

CFO Imperative Series

Critical answers and actions to reframe your future



How can bold CFOs
reframe their role to
optimize performance?

EY Global DNA of the CFO Survey
June 2023



The better the question.
The better the answer.
The better the world works.



Building a better
working world

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Featuring interviews with:

Lori Koch, Executive Vice President and Chief Financial Officer, DuPont

Lloyd Pitchford, Chief Financial Officer, Experian

Nick Priday, Chief Financial Officer, Dentsu Group Inc.

Costa Saroukos, Chief Financial Officer, Takeda Pharmaceutical Company

Joseph J. Wolk (Joe), Executive Vice President and Chief Financial Officer, Johnson & Johnson

Foreword

Unlocking value: the paradoxes and demands of the CFO role

In a rapidly changing business landscape, CFOs face the challenge of meeting contradictory demands amidst market shifts, competition and cost pressures. They are being asked to drive long-term value while finding short-term cost efficiencies and reinvent the finance function while doing more with less. These contradictory demands form paradoxes that are inherent in the CFO role.

While reconciling these paradoxes asks hard personal and professional questions of finance leaders, it can be important to unlocking value. Based on insights from 1,000 CFOs and senior finance leaders, this analysis explores three specific paradoxes that arise from the evolving CFO role:

Paradox 1	Paradox 2	Paradox 3
Near-term vs. long-term	Safety vs. boldness	Strategic leadership role vs. traditional skill set
How can CFOs create long-term value when they are under pressure to cut priority investments to deliver results today?	How can prudent, risk-aware CFOs capture the value that results from a bolder and more innovative change agenda for finance?	How can CFOs succeed as a “strategic” leader and achieve career ambitions if traditional finance skill sets do not equip you with all the attributes required?

CFOs can reconcile these paradoxes by adapting their approach across each dimension. However, success can largely depend on having a high-performing finance function. Without it, addressing these tensions and excelling in the role is likely to continue to be difficult.

The research shows that CFOs driving bold and innovative change agendas in their finance function can unlock greater value today and are poised to unlock more in the future. They are prioritizing the intersection of people and technology, focusing on cultural transformation, digitization, advanced analytics and nurturing the next generation of CFOs.

While the CFO role has grown more demanding and complex, it is also seen as one of the most rewarding and exciting positions in the C-suite. Finance leaders have a unique breadth of responsibilities and a clear strategic remit, and the CFO role is seen as a potential stepping-stone to the CEO role. This research serves as a valuable guide for finance leaders aiming to embrace boldness, unlock value for their teams and drive success across their organizations. These insights form part of our CFO Imperative Series, which provides critical answers and insights to help finance leaders reframe the future of their organization. To find more insights for CFOs, visit ey.com/CFO.



Myles Corson
EY Global and EY Americas Strategy and Markets Leader,
Financial Accounting Advisory Services

Key findings: the three paradoxes of the CFO role

Near-term vs. long-term value: How can CFOs create long-term value when they are under pressure to cut priority investments to deliver results today?

Balancing short- and long-term investments is a defining challenge of the CFO role, but today's uncertain macro-economic environment adds to the difficulty.

CFOs should use their objectivity to drive consensus in a leadership group where senior leaders disagree.

Given these tensions, a CFO who can build alignment and exert influence over decision-making is important.

Half of respondents (**50%**) say they are meeting short-term earnings targets by cutting funding in areas that are also considered long-term priorities.

Two-thirds (**67%**) of respondents say, "there are tensions and disagreements within our leadership team on how to balance short-term and long-term priorities."

Only **32%** of respondents say they "always" speak up when they have a differing opinion from the consensus, and **30%** of respondents say they "always" strongly challenge members of the executive team when they disagree on a key issue.

Safety vs. boldness: How can prudent, risk-aware CFOs capture the value that results from a bolder and more innovative change agenda for finance?

A small number of finance leaders are pursuing a bold transformation agenda.

CFOs that are driving a bolder* change agenda in finance are more likely to drive value today and in the future compared with those pursuing more "incremental" change.

The cohort of CFOs driving bolder change are embracing digitization, culture change and developing the next-generation of finance leaders.

Currently, **16%** of finance leaders believe their finance function delivers best-in-class performance, with only **14%** of respondents planning to pursue a bold transformation agenda over the next three years.

The **14%** of respondents who are pursuing a bold agenda are **1.4 times** more likely to believe they have an above-average or best-in-class finance function today, compared to those pursuing more "incremental" change (73% vs. 52%). And they are **1.7 times** more likely to believe they will be best-in-class after their transformation (47% vs. 27%).

Overall, **72%** of respondents say "traditional back-office behaviors and mindsets" are slowing the modernization of the function, with the bolder cohort more focused on culture change: **55%** of bolder respondents "strongly agree" finance culture change is a major priority (vs. 35% for the incremental group).

***Note:** The "bolder cohort" are those who characterized the finance function changes they are pursuing over the next three years as "bold changes that significantly evolve how the entire finance function operates, which is higher risk." There were 138 finance leaders who selected this response out of a total of 1,000 respondents. The "incremental" group, which consisted of 364 respondents, said they were "adjusting and fine-tuning our existing processes and technology, which is lower risk".

A strategic leadership role vs. traditional skill set: How can you succeed as a “strategic” CFO and achieve your career ambitions when traditional finance skill sets do not equip you with all the attributes you might require?

Today, the CFO role is seen as important to growing, optimizing and protecting long-term value, with many CFOs aspiring to a CEO role.

But many CFOs can struggle to find time for the personal development and learning required to succeed.

The bold cohort of CFOs are more focused on driving leadership development as part of their finance function strategy.

45% of finance leaders surveyed see their long-term career ambition as achieving a CEO position, either at their current organization or another.

The **number one** challenge to being a CFO today, is “finding time to build knowledge and expertise through exposure to external expertise and access to thought leadership.”

58% of respondents from the bold cohort are “very confident” they are good at spotting high-potential employees at the start of their finance careers (vs. 43% of the incremental group).



1

Balancing near-term and long-term investment priorities

Short-term earnings targets are being met by cutting funding in areas also considered long-term priorities.

More than three-quarters (78%) of respondents say that “effectively balancing trade-offs between short-term and long-term priorities is an important challenge for finance leaders.”

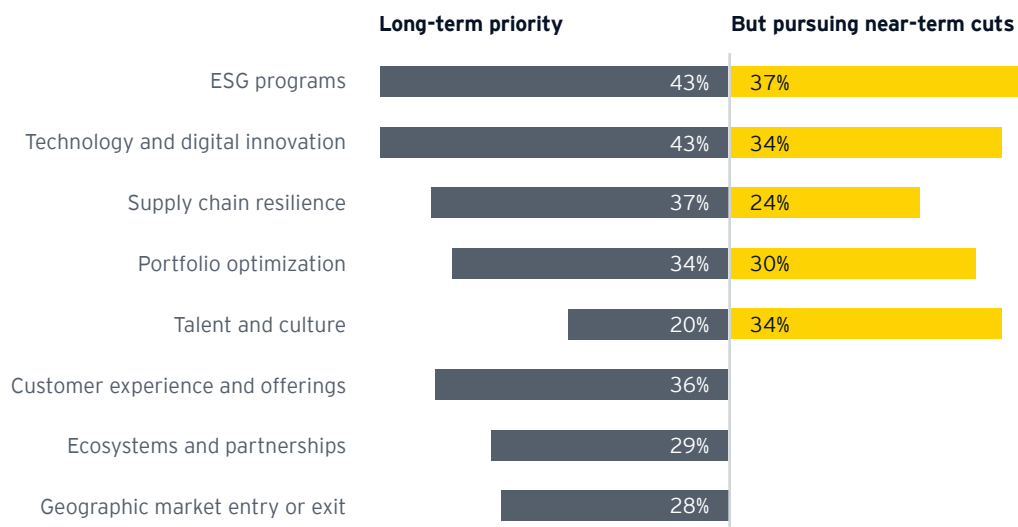
A similar percentage of respondents (76%) also say the current challenging market environment is increasing pressure on finance leaders to drive cost efficiencies and hit short-term earnings targets. In response, nearly all finance leaders surveyed (90%) are planning to reduce or pause spending across areas ranging from marketing to people development, despite some of these areas being long-term priorities.

