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The Association of
Accountants and
Financial Professionals
in Business



THE CFO OF THE FUTURE

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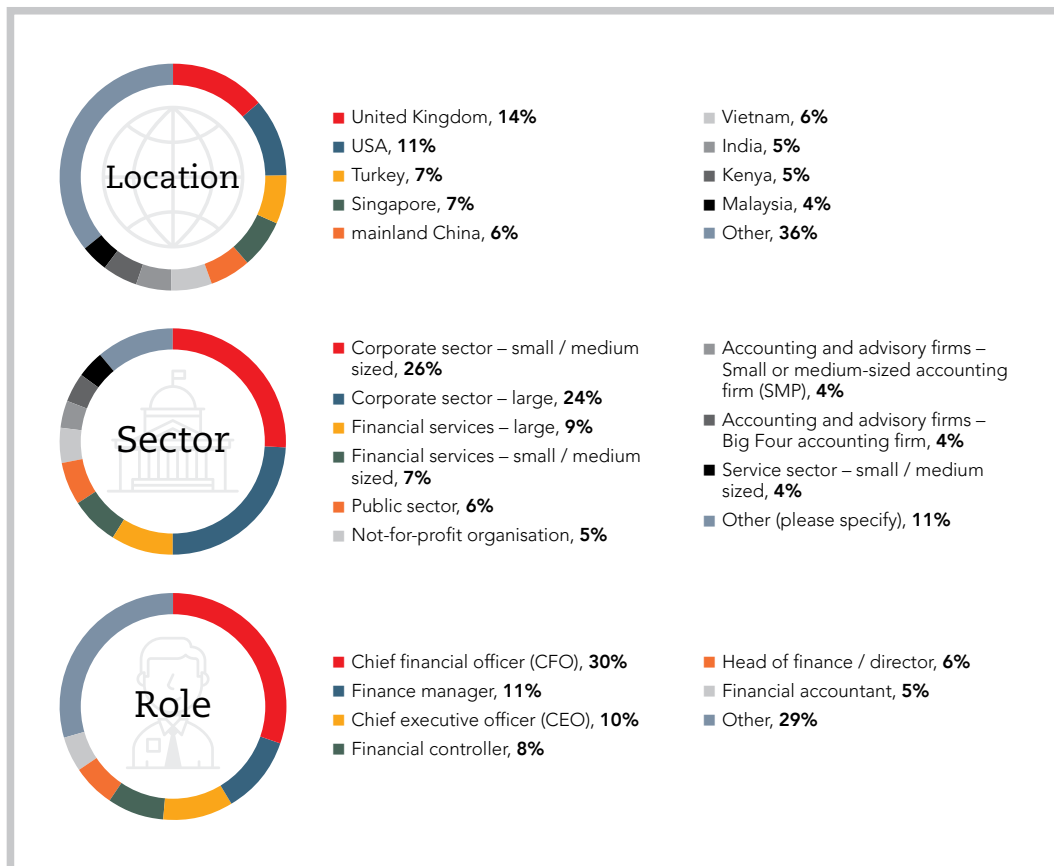


THE CFO OF THE FUTURE

The chief financial officer (CFO) has a fundamental role in leading the finance team across an entity. Yet is it a role that is seeing a fundamental evolution and the need to develop the next generation of CFOs is becoming a challenge for many.

In this report we explore the changing nature of the role and the skill sets needed to be proficient in it. We consider how these are changing and how we need to ensure that we have appropriate development paths in place for those aspiring to be CFOs and those who are already CFOs themselves.

The report is based upon a survey of 1,152 ACCA and IMA members, together with non-member CFOs and chief executives, that was undertaken in June 2020, as well as several virtual roundtables that were conducted at the same time.



Foreword



Helen Brand
Chief executive, ACCA

The CFO is at the pinnacle of many finance functions. It is a role that places the accountancy and finance profession at the forefront of many stakeholders' minds when considering how an entity conducts its financial affairs. Yet that traditional role of the guardian of an entity's finances has been superseded by a new reality: one where the CFO has a broader function across the piece, where performance is measured against the 3Ps of people, profit and purpose that are increasingly used to evaluate success.

The global COVID-19 pandemic has placed the CFO role at the heart of the entity. The need to ensure liquidity has become paramount. Yet this requires a balance of strategic objectives and day-to-day operations, and where the situation can change rapidly. Reforecasting and adaptation are key. The effective use of data and the application of technology are essential. Leadership is required more than ever in challenging times.



Jeffrey Thomson
Chief Executive Officer
and President, IMA

In this report, ACCA and IMA consider how the role of the CFO is changing and what the accountancy and finance profession needs to do to ensure that it has a robust generation of finance leaders for the future. By surveying members of both bodies, as well as non-member CFOs and chief executive officers (CEOs) and conducting a number of virtual roundtables, globally, we have gathered a range of insights into what is currently expected of the CFO and the opportunities for the future. For those who hold the role today, it is a challenging but extremely rewarding one.

Many of the skills of the CFO cannot be taught. The current incumbents speak of the application of a lifetime of experiences. Yet all place their qualification at the core of their skill set. This has enabled them to develop their relevant experiences through networking, mentoring and coaching, using their professional bodies to the utmost to share experiences and develop others. As a profession, we need to ensure that this remains a vibrant career path for those who aspire to the pinnacle.

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Executive summary

The role of the CFO is an essential one in many entities. Yet public perceptions of the role and what is expected of it by the stakeholders closely involved in it may well differ.

In this report we seek to look at this role and the continuation of the evolution that ACCA and IMA first tracked in their earlier report (Lyon and Lawson 2012).

In support of the new research, a survey of ACCA and IMA members, together with responses from non-member CFOs and chief executive officers (CEOs) was undertaken, together with several roundtables of representatives from several regions from across the globe.

The responses show a continually evolving role: one that has become extended in the light of the COVID-19 pandemic. This role is crucial to any entity's success and combines strategic and operational elements, yet CFOs never lose sight of their core values of supporting financial performance and acting with integrity. A high standard of ethics is one of the CFO's fundamental values. The analysis of the survey responses shows interesting differences in the perceptions of CEOs and CFOs about the valuable attributes of the role. The pandemic has advanced many of the changes in the CFO role that were discussed in our earlier report (Lyon and Lawson 2012), yet while those who contributed to the roundtables considered that the need to be agile and to reforecast using a range of scenarios had been a key feature of their role at the start of the pandemic, this crisis really reinforced much of what they were already doing although, perhaps, placing it in sharper focus. As with many long-term implications of the pandemic, time will tell. But it has reinforced the connector role that the CFO has and the role of being the CEO's key support in such circumstances.

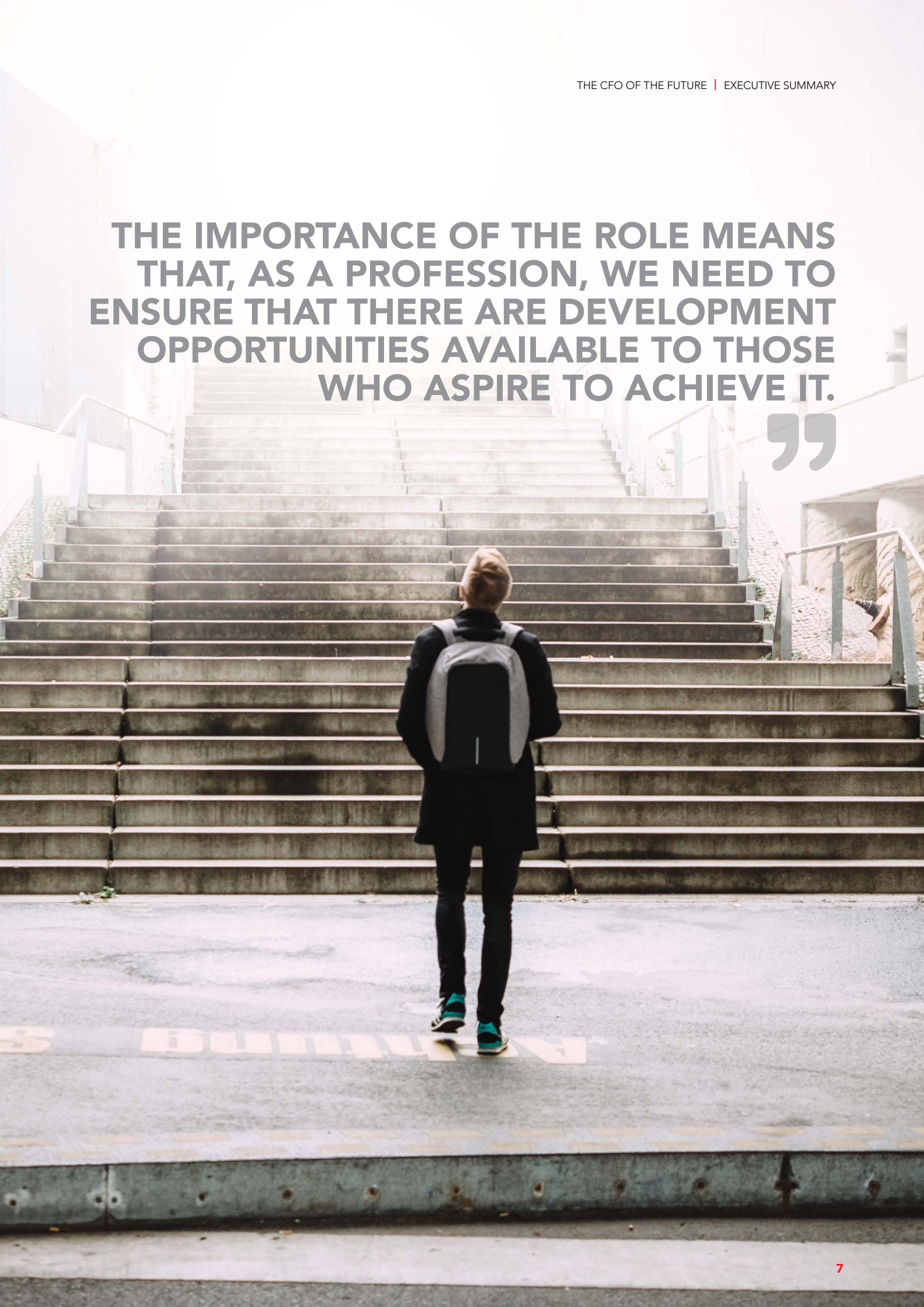
Chapter 1 explores the role of the CFO today. It evaluates, across several different groups, the relative importance of a range of skills that the CFO possesses. Using the commentaries provided by the roundtable participants, it highlights the various calls upon the CFO that the COVID-19 pandemic has placed upon them and concludes that these represent the continued shift towards a responsive role that drives value through its agility and applies a breadth of business and commercial understanding to the role.

Chapter 2 offers insights into the future development of the role by considering six hypotheses. These reflect the journey that CFOs are on and, for many, one in which they are already well advanced. The role is not uniform, and each entity will have its own requirements, yet for a CFO to be effective in achieving our hypothetical outcomes they need a diverse range of skills, and these are considered in Chapter 3.

With the evolution of career pathways, the route to becoming a CFO is no longer as defined as perhaps it once was. The importance of the role means that, as a profession, we need to ensure that there are development opportunities available to those who aspire to achieve it. Developmental pathways must provide the right experiences to give aspirants the greatest opportunity to achieve, and perform well in, the role. This topic is explored in Chapter 4.

THE IMPORTANCE OF THE ROLE MEANS THAT, AS A PROFESSION, WE NEED TO ENSURE THAT THERE ARE DEVELOPMENT OPPORTUNITIES AVAILABLE TO THOSE WHO ASPIRE TO ACHIEVE IT.

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1. Today's chief financial officer

'THE KEY FACTOR LIES IN [THE] SIZE OF DIFFERENT INDUSTRIES OR DIFFERENT COMPANIES, [THE] DEVELOPMENT STAGE OF THE COMPANY AND [THE] CHALLENGES FACED BY [AN] ENTERPRISE, OR MARKET COMPETITION. CFOs ARE CONFRONTED WITH DIFFERENT REQUIREMENTS UNDER DIFFERENT FACTORS, IT IS HARD TO DESCRIBE [WHAT THE] CFO OF A COMPANY LOOK[S] LIKE IN A SIMPLE WORD'

LV Chang, a CFO in mainland China

According to Dirk Zorn, the term 'chief financial officer' (CFO) was first used in 1966 (Zorn 2004). Before this time, terms such as 'financial controller' or 'finance director' were used. While we may see the title as relatively new, the development of the role of the head of finance into a more encompassing one that serves the whole entity and beyond has been progressing since economic enterprises began. Boyns and Edwards (1997) suggest that there is evidence that 19th-century accountants prepared information for managers, to help run the business.

In many regions, the CFO or finance director has several defined responsibilities. This creates a certain level of expectation among the stakeholders with whom they interact. This is not true everywhere and, in some cases, such as Vietnam, the role has grown through the influence of multinationals and similar entities. The ways in which the role has developed has led to a variety of interpretations of what it encompasses. To an extent, the role is what the holder makes of it. In this research we have explored a number of these variations through roundtables and interviews.

There is no doubt that the role continues to evolve, and this process will not stop. This research, encompassing a series of CFO and CEO roundtables held to draw on the experience of senior-level ACCA and IMA members, as well as a global survey conducted in June 2020, explores this continued evolution and the implications for the career development of those already in the role and those who aspire to it.

1.1 Some initial observations from CFOs on their role

Part of the research was conducted through a series of roundtables that we held in various locations around the world. At the start of each of the sessions, the participants were asked to give some initial insights on how the role of the CFO was changing.

Ruban Ghandi, the CFO of a leading football club in the UK, commented that, *'the CFO role has changed so much as they are now required to participate in business development in the sporting arena. The changes in the model of the business to focus on the audience and retain them has caused the role to change dramatically from what it was'*.

Gwen van Berne, the CFO of an internet domain company based in the Netherlands, commented that *'the world is really in need of transformational leaders and not so much the transactional side, which is how people have perceived the CFO role in the past'*.

Helen Morgan, the CFO of a clothing business in the UK, noted that, *'the CFO role is becoming more of an umbrella role. One significant area that keeps cropping up is the digital roadmap and the CFO needs to engage more on that. As a leader of change you need to embrace areas such as artificial intelligence and automation and how these will impact your finance department and then lead that change. You also need to be a critical friend of the chief executive officer (CEO) and to be able to challenge on the strategy and business solutions'*.

