2020 CFO Survey Report

Building your 'new normal'

CFOs are shifting roles to be architects of what's next

Executive summary

Recent surveys by Grant Thornton suggest significant changes are underway for both CFOs personally and the finance organizations they direct. The COVID-19 pandemic has forced CFOs to focus on leadership roles as change agents and strategists and to look for new ways to capitalize on automation, outsourcing and more effective use of their finance organizations to address more transactional guardian and producer roles. Those changes require conscious efforts to better understand, organize and leverage their finance organizations.

"Innovation will also be vital for CFOs seeking to transform their own roles and the capabilities of their departments," says Chris Stephenson, Managing Principal, Product Innovation, Grant Thornton. "But our survey results show a disconnect between CFOs' desire and ability to innovate. Focusing on micro innovations that combine people, processes and technology into new operating models can help them continue to drive their organizations forward, even during the pandemic."

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Finding 1

SHARPENING THE CFO'S FOCUS

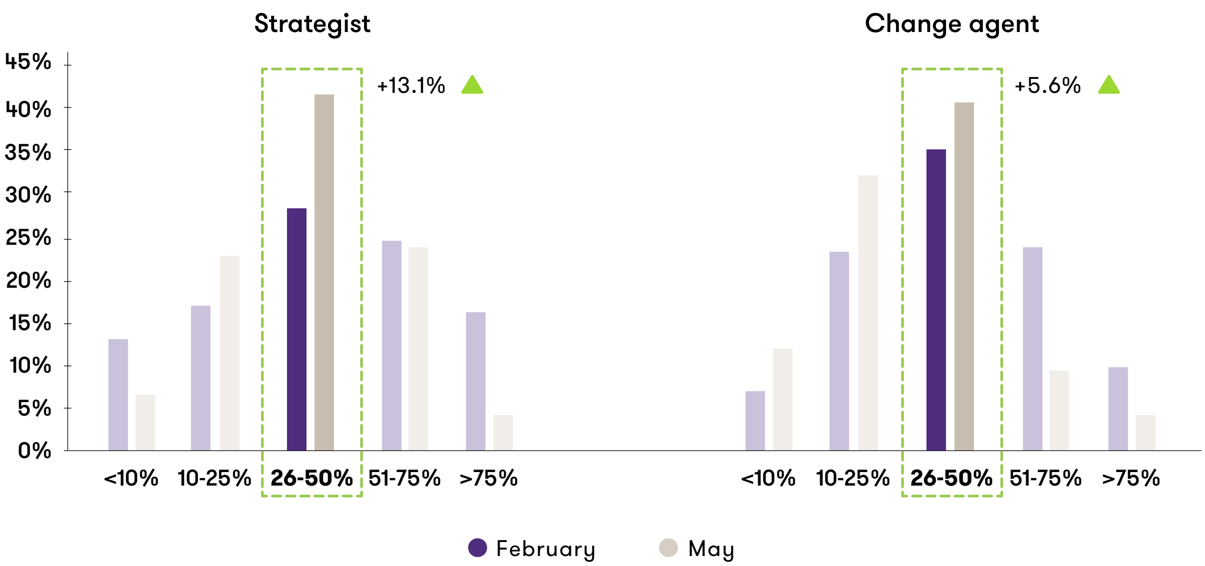
Shifting responsibilities while maintaining accountability

Grant Thornton conducted its annual CFO survey in February 2020, but, due to the massive upheaval caused by the COVID-19 pandemic, resurveyed CFOs again in May. The results illuminated significant shifts in where CFOs focused their time.