For example, one of the top investment priorities when it comes to driving long-term value over the next three years is “technology and digital innovation.” However, at the same time, finance leaders also say they are having to pause or cut spending on “technology innovation and transformation” to meet short-term earnings targets.

Surprisingly, half of respondents (50%) say they are meeting short-term earnings targets by cutting funding in areas that are also considered long-term priorities. The research identified that ESG programs are the most vulnerable to such cuts, with 37% of respondents stating their organization plans to reduce or pause spending in the next 12 months, despite considering ESG a long-term priority. However, CFOs should be cautious about cutting spending in this area given the importance of sustainability in driving long-term value. In contrast, supply chain costs are the least likely to be targeted, with 24% of respondents stating their organization plans to reduce or pause spending in the next 12 months. Suggesting recent disruption has led to a prioritization of supply chain resilience and it is more likely to be exempt from cost cutting (figure 1).

Figure 1. Long-term value priorities seeing pause or cuts in spending

Respondents stating their top long-term investment priorities in the next three years, and the number of respondents who also plan to cut or pause investment in this same area in the next year to hit short-term earnings targets.



Note: Respondents could select up to three long-term priorities. Not all priorities were included in the list of areas to cut or pause investment. Only comparable response options are shown. For planned cuts or pauses to investments, only select response options are shown. Respondents could select all areas that applied.

Johnson & Johnson:

Healthy debate and strategic understanding key to maintaining long-term strategic focus

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It is critically important in any leadership team that you have a level of trust that allows you to debate difficult topics.

Joe Wolk, CFO, Johnson & Johnson

Joseph J. Wolk (Joe), Executive Vice President and Chief Financial Officer, Johnson & Johnson, discussed his perspectives on building a long-term mindset and the importance of healthy debate in strategic decision-making.

How important do you think it is that CFOs are able to challenge the CEO and executive team when there are differences of opinion on the way forward?

“It is critically important in any leadership team that you have a level of trust that allows you to debate difficult topics. At Johnson & Johnson, like other organizations, we have many great opportunities, but the question is how you choose the truly great ones? That requires healthy debate about what opportunity should win out – the one that’s going to most benefit our customers. I like to structure my teams in a way that allows for good – sometimes passionate – intellectual debate. I love the fact that when Abraham Lincoln became President and put together his Cabinet, he included political adversaries because they offered different perspectives. You want your final decision to be informed by different perspectives and not just a myopic view.”

What are the key factors in your view when it comes to maintaining a focus on the long term while also meeting expectations around short-term financial performance?

“At Johnson & Johnson, which has been around for 137 years, we prioritize long-term value for our stakeholders, including patients, doctors and physicians, employees, communities and shareholders. We’re also fortunate in that we have cultivated a long-term investor mindset: many of our investors have been with Johnson & Johnson not just a matter of years, but decades. Short-term results are critical, but those long-term relationships mean that investors are more understanding when you are confronting issues like the COVID-19 pandemic or rising inflation. As a CFO, I have found that investors will be reasonable and accepting as long as you’re being transparent with them. You need to show them how you are the steward of informed risk taking, managing short-term disruption without compromising the long-term focus.”

Today, do you think CFOs need different or additional leadership skills than perhaps were needed in the past?

“CFOs have foundational responsibilities and skills, from the accuracy of external reporting to compliance. But what distinguishes a CFO or senior finance leader is their understanding of the business. If you want to win the confidence of the CEO, you need to be able to have an informed debate on what makes products effective in particular markets, or whether impending legislation is a threat or an opportunity. At the same time, I think that leadership generally has evolved, not just for CFOs. The pandemic showed us that more agile decision-making ability is key: responding quickly to fast-moving events, without always having the benefit of 100% of the information you need or time to involve lots of people in the decision. Finally, there’s a need for empathetic leadership today: you need to be able to connect with your people, understand what motivates and inspires them, and empower teams.”

CFOs should update their strategies and performance indicators to reflect changing circumstances while maintaining their long-term vision.

Making effective decisions and choices between short-term performance and long-term priorities can have implications in areas ranging from the right governance to the advanced analytics that support trade-off decisions. CFOs should update their strategies and performance indicators to reflect changing circumstances while maintaining their long-term vision.

For Stéphane Kherroubi, Partner, EY & Associés, balancing long-term priorities with short-term performance expectations starts with a clearly defined strategy. “You should clearly define and express your strategy and vision,” he says. “In many cases, organizations are ‘putting the cart before the horse.’ They’re focusing on defining the KPIs and how they’re going to produce the supporting data and report on performance. But you should take a step back and ask what your strategy is and what you want to achieve for your stakeholders. That is the only way to make the right arbitration between short-term cost savings and long-term investment. If you have this clear strategic link from the top to the bottom, then investors and other stakeholders should have a clearer understanding of what you want to achieve.”

What’s driving CFOs to pursue cuts in these areas?

The CEO and C-suite are primary sources of pressure for organizations planning short-term cuts in long-term priority areas, while activist investors and institutional investors rank as the highest sources of pressure for those seeking short-term cuts in areas not regarded as priorities in the long-term.

Effective performance reporting can be important for managing the expectations of stakeholders and communicating why decisions are being made and how the organization is delivering short-term performance while also maintaining its long-term trajectory.

CFOs and their finance teams can play an important role in that reporting narrative, including the integration of ESG disclosures into an enhanced corporate reporting model. However, the *EY 2022 Global Corporate Reporting and Institutional Investor Survey*¹ found a significant gap between companies and stakeholders concerning corporate reporting and the ESG agenda:

80% of investors surveyed said “too many companies fail to properly articulate the rationale for long-term investments in sustainability.” This could undermine investors’ willingness to tolerate short-term performance trade-offs. The same research found that investors are supportive of necessary trade-offs: 78% think companies should make investments that address ESG issues, even if it reduces profits in the short term.

Managing tensions and disagreements in the executive team

Balancing short-term demands with long-term value can require cooperation, collaboration and trust between finance leaders and the executive team. However, tensions and disagreements can undermine this collective effort:

- ▶ Two-thirds (67%) of finance leaders say, “there are tensions and disagreements within our leadership team on how to balance short-term and long-term priorities.”
- ▶ These tensions could be particularly significant as companies look to drive their ESG priorities. The number one challenge that finance leaders face in this area is “significant differences of opinion within our leadership team on how to balance short-term financial performance with long-term investments into sustainability priorities” (32% of respondents).

