Chief financial officers (CFOs) are determined to take the lead in ensuring that their organizations prosper during an era of digital disruption. But to fulfill that ambition, their roles must now change: tomorrow’s CFO will be an agile leader who thrives on the challenges posed by volatility and uncertainty.

Our research, as shown in the recently released 2020 CFO Study, suggests that CFOs around the world are already making this shift. In this report, we compare the approaches to role renewal taken by CFOs in North America and Europe. We spoke to more than

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**About the research**

To understand how finance leaders are tackling the challenges and leading the transition to a real-time business, we sought the views of more than 500 CFOs and senior finance leaders in Europe (the UK, Germany, and the Netherlands) and North America.

These CFOs work across 11 sectors and represent organizations generating at least $1 billion in annual revenues; 12% are from companies with annual revenues of $10 billion plus.

To validate the quantitative findings, we also conducted a series of in-depth interviews with CFOs and finance leaders at global organizations.
500 CFOs and senior finance leaders around the world, and found that they are focusing their efforts on four key pillars:

1. **Leadership and skills:**
   - Finance-led frameworks for growth

2. **Cultural transformation:**
   - Change through a culture of collaboration

3. **Agile finance:**
   - Modeling a digital future

4. **Technology and data innovation:**
   - Embracing emerging technologies

CFOs on both sides of the Atlantic take similar views about where they will play a critical role in leading their organizations to growth in the digital age—but with some subtle differences.

North American CFOs are especially likely to focus on how to harness new technologies for business model transformation. European CFOs share this view, but they also expect greater involvement in non-traditional risk management areas, such as cybersecurity and climate change strategies, and foresee playing a stronger role in data governance—a reflection of the GDPR regulations that were introduced in 2018. However, North American CFOs should take note: the January 2020 compliance deadline for the California Consumer Privacy Act (CCPA) will require organizations to focus on user data and provide transparency in how they’re collecting, sharing and using such data.

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Some CFOs are adapting more quickly than others. On both sides of the Atlantic, our research has identified small groups of “agile leaders” who are able to access and exploit 90-100% of key operational and financial performance data, driving their organizations forward according to the insight they gain. These agile leaders provide important learnings to others and we provide comparisons throughout, but to see how the different regions stack up against them in more detail, read the **TCS 2020 CFO Study**.

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Figure 1. North American CFOs set their sights on business technology

**Question:** In which aspects of company leadership do you expect the CFO to be playing a critical role in five years’ time?
To achieve the goals they are setting for themselves, CFOs will require new skills. For both European and North American CFOs, the biggest priority is to improve their ability to engage in long-term strategic planning. Elsewhere, however, European CFOs are more likely to focus on acquiring technical skills, while their North American counterparts cite the need to develop in other ways.

**Europe**
1. Long-term strategic planning
2. Understanding of advanced technologies
3. Core financial capabilities
4. Enterprise-wide data analytics
5. Data modeling and simulation
6. Process optimization

**North America**
1. Long-term strategic planning
2. Process optimization
3. Core financial capabilities
4. Lateral and innovative thinking
5. Understanding of advanced technologies

**Figure 2. Top five priority skills for development**

*Question: What skills and capabilities are your priority for development as your organization moves toward becoming a real-time business?*

Indeed, while European CFOs point to the need to improve their knowledge of advanced technologies and enterprise-wide data analytics, North American CFOs are more likely to also want to improve their softer skills and abilities, such as lateral and innovative thinking.

“Right now, the biggest challenge for us is that even if a new tool is good, how do we best use it for our requirements?” says Arvind Agrawal, Finance Director at the Dutch electronics giant Philips. “We first have to train people properly to use that tool.”

This may reflect differing views on which finance skills will drive the greatest value in the years ahead. In Europe, 44% of CFOs pick out analytical skills, while 38% point to data science; the corresponding figures in North America are 36% and 33%. But 35% of North American CFOs pick out the ability to innovate and about one-third point to general management skills.

**Figure 3. European and North American CFOs differ on which finance skills will deliver most value**

*Question: Thinking ahead to 2025, which finance function skills do you expect will deliver the most value for the business?*

“Technical skills will become more and more valued. Can you interface effectively with the data science team in your organization, translating your business problem into a data analytics problem that can then be processed through analytical models to come up with insight?”

