

The future of finance: A survey of European and South African CFOs



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Executive summary



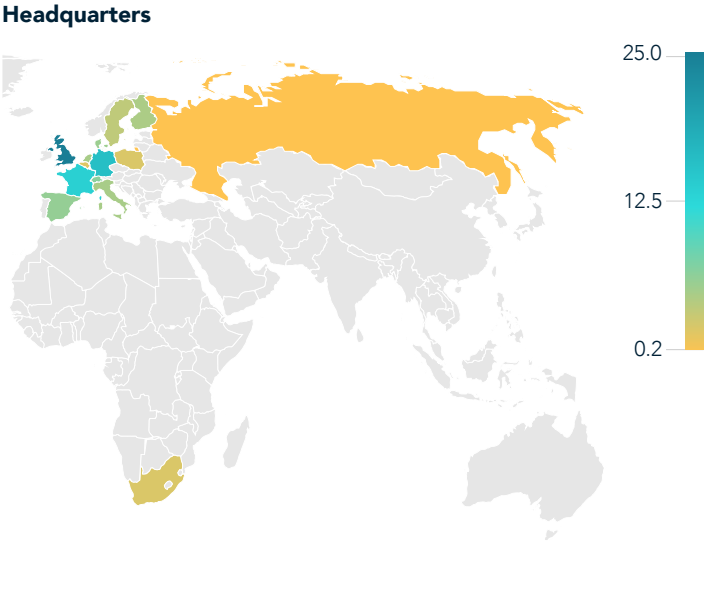
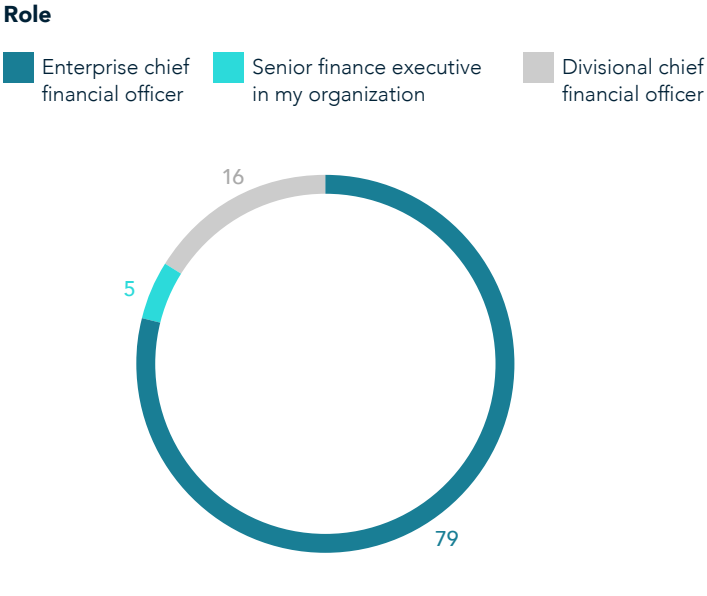
Chief financial officers (CFOs) have been central to every organization's response to the COVID-19 pandemic and the ongoing reset that has followed. A recent survey of 450 CFOs in Europe and South Africa shows that CFOs themselves and their function have taken on new responsibilities and are spending more time working. That said, some of the changes that were most intense in the first six months after COVID-19 began affecting business operations have since shifted in intensity or focus. Most CFOs think the finance function

has been situationally agile and that engagement, productivity, and quality of work have held steady or increased. Looking ahead, the data shows that leadership capabilities such as agility, communication, and adaptability will be central to success, as will digital skills. Some of these capabilities are already common; others are areas where CFOs will benefit from building their own and their teams' abilities.

The CFOs who responded to the survey come from a broad range of industries, company sizes, and types of ownership.

Looking ahead, the data shows that leadership capabilities such as agility, communication, and adaptability will be central to success, as will digital skills.

Survey respondents (%)



Company revenue

| | |
|--------------------------------|----|
| Under \$100 million | 22 |
| \$100 million to \$500 million | 29 |
| \$501 million to \$1 billion | 17 |
| \$1.1 billion to \$5 billion | 21 |
| \$5.1 billion to \$10 billion | 4 |
| \$10.1 billion to \$20 billion | 3 |
| More than \$20 billion | 2 |
| Prefer not to answer | 2 |

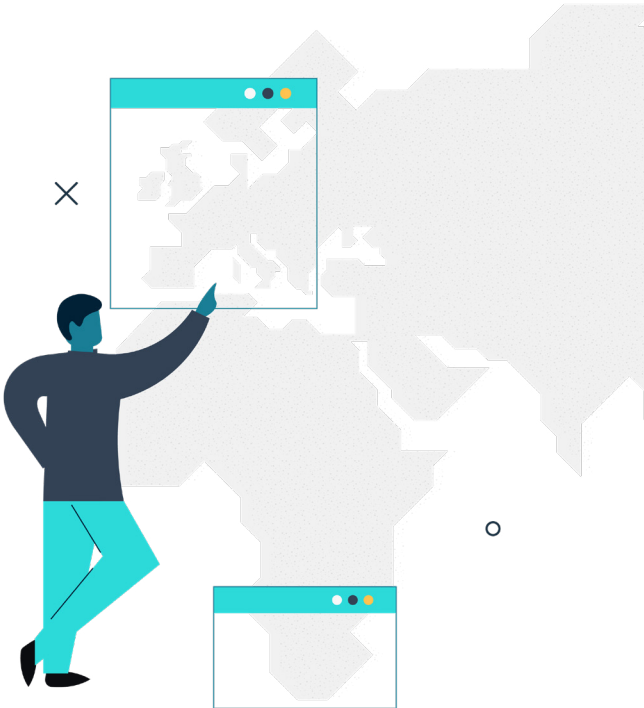
Ownership structure

| | |
|-----------------------------------|----|
| Publicly listed | 37 |
| Private equity or venture capital | 32 |
| Family/private capital | 26 |
| Employee-owned | 2 |
| Other | 3 |

