

Trial By Fire: How CFOs Are Stepping Up Amid The Crisis



CFO Survey Report 2021

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I. Introduction

Winston Churchill’s famous challenge to “never waste a good crisis” has been frequently invoked this year. Looking back at the 2008 financial meltdown, the 2000 dot-com crash, and even the Great Depression, it can be argued that the lasting economic impact of the global pandemic may well surpass all of these combined. And the path to recovery will largely depend on companies’ ability to leverage the crisis as a catalyst to reformulate and adapt their business plans and operating models.

COVID-19 has generated significant disruption, to put it mildly, and amid the whirlwind of change the world experienced in 2020, CFOs are at the forefront of crisis management. Providing strong financial stewardship through some of the toughest months in recent history, CFOs have found themselves in firefighting mode: preserving cash, assessing risks, scenario-planning, and pivoting to rapidly revisit and rework financial plans and forecasts, often on a daily basis.

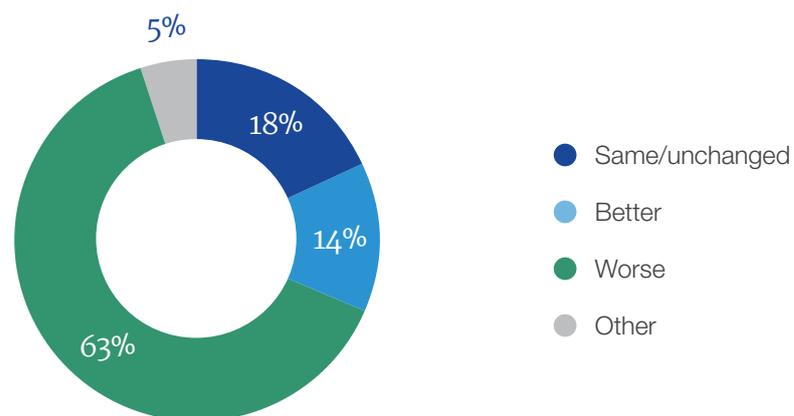
In this year’s Stanton Chase CFO Survey, we canvassed more than 250 CFOs from around the globe to gain their perspectives on what they and their organizations experienced in 2020 and their expectations going forward. Several trends stand out compared to our last global survey, most notably the steadily broadening scope of the role of the CFO and an increasing focus on strategy, technology, and human capital. Some priorities and trends were not surprisingly completely upended by the impact of the global pandemic, which derailed even the best-laid business plans. CFOs were hard-pressed not to view everything through the lens of COVID-19 as they dealt with the immediate fallout. Changing environments and new risks have clearly led to shifting priorities and support the continued evolution of the CFO’s expanding role.

II. Findings & Analysis

A Dark Cloud Over The Year

The year 2020 represented one of the most challenging on record, and CFOs are feeling the pressure of an extended period of uncertainty. Not surprisingly, their mood has shifted significantly over the past 12 months – optimistic expectations of growth and profitability have been replaced with uncertainty and crisis management as companies, and their CFOs, wrestle with mitigating the effects of a protracted downturn and keeping their heads above water.

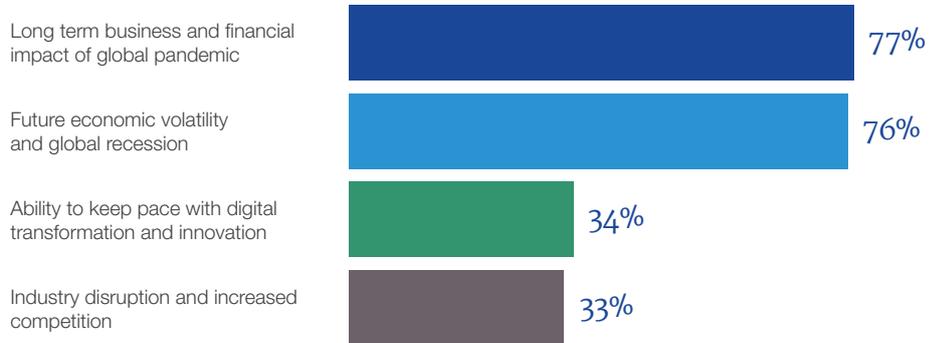
Industry Prospects Compared With 2019



More than two-thirds of CFOs reported noting a decline within their industry in 2020 compared to 2019. As the pandemic continues unabated in many business markets, much of the early optimism for a potential hockey-stick recovery has ebbed, with signs increasingly pointing to a longer-term – and much more uncertain – W-shaped recovery.

Respondents cited a downtrend in revenues indicative of other drops on the market. Some industries, such as essential and e-commerce retail, saw an initial uptick in profits. But the temporary boost in sales was often “more than offset by higher CV-19 costs and supply-chain challenges,” according to one retail CFO respondent. Another CFO from the industrial sector noted that government incentives and support have eased the slump but that “this has mostly been borrowing from future demand.”

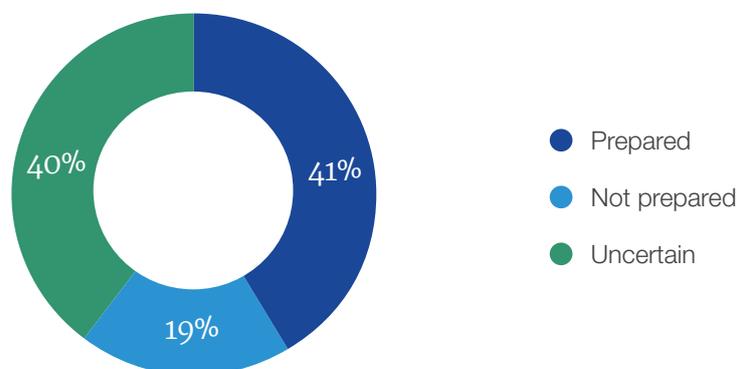
Biggest Challenges For The Next 3 Years



In our last global survey, a majority of CFOs ranked digital transformation and implementing innovative technology as their greatest challenge. While this certainly remains at the forefront for many, and still ranks among the top three challenges that CFOs perceive for the next few years, the current and longer-term impacts of the pandemic and overall economic volatility took center stage in 2020. Therefore, while digital transformation remains a priority, it has been displaced for many CFOs as they face the more immediate challenges of correcting course.