— Sujith Chandran
Senior Director, US Supply Chain Finance, Hain Celestial
As CFOs embrace a broader, more strategic role in driving change in their organizations, they recognize that they will need to look beyond the finance function. In North America, 62% of CFOs say they now take responsibility for driving the digitalization of the entire business; in Europe, where 54% say the same, CFOs have some catching up to do.

How can they to achieve that goal in practice? In Europe, empowerment is regarded as the most effective way to change employee behavior as businesses become agile enterprises: 52% of CFOs make the case for empowering internal teams and making them accountable for digitalization in their part of the business.

Some 43% of North American CFOs agree with this idea of empowerment, but they are more likely to also focus on mechanisms for holding employees accountable. For example, 47% cite the need to add new performance metrics to measure progress, against 38% of European CFOs, and 44% suggest establishing cross-enterprise key performance indicators (compared with 39% in Europe).

It’s a simple thing, but it makes a huge difference in the way the organization functions, because it reduces bureaucracy and forces people to own their numbers.
— Rajiv Subramanian
Head of Finance at Nokia IT

Identify those people in middle management who are forward-thinking, who have already talked through this process, and who understand the role of technology,” he says. “Then the CFO can use them as the catalysts for change in the organization. You can’t drive change from the top alone.
— Sujith Chandran
Hain Celestial

Figure 4. Regional views diverge on how to drive enterprise cultural change

Question: What are the most effective ways to change employee behavior?
On both sides of the Atlantic, however, CFOs will need to back up their view that they should be leading on business-wide digitalization with concrete action. Only about one-third of finance leaders say that the majority of the initiatives in Figure 4 have been fully implemented within their organization (empowering internal teams is the exception).

Significantly, the agile leaders in our research are making much more progress in these areas, further highlighting the need for progress. For example, some 70% have fully implemented performance metrics to measure progress in new ways of working, approaching two-thirds (64%) are already incentivizing executives to take on unfamiliar tasks and responsibilities and a similar number (67%) have appointed “champions of change” to pilot new applications across the enterprise.

There is no one-size-fits-all way to achieve transformation, but the CFO can play a crucial role in coordinating the change. “We’ve gone from running end-to-end business units to a more functional model,” says Sandip Thakrar, Finance Director—Major and Public Sector, at BT. “Success depends on the governance you have in place to bring people together—you need a high level of cooperation and coordination.”

3 Agile finance

CFOs’ ability to get ahead of the challenges their organizations face will depend on their ability to see what lies ahead. For finance functions, the need for high-quality forecasting has always been imperative—to model costs, revenues and cashflows in order to make key enterprise decisions—but now forecasting skills are essential for another reason: agility and digital and business model transformation.

“In 2025. Of course, things will change, but we have to try because implementing a new architecture for the business takes time.”

— Arvind Agrawal
Philips

In both Europe and North America, there is widespread acceptance of this idea: 39% and 40% of CFOs in each region respectively say they think forecasting of technology evolution will be especially important to conduct. However, more traditional modeling continues to be important—in North America in particular. Some 44% of CFOs there say forecasting finance and capital needs will be among their most important tasks, compared with 31% in Europe. “It’s very useful for someone in my role to be able to look at financial results from a number of periods, see the things that stick out and then know where to focus to look into what might be going on there,” says the CFO of a Canadian bank.

European CFOs, meanwhile, are more likely than their North American counterparts to be concerned about forecasting talent and skill needs, the competitor landscape and the payments landscape.
Yet there is concern among CFOs on both sides of the Atlantic about their ability to carry out effective forecasting. In North America, for example, 31% of CFOs say it will be particularly difficult to assess technology evolution, while 26% are concerned about the challenges of forecasting even financing and capital needs. In Europe, 32% of CFOs point to the difficulty of modeling product and service lifecycles, while the same number are worried about how to make forecasts about the payments landscape.

By comparison, the agile leaders in our research have moved further beyond technology-related challenges and are concerned by softer, people-related issues. The number one forecasting difficulty, cited by 37% of agile leaders, is talent and skills, followed by business partnerships (35%).

This forecasting shortfall will require action on many fronts, but the needs of CFOs in North America and Europe differ markedly here. North American CFOs are more likely than their European counterparts to worry about inconsistent or inaccurate data (cited by 32% against 25%). While in Europe, 42% of CFOs say that it is skills shortages that stand in the way of better forecasting, against 32% in North America.