Industry

| | |
|---------------------------------|----|
| Industrial or natural resources | 27 |
| Consumer/retail/media | 19 |
| Technology or telecoms | 13 |
| Business services | 10 |
| Healthcare or life sciences | 9 |
| Financial services | 9 |
| Education/not-for-profit | 1 |
| Other | 13 |

Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=450 respondents



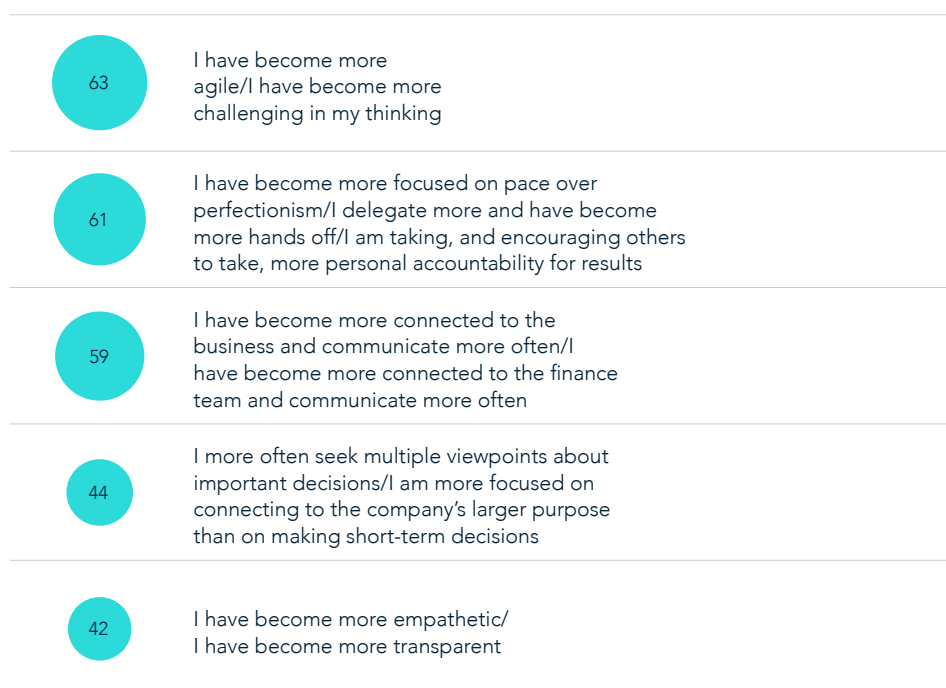
Responding to the pandemic



When asked how their approach to leadership had changed since the onset of COVID-19, we saw CFOs' responses fall into five groups, shown in the chart to the right. Some CFOs are more agile and challenging in their thinking, some are more delegating; some have more communication and connection to the business while others have more focus on the company's larger purpose.

CFOs to become more agile leaders (%)

How, if at all, has COVID-19 most changed the way you lead? (Select all that apply)



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=323 respondents

New responsibilities

More than half of CFOs surveyed had taken on a new responsibility or significantly increased the importance or focus of an existing responsibility, which could account for the increase in time CFOs reported having to work during the pandemic.

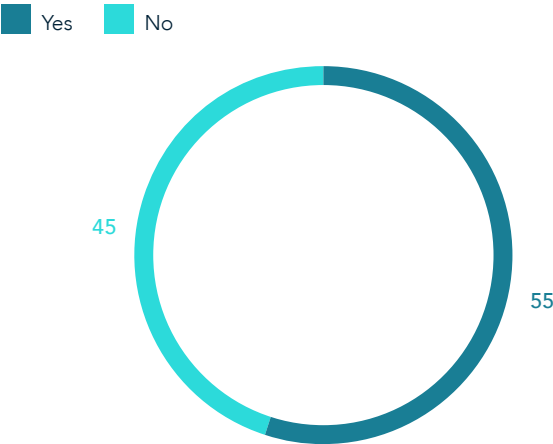
Finance leaders have an average of 10 functions reporting directly to them—as they did before the pandemic as well. However, 74% had a function reporting to them before COVID-19 that no longer does; 23% have a function reporting to them now that didn't before.

More than half of respondents formally took on a new responsibility or significantly increased the importance or focus of an existing one. Of those who took on a new responsibility, nearly three-quarters added cost-cutting analysis, and more than half added new reporting requirements. When looking specifically at cost-cutting analysis, 89% of CFOs said that either themselves, the finance function as a whole, or both spent more time on this area in the first six months since the onset of COVID-19; 70% say they are still continuing to spend more time on this area now.