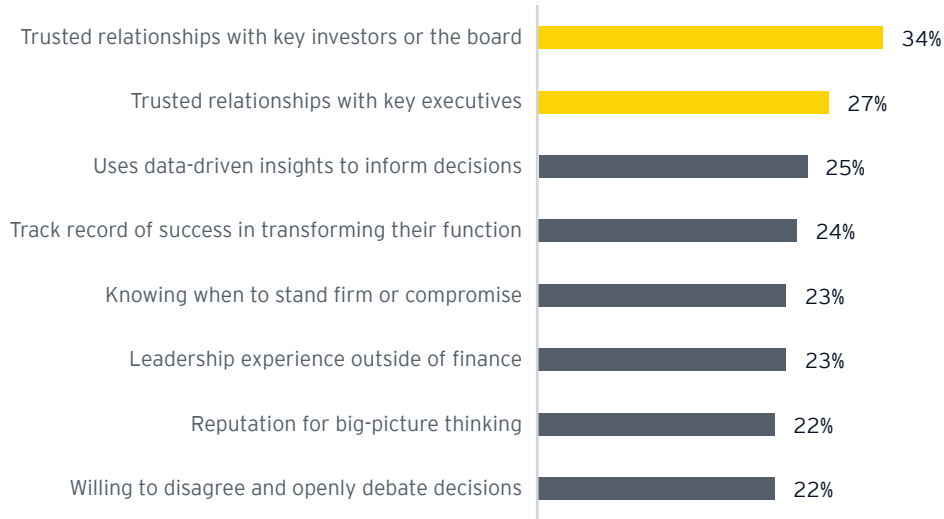
The CFO can help to resolve those tensions by providing valuable insight on decision-making, navigating trade-offs, fostering consensus across the C-suite and helping to align decisions with the long-term value strategy. The research finds that the key attribute required for influencing stakeholders is trusted relationships with board members, investors and executives (figure 2).

Fulfilling this role will likely require a CFO with the credibility and influence to challenge the CEO and executive team. However, less than one-third of respondents (32%) “always” speak up when they have a differing opinion from the consensus, and only 30% of respondents “always” strongly challenge members of the executive team when they disagree on a key issue.

¹ “How can corporate reporting bridge the ESG trust gap?,” The EY Organization.

Figure 2. Trusted relationships are key to being able to influence decisions

Question: What are the most important attributes that you feel a CFO must have in order to effectively influence the executive team’s decision-making?



For Juan Uro, EY Americas Leader, EY Center for Executive Leadership, the CFO’s ability to be a trusted advisor to the CEO and board, and the credibility to challenge them, evolves with tenure in the role. “If you are an internal promotion, say from Group Controller to CFO, then you may feel that in your early days you are still seen by the CEO and executive team as a controller,” he explains. “The first year can be critical – you may have to focus more on building the relationship and shifting perceptions about your mindset, scope, and seniority before you are then in a position to fully challenge members of the executive leadership

team. You should find the right balance and it can take careful work that first year, to build the credibility to be accepted as a thoughtful, trusted advisor to the CEO and the rest of the executive team and challenge them as an equal.”

The CFO’s team can also be an important advocate for long-term value while meeting short-term expectations. Balancing these demands can have implications for various finance areas, including performance reporting, forecasting, risk management, capital allocation and strategic planning.

Key priorities and next steps for CFOs

Drive long-term value while meeting short-term demands:

- ▶ Understand internal and external drivers impacting the business and its forecasts.
- ▶ Articulate a vision and strategy with the senior leadership to maximize long-term value.
- ▶ Set actions, align organization and measure progress, including the short- and medium-term goals toward the long-term vision.

Building effective relationships with the CEO and other leaders:

- ▶ Establish and maintain trusted relationships with the board, key executives and other stakeholders.
- ▶ Seek sponsorship and advocacy from influential executives and directors.
- ▶ Focus on the enterprise’s performance against key measures and alignment of business actions to those measures.
- ▶ Deliver actionable insights from financial and non-financial data, providing relevant and timely information for decision-making.

Dentsu: why CFOs need to be intellectually curious and culturally aware

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If you're an aspiring CFO, you have to proactively seek out opportunities and you have to be really intellectually curious.

Nick Priday, Chief Financial Officer, Dentsu Group Inc.

Nick Priday, Chief Financial Officer, Dentsu Group Inc., discussed his views on the expertise and skills that CFOs need in an international environment.

As well as core finance expertise, what are some of the key leadership skills that CFOs need to succeed today?

“I think being able to understand and navigate cultural differences is critical, including the need to understand how decisions are made in different cultures. I've been a CFO of an international business with leaders drawn from across Europe or the US to being part of the Dentsu Group and spending much more time engaging with colleagues in Japan. While everyone is an individual, an understanding of the characteristics typically exhibited by different nationalities is really interesting and increasingly important. In fact, in this context, it's key to being effective and to providing both strategic and finance-specific input.”

What are some of the challenges for CFOs when it comes to finding a balance between long-term priorities and meeting expectations around short-term performance?

“For Dentsu, as a Japanese-headquartered company, the viewpoint tends to be long-term. This reflects the focus of Japanese leaders and also shareholders, as Japanese companies still tend to have a very stable shareholder base, including cross-shareholdings by other corporates.”

“We issue mid-term plans to the market that set out what we expect to achieve over the following three years, supported by more granular guidance on calendar-year performance. I do think, however, that there's a need for companies to be able to extend forecasting: to be able to build visibility into what that following year would look like even before you get into the budget process and more detailed business plan. In the advertising industry, which is quite cyclical, this is challenging. But I think greater long-termism when it comes to forecasting processes is critical.”

What piece of advice would you give someone who aspired to a CFO role in their career?

“You've got to take ownership for your own career. If you're an aspiring CFO, you have to proactively seek out opportunities and you have to be really intellectually curious. In particular, if you want to be a CFO, you have to really understand the key drivers of whether a business is going to be successful or not. That's a different competency to the traditional areas of expertise, such as accounting or investor relations.”

“When I was appointed to my first CFO role at the age of 35, a very supportive chairman said to me: ‘You need to be decisive. You shouldn't be too harsh on yourself if you get some decisions wrong, but you need to get the important ones right! But the most important factor is not allowing the company to go into a state of inertia because you're not making decisions’. That is advice that has stayed with me throughout my career.”



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Balancing risk with innovation and bold transformation

Data analytics can be important for the future of finance as a strategic business partner.

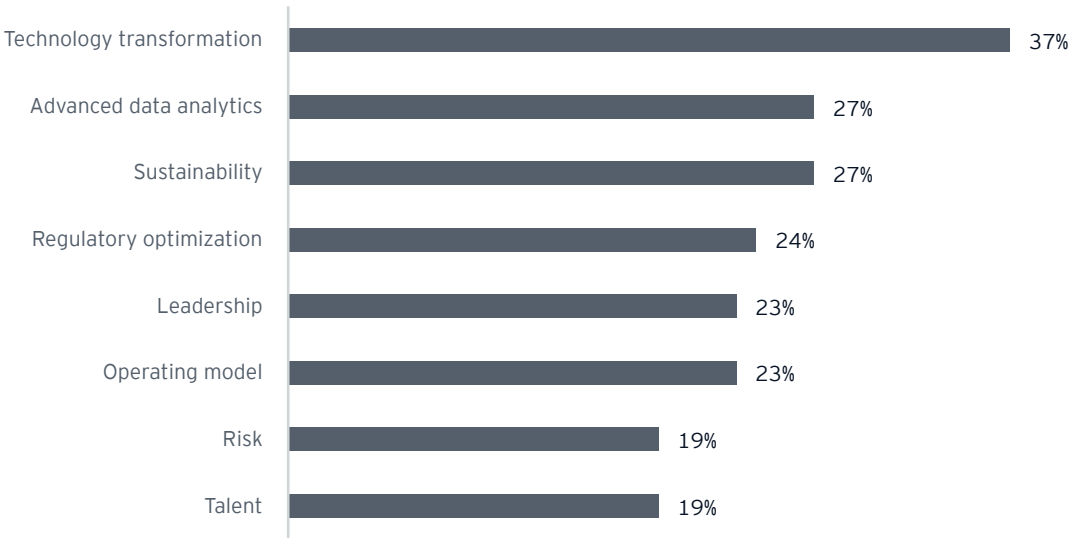
CFOs are regularly prioritizing the development of digitized finance functions to drive sustainable, long-term growth (figure 3). This emphasizes the importance of data analytics in helping to shape the future of finance as a strategic business partner.

