a more central role in business transformation
4. The CFO will remain the **steward of financial health**, supporting growth through innovation while managing risk
5. A **collaborative style** will enable the CFO to fruitfully partner with the entire C-suite and other leaders in the business to identify and leverage opportunities and operate on a broader canvas
6. As their requirements grow, and their reach extends, CFOs will need to be able to **work through others** exceptionally well — assembling diverse and eclectic teams of experts, asking the right questions and maximising the value from the available talent
7. CFOs will be early supporters and **adopters of technological innovation**, able to first set up, and then make use of extensive data capabilities to shape decisions and influence outcomes
8. CFOs be have to be skilled at **leading, motivating, and developing people**; they will carefully assess their teams and chart thoughtful development paths to allow them to have the greatest positive impact on the business.
9. **Excellent communication and influencing skills** will be needed to manage a wide range of internal and external stakeholders
10. The CFO will need to be able to **interact credibly on a range of topics** (especially ESG issues) with investors and other stakeholders, utilising their deep knowledge of the business and the insights gained from extensive collaboration

Focus on people

Whether achieving growth objectives, improving technology capabilities or making progress on the sustainability journey, CFOs of the future will have to build and manage more diverse teams, including experts not traditionally found within the finance function, such as data scientists and AI specialists. Integrating new skills into the function, managing diversity, motivating a broader array of people from different backgrounds who think and work differently, will require considerable leadership skills. Ryan Charlier, McCormick & Company's CFO and VP finance, EMEA, believes that managing diverse teams effectively will boost innovation and creativity. "The CFO will need to have learning agility and be open to new opinions. Broadening horizons will not be possible without a diversity of views," he says.



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One of the ways the CFO will unite a diverse and growing function is by helping people see how their work contributes to their company's purpose. For David Melcon, CFO of Telefonica Brasil, purpose is a key factor in attracting and retaining talent. "Professionals these days are increasingly motivated by and concerned with the underlying value of what they're doing and how it contributes to society. A company that does not embrace this proven truth, will quickly be left behind in terms of results."

Members of the finance function will be expected to partner with the business and bring a strong commercial orientation. This may require the CFO to devote time acting as a mentor and coach to expand the finance leader's skill set. "The role of the CFO in talent development has become significantly more important, specifically in building enough commercial acumen among leaders of the future," says Analog Devices' Mahendra-Rajah. Barbara Plucnar Jensen, group CFO of Tryg, believes that exchanges with colleagues in different functions is critical. "There is a lot of value created when circulating finance

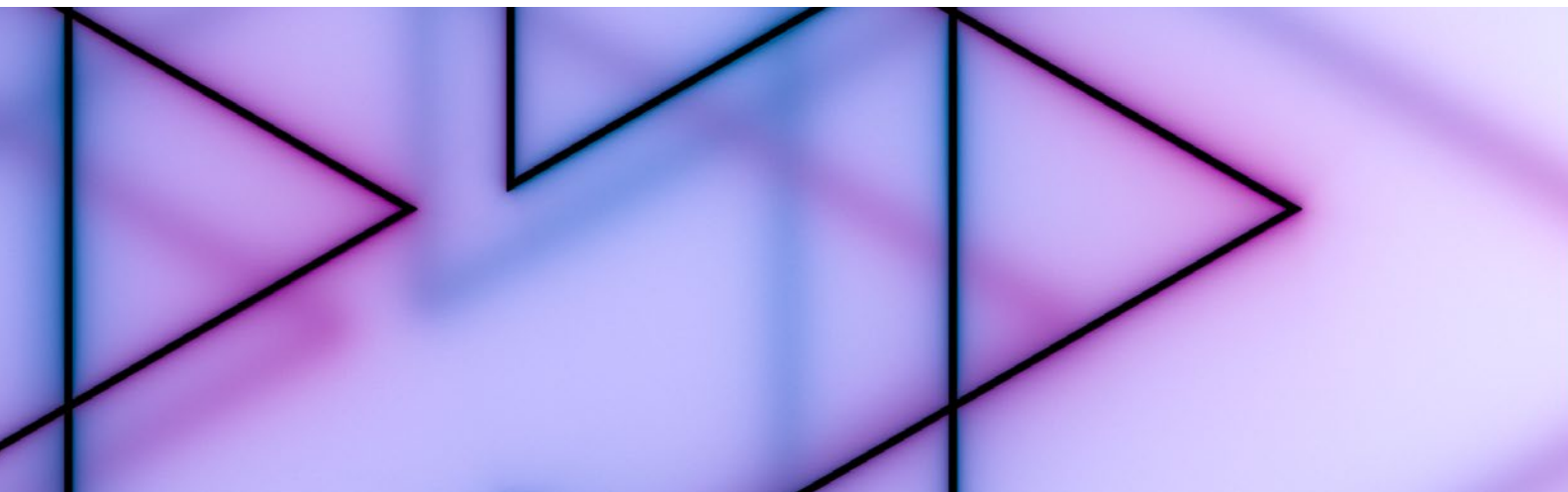
people between business roles and more central finance roles; it enhances the commercial understanding in finance as well as increasing the finance acumen in the business,” she says.