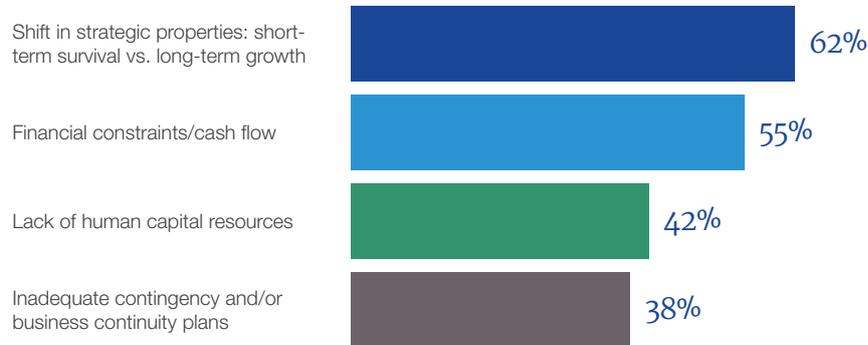
The most pressing issue at hand for CFOs is the long-term and financial impact of the global pandemic, with almost 80% of respondents listing this as their top challenge over the next three years. Almost the same number of CFOs cited future economic volatility and global recession as one of their top concerns, although the two are most definitely closely related. A third of CFOs surveyed continued to prioritize digital transformation and the ability to keep pace with digital trends and innovation, and roughly the same number of respondents again listed industry disruption and increased competition as challenges they anticipate in the near future.

Were CFOs Prepared For These Challenges?



With 2020 presenting a whole range of unprecedented challenges, many organizations and their CFOs were caught unawares as to the extent of the newly presented risk. Fewer than half (41%) of CFOs surveyed reported feeling that they or their organization are adequately prepared to address the risks associated with the coming year's challenges.

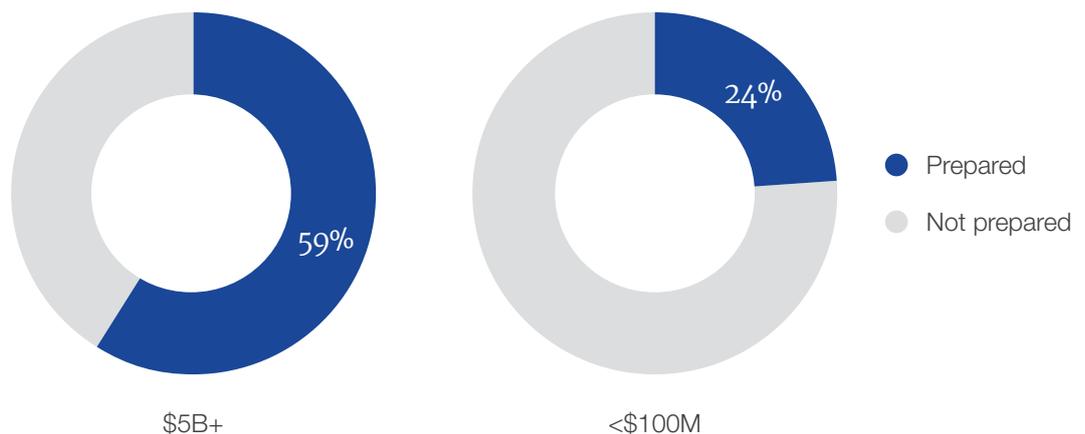
Why Aren't CFOs Prepared?



Nearly two-thirds of CFOs who feel they are not adequately prepared or who are uncertain cited a shift in strategic priorities as the main stumbling block to overcoming recent challenges, as management prioritizes short-term survival over long-term growth. Perhaps not surprisingly, CFOs ranked financial and cash-flow constraints next (55%), while just under half (42%) cited a lack of human capital resources.

Of note, CFOs of small to mid-cap companies (those with annual revenue of \$100 million or less) felt they were much less prepared (24%) for upcoming risks than their larger competitors (59%). This is likely indicative of these organizations already running lean and with less flexibility to rapidly change course.

How Prepared Were CFOs? (By Revenue)



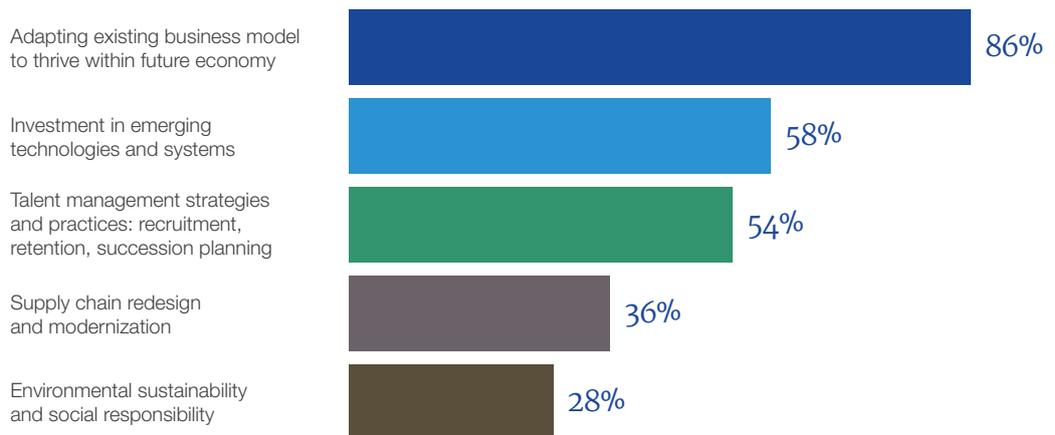
This further demonstrates that longer-term strategies and organizational plans were largely sidelined out of the necessity for CFOs to steer their companies through the crisis. Survival became – rightfully – the most important, burning issue, and a key element of managing the current situation and preparing for recovery centered around people. With almost half of respondents citing a lack of resources as an obstacle to preparedness, CFOs have had to continually evaluate their organizations to assess whether they had the right teams and people in place.

For Recovery, People Are The Priority

In our last survey, 65% of CFOs reported that attracting and retaining talent was a key challenge. Confronted with immediate cash-flow constraints in 2020, many CFOs faced tough decisions and the need to downsize in the short term – often running the risk of losing key people who could help drive the very recovery that organizations desperately need.

In response to short-term emergency measures, CFOs are looking toward the next several years as a crucial time for rebalancing and reconfiguring the business within new parameters. As they take stock of a serious situation that threatens to upend previous business models, many exhibit a certain degree of optimism that economic activity and company revenues will eventually return to pre-crisis levels.