To succeed, the finance function should be able to effectively process, analyze and visualize vast amounts of data from diverse

sources at a rapid pace. CFOs should develop an ambitious data analytics strategy aligned with their future vision, while helping to provide a finance team culture that is encouraging of innovation. This can involve striking a balance between risk awareness and granting the freedom and permission for finance teams to innovate and experiment with data analytics.

Figure 3. Priorities for finance transformation over the next three years

Question: What are the most important priorities to transform your finance function over the next three years?



While finance leaders are prioritizing the digital and data agenda, it is very noticeable that talent is lower on the list of priorities. However, CFOs should prioritize talent, in terms of their people and culture, alongside digital and data initiatives to help deliver a successful transformation.

Andrea Gronenthal - EY Americas Strategic Tax Transformation Leader, emphasizes that CFOs should elevate the talent agenda to achieve their objectives. She states that “Finance leaders recognize that successfully driving technology transformation can be difficult, and one of the reasons for that is a failure to address the talent pool and talent dimension.”

“While your current people may have deep finance and accounting experience, you should bring people in to help you execute on that vision for a digitized finance function. For a CFO, this could mean making changes to your hiring profile and starting to strategically replace existing skill sets with the new ones you require. One example would be data analytics. Putting in tools for data-driven visualizations will likely not provide much value if you don’t have the people who can interpret the output and translate it into insight for business leaders or external stakeholders.”

Many CFOs can fail to understand that buy-in from staff can be an important factor in determining the success of transformational programs.

The importance of talent and people to successful transformation is emphasized by research conducted by EY and the University of Oxford's Saïd Business School. In the report *Six ways CFOs can increase the likelihood of transformation success*², more than three-quarters (77%) of CFOs surveyed say they have experienced at least one underperforming transformation in the last five years.

Yet, the research also found that many CFOs can fail to understand that buy-in from staff can be an important factor in determining the success of transformational programs. They can also fail to provide sufficient support to address the psychological and emotional pressures caused by a transformation program. The EY organization and University of Oxford's Saïd Business School research also shows that successful transformation leaders are more effective at managing the stress and pressure on the

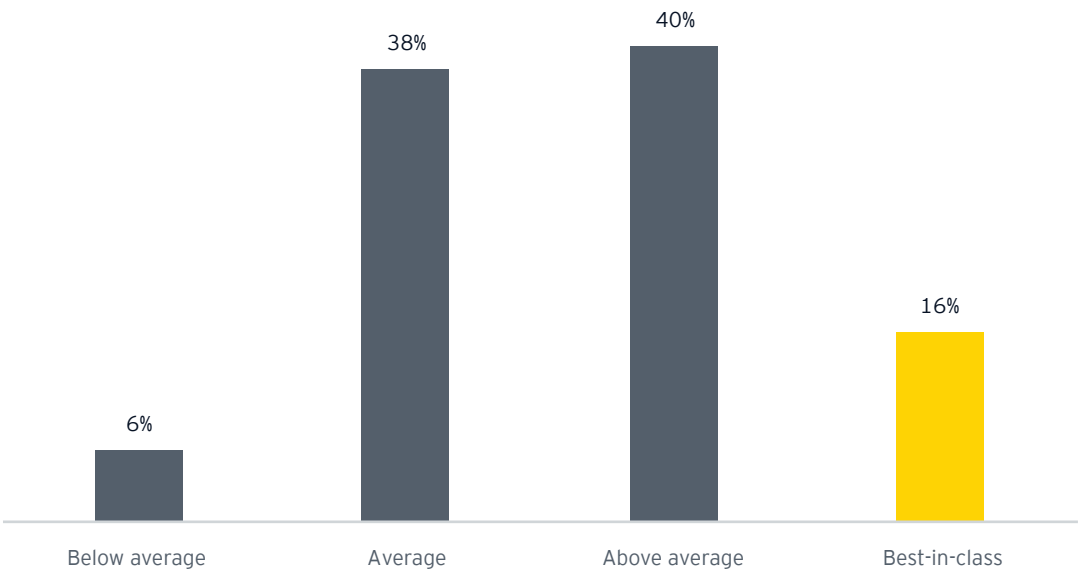
workforce, and that by mastering six key levers to put humans at the center of the transformation, they increase the likelihood of a successful transformation by a factor of 2.6 – from only a 28% chance of success up to 73%.

A minority of CFOs are pursuing a bold change agenda in finance to elevate performance

Sixteen percent (16%) of finance leaders surveyed perceive their finance function as best-in-class in terms of key change priorities, such as technology and operating model (figure 4). This perhaps reflects that CFOs are prepared to be realistic about current performance and see that there is more to do if the performance of their teams are to significantly surpass peer organizations.

Figure 4. Best-in-class performance an ambition for a select group

Question: Thinking about your transformation priorities, how would you rate the performance of your finance function today?



² "Six ways CFOs can increase the likelihood of transformation success," the EY organization, 2023.

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Finance functions are best positioned to drive value when they free-up time and money spent on routine activities.

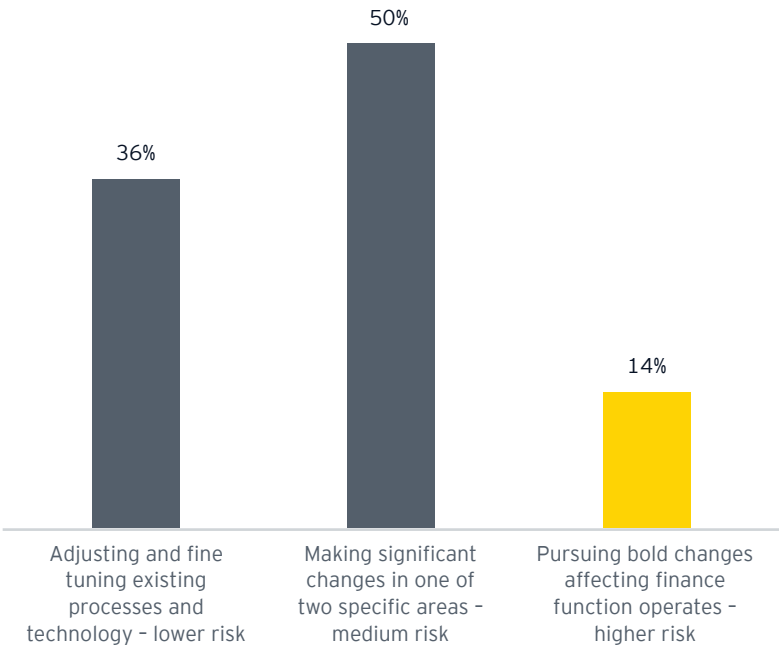
Dave Helmer, EY Global Tax and Finance Operate Leader

For Dave Helmer, EY Global Tax and Finance Operate Leader, CFOs are perhaps reluctant to describe their finance functions as best-in-class today because of the burden of routine finance tasks that they are still having to carry. “Finance functions are best positioned to drive value when they free-up time and money spent on routine activities, allowing the function to invest more in data, technology and talent improving outcomes” says Helmer. “Often this means co-sourcing routine data-driven and rules-based activities with a third party.”