CFOs report adding new responsibilities or focus areas (%)

CFOs who added new responsibilities or areas of focus



New responsibilities or focus areas added, by industry

After COVID-19 began affecting business operations, which, if any, of the following areas were formally added to your responsibilities or significantly increased in importance or focus for you? (Select all that apply)

| | |
|--|----|
| Cost-cutting analysis | 72 |
| New reporting requirements | 57 |
| Real estate evaluation | 28 |
| Information technology responsibilities | 21 |
| Changes in the company's products or service offerings | 18 |
| Employee health and safety | 16 |
| Human resources/employee relations requirements | 15 |
| Nothing has been added | 0 |
| Other | 17 |

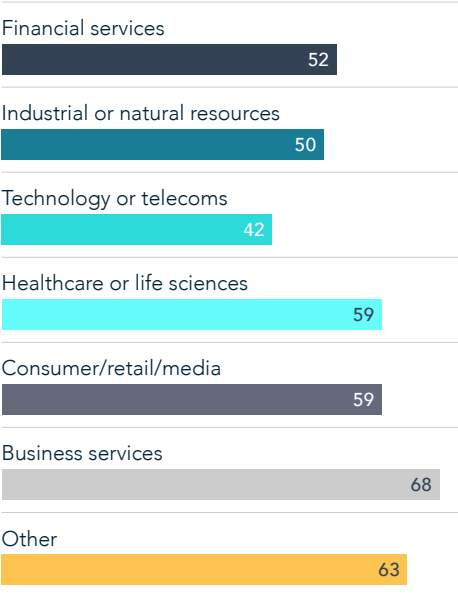
Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=337 respondents

Business services finance leaders most often added a new responsibility or area of focus, and technology leaders did so the least often.

New responsibilities or focus areas added, by industry (%)

After COVID-19 began affecting business operations, which, if any, of the following areas were formally added to your responsibilities or significantly increased in importance or focus for you?

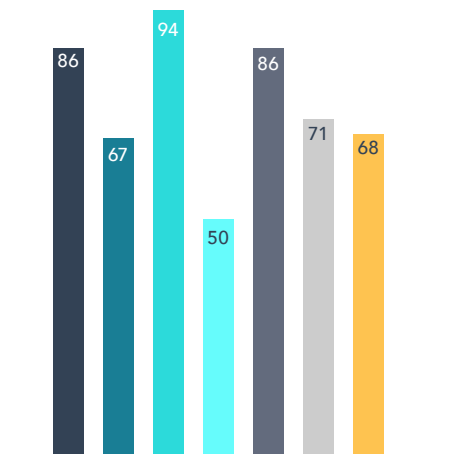
Added new responsibilities/areas of focus



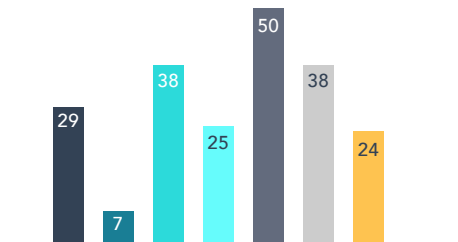
Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=310 respondents