Priorities For The Next 5 Years



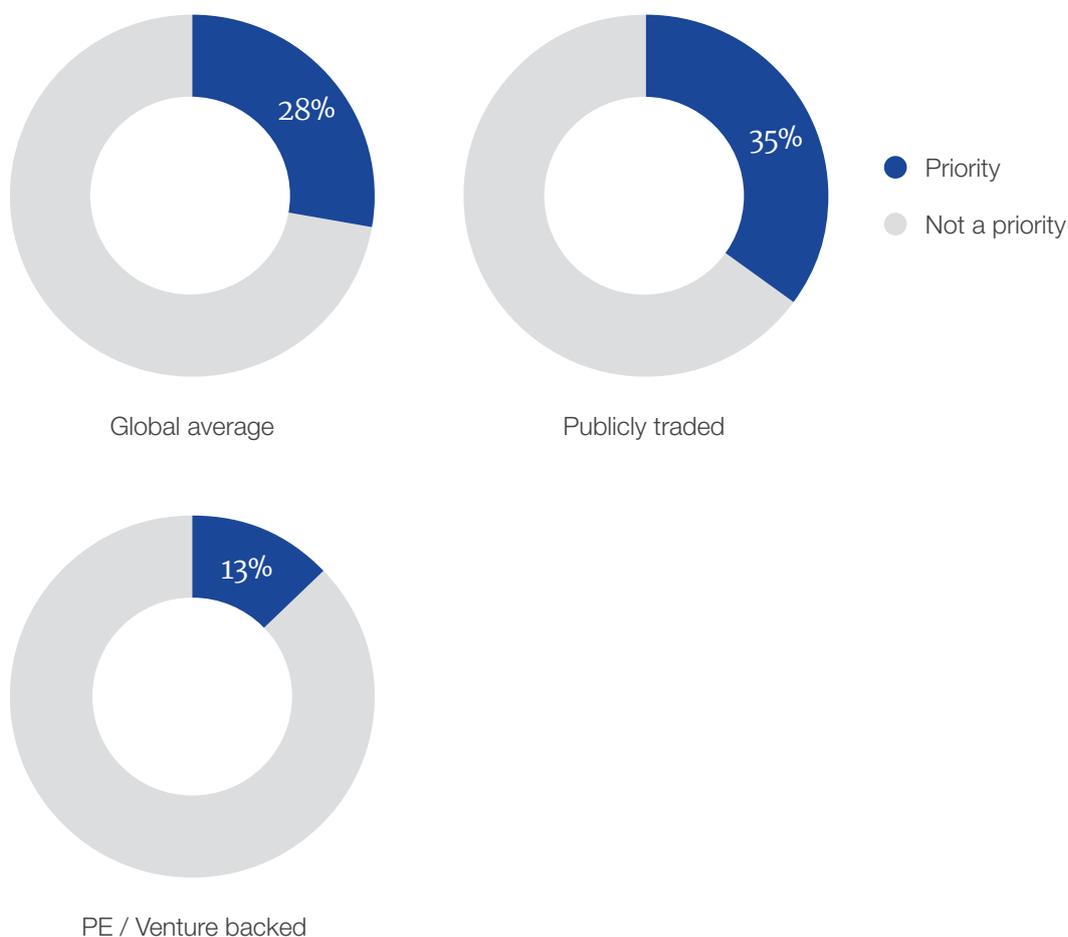
When asked about their priorities for the next five years, CFOs largely reached a consensus about the top three most important priorities going forward. An overwhelming majority (86%) of CFOs mentioned the need to adapt their existing business model to thrive within the future economy, and almost two-thirds (58%) cited investment in emerging technologies and systems. Similarly, over half (54%) cited a focus on talent management strategies and practices: recruitment, retention, and succession planning.

Somewhat surprisingly, only 17% of CFOs are prioritizing the shift to a remote work environment in the upcoming years, although at this point in the pandemic most leaders may have already resolved how to best enable and encourage remote work, allowing them to turn their attention to priorities that represent an investment in new business models, technology, and people. Many CFOs have emphasized the importance of frequent communication and touch points with their remote teams to ensure continued engagement through a period of extended uncertainty.

Environmental sustainability and social responsibility continue to rank low among priorities for CFOs. Over the past year, with many CFOs laser-focused on cash conservation, scenario-planning, and preserving shareholder value, managing environmental, social, and governance (ESG) risks often took a back seat, with fewer than 30% of CFOs surveyed ranking it as a priority. This was especially true for private equity and venture-backed firm CFOs, of whom only 13% declared environmental sustainability and social responsibility as a priority, compared to just over a third of public company CFOs.

With shareholders and activist investors becoming increasingly attentive to ESG issues, we can expect the focus will be rekindled, and more often than not with CFOs front and center. Combined with the implementation of new ESG accounting and reporting standards, the role of the CFO, particularly for publicly traded companies, will continue to evolve, with much of the tracking and compliance reporting falling on CFOs' shoulders.

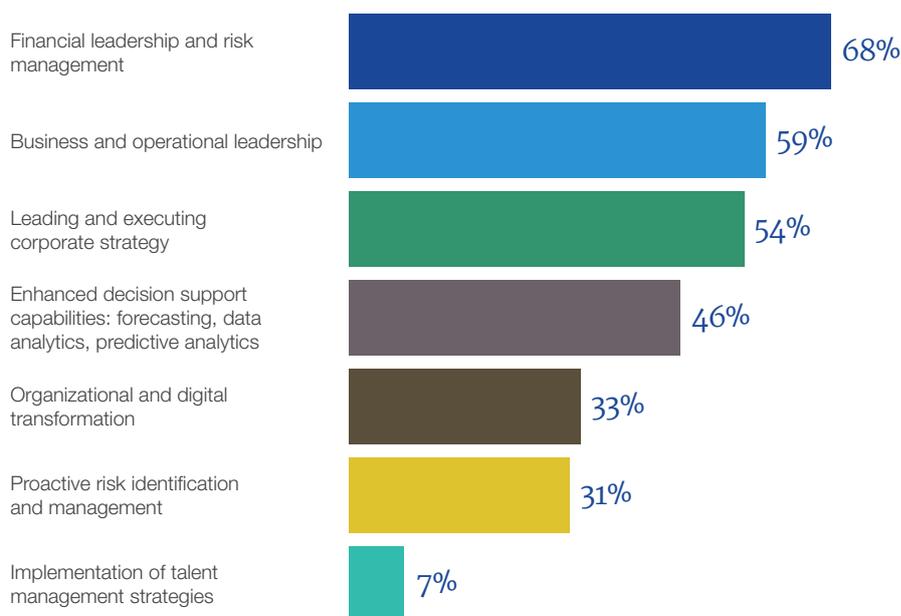
Prioritizing Environmental Sustainability And Social Responsibility



Redefining The Role Of The CFO

The role of CFOs is necessarily fluid as businesses adapt and react under normal circumstances, and there has been a notable shift in their priorities as well as for the larger organization as a whole. The exceptional circumstances of 2020 highlighted some additional responsibilities assumed by CFOs, and in their role as the corporate nerve center they cited the need to focus on managing costs and liquidity, supporting strategic changes, leadership, and management – all while maintaining a focus on communication with key stakeholders and providing a sense of stability and calm.