Ekaterina Emelianova, the CFO of a subsidiary of a Russian bank based in Switzerland, said *'that our role is being the interpreter'*, and that for her, *'it is important that our colleagues are able to hear us as they are not able to read financials which are based on the accounting language and accounting presentation'*.

Johan Leibbrandt, city manager of a municipality in South Africa, commented that it was important to *'move from being a bean counter to be somebody that understands the business and who actually links up and communicate with the relevant line departments and the front line supply chain'*.

Hiba Daaboul, a Zone Business Controller with a food company, commented that, *'what COVID taught us is that we can be a lot faster than we were. There is no place for perfectionism. We have to be more agile; to be more out there and drive change'*.

Richard Cunningham, senior director at a pharmaceutical company, said that in his view, *'there is a shift away from the focus on internal control, cost control and safeguarding assets to one of real leadership. This is [moving] beyond financial leadership into business leadership'*.

1.2 Importance of the CFO role

We began the survey by asking respondents whether they considered that the CFO role will change in importance in their entity in the next three to five years relative to the importance of other C-suite executives (Figure 1.1). The respondents clearly believed that the role would increase in importance, with 32% considering that it would significantly increase and a further 40% stating that it would increase. The CFO role is clearly fundamental to the future of many entities.

A comparison of the responses of CFOs with those of CEOs showed interesting differences: 82% of the CEO respondents claimed that the CFO role would either increase or significantly increase in importance whereas only 66% of the CFO respondents indicated this. This suggests that the CEO respondents value the CFO role more highly than the incumbents themselves and see it as a fundamental role in the development of the entity. It also suggests that what CEOs may expect of their CFOs is increasing, and therefore there is a need for the role to evolve.

FIGURE 1.1: In the next three to five years, how do you think the relative importance of the CFO role will change in your entity compared with that of other C-suite executives? All respondents

- Significantly increase, 32%
- Increase, 40%
- Remain the same, 19%
- Decrease, 5%
- Significantly decrease, 2%
- Don't know, 2%



82% OF THE CEO RESPONDENTS CLAIMED THAT THE CFO ROLE WOULD EITHER INCREASE OR SIGNIFICANTLY INCREASE IN IMPORTANCE WHEREAS ONLY **66%** OF THE CFO RESPONDENTS INDICATED THIS.



1.3 Today's challenges for the CFO

When asked to consider the challenges that the CFO faces, both from the finance function and from the entity as a whole, the respondents focused on the impact of technology, the speed of business change, and governance and risk issues as the most significant areas (Figure 1.2). When this was explored at the entity level, there were marked differences between the responses of CFOs and CEOs (Figure 1.3).

The CEO respondents placed less emphasis than the CFOs on the technology, business change and governance, risk and compliance issues, but more than

they did on trade, sustainability, the supply chain and succession planning.

The message, which was reiterated by the roundtable participants, is that the role of the CFO is a broad one that encompasses many facets of the entity, not just the traditional financial custodian role. Nonetheless, it is possible to consider that CEOs have a more balanced view of the challenges. Is this because CEOs appreciate the 'connectedness' of all the issues? Are CFOs still too myopic and not willing to venture beyond the traditional financial boundaries? This is explored in a set of hypotheses in Chapter 2.

FIGURE 1.2: Considering the strategy of the finance function vs. entity as a whole, which of these represent the greatest challenges to today's CFO?

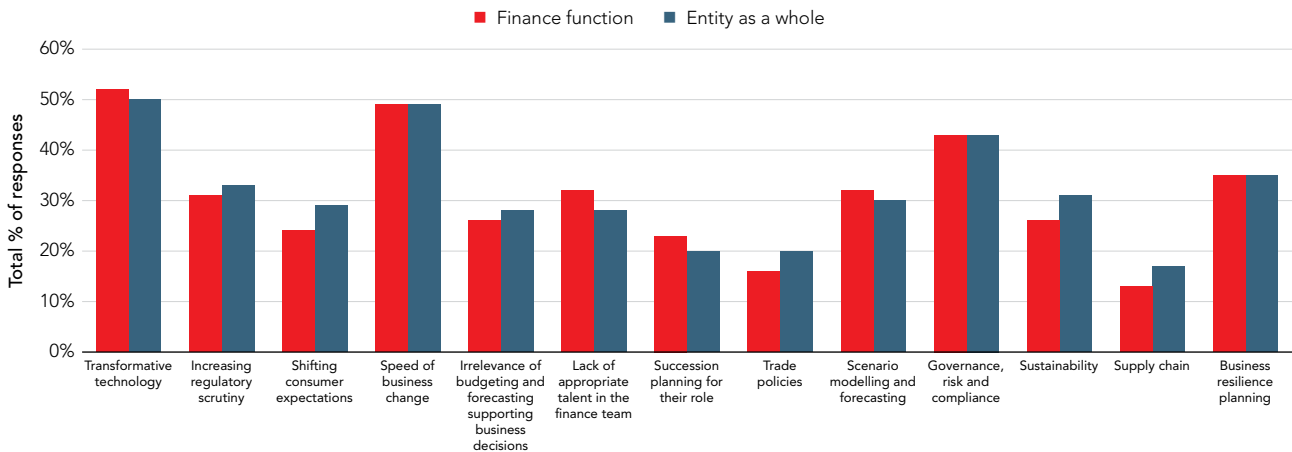
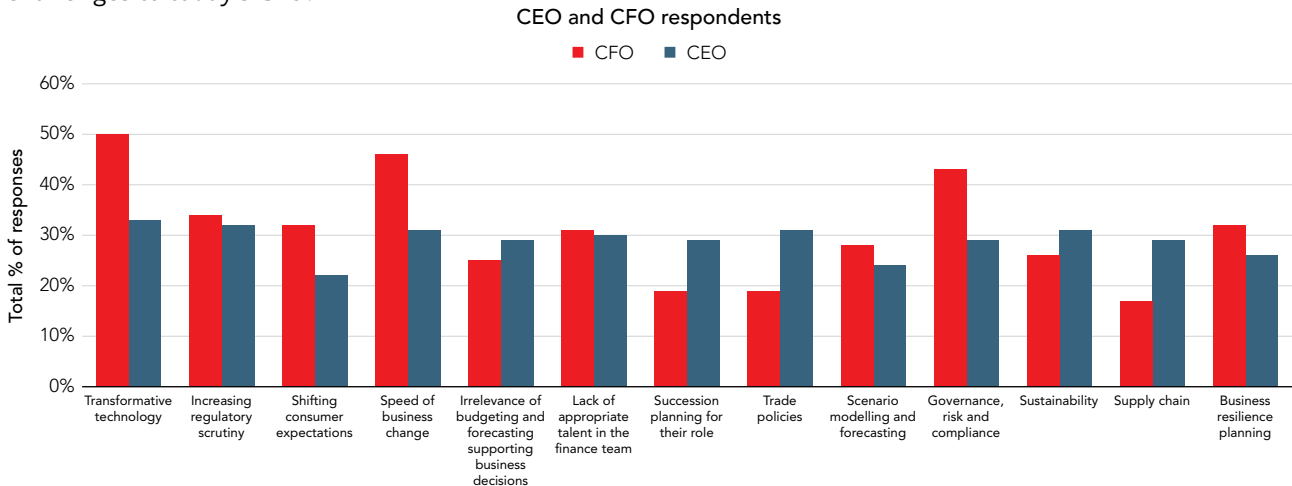


FIGURE 1.3: Considering the strategy of the entity as a whole, which of these represent the greatest challenges to today's CFO?



1.4 Previous ACCA and IMA research

In 2012, ACCA and IMA conducted research into the future role of the CFO. The resulting report, *The Changing Role of the CFO* (Lyon and Lawson 2012), identified nine key issues and priorities that affected the CFO.

- i. Regulatory requirements are increasing, and CFOs have an increasingly personal stake in regulatory adherence.
- ii. The challenges of globalisation are creating a need for finance leaders to develop a finance function that works effectively on the global stage and that embraces diversity.
- iii. Technology is evolving very quickly, providing the potential for CFOs to reconfigure finance processes and drive business insight through 'big data' and analytics.
- iv. The nature of the risks that entities face is changing, requiring more effective risk-management approaches and, increasingly, CFOs have a role to play in ensuring an appropriate corporate ethos.
- v. There will be more pressure on CFOs to transform their finance functions to drive a better service to the business at zero cost impact.
- vi. Stakeholder management and relationships will become important as increasingly CFOs become the face of the corporate brand.
- vii. There will be a greater role to play in strategy validation and execution because the environment is more complex and fast-changing, calling on the analytical skills CFOs can use.
- viii. Reporting requirements will broaden and continue to be burdensome for CFOs.
- ix. A brighter spotlight will be shone on talent, capability and behaviours in the top finance role.

This was followed in 2013 by a further report, *Future Pathways to Finance Leadership* (ACCA / IMA 2013), which explored the implications of these issues and priorities for the career path of a CFO.

The present report builds upon these two previous reports and considers how the role has evolved since and what further lessons can be learned.

In 2019 IMA published a further report, *The Changing Role of the CFO — Perspectives from India* (Lawson 2019), which concluded:

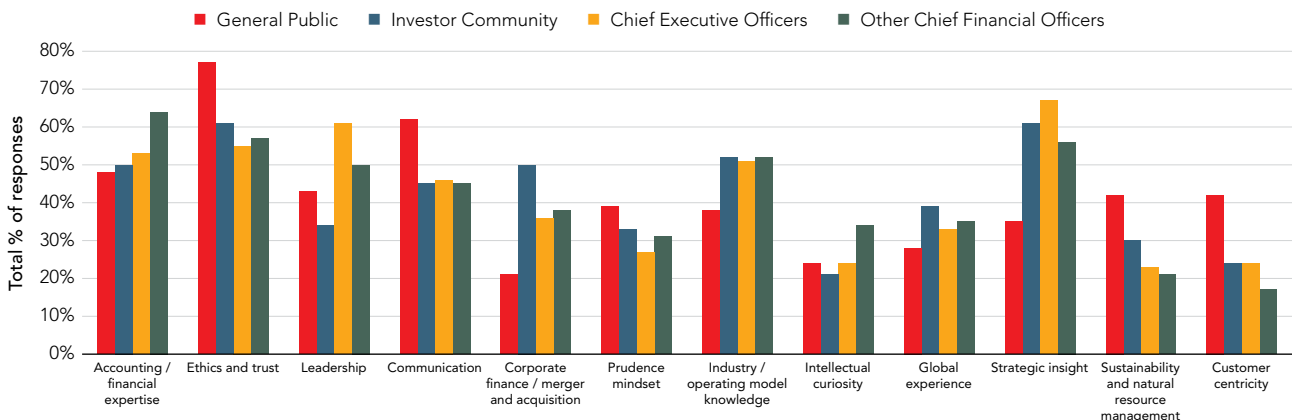
While regulatory compliance remains an important part of the finance function's remit, CFOs and their teams are increasingly assuming a role as business partners, engaging in activities such as planning, forecasting, and risk management, while providing business insights to support the strategy of their organizations. This expanding role will require management accountants at all levels of their organizations to enhance their skills and develop new competencies, especially in the area of technology. Talent management will also become increasingly important as organizations compete for staff with the necessary skills.

1.5 What are the valued attributes of the CFO?

The survey respondents were asked to consider a range of potential attributes that are most valued in a CFO, from their knowledge of four perspectives (Figure 1.4):

- that of the general public and their expectations of the role
- the expectations of the investor community
- the CEO's own expectations
- how the peer group of CFOs perceives the role.

FIGURE 1.4: Which of the following attributes of a CFO do you think the following groups of people most value?



As might be expected, there are variations in what survey respondents believed about the perspectives of the four groups considered here. Respondents indicated that they believed that the general public most highly values the ethics and trust dimension (77%) of the role. This is to be expected and reinforces one of the CFO's core values. Similarly, respondents view the general public as placing greater emphasis on various non-technical attributes, including having a prudent mindset, being able to communicate, being customer centric (42%), and being engaged in sustainability and natural resource management (42%). Relatively low importance, from this perspective, is attributed to various 'technical' competencies, including corporate finance/mergers and acquisitions, strategic insights, and accounting/financial expertise (48%). Clearly, respondents believed that from the general public's perspective, the role is broader than one purely that of a financial custodian.

Respondents believed that other groups have different expectations of the CFO role. Notably, they believed that for CEOs leadership and strategic insight are the most valued characteristics of CFOs. Gone are the days when financial reporting and asset stewardship were the CFO's primary concern. These responsibilities are important but not sufficient in today's business environment. Figure 1.5 shows that CEO respondents do not highly value the CFO's ethics and trust or strategic insights, in comparison with the relatively high valuing of customer centricity and global experience. Across the range of stakeholders there are clearly many different perspectives of the role that the CFO needs to embrace.

When CFO attributes are considered by CFOs themselves, technical skills – including accounting/financial expertise, corporate finance / mergers and acquisitions skills,

along with intellectual curiosity – rise in importance. This indicates a recognition within the profession of the importance of possessing these skills. Conversely, the lower recognition of the need for these attributes outside the profession, in the view of the respondents, may become problematic when entities choose their next CFO.

1.6 Importance of ethical and technical skills

A key area of competence for most of the roundtable participants was the technical skills of the accountancy and finance professional. The survey respondents had similar expectations. Figure 1.6 shows that 78% considered that the ethical lens differentiated the CFO from other executives. The ability to apply an ethical lens is a strong attribute of the CFO, and the finance community in general. This is especially important in times of rapid change.

FIGURE 1.6: To what extent do you agree or disagree with this statement: "The ethical lens that CFOs apply to their work is a prime attribute differentiating them from other executives"?