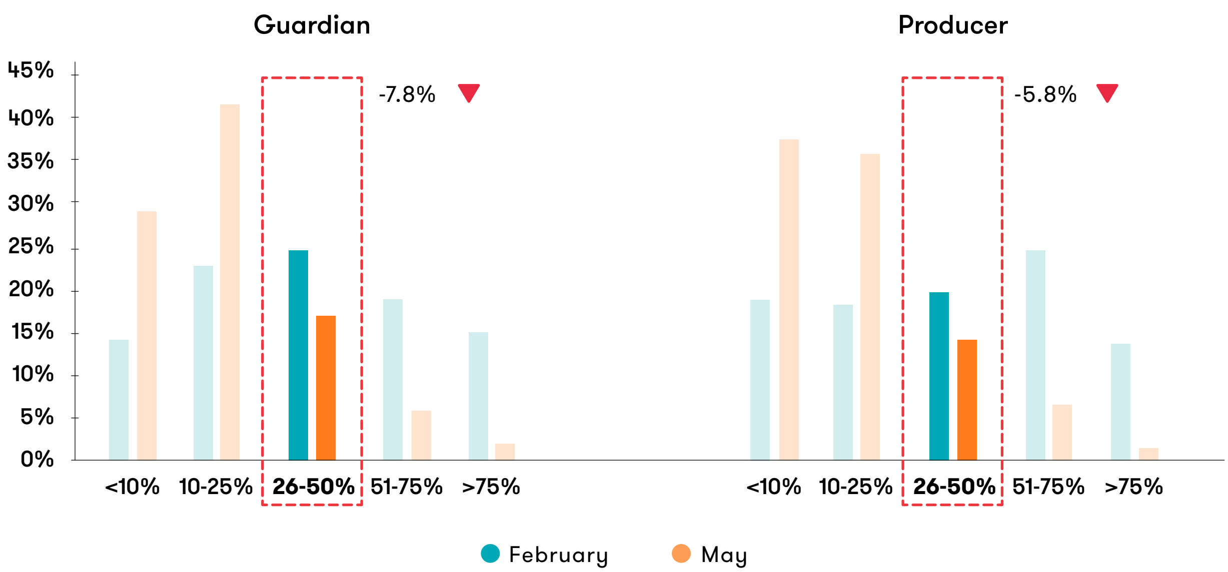
Responses to the February survey showed CFO time divided relatively equally across finance leaders' strategist, change agent, producer and guardian roles. But, as the COVID-19 crisis deepened, CFOs leaned more heavily into their leadership roles as strategists and change agents, spending less of their time as producers and guardians.

How much of the CFO's time is dedicated to acting in the following capacities?

Strategist: Analyzes business to support crafting of corporate strategy; focuses resources to deliver on corporate strategies
Change agent: Business value generation (cost and profitability) analytics; measurement/management of process and performance



Guardian: Standardized control and compliance processes; embedding preventive controls in systems and processes
Producer: Standardize, simplify and automate transactional processes (order to cash, procure to pay, etc.)



Source: Grant Thornton's 2020 CFO Survey

"CFOs have long wanted to spend more time on their strategist and change agent roles but have traditionally seen much of their time consumed in the day-to-day transactional responsibilities that their producer and guardian roles demand," says Stephenson. "What this crisis has shown is that CFOs can effectively maintain organizational accountability for the entire finance function while shifting their individual focus and responsibility to the key leadership tasks that provide the highest value to the company."

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>
> **— Chris Stephenson, Managing Principal, Product Innovation, Grant Thornton**

What remains to be seen is whether and how CFOs will maintain this shift in individual focus when the crisis abates. Currently, organizations are scrambling to adjust to rapid and constant change, with CFOs and their finance functions providing the breadth and depth of forecasting that allows companies to navigate the options that will shape their new normal. As the crisis abates, will CFOs and their organization drift back toward their traditional roles, or will CFOs reshape their finance functions, delegating more producer and guardian responsibility while maintaining an individual focus on strategy and change agency?

"It will be up to each CFO to define their own new normal," says Stephenson. "By combining effective delegation with technology, outsourcing and innovation, and by drawing more broadly on the full set of skills within their organization, each CFO can tailor a future that allows them to focus on their areas of personal strength while still ensuring organizational accountability for the full finance function."

4 steps to shaping your CFO role

CFOs can consider the following options as they shape their finance functions going forward.

Delegation
This can be a simple matter of assigning certain accounting tasks or making structural changes that could affect more lasting change. For example, just as accounting and reporting functions were subsumed in the role of the controller, a new position such as a risk management officer could take on tasks associated with the CFO guardian role.

Automation
CFOs who have had to employ software to deliver faster, richer forecasting based on more scenarios have seen how technology can amplify their contributions. Innovation, and a transformation of processes — which are sometimes but not always technological — can free CFOs to focus on business-critical areas. CFOs should also make sure they are fully utilizing the technological capabilities of their newer staff members. Recent hires may have new and deeper technological skills that your organization can leverage.

Training
To fully realize the potential of both their teams and their innovation efforts, CFOs can implement training programs that instill prioritized skills. Developing other staff to assume duties such as standardizing compliance processes and embedding preventive controls can free up the CFO to concentrate on higher-value areas.

Outsourcing
Investigate the possibility of outsourcing certain repetitive, highly transactional functions. Not only could this help CFOs keep lower-value tasks off their plates, but it could improve job satisfaction by eliminating some repetitive tasks for finance personnel. Areas to consider would be account reconciliations, accounts payable processing and statutory reporting.