"I would question any company that says it has mastered its forecasting through technology, there are too many human elements, and the technology can only do wonders with the data and signals it has. We are a long way off a good machine and human interface working together patiently."

— Sujith Chandran
Hain Celestial

Developing more agile financial planning and analysis (FP&A) capabilities can help CFOs to tackle some of these problems. In North America, 29% of CFOs say that this would help to produce better-quality data. In Europe, 31% of CFOs say that enhanced FP&A could help them to highlight skills shortages, and 20% think it could strengthen recruitment. Both groups believe that more agile FP&A would support their strategic decision-making.

Figure 5. The survey results show that CFOs on both sides of the Atlantic are concerned about their forecasting abilities

Question: Between now and 2025, what aspects of forecasting do you expect to be most difficult for your organization to assess?
CFOs regard their ability to process data for actionable insight as an increasingly crucial factor in agility. But many are worried that their capabilities in this area are not yet fit for purpose.

One issue is the extent to which finance is targeting new datasets in order to inform and drive decision-making. Among European CFOs, only 31% have a formal policy on how to target new enterprise datasets for use, and 40% say the same of ecosystem datasets. In North America, performance is better: 37% and 45% have such policies in place, respectively.

As in other areas, the agile leaders identified in this research show what can be achieved. Some 62% always take account of enterprise data when making decisions; 57% say the same of ecosystem data; and 48% always leverage universe data.

North American CFOs lag on universe data (25% versus 31% in Europe), but they are determined to improve. Some 71% of North American CFOs now believe that developing a formal process for integrating external data will be critical for their future growth, compared with 58% in Europe. But they may need to be less cautious—in North America, more than half (51%) say they would not use such data until they have a real example of how it would help the business.

“One source of the truth enables faster decision-making. With one set of data and clarity about where that data has come from and what the rules are on processing it, you can be clear about the decision.”

— Sandip Thakrar

BT

Elsewhere, many CFOs are also concerned about how they will play a role in aligning the organization’s technology strategy to the commercial imperatives of digitalization. In particular, they are nervous about their ability to forecast the levels of investment required—especially over longer timeframes.

North American CFOs feel that they have a better view of the next 12 months, with 86% confident about their ability to forecast technology investment over this period, compared with 81% in Europe. But that lead disappears as CFOs look to the future: only 42% of North American CFOs are confident about making technology investment forecasts more than seven years out, against 54% in Europe.

**Figure 6. European CFOs are more confident in their technology forecasting abilities**

**Question:** How confident are you in your ability to forecast investment requirements for new technologies across the enterprise, for the following timeframes?
Given how important it will be to invest in the right technologies for the specific transformation needs of their businesses, CFOs will want to improve on this—and to play a more central role in driving the enterprise’s priorities. North American CFOs are already flexing their muscles: 57% say their chief technology officer (CTO) or chief information officer (CIO) now takes the lead in identifying the technologies the business will need in more than three years’ time; in Europe, 68% of CFOs say the CTO or CIO still takes the lead.

At The Hain Celestial in the US, Sujith Chandran makes the case for the CFO. “The CFO is in the best position to translate technology into a return on investment for the CEO,” he says. “Ideally the CIO should be a direct report of the CEO, however, companies starting off on their digital transformation journey may be better off with the CIO reporting into the CFO to accelerate the transformation.”

Sometimes, tools and technologies are selected based on their reputation and presence, without much understanding whether they are suitable for the company. As a result, they do not perform as promised and lead to a lot of wasted time and effort for those who try to make them work for the organization. — Arvind Agrawal

Philips

Conclusion: Tailoring future-focused CFO transformation

How do CFOs deliver on their goal to become critical agents of change as digital disruption continues? Those in this study offer insight into what is required:

• **Follow through on strategic leadership ambitions**
  In particular, CFOs should identify and resolve the skills gaps currently holding back the leadership of the finance function, which differ by geography.

• **Enable front-to-back transformation**
  Some CFOs, particularly in Europe, do not yet recognize their role in enterprise-wide digitalization, and all CFOs must focus on how to drive this change from finance.

• **Support increased agility through clearer vision**
  It is imperative to improve forecasting and modeling—particularly in less traditional areas for finance, with North American CFOs in particular needing to do more work here.

• **Develop data and technology capabilities**
  CFOs in North America in particular now see the virtues of playing a more central role in identifying which technologies their organizations most need to invest in.
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