How CFOs Create Value

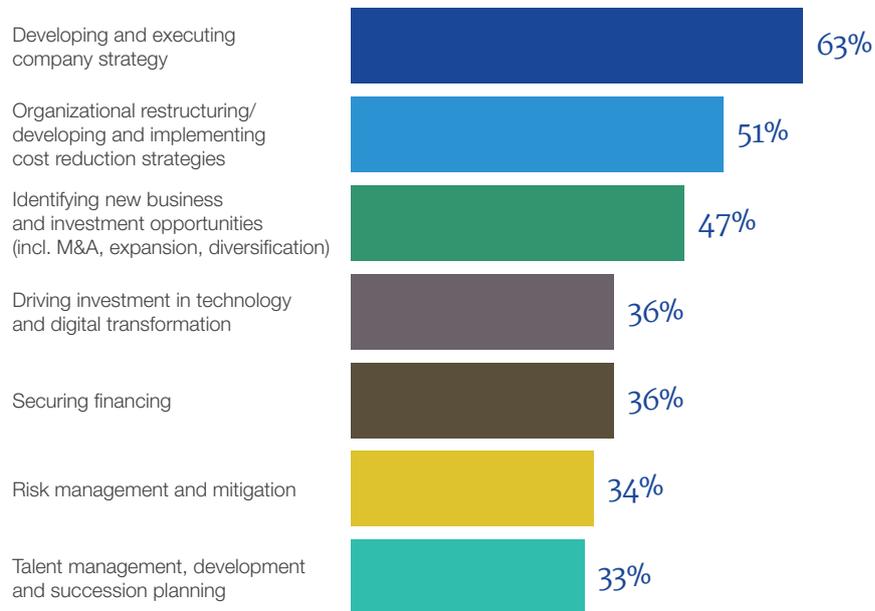


Overwhelmingly, CFOs remain focused on developing and executing strategies to create value within their organizations. While technology and digital transformation are still recognized as important, they have declined in ranking since our last survey. Over two-thirds (68%) of CFOs said they created value through financial stewardship and risk management while 59% cited business and operational leadership, which is consistent with our prior survey data. Surprisingly, there was a 20% decrease in CFOs indicating they took a leadership role in driving and executing corporate strategy since 2017 – a significant decline, although still ranked highly among 54% of CFOs at present.

Only 7% of CFOs reported implementing talent management strategies in 2020. Considering the emergency shift to preserving cash flow and the bottom line driven by the pandemic, the short-term focus is perhaps not surprising.

That said, people remain a priority over the long term, as evidenced in CFOs' five-year focus on implementing talent management strategies and plans (see chart "Priorities For The Next 5 Years" on Page 7). Likewise, a third of CFOs listed talent management as a priority for this year.

Priorities For 2021



While responses to this question are largely consistent with our previous survey, organizational restructuring and cost reduction strategies have risen to the top of the list for most CFOs (51%). Two-thirds (63%) said they plan to focus on developing and executing company strategy, and almost half (47%) cited the need to identify new business and investment opportunities.

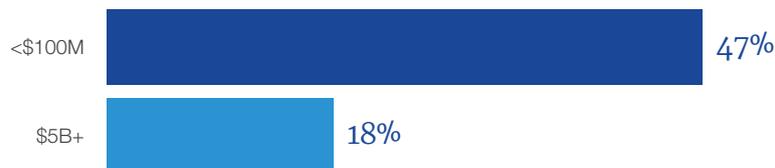
This points to the CFO's role in juggling priorities, balancing their role in long-term strategy and growth with the immediate need of business sustainability. This is consistent with other surveys conducted earlier in 2020 wherein CFOs indicated their primary focus as short-term scenario-planning and cash-flow forecasting. Most businesses face continued uncertainty over a timeline for recovery, and some organizations – most notably those within the travel and hospitality sectors – have been left permanently disrupted.

Talent management and development have been less of a priority during the pandemic, with CFOs focusing more attention on short-term survival, perhaps surprising given the evident importance of retention of key personnel. However, for over 30% of respondents, talent is flagged as a priority for the year ahead, which points toward CFO optimism in preparing for recovery.

We also took a closer look at how large and small companies differ when it comes to securing financing and driving tech innovation. CFOs of small to mid-cap companies, were more likely to be concerned with securing financing than with investment in technology and digital innovation, while CFOs of larger companies were twice as likely to invest these areas. Again, this is not surprising given these organizations are often running lean, with less margin for flexibility.

Priorities Of Large Vs. Small to Mid-Sized Companies

Securing Financing



Investing In Technology And Digital Transformation



In line with this, financial constraints – or the threat thereof – represented a much more significant risk for smaller companies, with almost two-thirds of CFOs in this category saying this was a challenge for the coming year compared to just under a third of large companies.

Biggest Risks For The Next Year



Not surprisingly, most CFOs (79%) see the ongoing financial and business impact of the global pandemic as the biggest risk for their organization in 2021. Almost as many respondents (78%) cited the risk of an uncertain or adverse economic environment beyond the threat of COVID-19, and more than half (55%) said they are concerned about financial constraints and cash flow. More than two-fifths (43%) listed talent shortage, gaps, and retention as one of the biggest risks for the coming year.

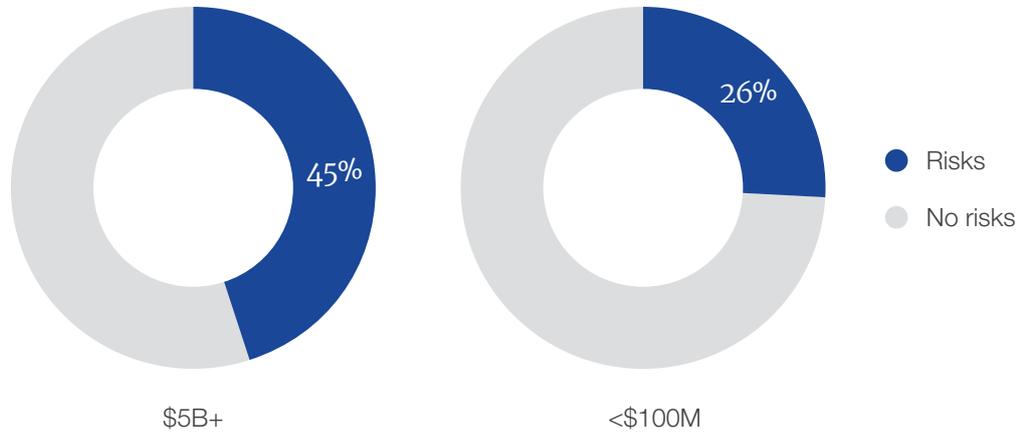
It is interesting, however, that this shows CFOs are largely in alignment with the executive leadership and board as they evaluate these risks.

CFOs at larger companies, however, were more likely to assign a greater level of risk to keeping pace with digital transformation and innovation than their smaller-company counterparts. Almost half (45%) of larger companies associated digital transformation and innovation with risk compared to just over a quarter (26%) of smaller companies.

