



The CFO of the Future

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“Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable.”

–William G. Pollard, Physicist

It has been said that success is where preparation and opportunity meet. Never has there been a more opportune time for CFOs to have an impact, with CEOs increasingly looking to them to help shape business direction and strategy. Once considered a numbers-only role, the CFO is now balancing traditional responsibilities with growing demand for data-driven analysis and insights that support growth and strategy.

Driving this change is an increasingly competitive and rapidly changing business environment, where most industries are being disrupted by new technologies and business models impacting how business is done and how customers are served. Also shaping the landscape are globalisation, an intense regulatory environment, and the rise of fast-growing emerging markets, creating greater complexity for the CFO as well as a [new set of business priorities](#).

All of these forces are redefining the role of the CFO. Louis Salamone, CFO at CityMD, a rapidly growing provider of urgent-care health clinics headquartered in New York, describes how the CFO role is shifting to “being more of a strategic partner, whether that’s finding new ways to raise capital, playing a leading role in mergers and acquisitions, or helping plan company expansions.”

Looking ahead, finance and business professionals pursuing the CFO career track – and current CFOs looking to grow in their careers – will need to closely examine and improve, if needed, their skill sets, knowledge, areas of focus, and business relationships to become successful CFOs of the future.

[Dr Ilya Strebulaev](#), professor of finance at Stanford University, saw how much the CFO role was changing eight years ago and started [The Emerging CFO: Strategic Financial Leadership Program](#) that teaches current and future CFOs skills needed to be successful today and in the future, some of which weren’t traditionally deemed important.

“It used to be that the CFO function was a very technical function and separate than the rest of the enterprise,” says Strebulaev. “CFOs were either accountants or grew up through the finance office and there really wasn’t a need to have strategic or business vision. This worked well for a long time, but has now disintegrated in the current business environment. CFOs need to be able to understand business strategy and have the skills to communicate it with other people.”

Pulling from multiple studies and interviews with finance experts and practitioners, here is a look at the most important skills and capabilities required of the CFO of the future.

Broader experience beyond finance

While a foundation in finance is important, CFOs will need broader business knowledge and operational experience as they take on a more strategic role. Kevin Loegering, vice president and CFO at Johnson Brothers Liquor Company, describes a distinct shift beyond pure finance and accounting. “There’s much more operational knowledge, influence, and acumen needed for this role,” he says.

According to the report “[Future Pathways to Finance Leadership 2013](#)” from the Association of Chartered Certified Accountants (ACCA) and the Institute of Management Accountants (IMA), current CFOs identified strategy formulation and execution as the most important experience for future CFOs. This will require that CFOs “develop much broader leadership capabilities beyond traditional finance strength, with deep business and sector-specific experience and knowledge.”

“Companies need CFOs who have taken a ‘corkscrew’ approach to their careers rather than follow a straight line.”

–From “[Developing the CFO of the Future: The Changing Role of Finance Executives in Leading Canadian Companies](#),” by the Rotman School of Management at the University of Toronto and Odgers Berndtson

Those on the CFO career track who’ve held roles (or at the very least have worked closely with others) in critical business functions outside the finance organisation – such as operations, marketing, and sales – will have stronger insights into the business and customers, an advantage when it comes to driving strategy and growth decisions.

In a study titled [Developing the CFO of the Future](#) by the Rotman School of Management at the University of Toronto and Odgers Berndtson, future CFOs were advised to diversify their experience.

According to the report, “Given the breadth and complexity of the CFO portfolio, finance executives must be exposed to as many parts of the business as possible. Companies need CFOs who have taken a ‘corkscrew’ approach to their careers rather than follow a straight line.” Broader experience also provides an opportunity for CFOs to build closer relationships with leaders across their organisations and increase their influence with peers.

Having this comprehensive experience can also better position CFOs who would like to become CEOs. According to KPMG’s “[The View from the Top](#)” report, nearly half of CEOs (47 per cent) surveyed believe their CFO would like to become CEO in another company or industry. However, “CFOs will have to strengthen their leadership skills, broaden their focus, and – most importantly – overcome their lack of experience outside of finance if they want to become a CEO.”

Navigating the regulatory environment

The regulatory environment will continue to be a critical issue for CFOs across all sectors. Future finance leaders should be adept in navigating an increasingly complex regulatory environment, whether it’s setting up new financial processes or fulfilling new reporting requirements.

Focus on data and actionable insights

Data is becoming increasingly important to business success and helping companies identify new market opportunities, improve customer experiences, drive business planning, and support change and innovation. CEOs are looking to CFOs and finance teams to deliver analytics and insights that support strategy and decision-making. In fact, according to a report titled “[The Changing Role of the CFO](#)” from the ACCA and IMA, the finance function and the CFO are expected to be at the heart of this data revolution.

CFOs and finance teams will need to understand how to harness data – beyond just the financial numbers – to tell a business story that explains context and reasons why, and answers “what if” questions.

Strebulaev agrees that this expertise will be critical. “We now live in a sea of data and have the technology to evaluate that data and make decisions about consumers, competitors, markets, and much more,” he says.

“CFOs must understand how to use all of this data – not just financial data – to understand the business and drive decisions. The companies that don’t won’t survive.”

–Dr Ilya Strebulaev

Salamone echoed the importance of being able to deliver meaningful insight to the business, and advises those on the CFO track to understand the significance of financial metrics, and know how to interpret them for the people who manage business operations. For example, what information can a manager use to better run their division?

“Don’t just say, ‘This is how much revenue your site or division has earned,’” Salamone says. “That business operations manager needs information that will help him or her run the site better, and more quickly detect areas that need attention.”