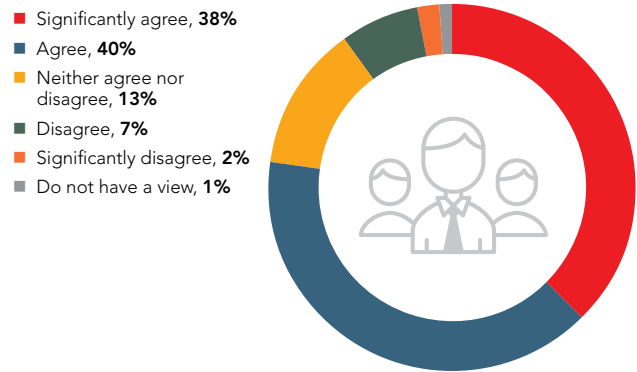
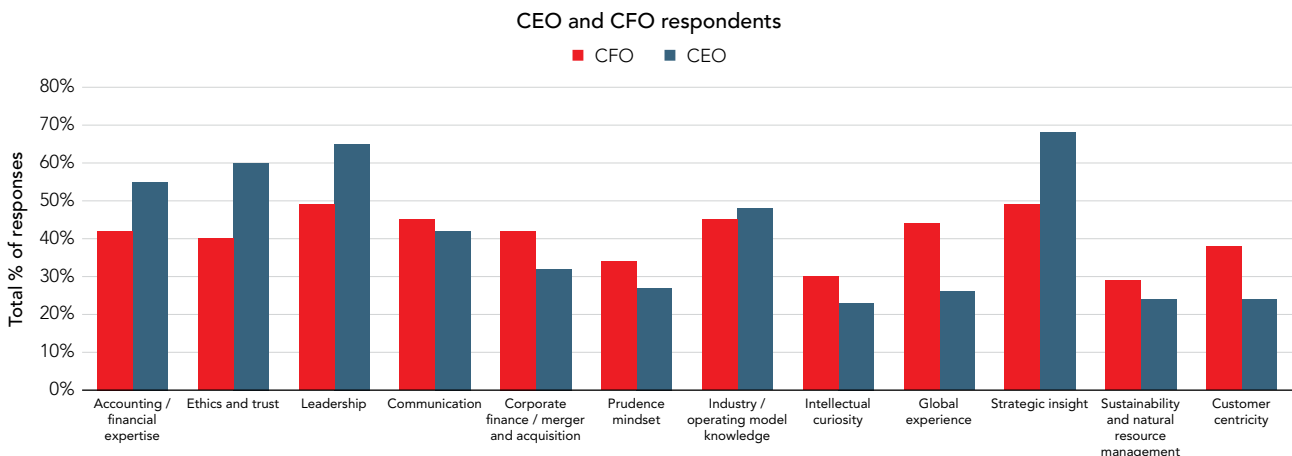


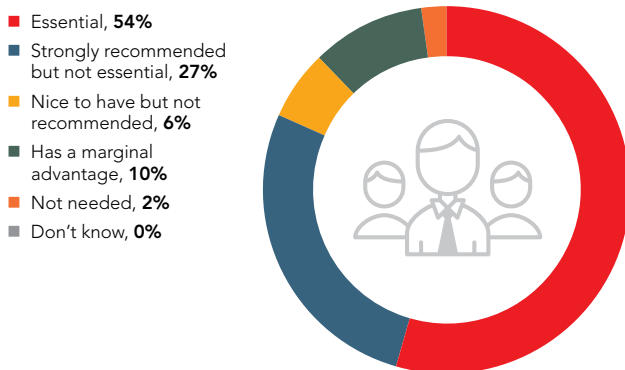
FIGURE 1.5: Which of the following attributes of a CFO do you think the following groups of people most value?



Gwen van Berne of RIPE NCC commented that, 'ethical standards are important and will become more and more prominent for the CFO as it is an important element in the storytelling. You need to be able to defend how you are making money and what kind of key performance drivers you are using to drive your business'.

Technical skills were considered to be equally important, with 54% of the survey respondents agreeing that an accountancy qualification or Master's degree was essential (Figure 1.7) with a further 27% considering that it was strongly recommended. Only 2% considered that neither was needed.

FIGURE 1.7: How necessary do you think an accountancy qualification/first degree/Master's degree will be for a CFO in your industry in three to five years' time?



When asked this question, 55% of the CEO respondents considered that an accountancy qualification or equivalent was essential in comparison with 51% of CFOs. Both of these survey questions underline the importance of the qualification (or equivalent) and the core technical skills that a CFO needs to exercise. Possession of such qualifications was perceived as a given by many of the roundtable participants.

Alastair Barlow, founder of flinder, a practice focusing on world-class, technology-enabled and data-driven finance functions, explained that his experience showed that there was a lack of understanding of those who did not have a strong financial background. For example, a chief operating officer might be good at processes but not good at understanding the nuances of a three-way integrated model or the intricacies of revenue recognition. This had demonstrated itself most when start-up firms were looking for more funding and he had had experiences where such firms had reported profits only for errors in revenue recognition to be discovered, which had turned these profits into losses.

1.7 COVID-19 and the changing role of the CFO

The events of 2020 have changed several business fundamentals. The COVID-19 pandemic has put businesses under pressure in ways that were not anticipated. The four key areas of the CFO's concerns (as demonstrated by Figure 1.2) of transformation, risk and governance, speed of business change and resilience have all been affected by the pandemic. Indeed, many of the roundtable participants commented on these areas as fundamental. Yet for many the change has been one of impact and focus. One CFO commented that the role has not changed, but what he needed to do was to be able to respond to day-to-day news items and consider their impact. Short-term shocks were increasingly a reality. The collapse of some commodity prices had significant impacts for many of the CFOs and the nature of the economies in which they worked was inevitably a significant factor.

Suryanarayanan Balasubramanian, CFO of iWise group in Singapore, noted about his own experiences as a CFO in the past few months, 'the COVID situation is not something that was there before. Companies are looking for your ideas and guidance on navigating. The focus is on how I sustain cash flows, in analysing where it might have gone wrong. The way that the CFO is currently performing is that the strategy is important, but they are rolling up their sleeves and facing every incoming dollar to somehow ensure that the business survives into 2021 and 2022. It is an intense, no-holds-barred involvement'.

Sanjay Rughani, CEO of Standard Chartered in Tanzania, commented, 'I think that we have all been tested by COVID-19'. He continued, 'the reliance on the CFO is going to become more important in all perspectives, including [for] meeting and influencing regulations. The biggest barrier is mindset'.

Consistent with the idea of an evolving role, football club CFO **Ruban Ghandi** commented that for him the COVID-19 outbreak has reminded him how important technology is to the CFO.

Matt Dolphin, CFO of a mass transit operator in the UK, noted that the pandemic had reinforced the need for nimbleness, being able to take decisions quickly and to follow these through, especially as the market is changing quickly.

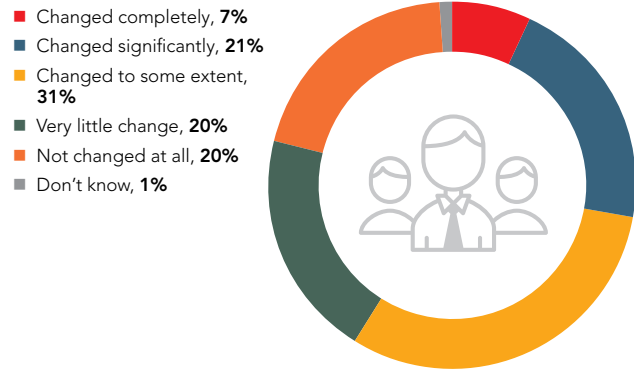
Hiba Daaboul, a Zone Business Controller with a food company, commented that, *'what COVID taught us is that we can be a lot faster than we were. There is no place for perfectionism. We have to be more agile; to be more out there and drive change'*.

James Lee, finance director of a hotel chain in Singapore, commented that as the CFO he had to *'save lives'*. To ensure that the people were safe before the business was safe but for him the lesson was that if you want to be in business then you need to look across the three Ps – people, purpose and profit. He noted that *'assets are crucial. What is critical now is what is [a] sustainable core asset and what is the "toxic" or "deteriorating" asset that [we] need to let go?'*

Amos Ng, CFO of Straco Corp Singapore, commented that one thing that the pandemic had taught him was that the CFO needed to be *'mentally and physically strong'*. He considered that the CFO was playing a very important role in time of crisis and needed to be ready to hold the fort should the situation call for it. For this reason, the CFO has to be an effective team player.

The survey respondents indicated (Figure 1.8) that they considered that there had been changes in the role, with 59% saying that there had been some impact and, within this, 28% saying that there had been some significant change.

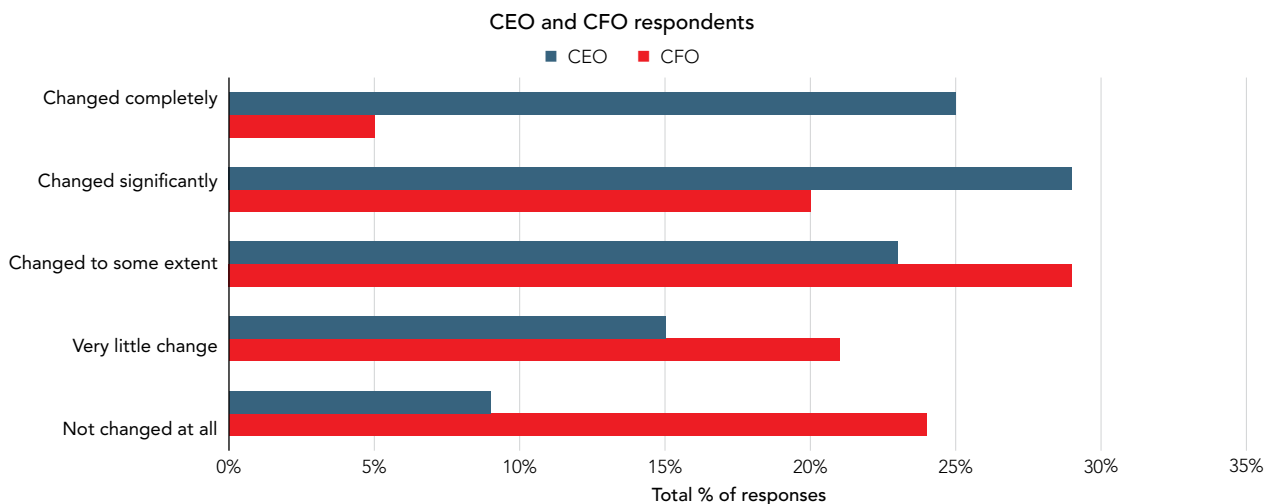
FIGURE 1.8: To what extent has the COVID-19 outbreak changed your ideas of the evolution of the CFO role?



The contrast between CFOs' and CEOs' perceptions of the extent of the change was interesting (Figure 1.9), with CEOs having a far greater perception of the extent of change in the CFO role than the CFOs themselves.

Rizwan Khan, the CFO and chief information officer (CIO) of an industrial company in Vietnam, commented that the importance of technology had been brought into sharp focus for him as a result of the pandemic.

FIGURE 1.9: To what extent has the COVID-19 outbreak changed your ideas of the evolution of the CFO role?



THE ABILITY TO APPLY AN ETHICAL LENS IS A STRONG ATTRIBUTE OF THE CFO, AND THE FINANCE COMMUNITY IN GENERAL. THIS IS ESPECIALLY IMPORTANT IN TIMES OF RAPID CHANGE.

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2. Chief financial officer of the future

2.1 Our hypotheses – the evolution of the CFO role

To assess the extent of the evolution of the CFO role, six hypotheses (Figure 2.1) were developed and tested with the survey respondents and roundtable participants. These hypotheses were not intended to be mutually exclusive, but rather to allow assessment of the evolution as seen in the short, medium, and longer terms.

Every CFO is on a journey and the circumstances of the entities that they work for will influence the extent of that journey. In developing the hypotheses, the aim was to explore that journey and to consider whether there was any impact from sector, entity size or geographic differences.

2.2 Response to the hypotheses

The overall response from the survey respondents to each of the hypotheses is summarised in Figure 2.2.

The survey respondents saw most of the situations outlined in the hypotheses starting to be realised. They agreed most strongly that the role of the CFO was already, or would be, in leading the execution of strategy. The broadening of the

role to include the evaluation across the three Ps of people, purpose and profit (as exemplified by the ‘wide view of performance’ hypothesis) was less strongly supported. This perhaps reflects the challenge that while an entity’s performance is increasingly being evaluated using non-financial data and unstructured data, the finance function in general and the CFO in particular need to assert their role in this area. The least-supported hypothesis was that the career progression of the CFO was towards a CEO role.

The roundtable participants’ assessments of the hypotheses varied. **Abdur Rahmim Ghulam Nabi**, Senior Advisor to Assistant Director General at Dubai Airport Free Zone Authority, commented that ‘*I think that a lot of them are very realistic in terms of the way that things are moving for CFOs*’. In contrast, **Paula Kensington**, a consultant based in Australia, commented that these represented ‘*the role that existed three years ago*’. She continued that ‘*the role of finance and of the CFO has come back very much front and centre. Businesses are looking to finance to help them understand what is happening*’.

FIGURE 2.1: Six hypotheses for the development of the role of the CFO

STAKEHOLDER FOCUS	STRATEGY FORMULATION	GROWTH OPTIMISATION	WIDE VIEW OF PERFORMANCE	FORWARD INSIGHTS	CAREER PROGRESSION
The CFO will come to predominantly focus on stakeholder and investor management rather than safeguarding and reporting	The CFO will have a leading responsibility for business strategy formulation, validation and execution through responsibility for its achievement	The focus of the role shifts from principally historically based cost control to growth optimisation	The role will encompass measurement of all aspects of the strategic objectives of the organisation (eg as indicated by the six capitals of integrated reporting)	Will provide greatest value to their entities through forward insight rather than retrospective reporting, becoming a chief performance officer	Increasingly will have the CFO role as the next progression in their career development

Despite this diversity of opinion, however, it is possible to conclude that across the hypotheses the sentiment was that this was a journey that the CFO community was already embarking upon. A discussion of each of the hypotheses follows in section 2.5.

2.3 The CFO and the small and medium-sized entities

Figure 2.3 shows a comparison between the respondents who classed themselves as working for a small or medium-sized entity¹ (SME) and those who worked for a larger one. The SME community shows a similar level of evolution to that in the larger entities. The demands for financial expertise in this area are growing ever more complex. The launch of Cloud computing solutions developed for this market have made data more accessible and decision

making more complex than hitherto. ACCA's report, *The Passionate Practitioner* (ACCA 2019) considers the impact of Cloud computing options on this sector. An important development in this sector is the advent of the portfolio CFO, one who works across a range of entities, providing the expertise and insight needed to drive business growth, which is essential for many SMEs, especially in these challenging times. Some of the roundtable participants commented that the CFO role at this level was more concerned with funding issues than stakeholder management. Greg Powell, who is just establishing himself in that role in Canada, commented that there is a reliance on the CFO in the small-to-medium-sized businesses. He found himself being a human resource and a legal expert as well as a financial leader, especially in challenging times when entities could not afford to employ a full time CFO.

FIGURE 2.2: When do you consider that each of the hypotheses will apply to the CFO role in your entity?