New responsibilities/areas of focus

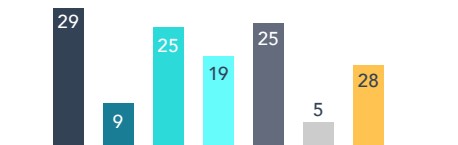
Cost-cutting analysis



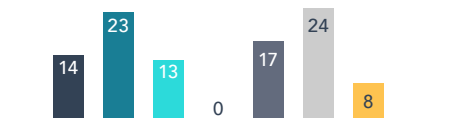
Real estate evaluation



Changes in the company's products or service offerings

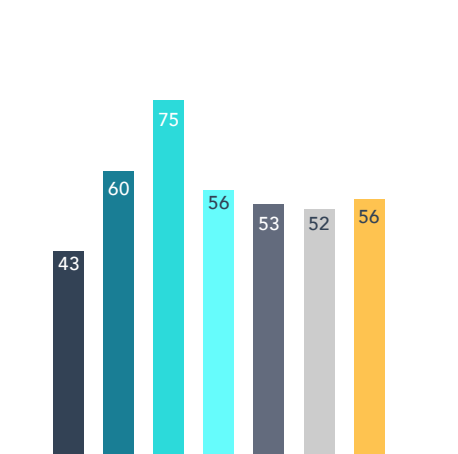


Human resources/employee relations requirements

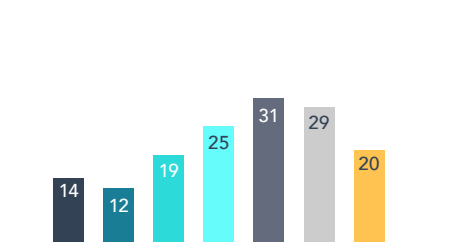


Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=171 respondents

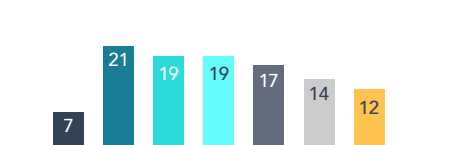
New reporting requirements



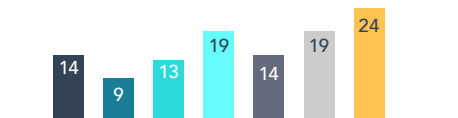
Information technology responsibilities



Employee health and safety



Other



More time working, but shifts in who and when

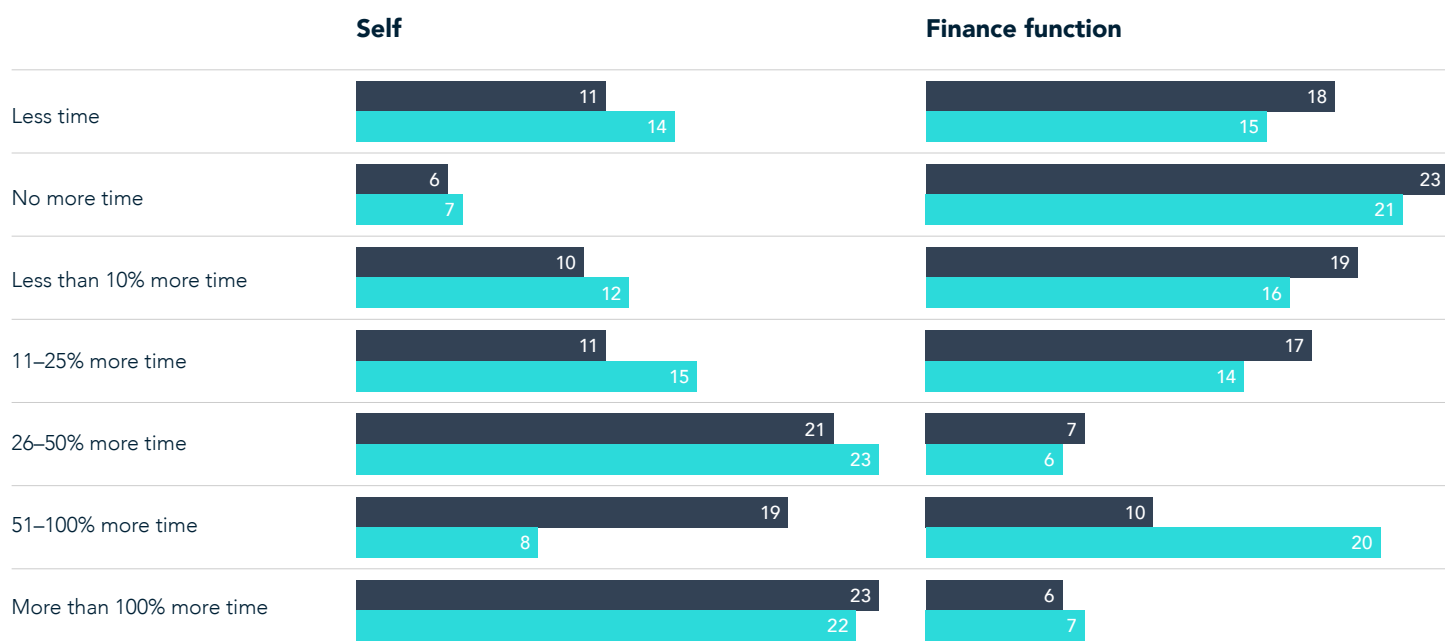
Eighty-three percent of CFOs said that they personally spent more time working in the first six months after COVID-19 began affecting business operations; that number dropped only slightly, to 79% currently. But CFOs see the opposite trend for the function as a whole: 59% said the function spent more time working in

the first six months, while 64% say the function is working more now. This likely indicates that CFOs took personal leadership responsibility to figure out how the function could best support their organizations' needs early on, and that the function as a whole is now engaging in those new ways of working.

Changes to the amount of time working (%)

How did the amount of time worked by you and by the finance function as a whole change in the first six months after COVID-19 began affecting business operations? How much are you and the finance function as a whole currently working?