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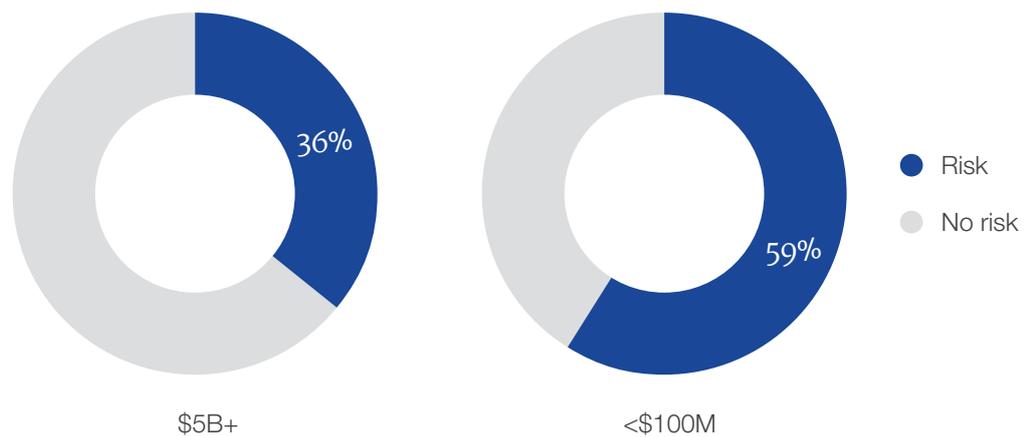


Risks Of Digital Transformation And Innovation



But when evaluating their risks for the upcoming year, more smaller companies than larger companies said financial constraints were top of the list.

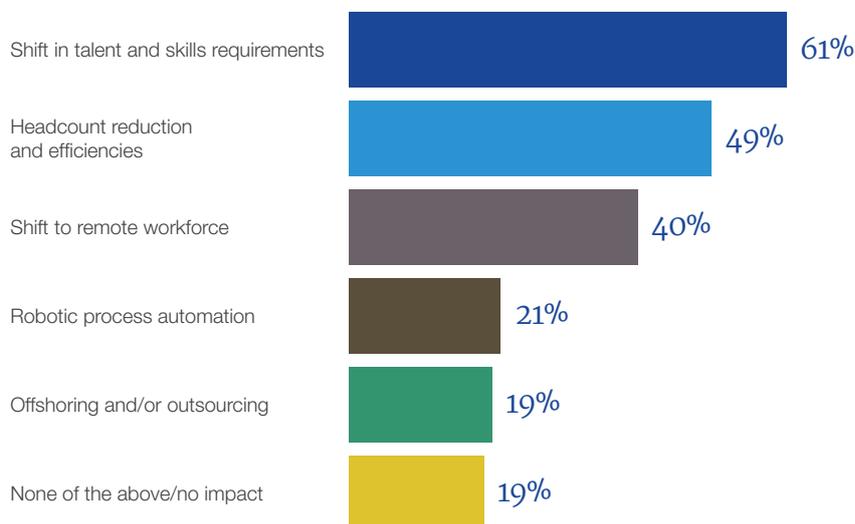
Risk Of Financial Constraints



A Renewed Focus On Tech

Despite the myriad of challenges presented by the global pandemic and the financial constraints it has imposed on every level of business, technology is a clear priority for CFOs. An increasing number of CFOs are recognizing the importance of developing and attracting talent with the requisite technology skills, a trend consistent with our past survey results.

Impact Of Tech In Past 3 Years

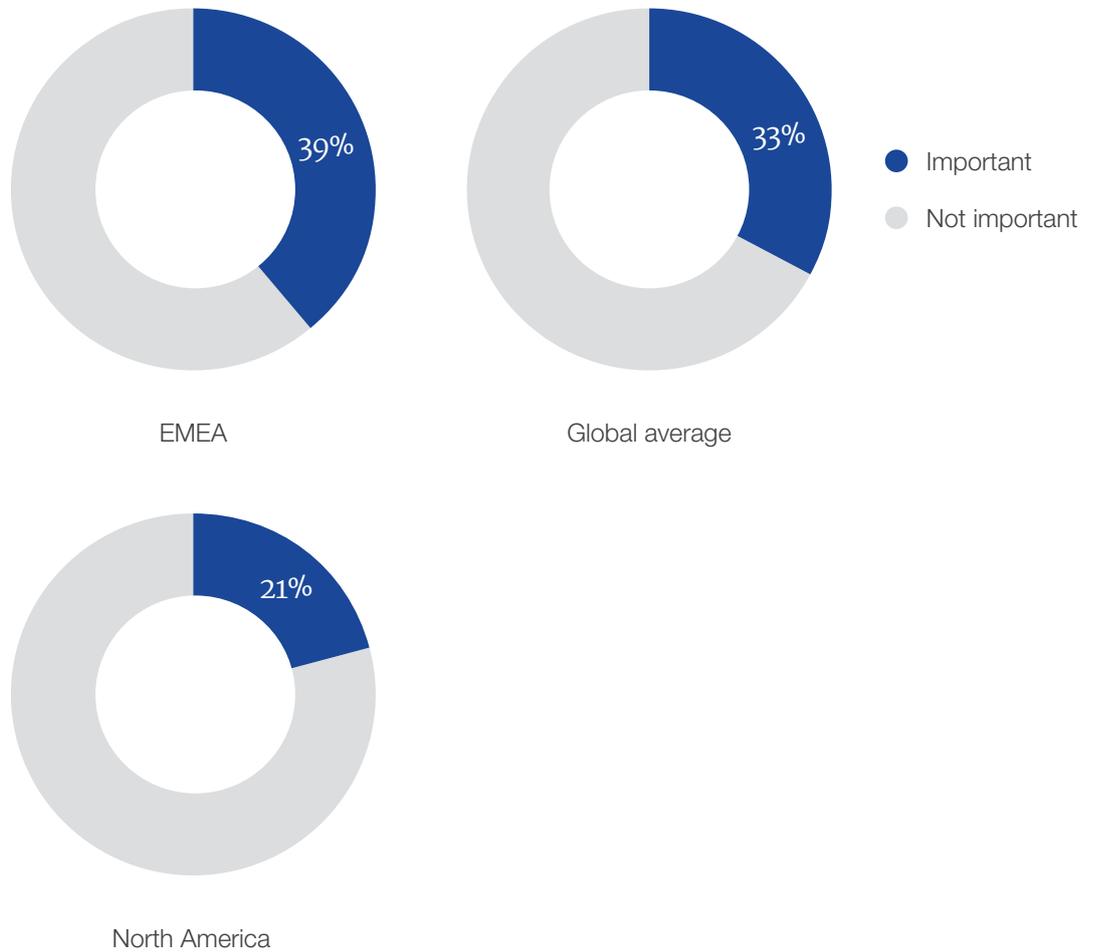


According to this year's survey, technology has most benefitted CFOs in the areas of hiring and employee management. Half of respondents reported headcount reduction and efficiencies as the primary benefits of technology, and almost two-thirds (61%) said technology had helped them shift talent and skills requirements.