However, while there is a need to deliver fundamental technology and operating changes, only 14% of finance leaders are making bold, holistic changes to transform the function for the future (figure 5).

Figure 5. A small minority of CFOs are pursuing bold and transformative change in finance

Question: How would you describe the scale and risk profile of the finance function changes you are pursuing over the next three years?



DuPont: unlocking the power of the finance function

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You can't ignore higher-risk opportunities to transform finance, but you have to continue to be measured and returns-focused in your approach.

Lori Koch, Executive Vice President and Chief Financial Officer, DuPont

Lori Koch, Executive Vice President and Chief Financial Officer at DuPont, discussed her views on driving innovation and change in the finance function and the CFO's evolving role.

CFOs are looking to transform their finance functions, but a more ambitious reinvention of the function can also bring a greater degree of risk. How can finance leaders balance the need for innovative change with their natural inclination for being disciplined?

“You can't ignore higher-risk opportunities to transform finance, but you have to continue to be measured and returns-focused in your approach. In technology transformation, you will have quick-win digital tools that are more about broad adoption and providing better access to data. But you will also have technology programs that are 18- to 24-month implementations. These are inevitably higher risk and will require process changes across the organization in addition to impacting how people get their work done.”

“To effectively manage the risk, you need to drive disciplined project management and recognize the critical need for change management. A robust finance organization recognizes these challenges and embraces the opportunity in order to ensure a high-performing finance organization.”

The current CFO role can be seen as a potential gateway to the CEO position. If a CFO aspires to the CEO position, what issues do they need to bear in mind about making that transition and succeeding in the role?

“I do see an increasing number of my peers who have successfully taken the next step in their careers to the CEO position. I think it demonstrates that the role is becoming more strategic, with CFOs being more involved in areas like capital allocation and driving portfolio decisions.”

“I believe that the key to a successful transition is really having a good handle on how value is created within your company, ensuring that you have the right team around you, and knowing how to effectively motivate the organization to achieve its strategic goals.”

CFOs should update their strategies and performance indicators to reflect changing circumstances while maintaining their long-term vision.

The research shows that this 14% of CFOs who are pursuing a bolder transformation agenda are more likely to believe they drive value both today and, in the future, compared with those pursuing more incremental change.

Greater value today

1.4x

The cohort of finance leaders taking bold action are 1.4 times more likely to believe they have an above-average or best-in-class finance function today (73% bold cohort respondents versus 52% of other respondents).

Greater value in the future

1.7x

The cohort of finance leaders taking bold action are 1.7x more likely to believe they will be best-in-class after their transformation (47% bold cohort respondents versus 27% of other respondents).

This indicates a potential tension in the mindset of the CFO: a conflict between the risk-averse nature and the need to embrace the higher risks associated with a more ambitious vision for a leading finance function.

For Ross Lacey, EY Global Finance Consulting Leader, while a risk-averse mindset in finance is understandable, it should be balanced against the risk of sub-optimization and incremental change.

"A large part of finance's role is about reliability, such as accurate, right-first-time deliverables like financial statements," he says.

"While that reliability is a positive, it can create an unwillingness to experiment and innovate, which can lead to sub-optimization and a tendency to revise existing processes rather than ask if the process adds any significant value in the first place."

"CFOs should balance their risk-awareness with a need to also encourage creativity and innovation. This is about creating a safe environment where finance people understand that it is permissible to experiment. While also setting clear boundaries around the scope of experimentation and establishing realistic expectations that experimentation and innovation aren't open-ended. Embracing this type of disciplined freedom can balance control and risk-awareness with the opportunity for innovation and bolder change."

To encourage this approach, CFOs can establish clear roles and responsibilities and delegate decision rights down from the finance leadership team. Part of this is being clear about where teams have the freedom to make decisions and where they don't. It will also be important to foster a culture of safe experimentation and create a "fail fast" mindset to capture and realize opportunities that a "no surprises" mindset may miss. Defining "failing fast" can be important so that teams understand the leeway for agility while also meeting macro performance targets.

Note: "other respondents" are those identified as pursuing a more incremental change agenda and not part of the bold cohort of finance leaders.



The finance leaders taking bold action are pursuing distinct priorities

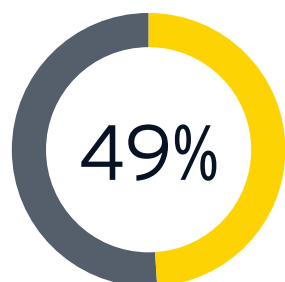
The research identified that the cohort of finance leaders that are driving bolder change are embracing different priorities - focusing on culture, technology and analytics, and developing the next generation of leaders - indicating a potential roadmap for finance transformation.

The importance of culture

A conservative and risk-averse culture in finance teams could be hindering the pace of change, with 72% of finance leaders surveyed saying "traditional back-office behaviors and mindsets in finance are slowing the modernization of the function." CFOs taking bold action understand this is a key challenge and are more likely to prioritize culture change from the top to overcome it.

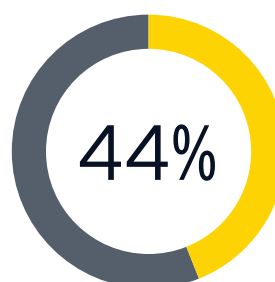
"Culture change should be driven by a wider talent evolution as it requires action across a range of levers, from having a compelling vision to incentives and career path," says Libby Hacker, EY Global People Advisory Services Finance Leader. "For example, changing the way people are measured and incentivized drives behaviors which in turn shifts culture. Similarly, if you want to shift a back-office mindset you will likely need to develop and clearly articulate a compelling vision of the future of finance to motivate your employees along with new skills development and career paths for continued learning and growth. It's also about putting humans at the center of your transformation efforts, which requires very particular leadership skills from CFOs in addition to their traditional competencies. Empathetic leadership will be key to leading people through transformation and culture change. That's a different skill set and requires emotional intelligence and an understanding of issues like diversity and well-being."

Strongly agree that changing the culture of their finance team is a priority



of respondents pursuing a bold agenda are prioritizing changing the culture of their finance team, compared with 32% of other respondents.

Strongly agree that to drive culture change, CFOs should move beyond technical skills to develop competencies in people-orientated areas



of respondents pursuing a bold agenda believe CFOs should develop competencies in people-orientated areas to drive culture change, compared with 32% of other respondents.

Takeda: challenging the status quo and driving digital innovation

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Using smart solutions like process automation, we're unlocking hundreds of thousands of productive hours; we're generating finance reports in minutes when they used to take people weeks.

Costa Saroukos, CFO, Takeda Pharmaceutical Company

Costa Saroukos, Chief Financial Officer, Takeda, discussed his views on driving digital innovation in finance and how aspiring CFOs can thoughtfully challenge others and themselves.

Can you tell us about some of your priorities when it comes to finance function transformation and driving innovation in the digital and data analytics domains?

“Within global finance, we have built a best-in-class global business services organization: Takeda Business Solutions (TBS). It develops solutions to optimize not only finance processes, but also areas like procurement and HR. TBS looks to drive capabilities in next-generation areas, from artificial intelligence to process automation and predictive analytics. A number of years ago, we identified data analytics and digital technology as areas we needed to be best-in-class. Since then, it's been transformational. Using smart solutions like process automation, we're unlocking hundreds of thousands of productive hours; we're generating finance reports in minutes when they used to take people weeks. That initial effort a number of years ago planted the seeds for an ongoing digital transformation and we continue to innovate and expand our efforts.”

CFOs play a central role in ensuring the organization effectively balances near-term performance with long-term priorities. How much of that is about the ability of the CFO to challenge the executive team when a decision needs to be made about near-term versus long-term priorities?