■ First 6 months ■ Currently



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=223 respondents

Employee engagement and finance function agility

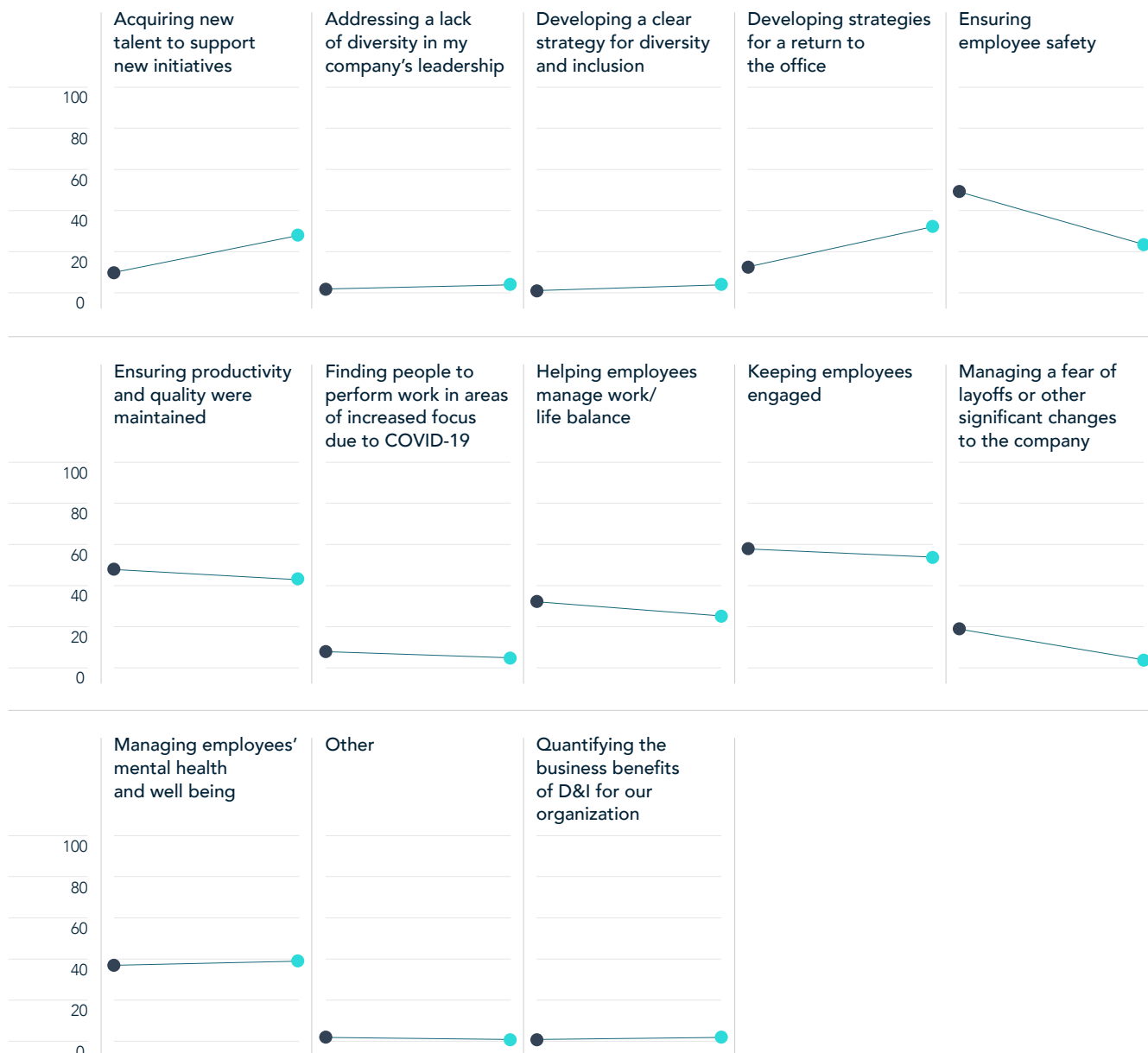
In the first six months after the onset of COVID-19, keeping employees engaged, ensuring employee safety, and ensuring productivity and quality were maintained were CFOs' top three challenges when it came to

managing people. Currently, while keeping employees engaged still tops the list, developing strategies for a return to the office and acquiring new talent to support initiatives have substantially increased in importance.

Challenges managing people: First six months of COVID-19 vs. now (%)

Which of the challenges below related to managing people, if any, were most significant for you in the first six months after COVID-19 started affecting business operations? Which of the challenges below related to managing people, if any, are most significant for you currently?

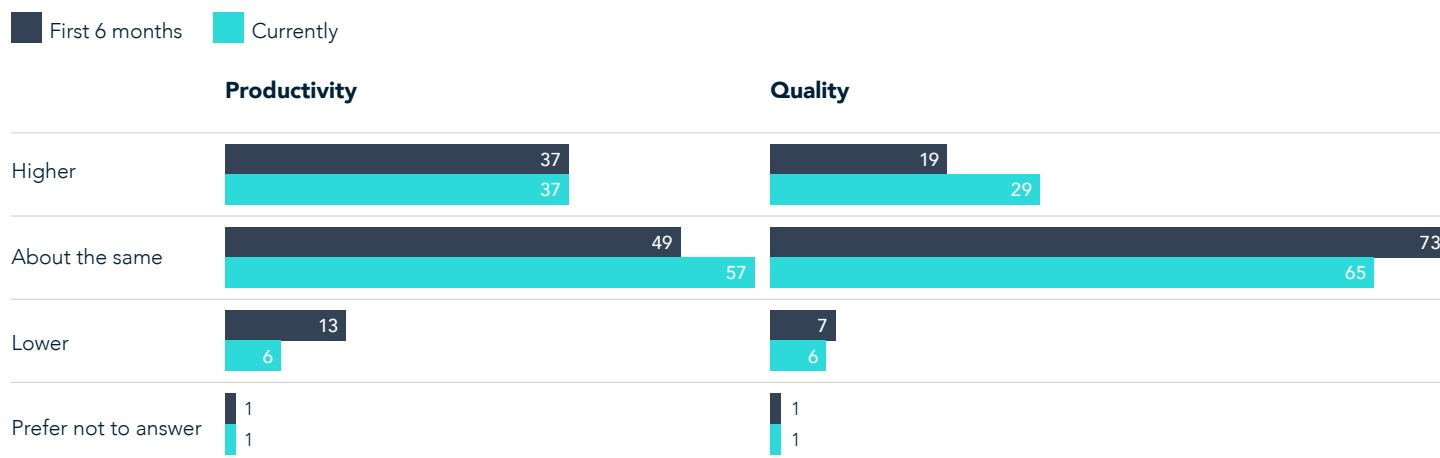
■ First 6 months ■ Currently



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=328 respondents

Both productivity and quality of work have remained relatively consistent in the first six months after COVID-19 compared to now; however, there was an increase in the proportion of respondents who said quality is higher now.