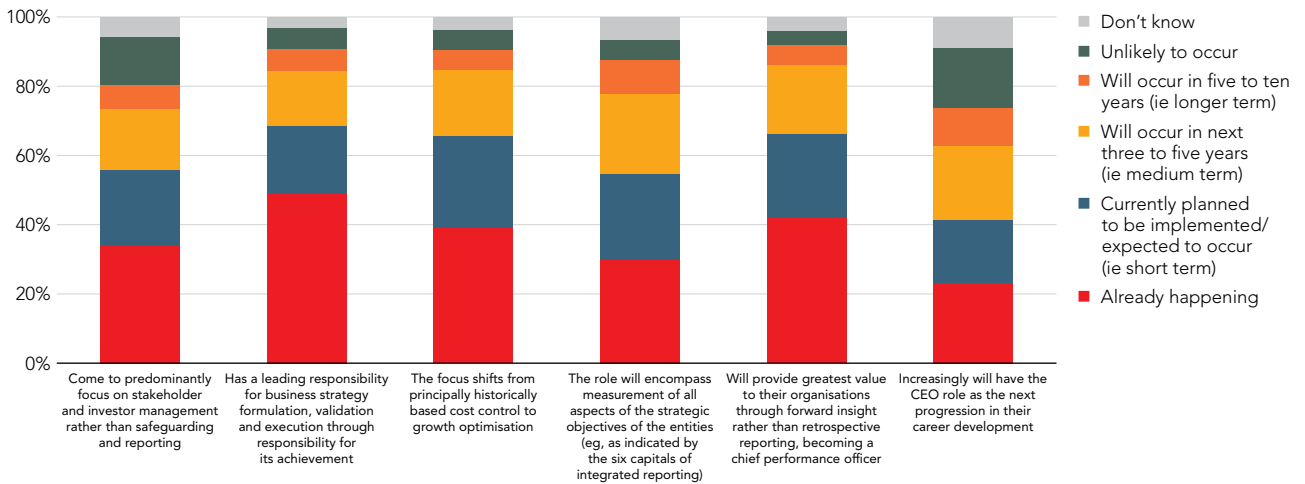
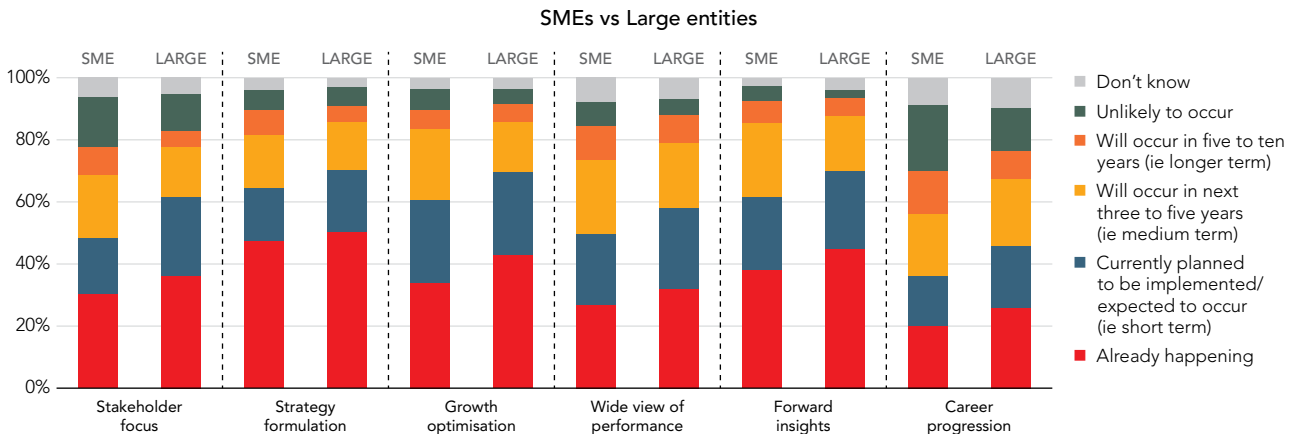


FIGURE 2.3: When do you consider that the hypotheses will apply to the CFO role in your entity?



¹ For the purposes of analysis an SME is defined as an entity where the SME survey respondent indicated that there were 249 or fewer employees.

Simon Smith, a veteran CFO and co-founder of InfiniteCFO, a technology company providing finance function solutions to start-ups and growth companies, explained that his clients are not hiring CFOs for their technical expertise. *'They are looking for a CFO who is strategic, who understand how to scale the business, and can execute on growth and performance'*.

Khurram Hudda, controller at a mid-sized property-management company in Canada, drew a distinction for mid-sized and smaller companies where, in his view, the *'role is more prominent because you are less of a CFO and more of a CEO, where you are looking at operational changes in the company as much as changes in the financial processes. You take [on] a bigger role of a consultant, a strategic partner to the CEO'*.

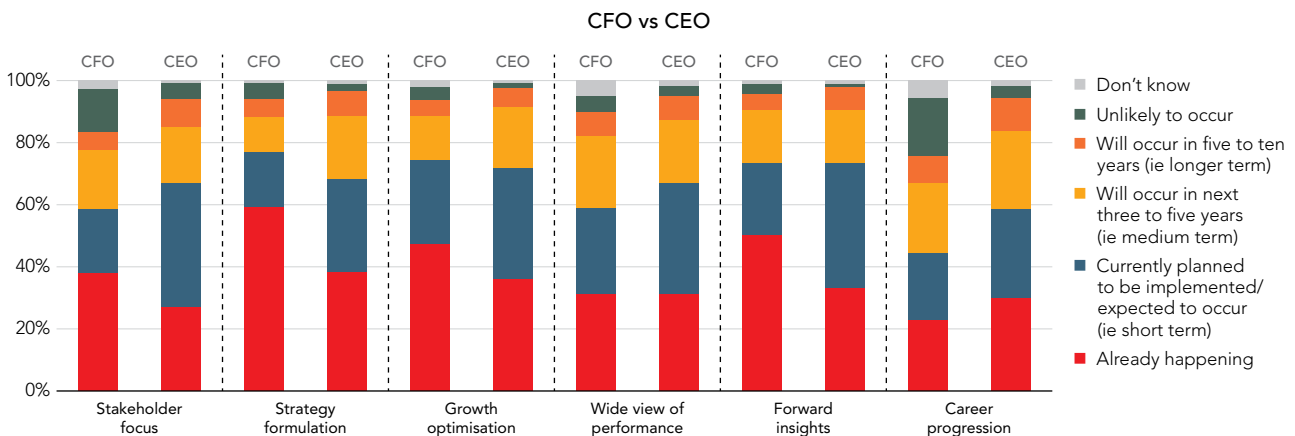
One CFO commented that, looking at many smaller entities, she considered that their CFOs were still backward looking and undertaking back office functions. This presented a challenge both for them and for the profession. There are definite challenges for the smaller entities in obtaining appropriate resources to develop their finance functions, although the advent of Cloud-based applications tailored for this sector has opened up opportunities for greater data analysis.

2.4 The CEO perspective of the CFO evolution

Figure 2.4 compares the responses from the CFO and CEO respondents. The CEO community was less likely than the CFOs to agree that CFOs were currently focusing on stakeholder management (27% vs. 38%) although the situation reversed when they considered the near future (67% vs 59%). CEOs were also less comfortable that CFOs were filling the role of the chief performance officer, providing forward insight (33% CEOs vs 50% CFOs), although there were similar beliefs among the two groups that this would be achieved in the near term. There was a similar difference in their perceptions of the responsibility for leading business strategy.

The results suggest that the CFOs are ahead of the CEOs in their thinking about the evolution of the CFO's role, although this appreciation may have been changed as a result of the pandemic when these responses are compared to those in Figure 1.9. This can present a challenge for the CFO, especially where the role that the CFO plays is not appreciated by the CEO, and perhaps not by other C-level executives. This is an issue of which CFOs need to be mindful.

FIGURE 2.4: When do you consider that the hypotheses will apply to the CFO role in your entity?



2.5 The hypotheses considered

In this section the reactions to each of the hypotheses are considered in turn.

Stakeholder focus

THE CFO WILL COME TO FOCUS PREDOMINANTLY ON STAKEHOLDER AND INVESTOR MANAGEMENT RATHER THAN ON SAFEGUARDING AND REPORTING.

This hypothesis reflects the change in the role from the traditional view of the CFO, or finance director, as somebody who is responsible for the financial performance of the entity towards somebody who increasingly spends time engaging with internal and external stakeholders, including investors. They probably have a strong team to support them in maintaining financial integrity.

The survey respondents were broadly comfortable with this hypothesis (Figure 2.5). For most regions, except Western Europe and the Caribbean, the sense was that the hypothesis would be achieved in the short-term. In Western Europe, as evidenced by other responses in ACCA surveys across the finance function, there tends to be a more traditional view of the CFO role, perhaps akin to a traditional finance director role, in certain businesses. One interviewee cited an example of a recently retired UK CFO who had still undertaken control account reconciliations in their medium-sized business until their recent retirement. While the role will be flexible, the evolutionary demands of stakeholders mean that focus and attention need to be placed elsewhere.

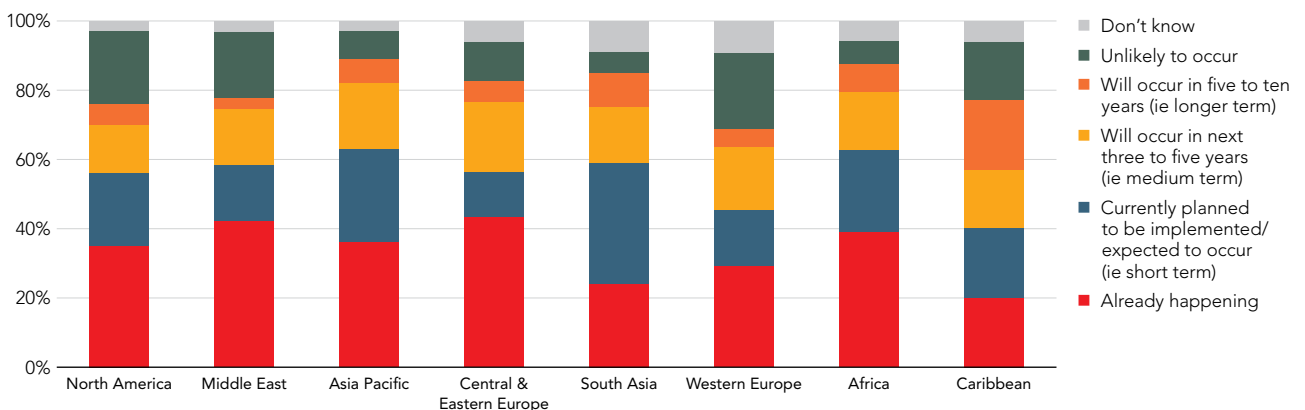
Our roundtable respondents generally agreed with the need for CFOs to spend more time engaging with internal and external stakeholders.

Truong Duc Phuong, a CFO from Vietnam, noted, 'I believe [the] CFO role is not just [being a] reporter or bean counter. It should be forward looking and [a] more business-oriented/support role'.

Suryanarayanan Balasubramanian commented, 'when you are talking about managing investors you are talking about making sure that the numbers that were promised are explained against what is delivered. If you fail to do this, then the investors start managing you'.

Ebenezer Bodylawson, CEO of MTN, a telecommunications company in Nigeria, noted that as a CFO 'you need to support the enablers of the business and to be able to do this in real time to support decision making'. Ebenezer added a perspective on the management of stakeholders, 'you need to have a strategy and a calm path to manage each of them. Each of them comes with their own agenda that you need to manage in a proactive way to ensure that they do not adversely impact your business'.

FIGURE 2.5: Coming to focus predominantly on stakeholder and investor management rather than safeguarding and reporting



Maurits van den Boom, a finance director at an oil company, noted that for him it is very important even for the CFO of the future to *'have a good understanding of the financials and to be able to read a balance sheet; to recognize where there are accounting implications, but I think that it is increasingly more important for finance professionals to understand and be able to model value and risks'*.

Rob Mars, executive managing director (finance) for a global shipping company, cautioned that *'there was a new normal that we have to work to, at least in Europe, where funding is dependent on your (company's) role in society. This will be a challenge for entities'*. **Liv Watson**, of Workvia in the US, added to this comment by noting that *'the large pension funds go beyond reporting. They do not want the numbers. They want you to tell them the impact and this is an area that a lot more CFOs are going to have to answer to'*.

Kala Kandiah, a director with EY in Australia, commented that she had observed *'the CFO role in terms of explaining and engaging with stakeholders at the right time in conveying the message in a clear manner. However, there is a disconnect where CFOs at that level are not [operating] across the reporting requirements and changes in accounting'*.

Colin Gilchrist, CFO at ACCA, commented *'for me it is about knowing who your stakeholders are and listening to them and what their needs are. This translates into the business strategy'*.

Yet other roundtable participants were not as ready to dismiss a more traditional role for the CFO.

Ekaterina Emelianova suggested that, *'CFOs should be able to challenge the business and have the ability to talk the same business language internally and this is much more important than externally'*. Ekaterina was concerned that in the hypothesis there was an either, or choice between the stakeholder engagement and safeguarding. For her it was important that the CFO covered both. This was not negotiable.

Sue Wright, head of accounting at UTS, provided a different perspective on the stewardship role. To Sue, that role remains with the CEO and she drew a distinction between the CEO, who was responsible for the outward communication with stakeholders, and the CFO, who was responsible for the business.

David Harris, CEO of a plastics company in the UK, commented that *'the buck stops with the CFO in terms of the finances of the company, the accuracy [and] the reliability of reporting'*. He continued, *'when the fundamentals get dropped or neglected, accidents happen'*.

The overall impression of this hypothesis was that the role of the CFO is evolving to increasingly include stakeholder and investor management while remaining based upon the core fundamental of financial integrity, which the CFO cannot ignore. The evolution of the role starts with the broader stakeholder community.

THE OVERALL IMPRESSION OF THIS HYPOTHESIS WAS THAT THE ROLE OF THE CFO IS EVOLVING TO INCREASINGLY INCLUDE STAKEHOLDER AND INVESTOR MANAGEMENT WHILE REMAINING BASED UPON THE CORE FUNDAMENTAL OF FINANCIAL INTEGRITY.