Technology will play an important role in the ability to make data timely, accessible, and relevant. New financial management systems leveraging the cloud, in-memory databases, visualisation, and mobile are enabling the CFO and finance organisations to move beyond just analysing historical financial data to accessing real-time insights about business performance. Even better, it’s making it easier to deliver these insights to other business leaders, furthering strengthening those partnerships.

Looking ahead, the CFO and finance teams will increasingly use advanced analytics to run predictive models and develop better forecasts. Understanding technology and systems – and whether they are capable of enabling greater efficiencies, agility, and insights – will be critical.

According to “The Changing Role of the CFO” report, “Tomorrow’s CFOs and their finance functions will need to be very adept in leveraging this technology. In theory, this means less time on recording and verifying the numbers, and more time making the data connections and explaining the number implications to the business – applying the finance lens on decision-making.”

Close partnership with the CIO

Building a strong relationship with the CIO will also be critical for the future CFO. Strebulaev emphasises the importance of the CFO-CIO partnership in creating a more data-driven organisation, but says it will require learning how to better understand each other.

Working more closely together, they can also evaluate what technologies and financial systems are required to support CFOs and their teams’ expanded responsibilities.

“CFOs need to partner closely with CIOs on this data-driven revolution and help them understand what kind of data they need,” Strebulaev says. “The challenge in the past has been they often speak different languages, so improving that communication channel will be important.”

Loegering says, “Part of the role is technology and information – it’s becoming increasingly important to understand systems and data, and understand and use that information.” Loegering adds that this focus has forged a closer relationship with Johnson Brothers’ CIO. “Together we’ve driven a lot of where things are going, in terms of systems and projects,” he says.

Communication skills

A big part of the future CFO role will be not only delivering data, but communicating what that data means to multiple stakeholders, many of whom don't have finance backgrounds. Future finance leaders should seek out opportunities in their organisations to work with different stakeholders, and improve their communication skills.

This point is underscored in the "Future pathways to finance leadership" report, which notes that future finance leaders will need to "talk the same language" across a wide range of traditional finance and non-traditional finance relationships.

This is new territory for many CFOs, who have typically worked behind the scenes in the past. "One of the biggest challenges I've seen CFOs deal with is communication skills. CFOs increasingly have to present data to people with non-financial backgrounds, and many weren't trained on how to do this," says Strebulaev.

Yet by developing stronger communication skills, CFOs of the future can provide meaningful context around financial and business performance to internal and external stakeholder groups. These skills will also be important for building strong relationships in the organisation as the CFO takes on more leadership responsibility.

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Adaptable to change and driver of innovation

CFOs are working in a time of unparalleled business change and disruption. The CFO of the future and finance teams will need to adapt quickly to change, whether it's supporting their company's ability to move into a new market, adapt to new regulations, or create a new business model.

CEOs are also looking to CFOs to help drive innovation and transformation within their organisations. According to KPMG's "The View from the Top" report, one out of three CEOs say experience with transformation is one of the most important attributes for a CFO.

Strebulaev also views innovation as one of the most pressing issues for CFOs in the future. "We are living in an era of disruption and CFOs need to be thinking of two things: How do I make sure that my company is innovating and staying on top of its industry and what is happening when the company is disrupted - how is this impacting the business and culture?"

Risk management experience

As the business environment continues to become more complex, the CFO of the future will balance many risk implications - from traditional finance risks to emerging risks such as cybersecurity and identity threats.

As one of the leading supporters of innovation in their organisations, CFOs need to understand how disruption can impact business models, and be able to assess risk and financial results to determine where to put investment dollars in innovation. Providing data and insights that can help identify opportunities for innovation and inform strategies is also important.

For many CFOs, this may be a very different way of thinking. "Innovation means you have to take some well-calculated risks and that is challenging for CFOs who are typically more risk averse," says Strebulaev.

Global experience

The CFO of the future faces an increasingly complex global economy, with high-growth emerging markets, developed markets, and continued volatility in the financial markets all impacting business priorities and strategies. Having global experience will be a necessity. In fact, global experience is now regarded as the most important attribute a CFO can possess, according to KPMG's "The View from the Top" report.

Understanding the business through a global lens will be critical to developing the right growth strategies, especially when it comes to expanding into new markets. According to "The Changing Role of the CFO" report, "Basic building blocks [of the role] will be awareness and understanding of how different business models play out in particular regions or countries together with the different strategic challenges and opportunities faced."

Future CFOs will also need a vision for how to create a global finance team that is comfortable working across borders and cultures. "With finance responsibilities increasingly crossing borders, the CFO needs to navigate through, and embrace a vision for, the finance function that cuts across different cultures, working practices, beliefs, languages, and time zones. Global leadership will be the cornerstone of the future CFO's role," the report states.

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—The ACCA and IMA, *"The Changing Role of the CFO"*

To prepare, future finance leaders should look for opportunities to work in both developed and emerging markets, and build relationships with peers across borders.

Final thoughts

The importance and breadth of the CFO role continues to grow, shaping a future CFO that looks very different from that of the past. CFOs will need a wide range of skills and capabilities to prepare for the opportunities and challenges ahead. Whether you are a current CFO or a future finance leader, continuing your personal and professional development will be critical for success.

Consider programmes that have been created to further educate CFOs on this evolving role, such as Stanford's Emerging CFO: Strategic Financial Leadership Program. Most importantly, take the initiative within your company to gain broader experience, understand the value of data insights and the technologies required for it, develop closer relationships with technology and business stakeholders, hone communication skills, and be prepared to help the organisation drive innovation and adapt to constant change. As William G. Pollard said, "Those who initiate change will have a better opportunity to manage the change that is inevitable."