Changes in quality and productivity, first six months of COVID-19 vs. now (%)



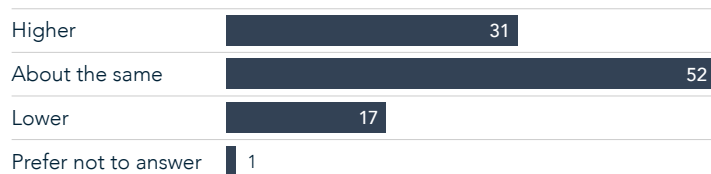
Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=326 respondents

About half of CFOs believe employee engagement has remained unchanged; just under one-third say engagement is higher.

Employee engagement and finance function agility (%)

Changes in overall employee engagement

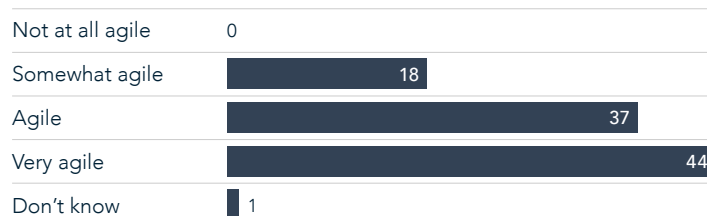
How has overall employee engagement in the finance function changed since COVID-19 began affecting business operations?



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=327 respondents

Agility in responding to changes created by COVID-19

How agile, overall, has the finance function been in responding to changes created by COVID-19?



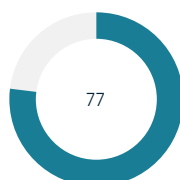
Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=326 respondents

A strong majority of finance leaders, 81%, think the finance function has been agile in response to the changes created by COVID-19, with 44% saying the function has been very agile. To make all that happen, CFOs most often focused on communication—both one-on-one and in groups, and across all kinds of formats.

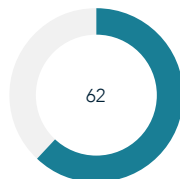
What CFOs did to maintain culture and morale (%)

What actions did you personally take to maintain the culture and morale within the finance function after COVID-19 began affecting business operations?

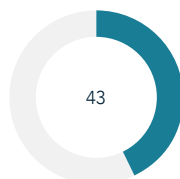
Communicated about our company's financial health and finance's role in supporting our position



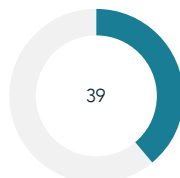
Held more smaller meetings with groups of employees



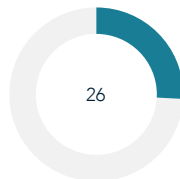
Sought feedback from all levels of the function about engagement, morale, and how to improve them where needed



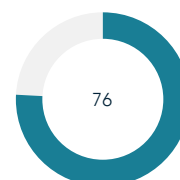
Supported experimentation with new ways of working



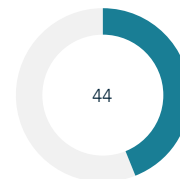
Encouraged innovation at all levels of the function to address new business model needs



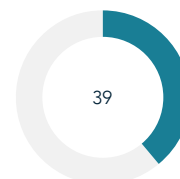
Held more one-one conversations, either by phone or video conference



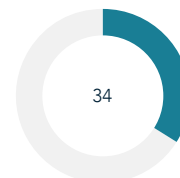
Held more town halls or other meetings with the function as a whole



Encouraged innovation at all levels of the function to address new working conditions



Encouraged and/or led by example in maintaining work/life balance and taking time off



Other



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=327 respondents

Restructuring

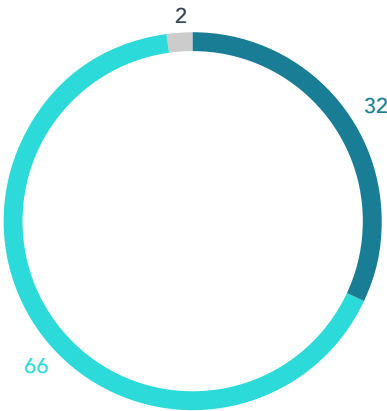
Just under one-third of respondents said they restructured the finance function after the pandemic began affecting business operations. Of those who did, more than three-quarters said it

was to improve overall efficiency and output; just under half said it was to cut costs; and 41% said it was to take advantage of business model changes and new business opportunities.

Restructuring the finance function after COVID-19 began affecting business operations (%)

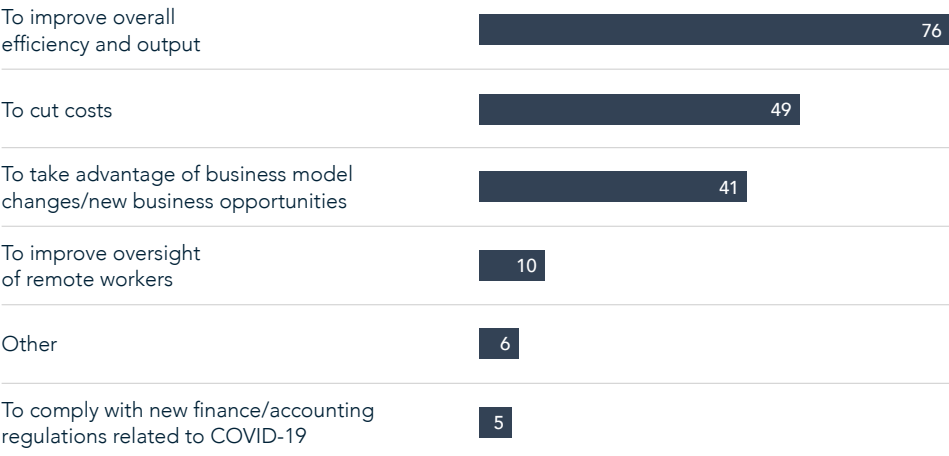
Did you restructure the finance function?