“There are a number of capabilities you need to be a global CFO, such as commercial acumen, but having the courage to speak up is just as important. CFOs have a responsibility to challenge the status quo – and challenge the CEO, executive team and sometimes the board. But first, you need to make sure you have a strong grasp of the detail. If you come up with a different decision to the current strategy, you must have the right data points to back you up, a compelling story that's going to land the right way, and a willingness to be accountable for your decision.”

What advice would you give a finance function executive who aspired to a group CFO role in the future?

“Have a career development roadmap that sets out key phases. Once you have command of a role, that's the time to step into another area of finance or within the overall business that will develop your commercial and financial acumen. It may take three years, or it may take a little longer, but this is about challenging yourself to get out of your comfort zone. Part of that is about working in other countries and regions. It's interesting that if you look at the career histories of C-level executives, myself included, they've nearly always had experience in more than one country. I do feel that post the pandemic there's less willingness when it comes to job mobility, but my advice is to seek out those opportunities for international exposure – be willing to take the risk of moving to a new country and experience a different culture and business dynamic.”

Experian: how CFOs can think and act like leaders

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If you haven't got that relationship of trust with the CEO, you won't get anything done.

Lloyd Pitchford, Chief Financial Officer, Experian

Lloyd Pitchford, Chief Financial Officer at Experian, discussed his views on the strategic leadership role of the CFO.

CFOs can play a central role in finding a balance between long-term investment priorities while also meeting the market's expectations around short-term financial performance. What are the key elements in your view of achieving that balance?

“It's really about making choices visible. You can't live in the long-term unless you live in the short-term. Equally, you won't have a sustainable future unless you're investing for the long-term and making implicit trade-offs explicit: understanding where your time and your capital is being allocated, across what time horizon, and for what risks and returns. Of course, there's also the key role that CFOs play in communicating with the financial markets, which is about setting expectations. Often, it isn't just about the financial performance you achieve as a company. Instead, it's the expectations you've set, the rationale you put around them, the financial model that you present to the market, and how you are delivering against that. That's often what you're judged against, not just the pure numbers that you deliver.”

What do you think are some of the key success factors when it comes to effective partnership between CFO and CEO?

“The partnership between the CFO and the CEO is utterly critical. As a CFO, it's very difficult to get anything done in an organization without the partnership and support of the CEO. That means that you can agree behind the scenes to each play a different role in the organization, with the CFO's role needing to be complementary to the skill set and interests of the CEO. Of course, it all comes down to partnership and trust and that's true of regional and divisional CFO roles as well. You need to have a connection with the CEO and a relationship where you can talk about anything behind closed doors. But if you haven't got that relationship of trust with the CEO, you won't get anything done.”

What are some of the key priorities in your view when it comes to driving the ongoing process of change and innovation in the finance function?

“Today, we're in the midst of another significant shift for organizations and for finance functions: a shift from systems to data and data-enablement. The custody of finance systems is being automated and pushed to the back, and the integration of data across the enterprise to support decisions is coming to the fore. That's the new frontier of finance and the finance delivery model: AI tools and visualization allowing you to see trends in massive data lakes and take effective decisions. For the finance function, this demands a new skill set. We're seeing finance people moving into data science and data science professionals working inside finance to leverage all of those data sets. This is a transition for business as a whole, and finance is no different.”

The great people finance leaders struggle to extract from their “day jobs” are exactly the people that should drive the transformation.

Prioritizing technology transformation and advanced analytics

The cohort of finance leaders that are taking bolder action are more likely to prioritize technology change as a finance transformation priority (44% of respondents vs. 36% of other respondents), as well as advanced analytics (36% of respondents vs. 26% of other respondents).

The importance of leadership and developing the next generation of CFOs

CFOs from the cohort of finance leaders taking bolder action are more likely to focus on leadership skills and developing the next generation of leaders with respect to finance transformation (30% of respondents vs. 22% of other respondents). They are also making greater progress in key areas: from spotting high-potential talent to putting succession plans in place. As part of leadership development, they are also of the strong belief that a strategic skill set will likely be key to transitioning to the CFO role: 47% strongly agree that strategy capability is now seen as a must-have for

progressing to CFO (vs. 33% others). Successful transformation will likely require a focus on people: culture change, talent and skills.

Deirdre Ryan, Principal, EY Global Finance Transformation Leader, emphasizes the importance of finance leaders seconding their best people to transformation delivery teams to achieve finance transformation objectives. “CFOs should pick their best people to lead transformation,” she says. “Unfortunately, this doesn’t always happen. The great people finance leaders struggle to extract from their “day jobs” are exactly the people that should drive the transformation. It’s difficult to backfill posts and trust that new people will provide the same high standards. But that doesn’t change the fact that seconding your best people is the right thing to do. You want your top talent building your future. For enterprise-wide transformation, you also need to be comfortable ‘letting them go’ by changing their reporting lines to transformation leaders. This holds them accountable to the wider organization for the transformation effort rather than their previous managers.”

Key priorities and next steps for CFOs

Drive culture transformation through leadership and reward:

- ▶ Encourage a digital mindset and culture by recognizing and rewarding innovative ideas for digitizing finance delivery.
- ▶ Lead by example in modeling a willingness to change mindset and behaviors, setting the tone for others.
- ▶ Align reward systems to encourage authentic support for culture transformation.

Rethink talent and skills to secure a data-driven advantage:

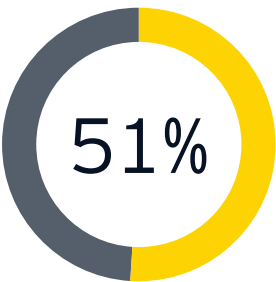
- ▶ Build a hybrid team with diverse skills, including financial analysis, data science, and storytelling and interpersonal abilities to help provide forward-looking insights to drive business decisions, and build trust and influence at all levels of the organization.
- ▶ Reassess hiring profiles and development plans to address gaps and build the necessary capabilities for emerging skill requirements.
- ▶ Creating opportunities for mobility within the finance team to help accelerate development and encourage agility.

Note: “other respondents” are those identified as pursuing a more incremental change agenda and not part of the bold cohort of finance leaders.

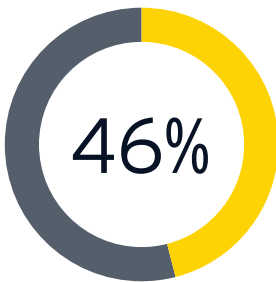
A high-performing finance team will likely be key to managing this tension between long-term ESG investments and short-term demands.

Finance leaders pursuing bold change are more focused on the long-term ESG agenda

Finance leaders pursuing bold transformation agendas are placing a stronger focus on the long-term ESG agenda:

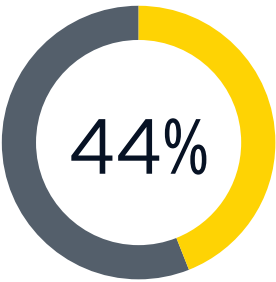


More than half (51%) of respondents say their organizations are prioritizing long-term investments in ESG programs, compared with 42% of other respondents.

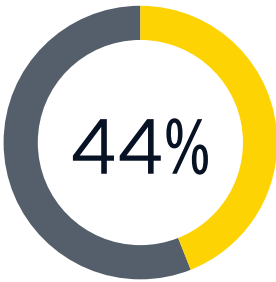


Just under half (46%) of respondents “strongly agree” that the importance of ESG and sustainability has increased attention on managing for the long-term, compared with 36% of other respondents.