Finding 2

GETTING THE MOST FROM YOUR ORGANIZATION

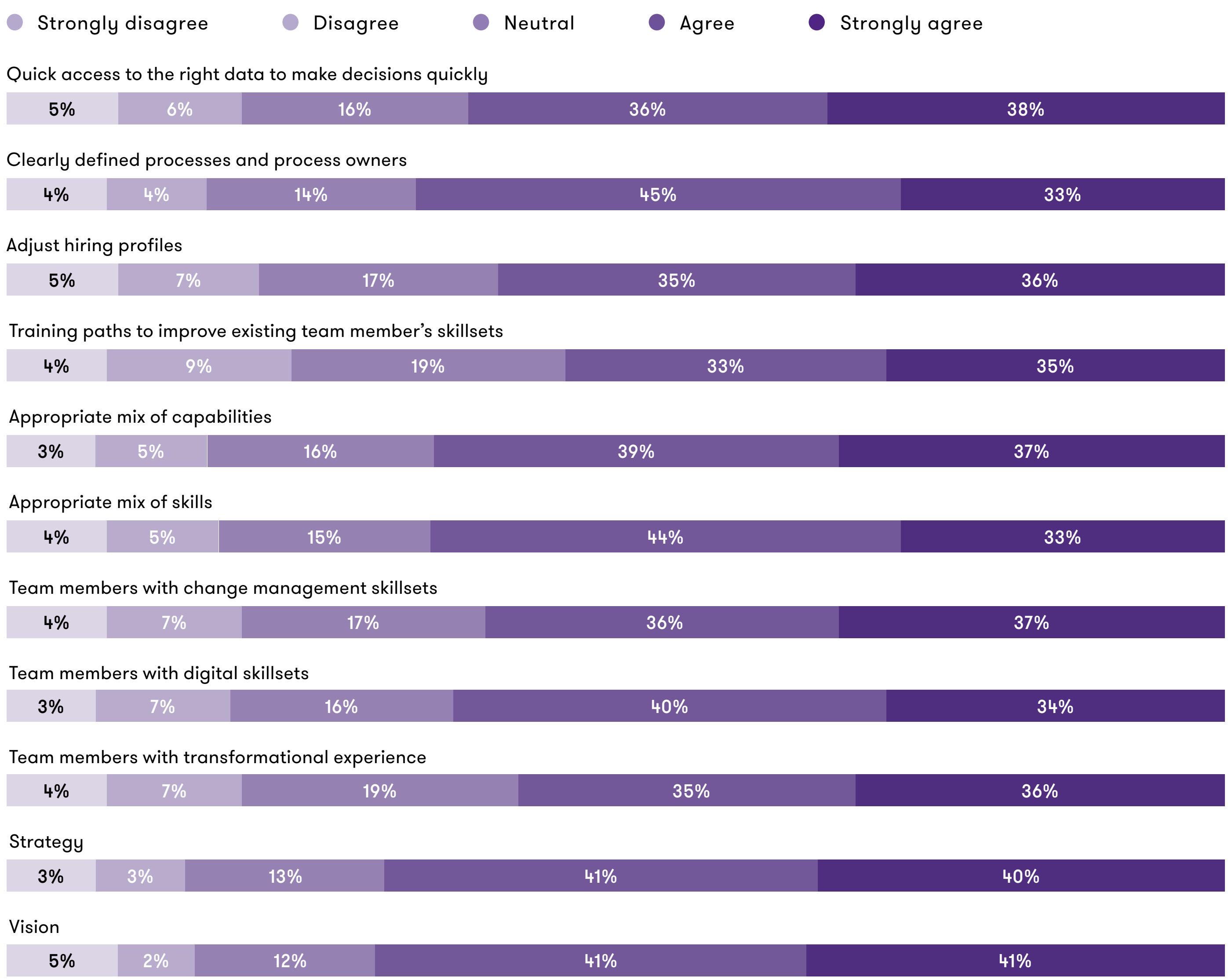
For CFOs to focus on their leadership roles as strategists and change agents, they must be able to rely on their entire organization to effectively execute the full range of finance functions. They will need contributors who can assume key subordinate roles and lead important initiatives.

Unfortunately, finance can be very vertically oriented, with strong hierarchies and vigorous review processes. This is important, yet so are horizontal levels. While managers provide oversight, employees with expertise in varied areas may deliver key insights a CFO needs. And those employees may have different levels of experience, with more junior people offering unexpected perspectives and valuable skills.