Yes No Prefer not to answer



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=345 respondents

What were the primary goals of that restructuring?

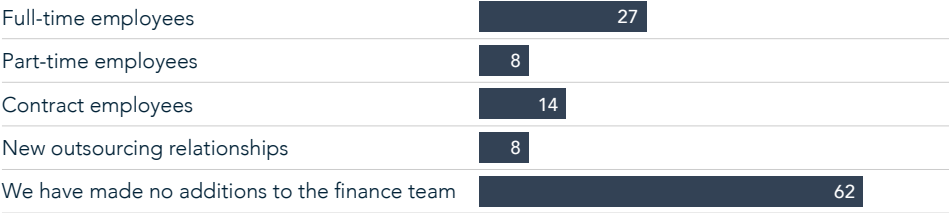


Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=105 respondents

Just over a third of CFOs said that they added new talent to the finance team, with full-time employees being the most common. About a quarter said they reduced the size of the finance team; of those, a majority did so by reducing the number of full-time employees. Forty-two percent said they currently don't have plans to rehire.

Additions to the finance function (%)

After COVID-19 began affecting business operations, did you add to the finance function...

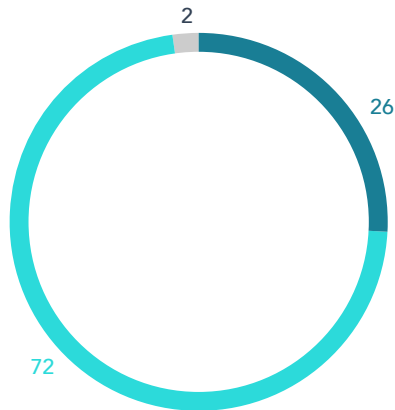


Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=345 respondents

Reductions in the finance function (%)

Did you reduce the size of the finance function?

Yes No Prefer not to answer



Source: Heidrick & Struggles’ EMEA future of the finance function survey, 2021, n=346 respondents

How the finance function was reduced

How did you reduce the size of the function?

| | |
|--|----|
| Reductions in force of full-time employees | 89 |
| Furloughs | 38 |
| Reducing the number of contract employees | 34 |
| Reducing the number of outsourcing relationships | 16 |
| Prefer not to answer | 2 |

Source: Heidrick & Struggles’ EMEA future of the finance function survey, 2021, n=90 respondents

How much of the workforce was affected?

Approximately what percentage of the workforce was affected?

| | |
|----------------------|----|
| Less than 10% | 36 |
| 11–25% | 40 |
| 26–50% | 14 |
| Greater than 50% | 8 |
| Prefer not to answer | 2 |

Source: Heidrick & Struggles’ EMEA future of the finance function survey, 2021, n=90 respondents

Rehiring timing

What is the timing of your rehiring plans, if any?

| | |
|--|----|
| We do not expect to rehire | 42 |
| We started rehiring in Q1 2021 | 17 |
| We are unable to make decisions about rehiring at this point | 13 |
| We started rehiring in 2020 | 9 |
| We expect to start rehiring in Q2 2021 | 9 |
| We expect to start rehiring in the second half 2021 | 6 |
| Don’t know | 4 |

Source: Heidrick & Struggles’ EMEA future of the finance function survey, 2021, n=89 respondents

Succeeding in finance in today's environment



Looking at which of these changes CFOs expect to stick and how they expect the function will work in the future, a strong majority, 83%, believe

the finance function will be more digital than it was before; two-thirds believe the function will be more influential to the organization than it was previously.

The finance function at the end of 2021 (%)

■ No ■ Yes

| | | |
|---|----|----|
| The function will be more digital than it was before, using more AI and automation | 17 | 83 |
| The function will be more influential in the organization than it was before | 34 | 66 |
| The function will be more commercially oriented than it was before | 41 | 59 |
| We will be working much as we did before COVID-19 started affecting business operations | 47 | 53 |
| The function will more frequently assess insourcing and outsourcing options | 51 | 49 |
| The function will be more controls oriented than it was before | 52 | 48 |
| The function will be more outsourced than it was before | 77 | 23 |
| Conditions are too volatile to form clear expectations | 83 | 17 |

Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=90 respondents

Succeeding in that environment, this and other Heidrick & Struggles work suggests, will require many CFOs and finance leaders to develop additional capabilities.