However, these finance leaders are also aware of the challenges associated with delivering the long-term ESG agenda in an uncertain market environment:



The finance leaders taking bold action are more likely to cut or pause investment in climate change and ESG priorities (44% vs. 32% of other respondents).



Forty-four percent (44%) of respondents strongly agree that today’s market environment increases pressure to drive cost efficiencies and meet short-term earnings targets (compared with 35% of other respondents).

This awareness of balancing short- and long-term priorities could explain why this cohort are determined to drive more fundamental change in finance. A high-performing finance team will likely be key to managing this tension between long-term ESG investments and short-term demands.



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CFOs should broaden their range of skills and capabilities outside of finance and develop a high-performing finance function.

Myles Corson, EY Global and EY Americas
FAAS Strategy and Markets Leader

A female sprinter is captured in a starting crouch on a red running track. She is wearing a light blue tank top and black shorts, with her hands on the ground and feet on starting blocks. The background is blurred, showing the track lanes. A large white number '3' is overlaid on the left side of the image.

3

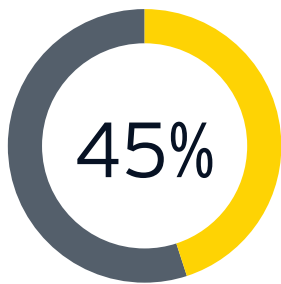
Balancing the evolving role of the CFO with traditional skill sets

The evolving expectations for CFOs include expanding their knowledge and capabilities into new leadership skills.

Senior finance leaders were evenly divided between those who aspire to the CEO role and those who see the CFO role as a destination role, reflecting how the broadening scope of the

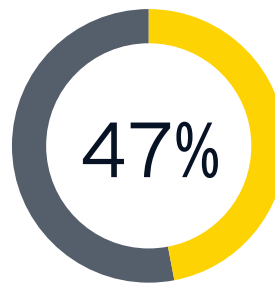
CFO role is creating general management opportunities but also enhancing the attractiveness of the role.

CEO



of respondents aspire to a CEO role in the long-term, either at their current organization or another.

CFO



say it is the CFO role that they see as their long-term goal.

The research indicates that 84% of respondents recognize the CFO role as highly challenging, but also state that there has never been a more exciting time to be a CFO – up from 76% of respondents in the *2020 EY DNA of the CFO Survey*³. As the scope of their role has expanded, many finance leaders now view the CFO role as a stepping-stone to the CEO position, as it can provide the strategic grounding and valuable experiences required to prepare for the rigors of the CEO role. This trend underscores the significance of the CFO position in career ambitions and emphasizes the importance of preparing finance leaders for future leadership opportunities.

This aspiration of many CFOs for the CEO role raises some key considerations:

1. New skill sets and leadership capabilities

CFOs identified the two primary challenges in achieving their priorities as “finding time to build knowledge and expertise through exposure to external expertise and access to thought leadership” (37% of respondents), and “managing a wide range of operational responsibilities, including IT and HR” (34% of respondents).

These challenges could be interconnected. As CFOs expand their operational responsibilities, they should acquire knowledge beyond finance such as HR and marketing skills. However, time constraints can often hinder their ability to invest in building this knowledge.

To address time constraints, CFOs should develop a clear picture of those responsibilities that could be assigned to the next tier of emerging finance leaders. This can free-up valuable time for the senior leaders and provide development opportunities for the next generation. CFOs can also consider how they can learn from different generations. For example, using “reverse mentoring” with younger colleagues to help build the CFO’s awareness and understanding of emerging digital trends and customer behaviors.

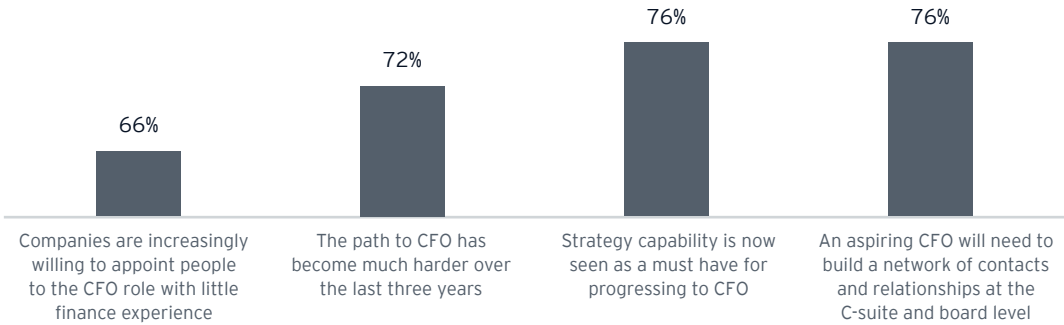
The evolving expectations for CFOs include expanding their knowledge and capabilities into new leadership skills. The fact that two-thirds of finance leaders accept the willingness of companies to appoint CFOs with limited finance experience highlights a shift toward valuing strategic and inspirational leadership over pure finance domain expertise.

³ “How can the CFO evolve today to reframe finance for tomorrow?”, the EY organization, 2020.

3. Balancing the evolving role of the CFO with traditional skill sets

Figure 6. The path to CFO is increasingly challenging and competitive

Question: Thinking about the challenges that finance executives face today in securing the top CFO role, to what extent do you agree with the following statements?



For Loren Garruto, EY Global Corporate Finance Leader, this discussion about capabilities in the strategic role involves the need to speak a different “language.” “My experience of working with people from both strategy and finance backgrounds is not just about different skill sets: they often think about problem-solving differently,” she says. “Often, your ‘typical’ finance executive comes at issues from a very bottom-up perspective, getting very granular with data and analysis. But, to be a strategic finance executive, you should also have that top-down, big-picture perspective. You should have confidence in your storytelling ability, and not be as granular as you would when talking to fellow finance professionals. I often advise CFOs who are pitching an idea to the CEO or board to not put everything on the page. Just put what you need to tell your story and have the confidence you can draw on your deep finance and analysis skills to make a compelling business case. Being a strategic finance executive

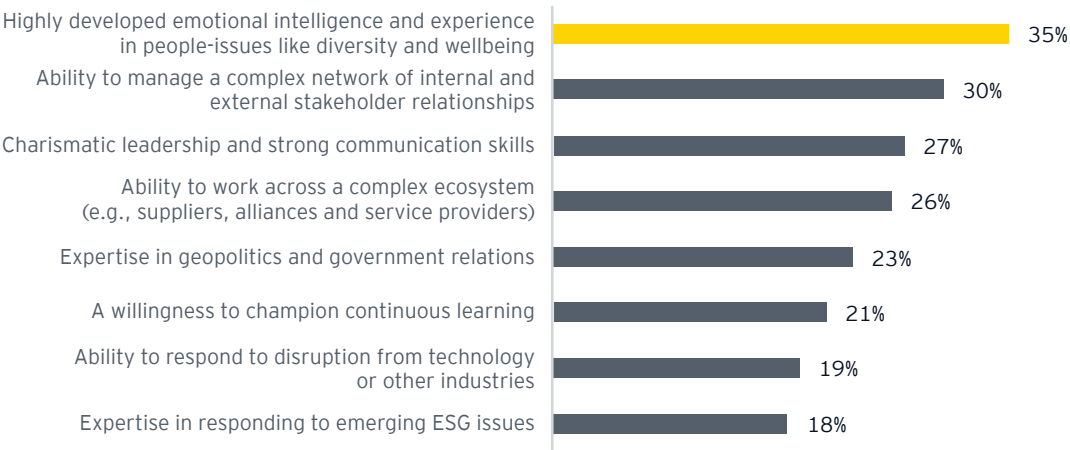
is not only about finance capabilities, it’s also about confidence, communication and storytelling abilities.”

