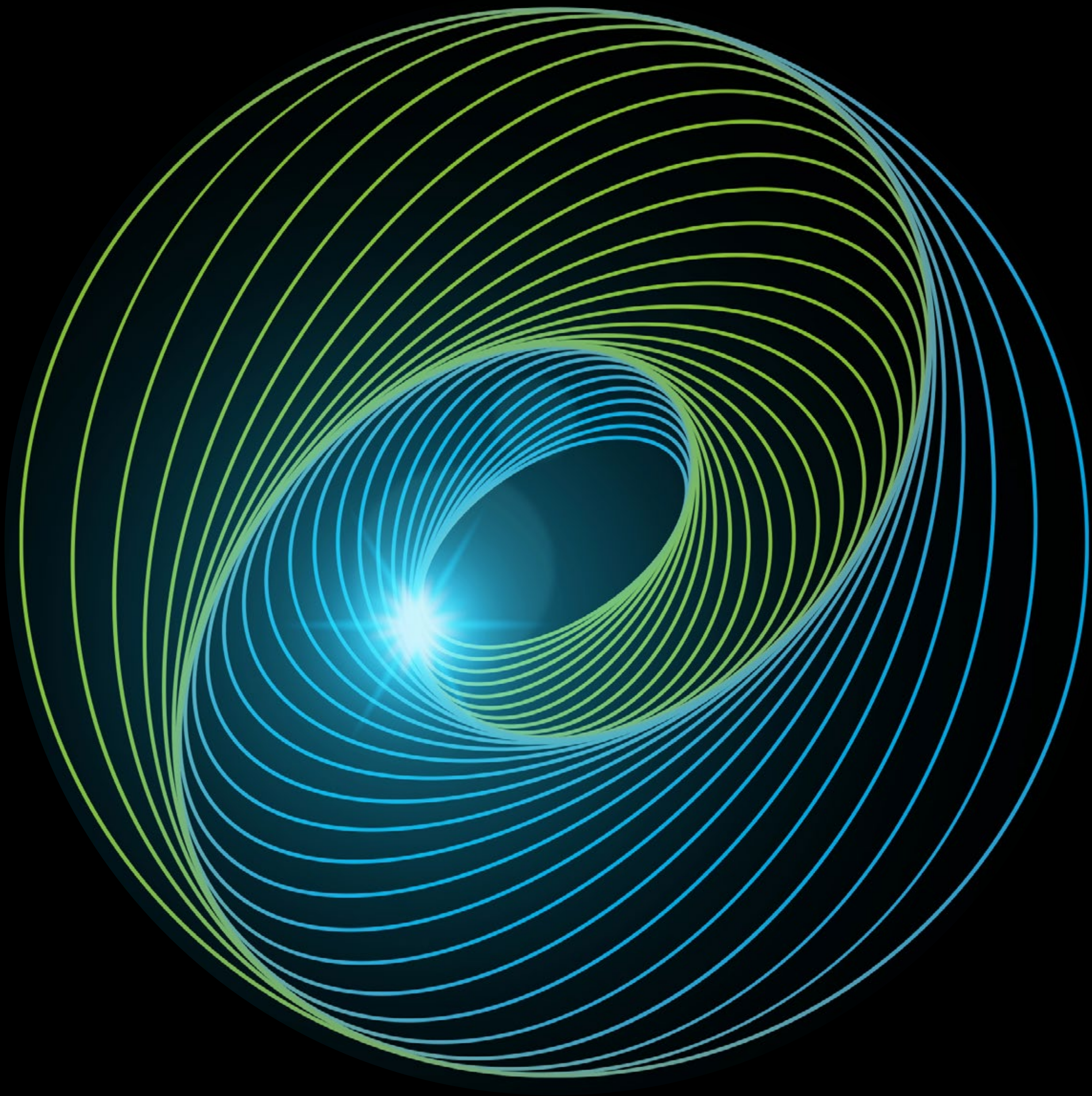
Deloitte.