Strategy formulation

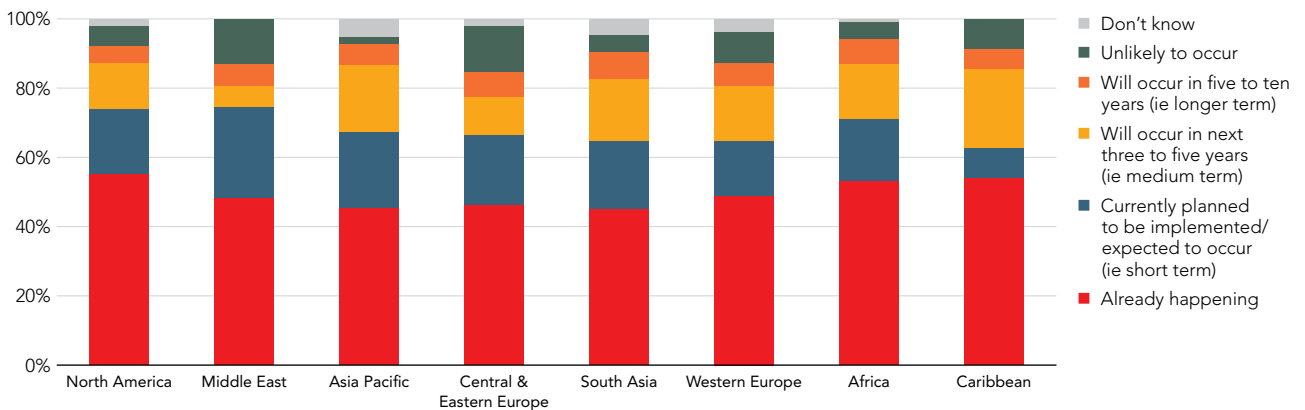
THE CFO WILL HAVE A LEADING RESPONSIBILITY FOR BUSINESS STRATEGY FORMULATION, VALIDATION, AND EXECUTION.

The CFO can clearly play a role in strategy development and execution and many respondents recognise this. This hypothesis reflected the transition to a more purpose-centric entity, one where the CFO is more involved in the development of the business strategy and has responsibility for its execution. In a purpose-centric entity, the view of its performance is broader than the purely financial aspects.

While our survey found some regional differences in the realisation of this hypothesis, Figure 2.6 indicates that respondents in all regions agreed that the CFO has a role in the execution and success of the business strategy.

The enhanced role played by the CFO in strategy formulation, validation and execution reinforces the view that the CFO is one of the key decision makers in an entity. For many of the roundtable participants the relationship between the CFO and the CEO, together perhaps with the chief operating officer (COO), is fundamental to driving business performance.

FIGURE 2.6: Has a leading responsibility for business strategy formulation, validation and execution through responsibility for its achievement



RESPONDENTS IN ALL REGIONS AGREED THAT THE CFO HAS A ROLE IN THE EXECUTION AND SUCCESS OF THE BUSINESS STRATEGY.



Growth optimisation

THE FOCUS OF THE ROLE SHIFTS FROM PRINCIPALLY HISTORICALLY BASED COST CONTROL TO GROWTH OPTIMISATION.

The shift from cost focus to growth optimisation reflects the transition in the focus of the entity itself. The CFO, in turn, changes focus from pure financial management to the growth of the entity. Figure 2.7 shows a somewhat slower adoption of this role by CFOs than of the role described by the previous hypothesis. There are some regional variations with Central and Eastern Europe being somewhat ahead at present but with other regions achieving near parity in the short term.

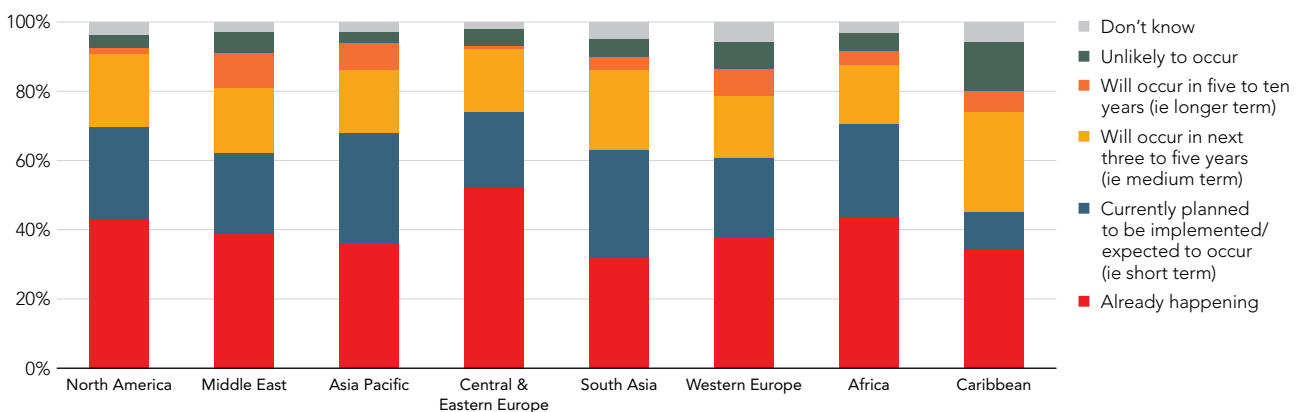
This change in focus was reflected in comments by **Sanjay Kumar**, a senior director and controller at a multinational beverage company based in the Republic of Ireland, who noted that *'it is not just margin expansion and cost reduction. It is really about the next business that we need to focus on. What is the next candidate for M&A?'*

Sanjay Rughani, of Standard Chartered bank in Tanzania, placed this in the context of the disruption to business caused by the pandemic. He noted that: *'nobody in the last 90 days has asked what your report looks like. They are asking what can you project? How are we going to manage our cash flows? How much cost can be reduced or restructured? COVID-19 has fast-tracked a lot of this agenda'*. He added: *'CFOs have spent up to 80% of their time in small and medium-sized practices thinking and talking about the past. This must change, it should be 50% to 60% focused on the future impacting clients and stakeholders whilst optimizing on technology'*.

While for many this hypothesis was accepted, some roundtable respondents challenged aspects of it. **Ruban Ghandi** commented, *'I don't think that any CFO can take their eye off the cost control part, while the business is still saying that you need to be contributing to them growing'*.

The CFO role is clearly moving away from a focus on pure cost control to one that is supporting the wider growth objective. That is not to say that we ignore cost control. It remains an important element, but what is important is the balance between driving effective cost management through a focus on growth and understanding which investments give the greatest return.

FIGURE 2.7: The focus shifts from principally historically based cost control to growth optimisation



Wide view of performance

THE ROLE WILL ENCOMPASS MEASUREMENT OF ALL ASPECTS OF AN ENTITY'S STRATEGIC OBJECTIVES (FOR EXAMPLE, AS INDICATED BY THE SIX CAPITALS OF INTEGRATED REPORTING).

In their report *Finance Insights – Reimagined*, ACCA and PwC (2020) explored the need for the finance team within an entity to have a broader view of performance, moving away from the traditional view based upon the financial capital involved to one that embraced a broader definition of performance that comprises aspects such as the six capitals of the integrated reporting framework. This hypothesis explored the relevance of this for the CFO (Figure 2.8). Again, the roundtable participants were supportive of this view.

Rose Mwaura, Chairman of Council of the Institute of Certified Public Accountants of Kenya, noted that in her view, *'gone are the days where the CFO and accountancy professionals were sitting in the corner doing number crunching. From a strategy perspective we need to think of integrated reporting and value creation'*. For Rose, the inclusion of the six capitals in the remit of the CFO is critical, *'CFOs really have no choice. Everybody is talking about the new normal and strategic value creation needs to be part of the new normal for them [too]'*.

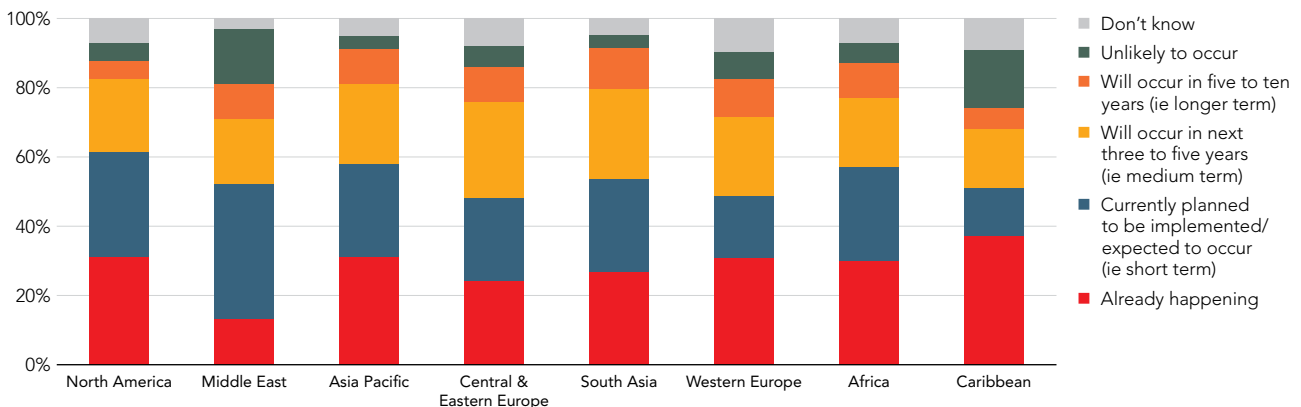
Similarly, **Helen Morgan** of Character.com noted that in her role she was finding that she needed increasingly to report on social and environmental areas.

Allan Downie, the CEO of N4 Partners in the UK, commented that, *'every CFO says that they have an understanding of the business, but actually they need to ensure that they do understand the business and how the numbers and processes impact every area'*.

Andrey Kislitsyn, a managing director based in Germany, commented that they *'do not take any business decisions without finance people because it is always the question of how we shift the business'*. For him, the second part of the role is dealing with technology. In his business the CIO reports to him because together they can shape the business processes.

Gwen van Berne of RIPE NCC commented that, *'it is the CFO's responsibility to make sure that the financial resources are in order and healthy and that the business model is working too, and looking to a broader spectrum that is also looking towards regulators and society's needs'*.

FIGURE 2.8: The role will encompass measurement of all aspects of entities' strategic objectives (for example, as indicated by the six capitals of integrated reporting)



MTN's **Ebenezer Bodylawson** commented that the CFO needs to be comfortable with *'the non-financial aspect: the drivers that drive the numbers. It means that you need to give an orientation to the business in terms of the trends in the way that they (the CFO) sees it'*.

Sanjay Rughani of Standard Chartered commented: *'my personal view is that, as a CFO, you should start sitting at the core of driving the mission of the entity, which includes profit, people, planet and purpose. The more that we get CFOs to help balance [these] and remind CEOs that it is not just about profitability, the better. It is really the CFO that can more significantly safeguard and influence the entity by driving the message of long-term sustainable business and brand value'*.

Brad Monterio, chief learning officer at the California Society of Certified Public Accountants (CalCPA), explained that this was: *'another key role that the CFO plays. They are the integrated thinker. They are the ones who really hold the key to the link between the capitals and understand that it is economic value [that is important]'*.

IMA considered the issue of value creation and the CFO in its report *CFO as Value Creator – Finance Function Leadership in the Integrated Enterprise* (Littan et al. 2020) and it is against this background that we can see the role of the CFO developing to be broader in its consideration of performance, not just concerned with the traditional financial capital but understanding how business decisions need to be considered in relation to other dimensions, such as sustainability and human capital.



Forward insights – the chief performance officer

WILL PROVIDE GREATEST VALUE TO THEIR ENTITIES THROUGH FORWARD INSIGHT RATHER THAN RETROSPECTIVE REPORTING, BECOMING A CHIEF PERFORMANCE OFFICER

Matt Dolphin of Greater Anglia in the UK, commented that to him the forward-looking agenda was especially important. *‘It is like the vision of driving the car. You have a great big windscreen as you are looking forward. You have a small mirror [for viewing] what has happened’.*

In contrast, **Suryanarayanan Balasubramanian** of iWise, Singapore, explained that for him *‘you need to keep driving your car. You need to keep looking to the rear to see what is coming behind and make sure that you are on track, you also need to look to the front. In today’s situation these are intricately connected because tomorrow is going to be very dynamic’.*

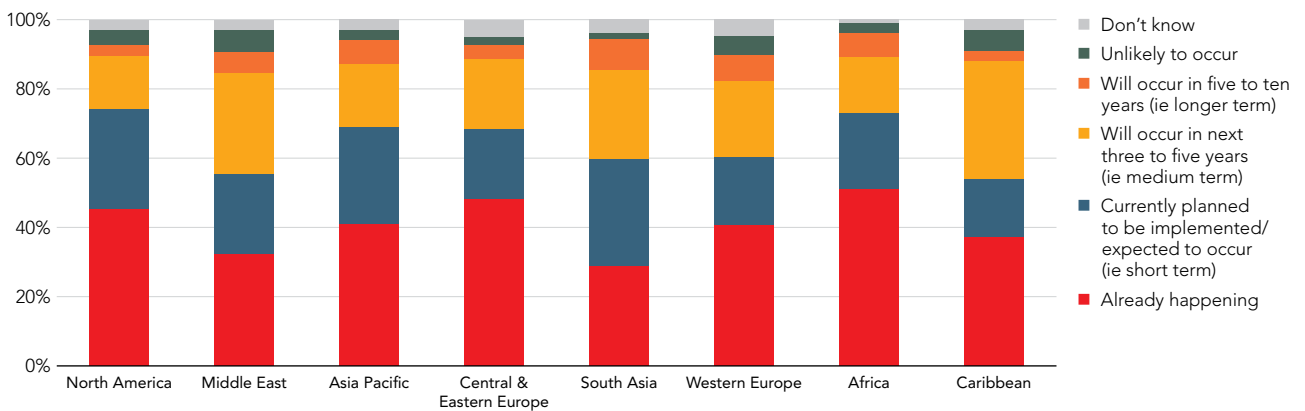
This hypothesis explored the extent to which CFOs are now required to be more forward thinking across the broader performance agenda (Figure 2.9).

Kevin Jones, CFO of SA Power Networks, commented: *‘From chief financial officer to chief performance officer is actually a transition. Some organisations are thinking that way, but it is by no means universal’.* He continued: *‘the ability to define what performance looks like in an entity is fundamentally a contention for the soul of the place because you get to say what is good and what is bad. If you have got that you are largely running the show. It is a space that CFOs and finance functions want to play in’.*

Clearly the opportunity for the CFO is being grasped in this area. Developing forward-looking insights places the finance community at the heart of the business and the decision-making processes. This moves the agenda away from a purely financial focus to a position that embraces all elements of performance and is aligned to the intensifying focus on an entity’s purpose.

