

The Elevated Role of the CFO (May 2021)

It's not a secret that the pandemic has had a dramatic impact on chief financial officers (CFOs) this past year, elevating their role in organizations across industries. In this Action Brief, we take a look at what factors have caused this shift and what this important role is focusing on in 2021 and in the years to come.

Earlier this spring, we attended a webinar where we learned firsthand from CFOs in major businesses about how they were called upon to be more vocal during the early weeks and months of the pandemic. As the year continued, so did the challenges that necessitated visionary responses across all aspects of their businesses.

Intrigued, we did a little more digging and discovered a trove of articles confirming what we had heard in the webinar. So, what drove the changes? One word—survival. As businesses closed up physical office spaces almost overnight and sent their employees home to work, a lot of things needed to happen quickly to maintain financial business operations and to keep people employed. As a result, many CFOs grappled with the following:

- Transitioning from the role of monitoring overall financial operations and investments to thinking strategically about how to stay afloat on a day-to-day and week-to-week basis; keeping people safe and employed became priority number one.
- Shifting to new communication methods and collaboration tools meant training staff on these virtual tools while simultaneously establishing safety and data privacy policies and norms for employees to follow
- Safeguarding data in remote work environments included managing risk related to cloud computing and assessing additional threats of cyber hacking
- For businesses still staffing frontline workers, investments in cleaning and protecting their employees' health (e.g., providing employees with PPE) quickly became a priority.

Long-Term Investments and Projections for Growth on Hold

Due to sales and supply chain disruptions, CFOs were called upon to strategically navigate cash flow on a daily and weekly basis rather than monthly or quarterly. Cash has been and still is king during the pandemic; CFOs spoke about holding back at the beginning of the pandemic in order to accelerate business investment as they start to come out of the pandemic—to return to pre-pandemic levels or to respond to pent-up demand. For now, planning for an entire year or any long-term investments for growth are most likely on hold as businesses continue to watch the macroeconomics of the vaccine rollout locally, nationally, and globally.

New Budget Line Items and Shifting Resource Allocations

- Many CFOs believe that companies will need to budget for the health and well-being of their employees going forward; this is a new expense that is probably here to stay.
- Data security policies need to be enhanced to recognize the additional dangers/challenges of remote work.
- Education and training for employees on these policies needs to continue and be enhanced to keep data secure.
- Investment in learning about the threats of hacking (prevention) and the development of cyber recovery plans (response)

New Technology Investments

- Investment in communication and collaboration tools—as well as education for employees on using these tools
- HR interface for onboarding/offboarding, orientation, training: the need for keeping employee information secure when everything is online
- ERP systems needing to be secure, and connected, with dashboards for easier viewing on a daily/weekly basis to make decisions about cash flow and investments
- Cloud computing—understanding how it can help with growth and reduce overheads; some basic knowledge is needed to strategically work with CTOs and developers; must understand the risks involved when making decisions on which way to go
- The changing landscape of the payments industry—knowing the different payment gateways, choosing the best one for your business, and implementing it with few disruptions to customers and transactions

Overall Economic Changes Impacting the CFO Role

The boom-and-bust cycle has been shortening since the U.S. housing market crash in 2008, so CFOs need to be more strategically involved rather than simply monitoring cash flow and investments. Weathering a long bust (such as that brought on by COVID-19) after a short burst of growth takes strategic diversification. With the pandemic, this has meant preparing for possible future lockdowns or new disruptions to trade, manufacturing, and distribution. Knowing one's industry and how to prepare for the inevitable next big challenge can mean the difference between company survival and failure.

2021 and Beyond

It's going to be a while before we see a return to normal; 2021 will be a transitional year because businesses are still looking at meeting needs rather than big-picture planning and forecasting. Some projections are saying that the pandemic will be affecting businesses for the next 2+ years.

In terms of future investments and fulfilling stakeholder demands, businesses have additional stakeholders to consider now. In addition to being available to and watched

by their investors, business metrics are more widely available and being watched by employees, customers, and regulators. More qualitative KPIs such as safety regulations, workforce impact, and alignment to corporate strategy need to be considered to address these new stakeholder interests going forward.

Classroom Implications

Imagine that you were the chief financial officer of a medium-sized business with about 80 on-site employees this past year. What skills did you need to employ to make many quick decisions and changes in your business? As the CFO, why do you think these decisions and responsibilities fell on your shoulders rather than another position in the company?

What does it mean when we say that companies quickly shifted to day-to-day cash management and “cash is king,” versus projecting and investing for longer-term growth? Describe some examples of supply chain disruption that caused companies to be hyper-focused on cash reserves.

What sorts of challenges does new technology create? And then, what efficiencies does new technology create?

What is a boom-and-bust cycle? How do you think companies operate differently in each cycle when it comes to their financial management?

Links for further learning:

Finance Derivative: [“The Evolving Role of the Chief Financial Officer in 2020”](#)

Financial Management: [“The Pandemic’s Effect on CFO Tenure”](#)

CFO Dive: [“CFO Role Has Grown During Pandemic: Accenture”](#), [“4 CFO Lessons From the pandemic”](#)

CFO: [“CFOs Respond Rapidly to Pandemic”](#)

Accounting Today: [“Pandemic Forces CFOs To Manage Financial Liquidity Better”](#)

Wealth Monaco: [“CFO’s Capital Allocation Strategy Shift After Covid”](#)