Navigating the changing role of the CFO: From financial to strategic partner

November 2022

MAKING AN IMPACT THAT MATTERS since 1845

Introduction

The CFO's role has undergone a significant transformation over the past decade. Gone are the days when CFOs focused on providing accurate numbers to the organisation. The finance function has evolved: it has moved away from being a back-office function to becoming one of business's most critical and strategic functions. CFOs now focus on not only providing accurate numbers, but also on providing insights that will drive the growth of the business and ultimately advance the industry.

With business and operating dynamics shifting, CFOs are required to become more strategic. Increasingly, organisations expect CFOs to think strategically and support the executive in decision making. Therefore, to succeed in adding long-term value to the organisation, a newly appointed CFO needs to begin with a clear view and vision of the corporate strategy they intend to shape. They need to adopt a strategic mindset to tackle challenges and identify opportunities.

"My aim is to grow to be a respected, well-rounded CFO."

Every newly appointed CFO wants to lay a solid foundation to help fulfil the organisation's goals. CFOs want to make a difference, be strong leaders who drive company performance, and build a world-class finance function.[1] This desire comes with a combination of high hopes and common fears of what might be encountered along the way.

High hopes, common fears, and leaving a legacy

During their tenure, CFOs hope to achieve key goals for which they will be remembered. These goals need to align with the overall ambitions of the organisation and should make a significant and lasting impact.

Hopes

Every CFO wants to succeed by making a meaningful impact on the organisation. To achieve this impact, CFOs strive to provide sound strategic advice that builds trust in and credibility for the finance function, while also meeting stakeholder needs. They also hope to develop a robust organisation that competes across different industry segments.

"I hope to succeed and see personal goals achieved."

Fears

Gearing up for a position in the C-suite is challenging, requiring both technical and leadership skills. Many CFOs fear the failure in moving from finance as an operational function to a strategic financial leadership function, effectively becoming part of the decision-making team, as well as failure to deliver on expectations from key stakeholders such as the Executive team and Board members.

"Learn to unpack old issues, and work on fixing what is not working."

"The business rarely sees finance as a business partner."

Legacy

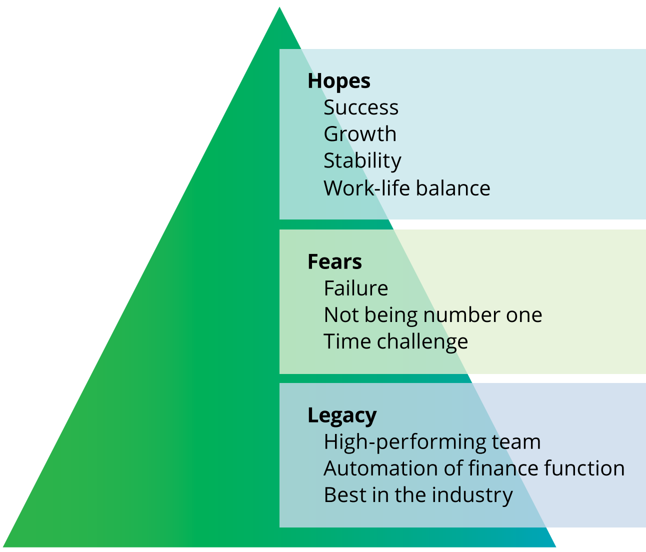
The most critical concern for newly appointed CFOs is their legacy, and what they will leave behind in the organisations they serve at the end of their tenure. CFOs frequently mention positively impacting performance during their term and exercising a strong influence on the company's future success.[2]

CFOs want to be remembered as an integral part of the business's success, bringing change to outdated business models through world-class automated finance. Automation in the finance function will effectively reduce manual effort and intervention, optimising the use of employee time, reducing process cycle times, increasing employee satisfaction, increasing quality, and gaining better management of operational data – all of which are fast becoming table stakes for any business.

"CFOs aspire to be trailblazers and want to achieve what others haven't done before."