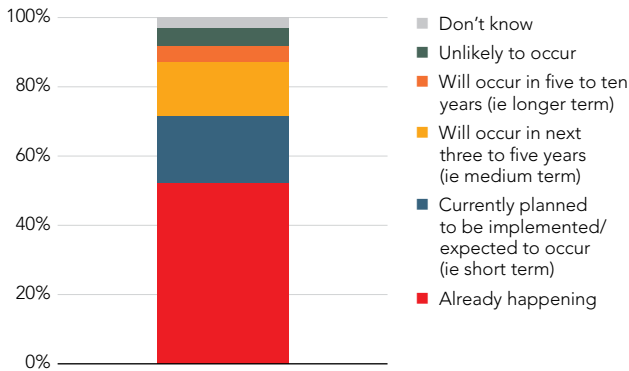
Febri Ciuputra, a finance director based in Indonesia, noted that *‘the CFO should be able to advise the business on the risks and manage the risks while business is progressing, driven by CEO. [The CFO must] ensure the risks do not harm the business and business is conducted in ethical manner along the way’.*

FIGURE 2.9: Will CFOs provide greatest value to their entities through forward insight rather than retrospective reporting, becoming a chief performance officer?



To achieve this level of insight into performance there needs to be an entity-wide focus on data and data integrity. This is applicable not only to financial data but also to non-financial and operational data. Insight is driven by effective and accurate data and a supplemental question was asked in the survey to find out whether data integrity across the entity was becoming the responsibility of the CFO (Figure 2.10), reflecting the debate around the role of the chief data officer in relation to that of the CFO.

FIGURE 2.10: When do you consider that the CFO will have responsibility for processing data and the integrity of both operational and financial data throughout the entity?



One of our roundtable participants, **Gwen van Berne** of RIPE NCC, the Netherlands, commented that, *‘the CFO is really in a good position to have access to information, and to share the data across the entity, and to make sure that they use the data well, to do proper forecasts and scenario planning’*.

Matt Dolphin of transport company Greater Anglia noted that *‘we need one version of the truth. We don’t want [a] shadow finance [team] growing up or shadow information customers’*.

CalCPA’s **Brad Monterio** commented that CFOs *‘are obviously data stewards, data interpreters, if they are not data scientists themselves’*.

Clearly, the CFO has a significant role to play in the management of data across the entity. The relationship between the CFO and those responsible for data and information technology is key. This is certainly an area that is evolving but one that CFOs of the future ignore at their peril. The role of the finance function in providing insights at a strategic level is discussed in ACCA / PwC’s report *Finance Insights – Reimagined* (ACCA / PwC 2020) and the use of analytics by finance is discussed in *Analytics in Finance and Accountancy* (ACCA / CA ANZ 2020).

THE RELATIONSHIP BETWEEN THE CFO AND THOSE RESPONSIBLE FOR DATA AND INFORMATION TECHNOLOGY IS KEY. THIS IS CERTAINLY AN AREA THAT IS EVOLVING BUT ONE THAT CFOS OF THE FUTURE IGNORE AT THEIR PERIL.



Career progression

INCREASINGLY, CFOS WILL HAVE THE CEO ROLE AS THE NEXT PROGRESSION IN THEIR CAREER DEVELOPMENT.

The development path of the CFO towards their next career step is an important matter. Many of the roundtable participants talked of the importance of the relationship between the CFO and the CEO in driving a successful entity. Is a CEO role the next step for the CFO? Figure 2.11 shows the regional response rates, which show greater variation across this hypothesis than some of the others. There was low support for the idea that CFOs were progressing to CEOs in their careers at present, although across all regions it was claimed that this trend would increase.

Matt Dolphin cautioned, 'you want the CEO to be different to the CFO. You want a different mindset. You don't want everybody to be the same'.

David Harris of the UK's Chase Plastics noted that he was a chief executive in a business before he became a group CFO. He considered that the developmental path from CFO to CEO was valid as a potential route, but it does not mean that CFOs have to follow that path. He also considered that quite a few CFOs had stepped into the chair role.

For **Ruban Ghandi**, the key point was the kind of CEO that the CFO had worked under, and he considered that this played a big part in career progression.

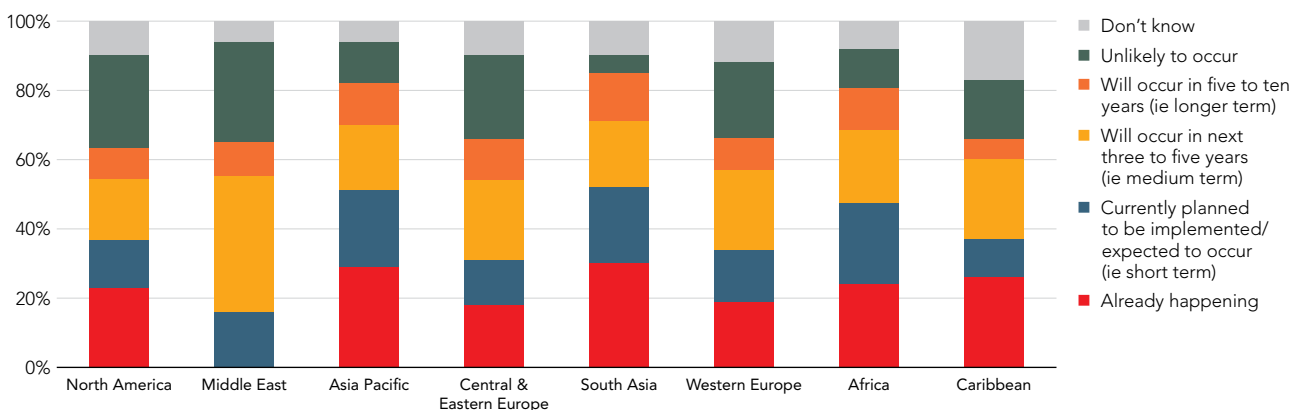
Paul Simmons, a CFO in the hospitality sector, expressed the view that in his sector you are 'seeing a lot of CEOs coming from the finance sector, previously having been CFOs. A lot of this is because the CFOs are becoming more generalist, with an analytical perspective and a numbers background, which makes them good CEOs'.

2.6 In conclusion

Considering the responses to all the hypotheses, it is clear that the successful CFO has a broad agenda that is not bound by the financial aspects but rather places them in context. The CFO role is essentially strategic and forward looking. It is one where the financial competence of CFOs and their teams is a given. The changes foreseen in the nine key issues and priorities that were identified in 2012 (Lyon and Lawson 2012) are coming to fruition. The role of the CFO is changing and will continue to do so.

Yet many of the roundtable participants sounded a note of caution. They argued that it was easy to be over optimistic. While it was easy to articulate the journey, there were many CFOs who were struggling with the changes in the role. Many commented that the CFO role was increasingly becoming one of a change agent – working with entities for a short period of time, say three years, on bringing the finance teams forward before moving on to the next challenge. There were equally a number of long-tenure CFOs who would not fit that agenda and the result was that their entities were failing to reap the benefits of the technology and data revolution that is necessary to support this shift in role.

FIGURE 2.11: Increasingly, CFOs will have the CEO role as the next progression in their career development



**THE CFO ROLE IS
ESSENTIALLY STRATEGIC
AND FORWARD LOOKING.**

”

3. CFO of the **future skill set**

3.1 The necessary skills

The skill set of the CFO of the future is a broad one. The survey respondents and roundtable participants both indicated a broad range of skills that the successful CFO needs. These will be tailored to the circumstances of the entity for which they work, but they may be fit into a number of core areas (Figure 3.1). These core areas build upon the skills of the professional accountant of the future, the seven quotients, as identified in ACCA's report *Professional Accountants – the future: Drivers of change and future skills* (ACCA 2016).

The CFO role now includes a wide range of skills, as the perspectives of the roundtable participants indicate. This skill set is not a 'one size fits all'. It is adaptable according to the size of the entity and the nature of

its operations. Yet these core components reflect the values of the CFO and acknowledged areas of focus: transformation, risk and governance, speed of business change and resilience (see Figure 1.3).

Jignesh Sanghvi, CFO at the Dubai Multi-Commodities Centre (DMCC), saw that *'gone are the days when CFOs [were] expected to do the number crunching and report the numbers at the end of the month, quarter or year end. It is more a proactive role and trying to be a better business enabler rather than trying to be a kind of reporting mechanism'*.

Greater Anglia's **Matt Dolphin** commented: *'I see the CFO role as core finance, as governance, as reporting accurate numbers and ensuring that the entity is making money – this is the core competence. But it is also about understanding what is going on in the rest of the business and making sense of that in terms of the overall strategy, including the digital agenda'*.

Pfizer's **Richard Cunningham** commented that for him, *'the strongest attribute of the CFO is actually navigating through ambiguity, using all kind of data and resources and really helping the CEO to drive the business'*.

The pandemic has reinforced the CFO's responsibilities beyond the traditional finance function, and the implications of these for the role. This not to say that the CFO has to be a master of all these areas, rather that he or she needs to be sufficiently conversant with them to identify strategic opportunities, synergies and risks.

FIGURE 3.1: Skills of the CFO of the future



3.2 Technical and ethical skills – financial acumen

The fundamental givens for the CFO are technical and ethical skills. Although many people assume that they have these capabilities, it is not the role of the modern-day CFO to undertake the ‘number crunching’ themselves. Rather, the main requirement is the expertise to understand the issues that lie behind the numbers and the disclosures. To have the ethical lens that entrusts the one version of the truth to its stakeholders and provides the context for the subsequent engagement with them.

For many CFOs, these are skills that they started to develop through their qualification path. Their ability to operate is predicated on the existence of these skills. For many CFOs the qualifications have changed since they obtained them. Both ACCA and IMA refresh their curriculums to include newly relevant skills, however for those post-qualification there is a need to ensure that they maintain those skills.

Sofitel’s **James Lee** sounded a note of caution. *‘If you compare the ‘bean counter’ of 30 years ago with the bean counter of today then the bean has been transformed. As the CFO of today, you need to know a lot more about the beans, where they come from, what do you produce, is it good for the environment? Even the simple methods are now multidimensional. That makes our role remarkably interesting. It is a question of trust.’*

Another CFO commented that soft skills were definitely important because, as you progress within the entity, technical skills are taken as a given. For her, a qualification was essential. Nonetheless, to be an effective CFO not only must you continually develop professionally but you must also cultivate the softer skills that ensure that you can influence other people even more because you have to influence not only your team, but also other C-level executives and you have to be able to influence stakeholders within the board meetings and meetings with investors.

As entities increasingly focus on the three Ps – people, purpose and profit – the need for CFOs to broaden their understanding of the regulatory and other requirements around agendas such as those associated with the human and natural capitals becomes ever more important.

3.3 Strategy and business acumen – the CFO and the CEO

The relationship between the CFO and the CEO is one that is often key to the success of the entity. At the heart of this relationship is the ability to drive the entity forwards.

Febri Ciuputra of Dyno Nobel, Indonesia, commented: *‘the CFO role these days is more like the CEO is expected to be. The CEO looks at things more broadly but as the CFO you need to give the broader perspective but with the ability to see more detail in order that you can give advice’.*

The role of the CFO in providing a check and balance to the CEO was cited by many.

Dato’ Merina Abu Tahir of Tabung Haji, Malaysia, noted, *‘we support the CEO in giving focus on the fundamental and critical areas that need attention’.*

Many of the roundtable participants explained that the CFO needed strong business acumen. One commented that this was based upon the practical application of their core studies, which had been reinforced by experience.

Marcel Mehli, a regional CFO of global software company Oracle, commented *‘I think that business acumen is more and more important. As a CFO you really need to understand the roadmap and the details of the business such that you can measure risks and opportunities’.*

Another CFO commented that it was important for CFOs to understand the core business activity fully; for example, if they are in manufacturing they need to be able to manage the inventory or, if they are in a service industry, to know how to provide the service. They need to get really involved to understand the business.

The CFOs of the future clearly need to have a strong ability in business strategy at their core. The pandemic has reinforced the need for agility and a practical understanding in these rapidly changing times.

As entities focus on resumption and recovery concepts such as the minimum viable entity (itself developed from the concept of the minimum viable product – one with enough features to make your first customers happy, but nothing more) the CFO's role in ensuring the financial and operational resilience of the entity is important. Many of the CFOs interviewed felt that the VUCA² world (perhaps refined as VUCA 2.0) was one that they would need to note as the model of the future. The adaptability and flexibility that this brings with it to underpin the importance of a sense of business strategy and knowledge.

One area that many of the roundtable participants opined that they needed to embrace more fully was marketing. As the impact of social media on the success of the entity grows, so the need to be involved with it more strategically has increased. One roundtable participant cited the reality for them, that the pandemic had changed the way in which they needed to communicate with their customers. Strategic and rapid responses were the order of the day.

3.4 Risk management, governance and the CFO

For many CFOs, the risk management agenda is a further core aspect of the role. This has been heightened by recent events, where many CFOs consider that risk management should be a higher priority. One CFO commented that in their risk management assessments before the pandemic they only saw an upside to the growth of their business. They now recognise that they should have been more rigorous in their planning and risk assessments. The consensus of views is that the risk management aspect of the role will increase in importance as businesses seek to recover and achieve stability towards 2021 and 2022.

Oracle's **Marcel Mehli** encapsulated this view by commenting that the CFO needs to measure and manage both short-term and medium-to-longer-term risks. The key question for him was *'how do you make the company less vulnerable in the future?'*

For **James Lee**, risk management was an important aspect of the role. He considered that the *'CFO manages the risk introduced by [the] business or [the] CEO'*.

Another key aspect of the CFO is ensuring appropriate governance and internal control.

Bhavesh Shah, a vice-president of finance and operational excellence for ConvaTec, based in Singapore, commented that with the developing role of the CFO: *'it does not mean that we can take the eye off compliance or audit. It does not give us any leeway at all.'*

Wang Yi noted that, *'one expression I heard before [is] that [being] CFO is the cradle for [becoming] CEO; in my opinion, it might not be [the] cradle itself, the other side of [the] CEO is [the] CFO.'*

3.5 Data and technology

The changes in data availability and technology have a strong influence on the CFO of the future. Although CFOs do not need to be technology gurus, they do need a working knowledge of the technological possibilities for the entity. This starts, however, with the business model itself and how that defines the entity. From this, the data model is constructed and then the possibilities for using the technology to create value for the customer and insight for the leadership.

Rose Mwaura of the Council of the Institute of Certified Public Accountants of Kenya, explained that in her view the role of the CFO has totally changed from when the sole focus was on a technical accounting perspective. *'We are seeing that the CFO has to have a good knowledge of, for example, cybersecurity, data analytics and the value drivers of the business'*.