CFOs will be expected to have a strong customer-orientation in future, according to Stephen Barnes, former CFO of Singapore Airlines. “AI and technology advancements are fantastic, offering so much more insight and intelligent decision-making. However, you have to pay attention to other aspects that AI might struggle with, for example customer focus. A decision that makes financial sense does not always serve your brand or customer in the way you want it to, so it’s vital for the CFO to have real commercial and operational understanding.”



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The next generation of finance leaders will find themselves more involved in cross-functional projects, which means they will need to learn the essential art of collaboration. Ruth Martin, CFO of St Vincent’s Health Australia, says that giving team members broad exposure outside their normal remit is hugely motivating. “I ask myself: ‘Do they have the ability to influence and the ability to build connections and trust so that other parts of the organisation are comfortable in reaching out and asking for advice?’”



The profile of the future CFO

Over the next decade, we can expect CFOs to be facing a fluid, complex and uncertain business environment. Leaders are going to have to address myriad challenges inside and outside their organizations, many of them difficult to prepare for. Energy, mental agility and a learning mindset will be vital. Leadership style and personality will be at least as important as experience and technical ability when it comes to managing a rapidly evolving finance function and steering the organization through transformation.



Finance plays a crucial role as a catalyst for change

The CFO of the future will need to have an astute strategic brain, with an MBA potentially proving as valuable as a CPA qualification (excepting the Anglo-Saxon world where such CPAs or their equivalent are often obligatory). Experience outside the finance function, preferably in a market-facing and/or general management role, will be desirable, if not essential. Having an external focus, being able to bring an outside-in perspective, will enhance the CFO's ability to understand stakeholder dynamics and balance investor demands with the needs of customers, employees, regulators and other parties affected by the organisation's activities.

As a joint owner with the CEO of transformation programmes, the CFO will be expected to straddle finance, commerce and operations; be comfortable working alongside the entire C-suite; act as an internal consultant to business unit heads; and set the tone for collaboration across the business. The CFO will also need to be comfortable with and embrace technology. "Finance plays a crucial role as a catalyst for change," says Kasper Fangel, group CFO of ISS. Transformation requires a positive, growth-oriented and customer-focused outlook, excellent communication and influencing skills, plus the ability to develop connections and drive business results. "The business will need navigators, change agents, conflict resolvers," says MD Ranganath, CFO of Infosys. "CFOs must have a problem-solving mindset, not a problem-stating mindset."

A word of warning. The CFO role is evolving and not every CEO will appreciate what a great CFO looks like. "There are amazing opportunities for people who are aspiring or just landing CFO roles to redefine the job in a way that is much, much more impactful," says Mahendra-Rajah. "The events of 2020 created a great deal of uncertainty and introduced new priorities for leadership teams. Now more than ever, the CFO role must support the CEO as a co-pilot, balancing new and traditional mandates, and begin to share some of the load." To be fully effective, the CFO will need to build a trusting relationship with their CEO, so he or she is treated as a strategic partner.

Bridging the gap

Knowing the likely profile of a future CFO is one thing; finding a capable successor ready to assume the role is quite another. It is incumbent upon current CFOs to develop the next generation of finance leaders by identifying those with high potential, formally assessing their development needs and seeking out opportunities for them to grow within the enterprise. This may involve taking their best people out of their existing roles and rotating them around the business.

CFOs of the future will need to have gained exposure to different disciplines and areas of the business outside corporate HQ as well as other geographies and cultures. This is essential if they are to acquire a 360-degree view of the finance function, build new networks, develop an external focus and exercise their learning agility. Enabling them to gain some P&L experience would be optimal. Such experiences will not only make them credible leaders but also help them to develop a broader vision for the role when they finally make it to CFO.



Summary

Major economic disruption will be the norm in the foreseeable future. To survive, businesses must develop sustainable business models; the CFO will be key to balancing the short- and long-term needs of stakeholders. Tech skills will become as essential as finance skills and CFOs will need to build diverse, eclectic teams to power more sophisticated, data-led decision-making and innovation. We expect CFOs of the future to have more rounded general management experience, with comparatively less emphasis given to training in finance.

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