In terms of digital capabilities specifically, Heidrick & Struggles analysis shows that CFOs fall toward the low end in almost every one of the characteristics that we have identified as being important to digital dexterity. The finance role is traditionally operational, so it is little surprise that today's leaders are strong problem solvers, influencers, and prioritizers. But digitally dexterous leaders are better equipped to manage the

pace, pressure, and amount of new learning and innovation that successful digital transformations bring. Finance leaders may therefore look to become more curious and open-minded, experimental, and able to communicate and collaborate across boundaries.

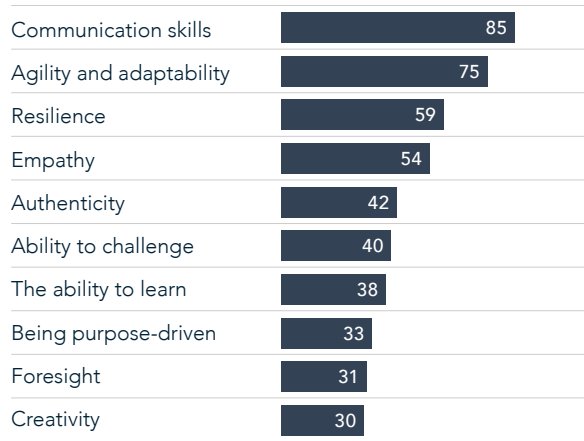
Communication has been an integral part of maintaining culture and morale in the finance function and, unsurprisingly, communication skills and agility and adaptability were the top two skills CFOs identified as being important for finance leaders for the foreseeable future. Among the important skills, some are more common than others today; empathy, creativity,

and foresight were seen as the least common in the finance function today.

The point on foresight is particularly notable because other Heidrick & Struggles work has shown that agility requires four skills: adaptability, resilience, learning, and foresight.¹ And though CFOs are clear that the first three are common among leaders today, it appears that most would benefit from a focus on developing foresight. Other analysis we have done shows that leadership styles among finance leaders have shifted to include more empathy over the past several years, which will likely benefit the function going forward.

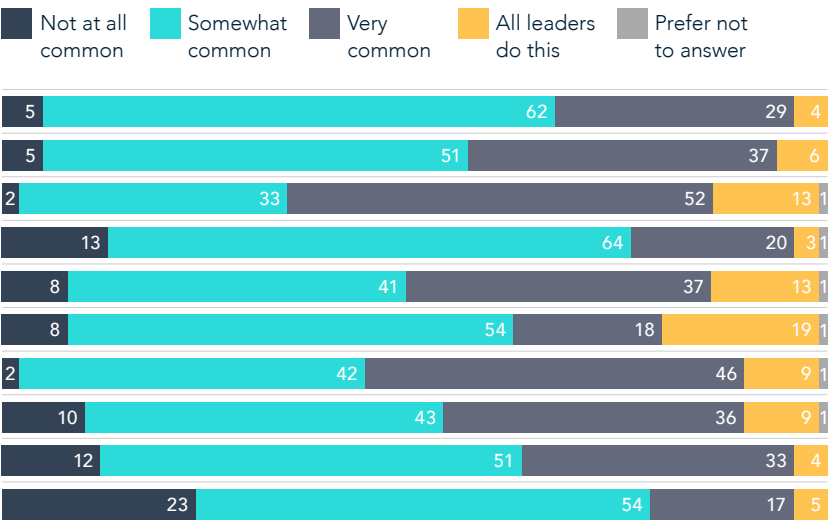
Skills and capabilities most important for finance leaders in the foreseeable future (%)

Beyond specific skills related to the job function, what skills and capabilities will be most important for finance leaders in the foreseeable future?



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=328 respondents

How common are those skills today?



Source: Heidrick & Struggles' EMEA future of the finance function survey, 2021, n=276 respondents

¹ For more on why each agility trait matters and how CFOs are increasing their own and their organizations', agility, see Jill Blackburn, Alyse Bodine, Susie Clements, and Steven Krupp, "CFO agility in the spotlight: Balancing current risk and future viability," Heidrick & Struggles, on heidrick.com.

Looking ahead



It is clear that the role of a CFO, as it pertains to an organization's success, has never been more critical. The breadth of enterprise-wide thinking and leadership that now fall directly within a CFO's remit are more extensive than we have ever

seen. In short, this is a great time to be a CFO for those prepared to build and maintain an ever-growing commercial, strategic, operational, and agile approach to developing your leadership skills for the benefit of your organization.

About the authors

Susie Clements

is a partner in Heidrick & Struggles' London office and regional managing partner of the Corporate Officers Practice in Europe and Africa.

sclements@heidrick.com

Financial Officers Practice

Heidrick & Struggles' Financial Officers Practice helps clients navigate an increasingly complex and competitive talent landscape to build great finance teams and position them for success within the organization and the marketplace.

Our practice experts around the globe have been at the forefront of the trends that shape this critical function for nearly two decades. We have an astute understanding of the complex demands and multiple roles that today's senior financial officers must possess and what boards and CEOs need from their finance leaders.

Our CFO executive search team focuses on C-level leadership, and our expertise spans all core areas of finance leadership: corporate and divisional CFO, full finance team build-outs, controllership and accounting, audit, treasury, tax, corporate development, M&A, risk management, investor relations, financial planning and analysis, and shared services.

Leaders of Heidrick & Struggles' Financial Officers Practice

Global

Alyse Bodine
Philadelphia
abodine@heidrick.com

Susie Clements
London
sclements@heidrick.com