2 Volatility, uncertainty, complexity and ambiguity – a term first defined by Bennis and Nanus in 1987. Bill George has defined VUCA 2.0 as Vision, Understanding, Courage and Adaptability (George 2017)

The CFO's responsibility extends into the risk-management aspects of the technology and data agenda.

Rizwan Khan of Panoval, Vietnam, commented that since the outbreak of the COVID-19 pandemic and the switch to working from home by more people, he had seen a rise in the number of cyberattacks. He explained that while the nature of the attacks had not changed, their volume had increased, with a greater emphasis on the exploitation of intellectual property. He noted that, as he had a joint CFO and CIO role, he understood the issues but for a CFO with *'very limited skills in this area it would be very challenging'*.

James Lee added to this by noting that, in his view, *'Cyber risk and business continuity is the expectation of a finance leader'*.

As commercial advantage is increasingly gained from technology, it is important that the CFO understands the agenda for technological transformation and the need to have the necessary skills in their team to address the challenges from this.³

3.6 Leadership and communication

The CFO role is naturally a leadership role and CFOs require the skill sets to fulfil this.

ACCA's **Colin Gilchrist** explained that leadership was an important aspect of his role: *'I have the ability to manage the team and I delegate the things that I don't need to [oversee]. I don't need to be micromanaging. So, it is important for me to find people in roles who I can trust and [who will] escalate things to me when needed'*.

The leadership attributes include the following, in no particular order:

- **trust and delegation** – combined also with coaching and mentoring to give effective leadership to a team who may often be geographically dispersed
- **storytelling** – the ability to develop the narrative and make it meaningful to the relevant individuals

- **advocacy and influence** – to use the narrative to lead to an outcome
- **disruption** – challenging the accepted view and developing alternative, viable, solutions to problems and issues
- **a global view** – having the wider view but being able to apply this locally
- **intrapreneurship / entrepreneurship** – being able to innovate and to think ahead in relation to opportunities and to recognise those that are viable for the entity
- **resilience** – in achieving tasks and being able to drive to conclusions and results no matter the obstacles
- **diversity and inclusion** – recognising a range of ideas from a variety of perspectives and encompassing these across the decision-making process, embracing the evolving nature of the customer base and the workforce
- **customer centricity** – both internally and externally placing the customer at the heart of the approach.

Jasper Tay, CFO of a motoring association in Singapore, noted, *'I think that the soft skills that the future CFO requires will be very different from the traditional ones, where s/he will need to be able to remotely managed his/ her team [while] ensuring key performance outcomes are met'*.

Many of these attributes are reflected in those of a business partner and can be developed from that experience. CFOs need to take them to the optimal level, however, ensuring that they can lead their teams effectively.

As we progress through the after-effects of the pandemic, being able to lead through a period of complex change is becoming a fundamental skill. Many look to the CFO for leadership across the entity and, as those who contribute to the entity become ever more geographically disbursed, so the need to be inclusive in driving and sustaining change will fall ever more on operational leaders throughout the entity. The recent acceleration in the pace of change was cited by some of the roundtable participants as a significant issue that they faced.

³ ACCA considered the role of the CFO in executing digital transformation in Cui and Webb (2019).

3.7 Supply chain

Many of the roundtable participants considered that the supply chain was an area of increasing importance. One CFO commented that one challenge for him, and one especially highlighted by the pandemic, was to align the supply chain to the entity's purpose and cost model. Managing the supply chain is no longer just a procurement issue and the CFO needs to master its complexity, especially when that is aligned to the implications of ethical sourcing and supply-chain resilience. Supply chains may need to be rebased to more local options, where practical, and the recognition that a premium may need to be paid for resilience is one that affects the financial stability of entities as well as being significant at operational levels. One CFO cautioned that substitutes for some supplies may not be readily available in local markets, yet political factors may well influence some aspects of sourcing decisions.

3.8 Investor management

Investor management and the broader stakeholder agenda are important aspects of the CFO's role. To have the ability to tell the entity's story, one that increasingly involves perspectives across the three Ps, the CFO must be conversant with the varied strategies of business units across the entity.

One CFO commented that as we increasingly think across the capitals, as suggested in our fourth hypothesis, we need to be mindful that the definition of 'investors' cannot be solely limited to those who have a financial stake in the business. Increasingly, investors are those who provide other capitals and it is important that the CFO of the future learns to engage with these new 'investors' as well as those more traditional ones.

3.9 Consulting

Many of the CFOs interviewed considered that they were the ultimate internal business consultant. There was a narrowing of the gap between the traditional financial responsibilities and the strategic advisory role. The CFO role of providing strategic advice across the business was especially important. In many cases, the CFO acts as a super-connector, drawing together the strands of activities across the entity.

One CFO commented that he would not see the role as a 'consultancy'. To him it was more akin to a partnership as the CFO is a real internal partner focusing on financial health and any other key performance indicators that are in place.

One portfolio CFO operating in the small and medium-sized business sector said that she was studying for the Chartered Management Consulting qualification as she believed that this provided additional skills that were relevant to the role. Many of the roundtable participants commented that these were skills that they learned by experience. It was not a question of leadership training, but rather of having support from others to develop the necessary insights.

3.10 Transactions

As the shape of the business environment continues to evolve, the nature of transactions will also continue to change, whether the acquisition or disposal of a segment or an entire business. The pandemic has forced entities to think about their core operations and liquidity. The impact of this will continue to be felt for some time.

Traditionally CFOs have been involved in the financial side of transactions. Yet with the current rapid shift in business models and the required speed and agility to deal with this, they cannot ignore the post-transaction steps of integration or divestment. The comprehension of the synergies is an important aspect of the role and, as CFOs become increasingly involved in the overall execution of the strategy, this is an important area.

THE CFO ROLE
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”

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FULFIL THIS.**

”

4. Developing the CFO of the future

4.1 The development path is changing

Career paths are being disrupted. In its report *Future Ready: Accountancy Careers in the 2020s*, ACCA (2020) identifies 20 factors that are changing the landscape of careers in the profession. The career choices that people make are changing too. The traditional ladder approach to careers where one role follows another is changing into more flexible pathways that embrace a variable range of career choices (Figure 4.1).

Against this background, the established route to developing CFOs is changing. How can we ensure that a generation of robust successors is being prepared for this challenging, dynamic and rewarding role?

Sandra Quinn, a partner at Dublin-based recruitment firm Barden, commented that from the CVs that she sees only 10%, at most, of those submitted fulfil the criteria that the clients are looking for in the CFO. Many people think that they are ready, but they lack the breadth of experience necessary to fulfil the expectations. Alastair Barlow of flinder commented that this did not surprise him because a lot of what people are looking for from a modern CFO is not necessarily things that are taught.

4.2 The next generation

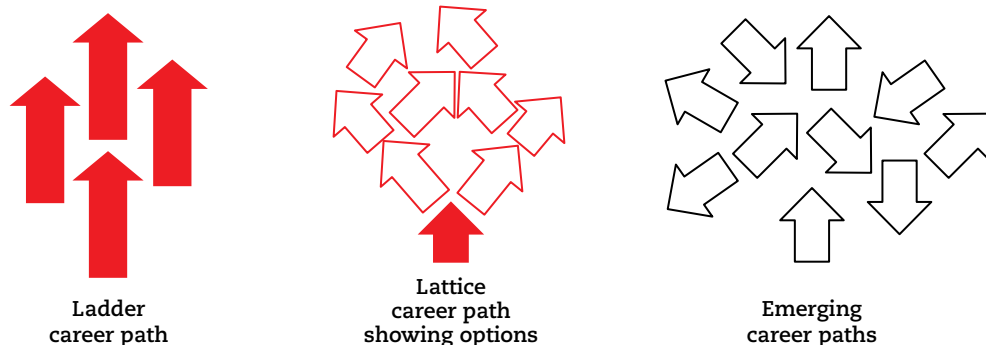
Of the survey respondents, 45% overall (Figure 4.2) indicated that insufficient attention was being paid to developing the skill sets of the next generation of CFOs, with a further 21% not being sure. Having a strong community of future CFOs is essential to the finance and accountancy profession and it is vital to have the development paths in place.

FIGURE 4.2: Do you think that enough attention is being paid to developing the skills of the next generation of CFOs?

- Yes, 34%
- No, 45%
- Not sure, 21%



FIGURE 4.1: Career path evolution



When the results for the CEO and CFO respondents were evaluated, 41% of the CFOs claimed that not enough attention was being paid to this issue, in comparison with 25% of the CEOs (with 18% of CFOs and 5% of CEOs not being sure). Clearly, this is perceived as more of an issue in the finance community than in the business leadership overall.

In the SME community, 52% of the respondents indicated that there was insufficient attention being paid to the issue. Particularly in this community, the growth of the future generation of CFOs remains a challenge. While the 'groom and succeed' model may work for many mid-sized and larger entities, for the smaller ones the CFOs need to develop their skills in other posts elsewhere. The role of the portfolio CFO remains one way of developing these skills and an increasing number of small and medium-sized practices (SMPs) are offering some form of this as a service.

The survey respondents were asked to consider where the next generation of CFOs might come from.

There was a clear preference for finance business partnering experience, with 57% of respondents (Figure 4.3) indicating that this was a necessary skill and 62% of the CFO respondents indicating that this was a preferred skill (compared with 42% of CEOs). As is noted above, many of the leadership skills necessary for the CFO derive from this experience.

Simon Smith believes that in order to develop their career paths, finance professionals need to focus less on transactional processing and more on delivering value to the business. *'In the case of one young finance professional, she had a data science background. I encouraged her to spend more time producing data that the business can use to drive decision making. This is where her skills can have tremendous impact. From here, she could then develop into a controller, a business partner, and eventually a CFO.'*

FIGURE 4.3: Where do you think the next generation of CFOs will be coming from?

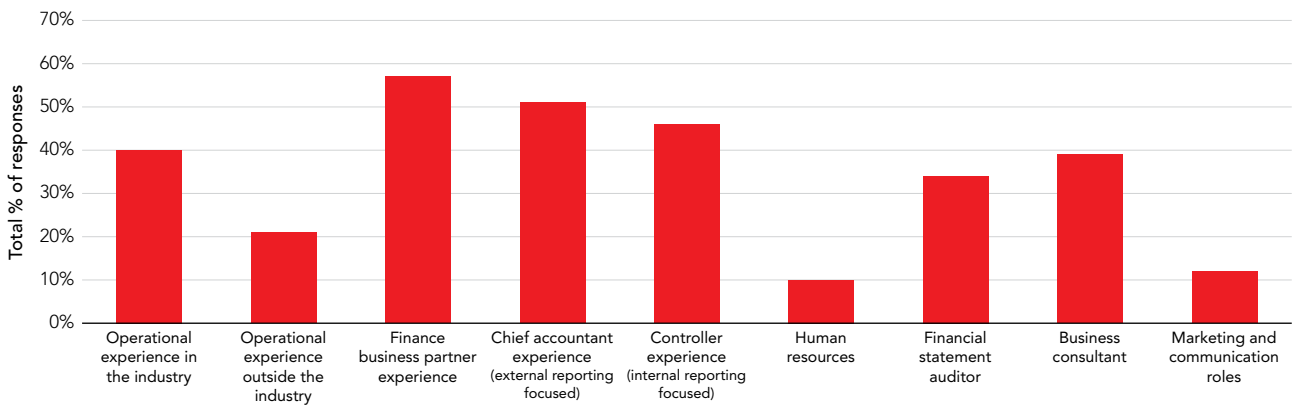
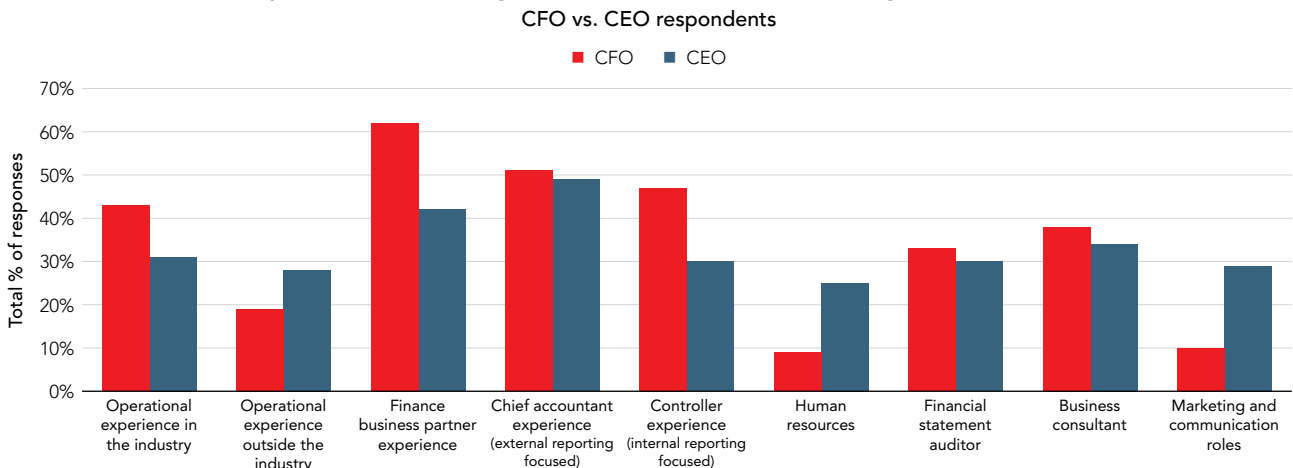


FIGURE 4.4: Where do you think the next generation of CFOs will be coming from?



There were also regional variations in the response to this question (Figure 4.5) with differences between the business partner experience and that of the chief accountant.

The survey results also show that the route from being a financial statement auditor to being the CFO of an entity is less popular than may previously have been perceived to be the case.

Figure 4.6 shows an assessment by sector. The financial statement audit experience is seen as more important in the larger financial sector businesses, with industry experience more important in the corporate sector.

ACCA's **Colin Gilchrist** commented on his own career development path. *'I genuinely believe that I have benefited from the broad range in my career. I spent 15 years in transformation and change roles before coming back to be a CFO. It gives me a lot of empathy for the challenges of my colleagues. I have learnt a significant amount of skills that have stood me in good stead.'*

Sofitel's **James Lee** commented, *'experience is something that you cannot find in the classroom. As CFOs we need to share and learn from each other. This will also help us to remove the barriers for future leaders.'*

FIGURE 4.5: Where do you think the next generation of CFOs will be coming from?