"Build a world-class finance function, and the most innovative and digitally-enhanced finance team and organisation."

Hopes, fears, and legacies of CFOs



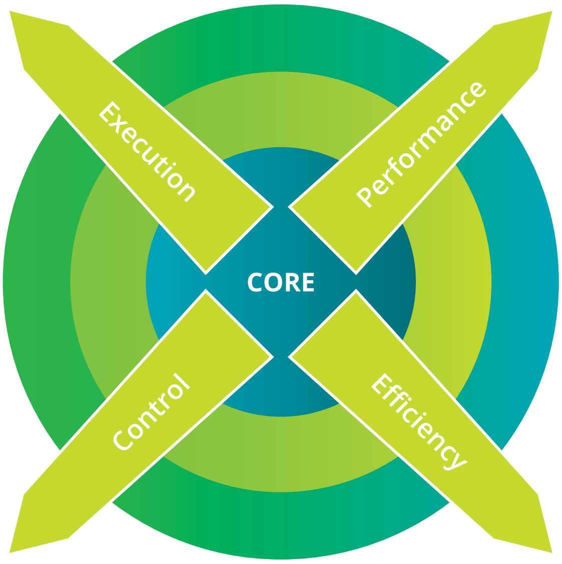
Source: Deloitte Africa CFO Transition Lab Insights, 2021-2022

Four faces of the CFO

Deloitte's **Four Faces of the CFO** framework defines the critical aspects of a CFO's role as an *operator*, a *steward*, a *catalyst*, and a *strategist*. The framework guides CFOs to clearly articulate their needs and plans to achieve key goals.[3]

Catalyst
Catalyse organisational behaviour to execute strategic and financial objectives while simultaneously creating a risk-intelligent culture.

Steward
Protect and preserve the organisation's critical assets and accurately report on financial position and operations to internal and external stakeholders.



Strategist
Provide financial leadership in determining strategic business direction, M&A, financing, capital market, and longer-term strategies vital to the company's future performance.

Operator
Balance capabilities, talent, costs, and service levels to fulfil the finance organisation's core responsibilities efficiently.

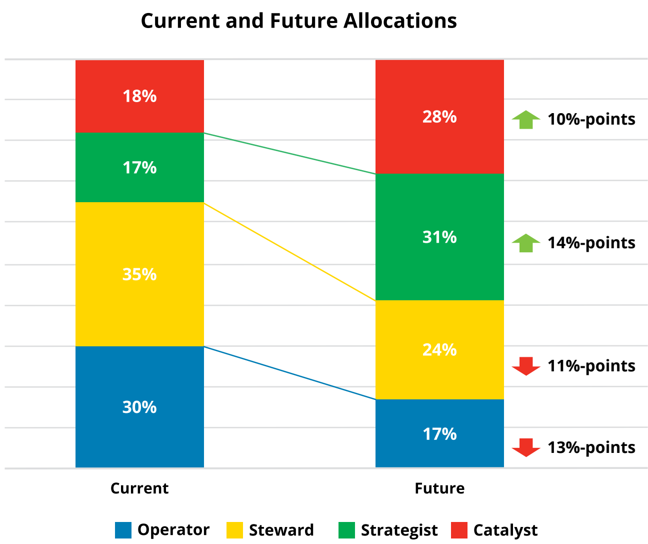
As they transition into the CFO position, most CFOs see themselves leaning towards the *operator* or *steward* role. These are essential roles: as a *steward*, the CFO safeguards the organisation's assets and accurately reports on the financial position and operations. As an *operator*, the CFO needs to be able to balance capabilities, talent, and cost to be able to fulfil the organisation's requirements efficiently.

According to Deloitte's engagements with CFOs, newly appointed CFOs tend to allocate a large share of their time to the *steward* role. CFOs spend about two-thirds of their time in the *operator* and *steward* roles, mainly because they feel it is critical to understand their core responsibilities towards the organisation and the finance function within the first six to twelve months. This approach is also driven by the business environment, characterised by volatility, increased complexity, and new regulations.