The good news for CFOs? In February, when asked about their organization's readiness to confront future opportunities and challenges, the vast majority of respondents felt they had the talent and capabilities in place across all categories. That means your finance organization likely already has the talent and capabilities you need to allow your team to execute vital guardian and producer functions while you shift more time to a change agency and a strategy focus.

For CFOs to focus on leadership roles, they must be able to rely on their entire organization.

To meet the opportunities and challenges of tomorrow, my finance function has the following organizational readiness measures in place (Please choose one for each row)
(Respondents could choose only a single response for each topic)



Source: Grant Thornton's 2020 CFO Survey

To learn where strengths lie and where skills are underrepresented, start by reassessing traditional hierarchies and ensuring you're as open as possible to all voices. Finance has always placed a high value on tenure, but this can create barriers that prevent newer members of your organization from contributing in all the ways they are capable of. Flattening overly hierarchical organization charts into more horizontal or matrixed structures may help to fully leverage the viewpoints of those with different perspectives and leading-edge know-how. Create ways for them to contribute, forums where they can be heard and opportunities for them to be recognized. Additional training can give current employees the chance to expand their skills — and your capabilities.

Finance and accounting skills will obviously always be vital within your organization, but technological capabilities play an increasingly important role, especially as you seek to innovate and increase efficiency. For the past two years, our survey results have listed data analytics skills as the most desired skill set within finance organizations, with technology acquisition and application development also on the key skills list. Some of your newest, most junior people may have some of the most advanced understanding of current technologies. Finding ways to pair their technological insights with the deeper business and finance understanding of your more experienced team members can lead to surprising and valuable benefits.

What is the most important skill set that you would like to develop within the finance function (via either hiring or training)?

	2019	2020
1.	Data analytics	Data analytics
2.	Business strategy	Business strategy
3.	Operations management	Application development
4.	Technology acquisition	Customer experience management
5.	Innovation/entrepreneurship	Technology acquisition
6.	Customer experience management	Innovation/entrepreneurship
7.	Application development	Operations management

Source: Grant Thornton's 2020 CFO Survey

An effective focus on technology and leveraging your more junior staff can also help develop a valuable recruiting advantage, according to Nick Vellani, National Managing Principal, Financial Management, Grant Thornton. “Competition for top talent may have cooled currently but is sure to heat up again as the COVID crisis abates. Knowing that they will be able to keep up with technology is a vital concern for younger professionals. Organizations with a reputation for valuing and grooming those capabilities will have a strong advantage when attracting talent.”

According to Stephenson of Grant Thornton, “Look at your culture, at how you recruit and how you manage. Are you empowering your subject-matter experts and newer hires, or is your organization stuck in a hierarchic mindset?”

Broadly engage your team as you define your future

One step some organizations have taken to break down hierarchical barriers and encourage broader participation from teammates at all levels is setting up informal innovation programs. “Think of the stories of companies that started in a garage, where there were no bad ideas,” says Vellani. “These sorts of programs give everyone a safe space to fail, to share ideas, to think outside the box without the traditional fears of ramifications that might have previously stifled their contributions.” These types of efforts are low-cost, high-return chances to give every employee at every level the opportunity to put their best thinking forward. “You can throw out specific challenges,” says Vellani.

“One organization asked the team to come up with cost savings ideas, and the responses led to a complete transition to electronic funds transfer from paper checks — which led to significant savings and reduced risk of fraudulent check writing and theft. In another case, employees pointed out that delayed approvals often held up projects, which led to shared approval process changes that have helped speed results.” Getting the most from your organization means getting the most out of everyone in it. Making sure everyone is heard and feels free to share ideas is a good place to start.

Finding 3

BEYOND **TECHNOLOGY**

Embracing total innovation

Just as the COVID-19 crisis has reshaped how CFOs spend their time, it is also influencing how, and how much, CFOs innovate. A Grant Thornton recession preparedness survey conducted in December 2019 showed 70% of respondents planned to increase their digital investments in innovation/technology, digital transformation and/or cybersecurity, even amid growing signs of a slowdown.

In the February CFO survey, approximately 70% of finance departments reported they had implemented key emerging technologies or they would be implementing them within the next two years. Despite this commitment to technology, heading into the pandemic the pace of emerging technology adoption already showed signs of a year-over-year slowdown, unlike previous years in which adoption outpaced CFOs' previous year's projections.

When do you expect your finance function to implement each of the following automation technologies?