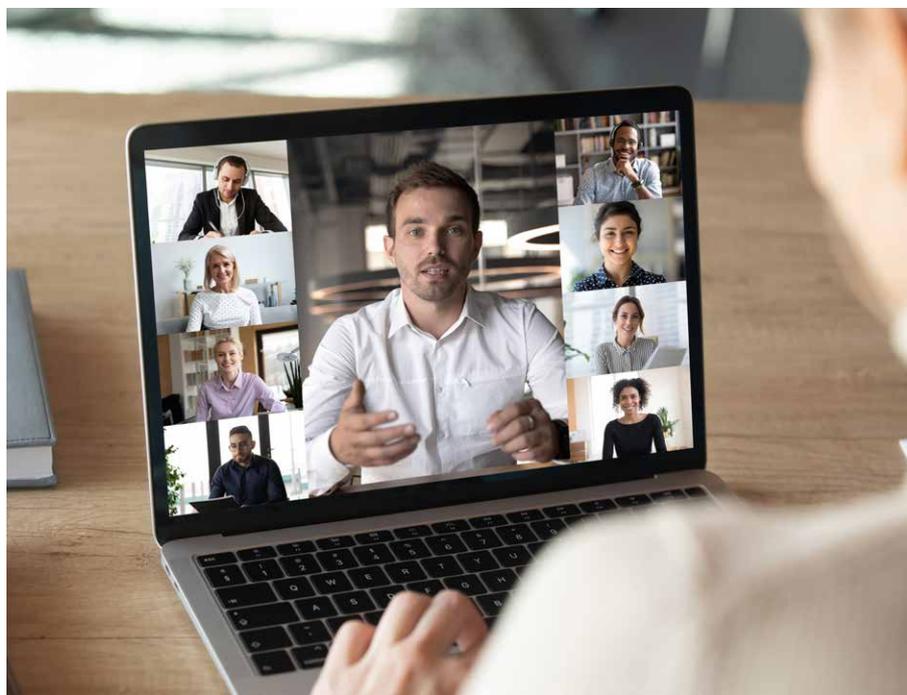
Not surprisingly, over a third (40%) of CFOs said technology was invaluable in the shift to remote work that the past year necessitated. This will be an interesting trend to follow as many companies consider implementing remote work environments on a permanent basis, post-pandemic.

Executives and management have come to rely heavily on technology, and this reliance is only set to increase in the years to come. Nearly twice as many CFOs in Europe versus those in North America voiced that organizational and digital transformation was a key value creator during the past year alone.

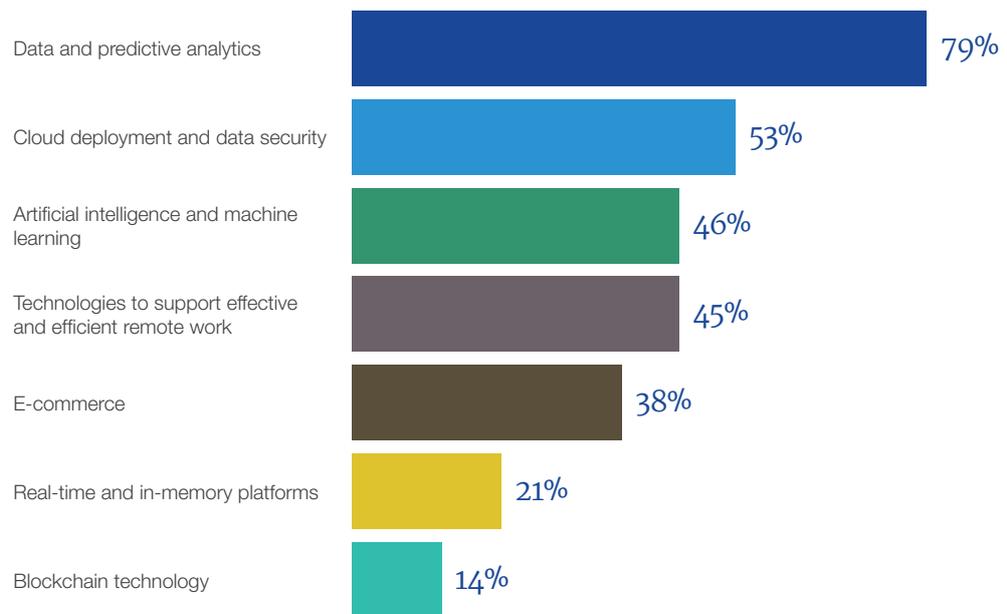
The Importance Of Digital Transformation (By Region)



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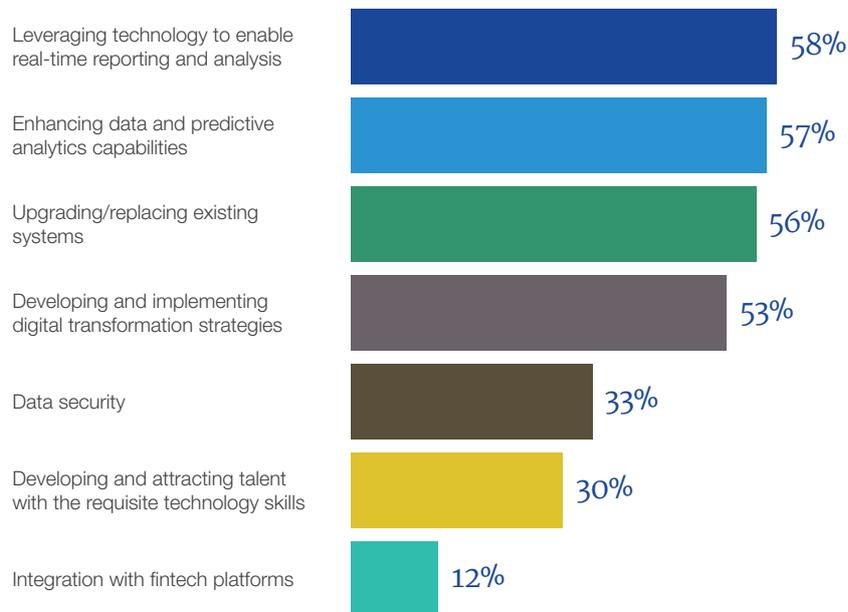


Digital Technologies With The Greatest Impact In The Next 5 Years



A vast majority (79%) of CFOs indicated they expect data and predictive analytics to most significantly impact their finance organizations. Others cited cloud deployment and data security (53%), artificial intelligence and machine learning (46%), and technologies to support effective and efficient remote work (45%). While the topic of remote work represents an emerging consideration for many CFOs – and a new question added to this year’s survey – it is clearly one that has quickly risen to the top of the CFO agenda, as organizations seek to streamline the capability of employees working from home and business being conducted virtually.