As times change, CFOs are largely called upon by CEOs, who operate in volatile environments, to be capable "co-pilots." The expectation from their key stakeholders is to add value beyond the finance function and drive the overall business strategy. In the past, CEOs have always relied heavily on the CFO from a financial advisory perspective; however, with changing expectations, CFOs need to reinterpret their role to assist and support the CEO in implementing the organisational strategy.

As such, CFOs are required to move from being a *steward-operator* to a *strategist-catalyst* for CEOs and the business. The *strategist* role focuses on providing financial guidance in defining strategic business direction and enhancing overall performance. In the *catalyst* role, CFOs assist with executing strategic and financial objectives, while at the same time creating a risk-intelligent culture.

The Four Faces of the CFO: Time allocation



Source: Deloitte Africa CFO Transition Lab Insights, 2021-2022
Note: Current: 0-6 months in the role, Future: 6 months onwards

In the future, it will become increasingly important for the CFO to fulfil these *catalyst* and *strategist* roles. In this phase, high performance and execution are essential as CFOs drive business improvement initiatives such as improved enterprise cost reduction, procurement, and pricing execution.[4] This shift will enable CFOs to be true business partners to CEOs playing the role of advisor and strategy executor, backed by credible financial information.

Defining priorities in the Four Faces Framework

Transitioning into their new role requires CFOs to identify and explore top priorities based on what they want to achieve and what is critical and urgent for the organisation. Identifying and formulating top priorities is very useful as it helps incoming CFOs to decide where they should focus their time and effort.[5] Deloitte's research shows that CFOs are transitioning towards a "top-heavy role" – the *strategist* and *catalyst* roles. These roles can meaningfully impact the rest of the organisation.

Top priorities for newly appointed CFOs:

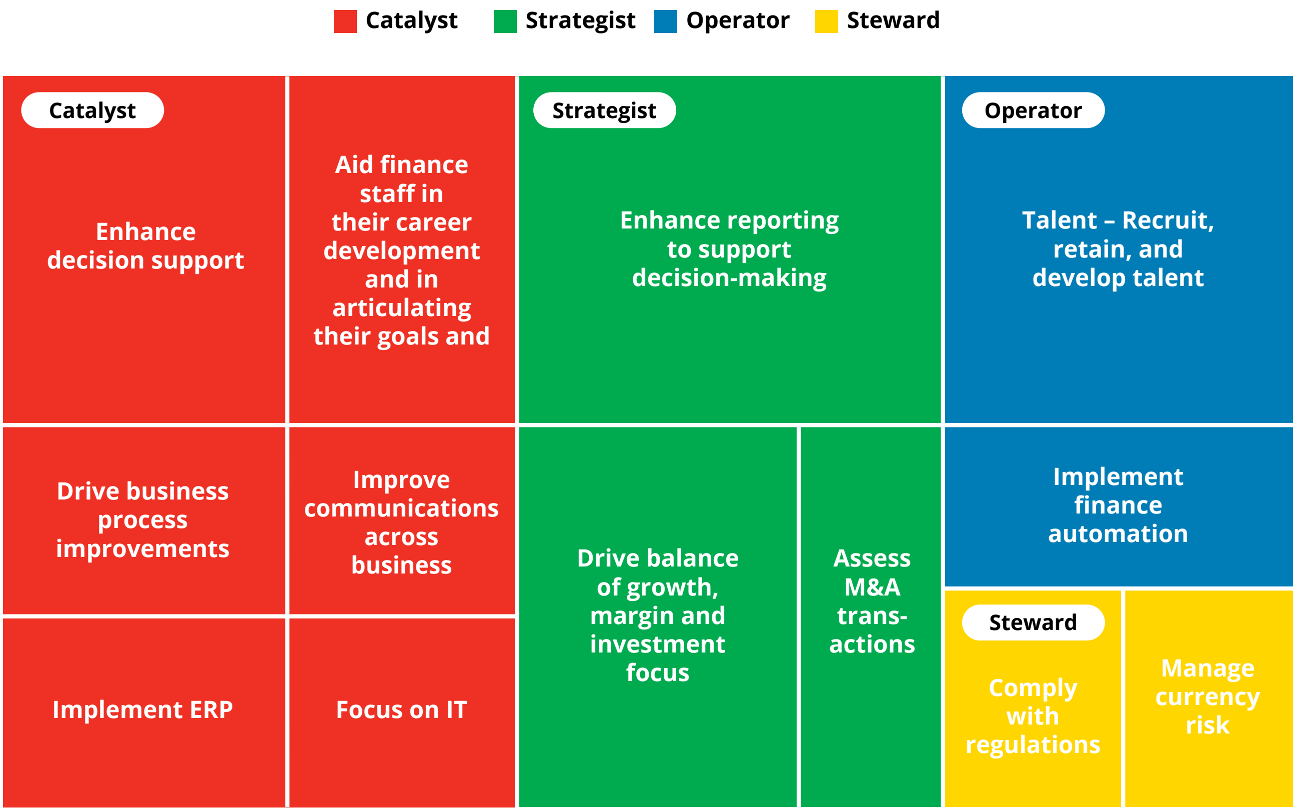
- **Support decision making:** CFOs are expected to support and drive decision making by providing effective financial reporting. This process includes leading insight-based conversations to discern the drivers of business performance and support decision making with fact-based analysis. Such initiatives assist CFOs in building solid relationships with stakeholders and supporting the organisation's strategy.
- **Setting meaningful and impactful goals for staff:** Setting attainable and realistic goals for staff creates a clear direction and aligns with the rest of the organisation. New CFOs must create an action plan to guide the finance team in their career development and to articulate their goals and aspirations. Staff goals should be linked to the organisation's ambitions, such as supporting the modernisation of the finance function through advanced or emerging technologies that will help the business to succeed and the staff to create a legacy.
- **Balancing growth, margins, and investment focus:** To drive effective growth, the successful CFO must be an all-rounder, able to balance growth, margins, and investment focus, look at cost discipline, to be able to generate more return on investments, and lead the capital allocation process. These functions go beyond finance and need to include the wider organisation: CFOs should focus on the organisation's long-term mission, vision, growth, and investments.

"A big problem is systems that are not agile enough to get ad-hoc requests out."

- **Talent:** Appointing effective talent to the finance function is essential for CFOs as they need the right staff to support them in achieving the priorities mentioned above. A high-performing team will allow the CFO to deliver sound financials and focus on the organisation's strategy. Therefore, equipping talent with rare, in-demand skills will close the gap in the workplace and maintain a high-performing standard, encouraging staff to better understand their roles and collaborate with key stakeholders. CFOs also need to prioritise their succession plan to identify potential candidates and the capabilities they need to cultivate.
- **Assess M&A transactions:** M&A transactions can create value for the organisation and the economy. Many CFOs assess M&A transactions in the first six to twelve months of their term. Focusing on acquisitions presents multiple strategic opportunities, such as expanding geographic locations, diversifying operations, and capturing market share.[6]

"There is a lot of strain created by the Enterprise Resource Planning (ERP) system. I have a plan for it which will hopefully free up some time."

Top desired priorities for CFOs



Source: Deloitte Africa CFO Transition Lab Insights, 2021-2022

Managing critical resources: Time, talent, and relationships

CFOs – particularly recently appointed CFOs – have several vital levers to help them achieve their defined strategic priorities.

According to Deloitte's research, three key levers are *managing time, talent, and relations.*[7] While new CFOs need to spend sufficient time familiarising themselves with the finance function and the organisation's financials, they are also expected to engage frequently with multiple stakeholders, take decisions and perform at a high level.