	Currently implemented		Within 12 months		Within 2 years		Within 5 years	
	2019	2020	2019	2020	2019	2020	2019	2020
Advanced analytics	38%	55%	28%	20%	20%	13%	7%	6%
OCR	27%	39%	26%	23%	18%	18%	10%	6%
Machine learning	29%	32%	24%	28%	14%	12%	10%	10%
Distributed ledger technology	23%	31%	15%	25%	18%	18%	10%	7%
AI	24%	28%	24%	33%	16%	16%	13%	9%
RPA	24%	28%	22%	30%	17%	14%	10%	9%
Drone/robots	20%	28%	18%	22%	12%	11%	11%	8%

Source: Grant Thornton's 2020 CFO Survey

When do you expect each of the functional areas in your finance function to regularly make use of automation technology?

	Currently implemented		Within 12 months		Within 2 years		Within 5 years	
	2019	2020	2019	2020	2019	2020	2019	2020
Accounts payable	47%	61%	28%	19%	16%	11%	6%	5%
Budgeting and forecasting	42%	38%	27%	35%	21%	14%	5%	6%
Corporate development/ strategic planning	42%	39%	24%	25%	17%	17%	7%	6%
Financial planning and analysis	43%	42%	31%	27%	18%	16%	5%	10%
Financial reporting and control	45%	44%	29%	28%	16%	16%	6%	6%
Risk management	40%	36%	22%	28%	19%	16%	7%	8%
Tax and compliance	43%	41%	21%	27%	19%	13%	6%	6%
Treasury/working capital management	35%	37%	29%	31%	19%	15%	7%	7%

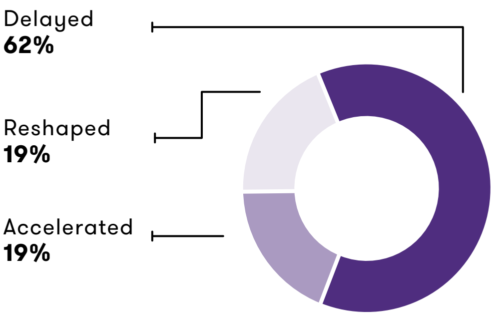
Source: Grant Thornton's 2020 CFO Survey

Innovation is important even in a slowdown. "Over two-thirds of companies plan to innovate through a recession," says Vellani. "Will they? And, if so, will your company be one?"

So far, the answer seems to be no, or at least not as much as they had planned. The COVID-19 crisis has further eroded an already plateauing pace of emerging technology adoption and progress.

"Historically, companies cut innovation investment during downturns," says Stephenson. "Our recession preparedness survey showed a strong commitment to ongoing investment, but history seems to be winning. By our May survey, 80% of respondents had delayed or reshaped their innovation projects."

How has the crisis impacted your overall transformational projects?



Source: Grant Thornton's 2020 CFO Survey

Clearly, the problem isn't organizational desire to drive change. True, companies thus far have cut back on investment in innovation in the face of the crisis. However, during a Grant Thornton webinar on June 25, 2020, 335 finance professionals were polled, with more than 90% planning to continue to innovate, even during the downturn. The issue may be the way organizations are pursuing innovation. By thinking incrementally and by embracing a holistic innovation mindset that looks beyond just technology, finance organizations can make continual innovations tailored to their immediate challenges that deliver ongoing results. A stream of continuous micro innovations that effectively pair technology with people and process changes can break the link between significant capital investment and transformation. As each incremental improvement delivers savings, and as those savings are reinvested in further improvements, transformation can become self-funding.

"Even if you have zero dollars in your capital budget, you can still be innovative," says Stephenson. "Innovation goes beyond technology. Look for ways to be better and different without spending a lot of money."

To succeed fast, fail faster

Not every idea or technology is going to work as planned. That doesn't mean you quit trying, though; it just means you need to cycle through innovation attempts as quickly as possible. "By focusing on quick hits and incremental progress instead of multiyear projects, you can build a culture of innovation that drives results more quickly and allows you to react to changes with agility," says Stephenson. Of course, some projects, like major systems implementations, don't lend themselves to that approach. "Have tighter stops on your big builds," advises Stephenson. "Build in verification steps along the way that prove the project continues to meet your stated business objectives. A more incremental approach is possible, even on major efforts."

Choose your new normal

The new normal has become the catch phrase for the post-COVID-19 future. But there isn't one "new normal." Each company, each finance organization and each CFO has to define what that is — or live with one that is chosen for them. You can restructure your responsibilities to allow the leadership focus that is helping to shape your company's future, and build a finance function that will support transformative, incremental changes while continuing to meet all of the roles under your umbrella. You can create the normal you want, and the one that will best serve your organization.

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