Tech Priorities For The Coming Year



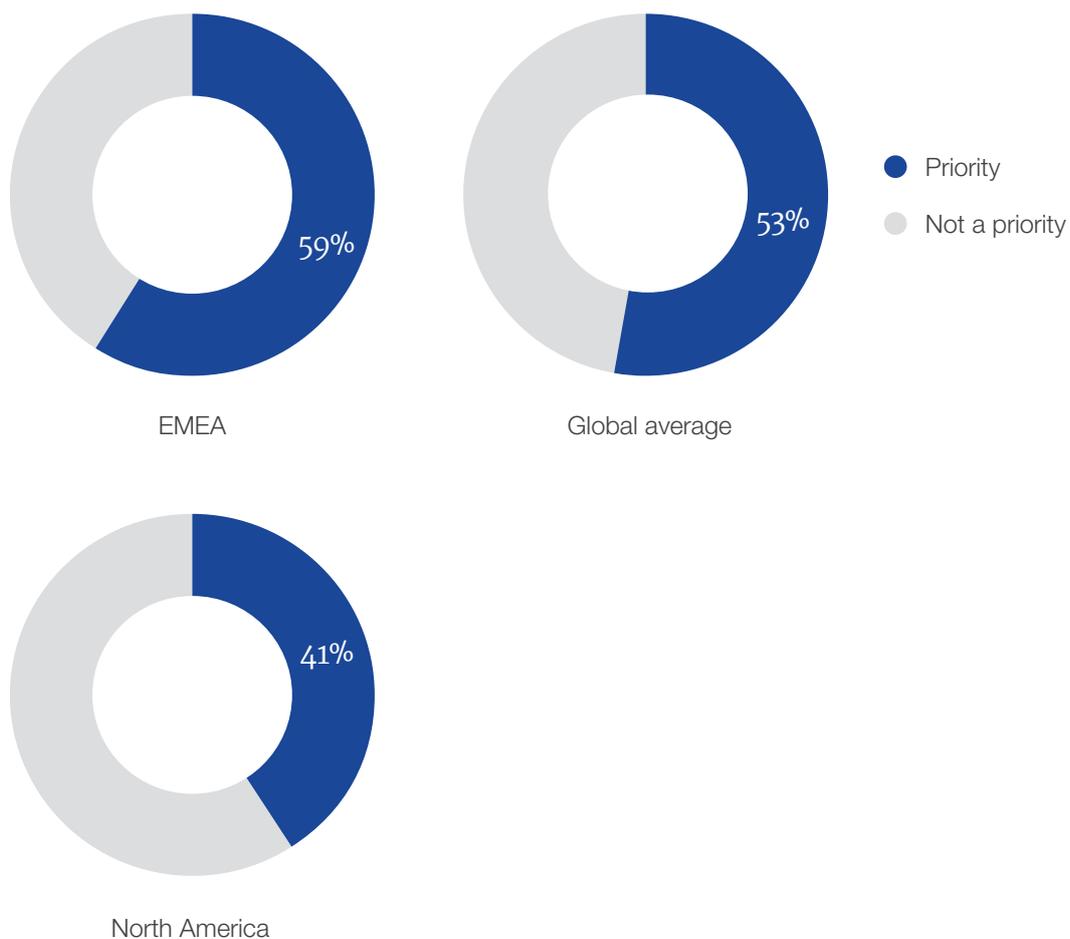
In light of this, CFOs evaluated their priorities for the coming year based on technology, making it clear that boosting digital capabilities, expanding to new technologies, and putting existing tech to work are seen as invaluable investments for the near future. In comparison with our last survey, the importance of technology has more than doubled and, in some areas, tripled. Previously, just 18% of CFOs prioritized data and predictive analytics, whereas this year close to two-thirds (58%) flagged it as being on the agenda for the coming year. Similarly, close to two-thirds (58%) referenced leveraging technology to enable real-time reporting and analysis (versus 21% in 2017), while 56% plan to upgrade or replace existing systems in the coming year.

CFOs Prioritizing Digitalization (By Region)

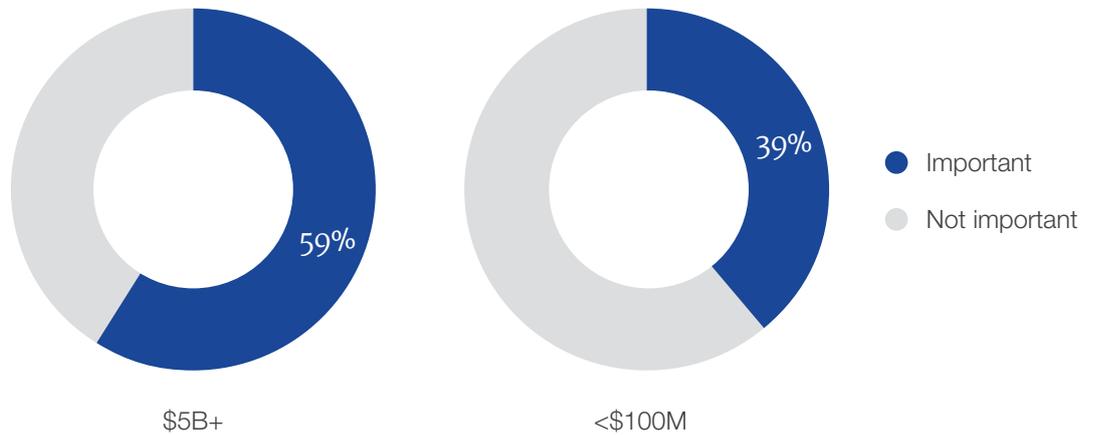
In our last global survey, only 10% of CFOs deemed attracting and developing finance talent with technology skills as a priority; however, that has increased to almost 30% in this year's survey. Clearly CFOs are well attuned to the reality that in order to realize their goals related to implementing technology, it is critical to have the right talent in place to leverage it.

On a regional basis, digital transformation overall remains a priority for 59% of CFOs in EMEA, while only 41% in North America say the same.