Many CFOs agree that investing in the team's foundation will ensure that their skills and knowledge are elevated and aligned to the future of finance. Ideally, upskilling the right people and putting the right processes and systems in place will enable CFOs to reduce their time in the *steward* and *operator* roles, allowing them to spend more time thinking, strategising, and executing. This shift will move CFOs towards the *catalyst* and *strategist* roles.

All this requires effective **time management**. Many CFOs note that managing their time to fulfil the various tasks is the biggest challenge that they face within the first six months of their appointment. CFOs also tend to spend much of their time in the *operator's* role, getting to know the overall corporate structure. To reduce the time they spend in *operator* mode, CFOs need to empower their teams, enabling them to act as a *catalyst* and *strategist* to the organisation. This requires building trust and understanding the qualities of their teams.

"I sometimes feel I am blind to certain perspectives; I need to step back and view this as a completely new role."

"I trust my team, but I am constantly verifying. Sometimes I over-verify, and that can come across as micromanaging."

Many CFOs believe they have the **right talent**, with a wealth of institutional knowledge with crucial pockets of excellence. This, however, is not necessarily the case across the entire team. Some CFOs, on the other hand, feel that certain reporting lines need to be fixed. In these cases, it might require the recruitment of high-performing talent to enhance specific capabilities within the team.

"The team is fairly empowered, but some feel they must double check everything with me."

Identifying important stakeholders and building and sustaining trustworthy **relationships** internally and externally is fundamental for an excellent leader to focus on strategic thinking. CFOs who invest time in cultivating critical relationships with stakeholders will succeed in building lasting relations. Most CFOs believe that part of their success rests on improving communication with stakeholders.

"My biggest surprise was how many new relationships I had to form and maintain. I underestimated how much time and effort that will require."

Looking ahead

Many CFOs are braving the storms of ongoing volatile markets and are quickly adapting to the changing world of the finance function. In today's world, CFOs need to be able to drive change in their businesses and industry. Therefore, CFOs need to relook at their responsibilities and move beyond the traditional CFO functions of accounting and reporting.

As CFOs reinterpret their roles, they need to embrace new tools and approaches. CFOs need to build an efficient and automated finance function that leverages digital technologies and evolves as the organisation evolves. Furthermore, CFOs need to focus on developing their soft skills as their future success will increasingly depend on building effective, high-performance teams, supported by an effective talent management process. As CFOs expand their responsibilities beyond accounting and reporting, and evolving into strategic partners for CEOs, they need to be able to manage diverse teams across functions.

This new scope will also require deliberate efforts to build meaningful and effective relationships across the business. These steps will enable CFOs to shift their focus away from being *operators* and *stewards* and become truly strategic partners to the business.

Methodology

This report is based on insights gained from CFO transition labs facilitated by Deloitte Africa between August 2021 and March 2022.

Deloitte's CFO programme is designed to assist newly appointed CFOs to identify and explore their priorities for the next six to twelve months as they work through key aspects of their role. The labs build on a set of selected interview questions and a carefully crafted process that achieves a breakthrough for the CFO.

Endnotes

[1] Deloitte, *Leaving a legacy—for your company, your team, and yourself,* 2019.

[2] Ibid.

[3] Deloitte, *Making an impact The CFO view,* 2015.

[4] Deloitte, *Four faces of the CFO,* 2020.

[5] Deloitte, *The four faces overview,* 2016.

[6] Deloitte, *CFO Insights Deal or no deal: Can busted M&A deals be avoided?,* 2013.

[7] Deloitte, *Managing the Transition Triangle: Time, Talent, and Relationships,* 2018.

Contacts

Kevin Black
Partner, Audit
CFO Programme Market Lead
kevblack@deloitte.co.za

Siliziwe Mafika
Associate Director Finance Transformation & Performance
CFO Transition Lab Faculty Leader
smafika@deloitte.co.za

Hannah Marais
Insights Leader
hmarais@deloitte.co.za

Authors

Simon Schaefer
Senior Manager: Insights
sischaefer@deloitte.co.za

Thakhani Murulana
Consultant: Insights
tmurulana@deloitte.co.za