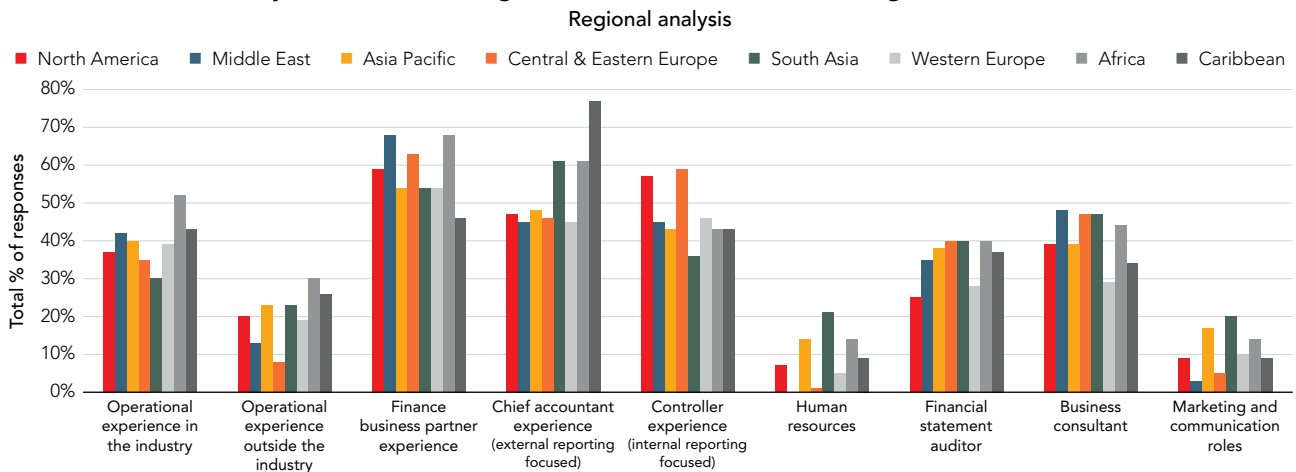
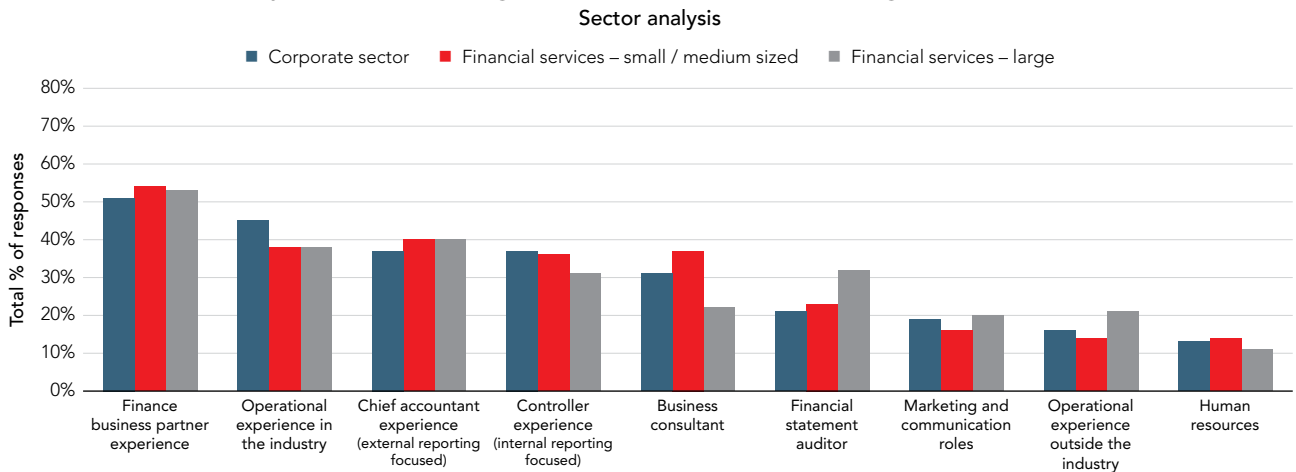


FIGURE 4.6: Where do you think the next generation of CFOs will be coming from?



4.3 Qualifications and recognition

The importance of qualifications and recognition was evaluated with the survey respondents, of whom 49% indicated that a CFO-specific qualification would be appropriate in the medium term (Figure 4.7). An analysis of this response by region (Figure 4.9) shows that the preference is strongest in developing markets.

Figure 4.8 shows a comparison by sector. Across all sectors represented there is a strong preference for both a CFO-specific qualification and an MBA. Somewhat predictably, the large financial service sector respondents also indicated a reasonable preference for a sector-specific qualification.

FIGURE 4.7: Which of these other qualifications do you believe will be important for a CFO in your entity to hold in three to five years' time?



FIGURE 4.8: Which of these other qualifications do you believe will be important for a CFO in your entity to hold in three to five years' time?

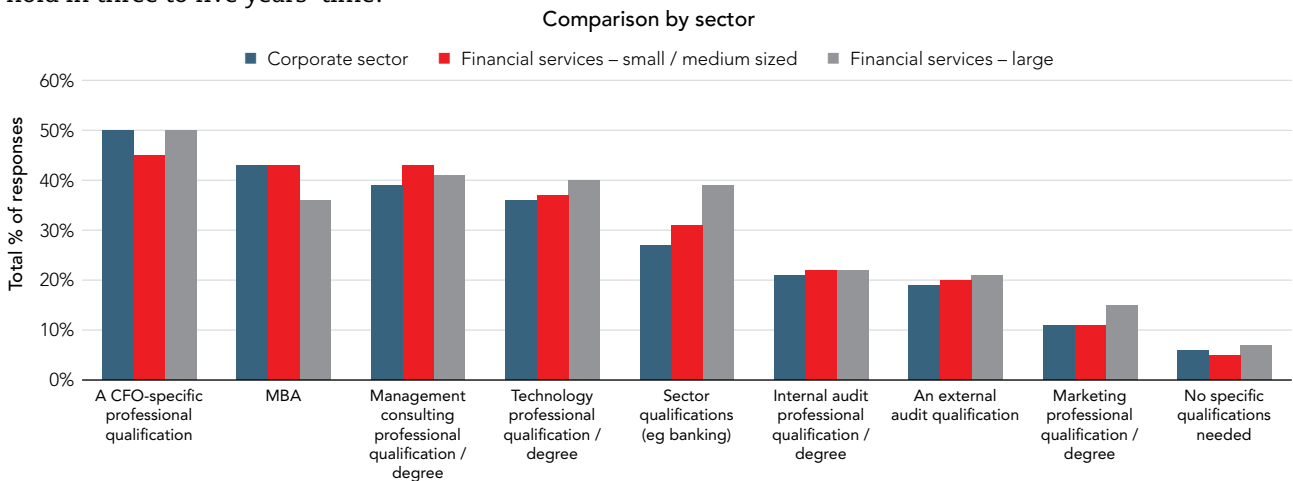


Figure 4.9 displays the responses in favour of a CFO-specific qualification by region. It suggests that the requirement is strongest in those regions where the role may be developing.

Council of the Institute of Certified Public Accountants of Kenya's **Rose Mwaura** commented, *'professional accounting organisations need to do a lot more, not only in terms of the curriculum for qualification, but also on the quality of continuing professional education so that members' skills remain relevant to the rapid changes taking place.'*

Pedro Omontuemhen, a PwC partner, commented that this progression was *'down to your drive and personality. Some current CFOs push themselves to go for the necessary training, to get an MBA, to ensure that they have the right exposure and experience to go to the next level'*.

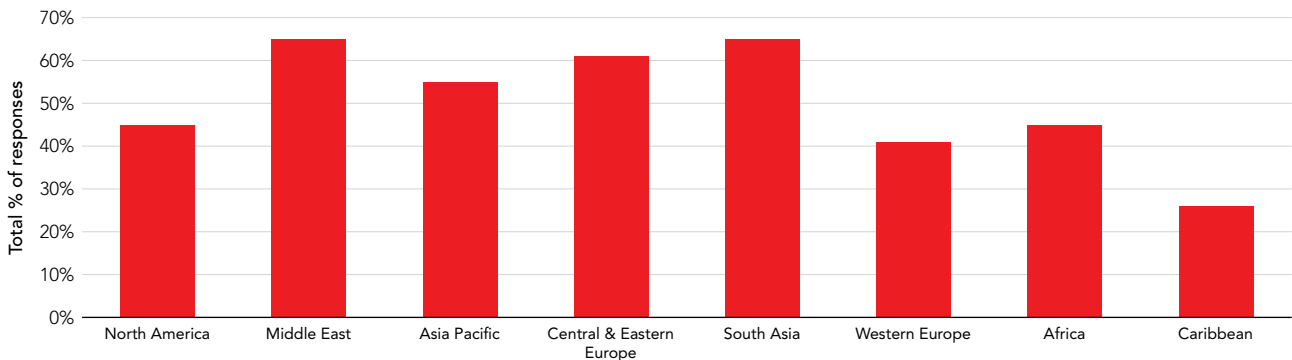
For many roundtable participants there was a sense that the initial accountancy and finance qualification provided a basis for the role but that additional skills were needed.

Many of these could not be reflected in a qualification but some experience is necessary to ensure that they possess the essential skills in data, technology and developing business models. There was also a sense that any such CFO-specific 'qualification' needed to be modular to allow CFOs to develop the necessary skill sets as they are required. Many considered that the MBA route is not, of itself, sufficient. One roundtable participant commented that the MBA only allowed them to practice what they already learned, whereas what they needed was a relevant supplement.

James Lee suggested that it was important for CFOs to establish their credentials, perhaps using techniques such as micro-credentials⁴ that are acknowledged by employers and, maybe, professional bodies. These provide endorsements of the CFO's developing skills and project experience.

Other CFOs commented on the relevance for forums aimed at them and their colleagues. Many saw the sharing of experiences in their community and with leading subject experts as a good way of ensuring that they remained relevant.

FIGURE 4.9: A CFO-specific qualification – favourable responses by region



4 Often created or accredited by leading universities, micro-credentials are professional credentials designed to help individuals build in-demand career skills.

4.4 Developmental pathway

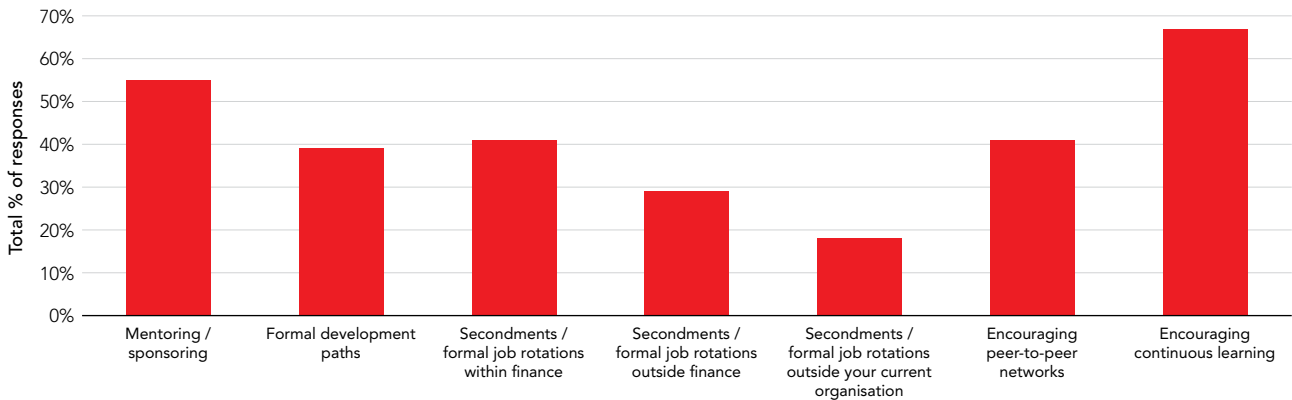
Developing the next generation of CFOs was seen by many as a challenge. The experiences that many of the CFOs and CEOs had had to establish them in their roles were no longer relevant. This is the challenge for those who are seeking to develop the next generation. Many of the skills that have been outlined are those that cannot be readily taught but need to be gained by experience.

Figure 4.10 shows the survey respondents' views when asked how they proposed to develop the next generation of CFOs. The responses reflect the challenge of the task, especially given the more variable career structures of today. It is important to acknowledge the importance of informal learning and peer-to-peer networking in this process, as many of the core skills cannot be directly taught. This applies no matter what the size of the entity, so those who aspire to become CFOs must be encouraged to participate and learn from the experiences of others.

The need to have development activities that identify the most appropriate talent and to nurture it through a range of experiences is essential. These experiences need to include both operational and finance roles, as well as opportunities to network with other aspiring CFOs. As a profession, we can ill afford to leave the development of the next generation to chance. Continuous learning, typically the encouragement to 'learn-on-the-job', may not of itself be sufficient. We need to take care to develop the right people in the right way, acknowledging that not all will be able to acquire the necessary skill set.

Kevin Jones of Australia's SA Power Networks, explained: *'when I walked into an entity, they have had to hire me because there was not a successor there. I always try to leave one behind and if I can achieve it, I leave a bit of a choice. Somebody who is a safe bet and somebody who can bring something different'*. This underlines the point that it is the responsibility of the CFO of today to develop the CFOs of tomorrow.

FIGURE 4.10: Which of these active steps are you taking to develop the next generation of CFOs?



**IT IS THE RESPONSIBILITY OF
THE CFO OF TODAY TO DEVELOP
THE CFOs OF TOMORROW.**

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Conclusion

The recent pandemic has placed the CFO role at the forefront of many entities. The evolution of the role continues unabated and the range of expectations of what CFOs can do continues to increase.

The CFO role has moved away from the traditional focus solely on accountancy and finance issues. These remain fundamental to the role but are not the only aspect of it that adds value to entities.

CFOs need to embrace a diverse skill set to be successful: one that will continue to evolve and change, especially as the impact of the pandemic continues to affect societies. The reality now is that a CFO is a strategic business adviser who also increasingly engages with external stakeholders and views performance through an ethical lens, not only communicating about performance from a financial perspective but also taking into account other perspectives such as people and profit.

As a profession we need to make sure that we are developing the skill sets of the next generation to take the role forward. As traditional career paths continue to lose relevance, we need to embrace activities that develop successors, acknowledging that many of the skills needed are best developed by experience, mentoring and coaching.

As Sofitel's **James Lee** commented, *'The challenge now is to develop the professional practice of current CFOs while grooming the next generation to take over in a rapidly changing world.'*

AS A PROFESSION WE NEED TO MAKE SURE THAT WE ARE DEVELOPING THE SKILL SETS OF THE NEXT GENERATION TO TAKE THE ROLE FORWARD.





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