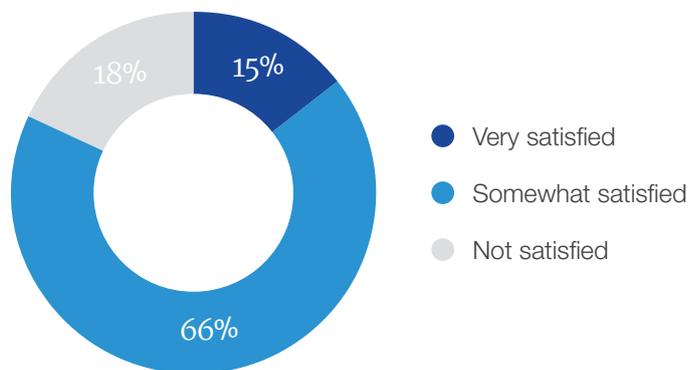
CFOs took opposing views of the importance of artificial intelligence and machine learning, with almost two-thirds of larger companies viewing these as potentially having a significant impact on their organization.



The Importance Of AI And Machine Learning

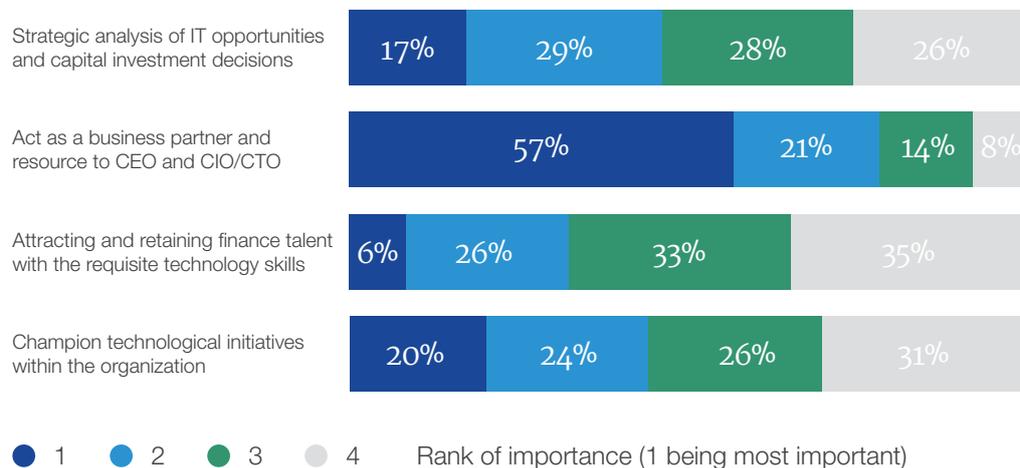


Satisfaction With Company Initiatives To Leverage Technology For Competitiveness



When asked about whether they felt supported in their organization’s initiatives to leverage technology to gain a competitive advantage, a majority (66%) of CFOs reported being “somewhat satisfied” (versus 60% in 2017). Although not a significant increase, this uptick would appear to indicate that companies are taking a more proactive approach in implementing new technologies given the rising importance as a priority for CFOs.

What Can CFOs Do To Drive Digital Transformation?



Because of their crucial role in leading the charge through the crisis and beyond to recovery, CFOs are experiencing an increasing emphasis as trusted business partners within their organizations. To make a seamless transition from crisis to growth, CFOs and CHROs are collaborating more closely than ever to manage headcount and develop talent management and communication strategies.

This holds true for the CFO-CIO partnership, as well. According to the CFOs in our survey, the most important role of the CFO in digital transformation is to act as a business partner and resource to the CEO and CIO/CTO (57%). In second place came the strategic analysis of IT opportunities and capital investment decisions.

III. Recommendations/Insights

In the face of a sudden and immediate crisis, CFOs had to step up even more than before in 2020 as they led key strategic decisions beyond finance and operations to human capital, from furloughs to office space to survival. Leading massive work force virtualization, technology enablement, constant scenario-planning, and post-pandemic growth plans, CFOs are at the epicenter of changes that will have a lasting impact.

Using the insight provided by our in-depth survey of more than 250 CFOs, we can make the following recommendations of actions to be taken and trends to watch in 2021 and beyond on the road to recovery:

Digitalize To Stay Ahead

Digitalization has long been gaining in importance as a priority for CFOs and their organizations, but the events of 2020 kicked that drive into high gear. From accommodating remote work for employees, offering online services for clients and consumers, and streamlining decentralized processes, companies are facing a new reality wherein virtually every aspect of the business needs to be digitalized or have the capability of going digital.

Invest In Emerging Tech And Systems

Because of the increased need for digitalization and subsequent reliance on technology, CFOs are looking to the latest and most efficient tech systems that can facilitate business in the new normal. Despite the pressure on the bottom line, they are investing in emerging technology as the way to ensure that their business is crisis-proof going forward.

Innovate To Outpace Disruption

There has never been a better time for innovation, and CFOs are thinking outside the box in the search for ideas of how to keep ahead of their competition and anticipate potential disruptions to the industry. Using their investment in tech and digitalized processes, CFOs are preparing their organizations to take off in entirely new directions.

Balance Long-Term Strategy With Crisis Response

The pandemic claimed most of 2020 and looking ahead CFOs are seeking to temper their immediate, stop-gap reactivity with a level-headed, all-encompassing long-term strategy. Thus, they can adapt the existing business model to function, and succeed, in the future economy and ensure the business keeps running smoothly without a hitch.

Double-Down On Talent Management Strategies And Practices

As organizations look ahead to recovery and evaluate how their structure must change to adapt or be most effective, CFOs are shifting their focus toward a continual evaluation of their company's talent. They are making sure they have absolutely the right people in the right roles so that the organization can function as a well-oiled machine steaming ahead into recovery and beyond.

Embrace The CFOs' Expanded Role

With a rapidly evolving corporate landscape, CFOs have to think on their feet and lend a hand where it's needed. Heading into 2021, this includes focusing on organizational restructuring and cost-reduction strategies, developing and executing company strategy and scenario-planning, and identifying new business and investment opportunities.

IV. About Stanton Chase

Founded in 1990, Stanton Chase is your global leadership partner, recognized for exceptional results around the world. Stanton Chase is unique in the executive search industry, offering clients the expertise and global reach of one of the world's ten largest executive search firms complemented by the service, industry expertise and personal relationships usually reserved for small, boutique practices.

Stanton Chase is proud to offer our clients a complete suite of executive search and consultancy services.



Executive Search

Our worldwide network of offices and partners gives us the ability to access top talent not just across borders but across the globe.



Candidate Assessment

Using the latest methodology for the identification, motivation, and assessment of competencies and personality profiles.



Leadership Consulting for Boards and C-Suite

Recognizing the unique challenges of CEOs, Boards, and the C-Suite and counseling our client partners on a breadth of corporate, governance, and strategic imperatives.



Diversity Search

Committed to and embracing the global reality of diversity and inclusion.

For further information about Stanton Chase, please visit www.stantonchase.com.

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