According to the findings, the top skill or attribute expected of successful CFOs in the next five years is “highly developed emotional intelligence and experience in ‘people issues’ like diversity and wellbeing.” While assessing potential talents within their teams, CFOs should prioritize individuals who demonstrate emotional intelligence and effective interpersonal skills, particularly when they are embarking on finance transformation.

The importance of emotional intelligence is reinforced by the recent research collaboration between the EY organization and the University of Oxford’s Saïd Business School, which found that many CFOs fail to provide sufficient support to address the psychological and emotional pressures caused by a transformation program.

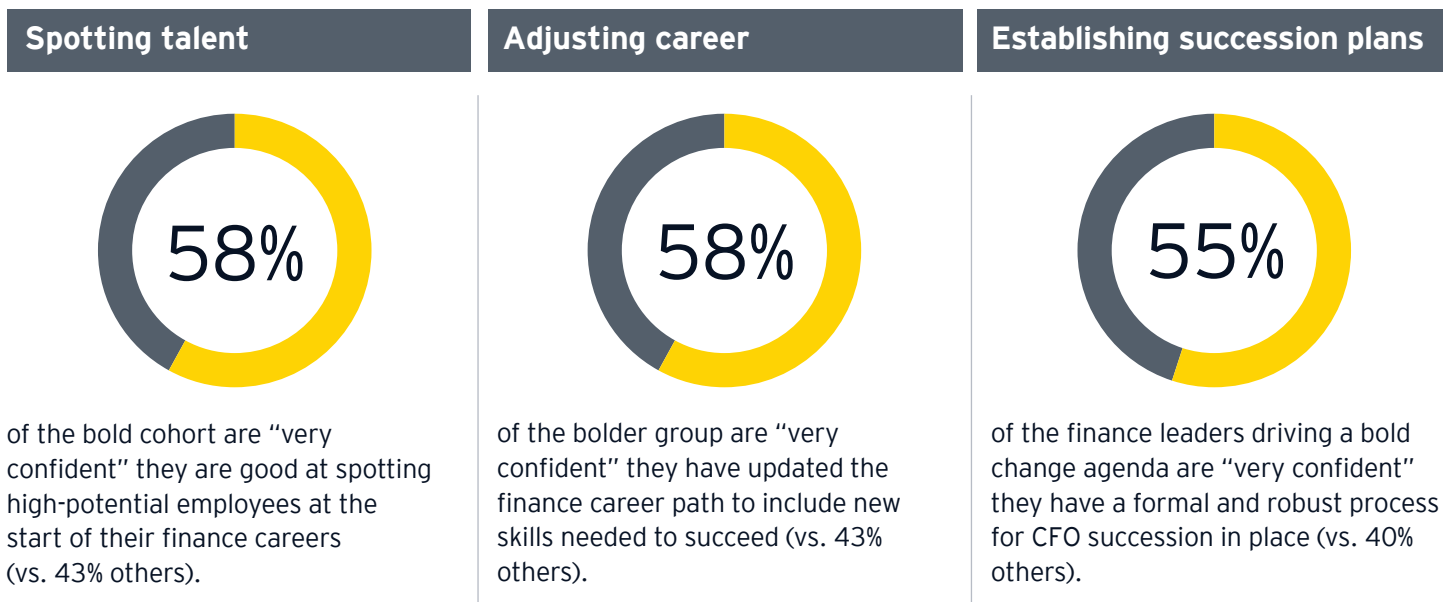
Figure 7. The importance of emotional intelligence for the future CFO

Question: Looking ahead five years, which skills or attributes will be most important for the successful CFO of the future? (Group CFOs only)



2. Building the next generation CFO

Incumbent CFOs should prioritize the development of the next generation of leaders. The research highlights that CFOs who drive bold transformation are prioritizing leadership development as an integral part of their finance function strategy.



The focus on people development and the future of the finance function is evident among those pursuing a bolder agenda. However, mentoring aspiring senior finance leaders is an area that should be addressed. Among non-CFO respondents,

only 48% feel their CFO invests enough time in mentoring. Highlighting the demand for mentoring is not fully met and could require a balance with the time pressures faced by CFOs.

Key priorities and next steps for CFOs

Develop awareness and understanding of the evolving external environment:

- ▶ Engage with diverse stakeholders outside of the organization, to gain insight into emerging pressures and opportunities in key markets.
- ▶ Dedicate time to build knowledge and understanding in key areas, such as sustainability and digital technologies.

Define succession and development planning in collaboration with the chief human resources officer (CHRO):

- ▶ Establish a productive working relationship with the CHRO to assess the implications for succession planning, and identify training and development requirements to nurture high-potential candidates both for the CFO and supporting roles.
- ▶ Prioritize regular career discussions with high-potential talent in the team to understand their aspirations and align development opportunities.



The way forward

The EY Global DNA of the CFO Survey
provides actionable insights for CFOs
and finance leaders to navigate the
complexities of their roles.

As CFOs look to confront the paradoxes outlined in this research, there are a number of steps they should consider taking:

- | | | |
|---|--|--|
| 1. Business impact – creating value for the whole enterprise | 2. Functional impact – driving the performance of the finance function | 3. Personal impact – fulfilling a strategic remit and achieving career ambitions while developing future CFOs |
| <ul style="list-style-type: none">▶ Articulate a comprehensive strategy that maximizes long-term value supported by the short- and medium-term objectives.▶ Build trusted relationships with C-suite colleagues and senior leaders and provide data-driven insights to support strategic objectives. | <ul style="list-style-type: none">▶ Drive culture change in finance by embracing the required mindset and behaviors, and incorporating cultural goals into leadership and rewards.▶ Future-proof finance skills by revising hiring, development and upskilling approaches, including an assessment of the current workforce to understand gaps and surpluses and then implement a workforce strategy. | <ul style="list-style-type: none">▶ Focus on fulfilling the strategic remit of the CFO role through effective relationships and robust debate with fellow executives and board members.▶ Develop the next generation of finance leaders through career pathways, succession planning and regular communication and engagement.▶ Retain curiosity and create the time and space to learn from a variety of internal and external sources. |

The EY Global DNA of the CFO Survey provides actionable insights for CFOs and finance leaders to navigate the complexities of their roles. By creating business impact, driving functional performance, and focusing on personal growth and development, CFOs can excel in their strategic responsibilities and contribute to the long-term success of their organizations.

About the survey

This report is based on a survey conducted by FT-Longitude on behalf of EYGS LLP, involving 1,000 CFOs and senior finance leaders worldwide. Of the respondents, 69% are CFOs, including 18% who are group CFOs, with the remainder holding divisional and regional CFO roles. The remaining 31% of respondents were drawn from finance director and heads of finance roles. Respondents were from 21 countries and 13 industry segments,

with 70% representing organizations with revenues of between US\$1b and US\$5b per year and 30% with revenues exceeding US\$5b per year.

This research also includes interviews with senior finance leaders and EY subject matter professionals, and our thanks go to all those who contributed their insights.

Lori Koch, Executive Vice President and Chief Financial Officer, DuPont

Lloyd Pitchford, Chief Financial Officer, Experian

Nick Priday, Chief Financial Officer, Dentsu Group Inc.

Costa Saroukos, Chief Financial Officer, Takeda Pharmaceutical Company

Joseph J. Wolk (Joe), Executive Vice President and Chief Financial Officer, Johnson & Johnson

Loren Garruto, EY Global Corporate Finance Leader

Frank Geelen, EY EMEA Finance Consulting Leader

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