

•--• Abacum

The Evolving Role of the Modern CFO



Table of Contents

The Essential Drivers of Change to the CFO Role	03
What Does the Modern CFO Role Look Like?	04
What Are the Expectations of the Modern CFO?	06
The Top Traits and Experience of Successful CFOs	07
Discover Abacum	09
Contact	10

An abstract graphic with a dark blue background. It features several floating icons: a blue document with a pie chart, a yellow speech bubble with three dots, a purple line graph with an upward arrow, a yellow speech bubble with three dots, a purple network diagram with four nodes, a yellow speech bubble with three dots, a yellow circle with a checkmark, and a purple envelope icon. The title 'The evolving role of the modern CFO' is centered in white text.

The evolving role of the modern CFO

Until the early 2010s, the Chief Financial Officer role still focused on its traditional responsibilities of bookkeeping, accounting, and financial planning. It was largely a reactive role, with finance supporting the core business drivers from other departments. However, in the last decade, organizations have had to adapt to meet modern and fast-changing business demands. Various factors such as digitalization, the rise of data, changing demographics, increased competition, and shifts in business models and customer expectations have made doing business less predictable and more demanding.

To meet the needs of this new global landscape, organizations have increasingly turned to their financial departments for guidance. CEOs now expect their CFO to provide critical advice on business strategy while also assisting in the development of individual departments. Therefore, the modern CFO must strike the right balance between the traditional roles of bookkeeping and accounting with the newer expectations of proactive business strategy and leadership. Moreover, the role of CFO is only set to evolve further, with greater emphasis placed on their unique position as Financial leaders to drive organizational strategy.

The Essential Drivers of Change to the CFO Role

After the financial crisis of 2007, finance teams began to evolve their practices to prioritize agility in order to survive uncertain market conditions. This expansive change consequently altered the traditional role of the CFO as well.

Governments passed many financial regulatory frameworks into law, which placed new demands on organizations. In turn, companies looked to their CFOs to help navigate through new regulatory obligations and strategize in response to how these regulations may impact their business. Some examples include the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States, the European Markets Infrastructure Regulation (EMIR) in the European Union, and more recently, Payments Services Directive II (PSD2) and the General Data Protection Regulation (GDPR).

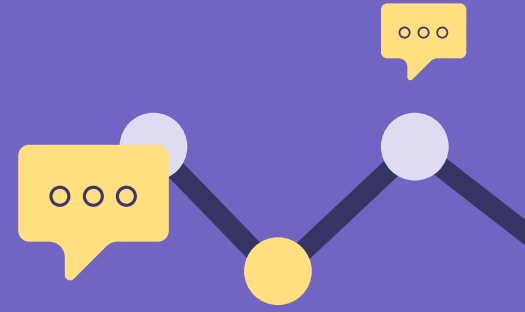
Another significant change agent has been the transformation of technology and its use in business. New technologies in artificial intelligence, machine learning, cyber security, cloud computing, and data analytics and management have completely changed how companies operate. The CFO has had to drive such change for their own department while also assessing the technological needs of all functions, including Sales, Marketing, Technology, and Human Resources.

Over the past few years, global events have made doing business more difficult for many industries. Such events include the pandemic and its associated lockdowns and restrictions; trade tariff standoffs and the rise of protectionism across the world; supply chain gridlock; decades-high inflation; aggressive interest rate cycles; and the Ukraine war.

Consequences of these events have included disruption to business continuity; inability to fulfill orders due to a lack of raw materials; shipping disruption that has prevented shipments from reaching dealers and customers; higher energy prices; and difficulties accessing certain markets. Again, companies have often looked primarily to their CFOs to guide them through such turbulent times.

The responsibility of the CFO is only likely to grow further as the Fourth Industrial Revolution continues to advance.

What Does the Modern CFO Role Look Like?



The days of the CFO being only the 'number-cruncher' are long gone. Instead, they now have to carry out a number of different, yet interconnected roles, all in the best interests of driving company performance.

1

They See Finance as a Revenue-Generating Department

Today's corporate environment requires a finance department that is proactive and focused on accelerating growth across the business. As a result, the modern CFO guides capital allocation decisions to power growth. They are focused on return on investment, lowering costs, and streamlining operations, all with the common goal of growing revenue and maximizing profit margins. They aren't afraid to invest smartly in the right technologies, people, and processes either for their own department or others to generate growth. Moreover, they are committed to performance measurement and periodic appraisals and assessments to uphold the highest of standards.

2

They Are Cross-Functional Collaborators

A fully streamlined financial department must collaborate closely with all departments to gather rich data for multiple uses, including financial planning and analysis (FP&A), investor correspondence, and regulatory compliance and reporting, among others. As a result, a crucial area of the modern CFO's role is to collaborate and communicate with the various department heads and managers across the organization, such as Sales, Marketing, and Product.

This requires excellent communication and organizational skills, as well as a commitment to keeping up with the latest technologies and apps that enable such cross-departmental collaboration. Companies expect their CFO to be a change agent who helps motivate the workforce to embrace new ways of working.

3

They Influence Critical C-Suite Decisions

The CFO is second only to the CEO, and the latter looks to the former more than anyone else in the organization for business strategy guidance. This puts the CFO in a position of unique importance, but it also means that they must be highly informed on the company's performance. Additionally, they have to understand how to interpret findings to produce the kind of advice and insight that the CEO needs.

4

They Relish the Pressure and Expectation From the CEO

As the financial gatekeeper and business strategy driver, there is an unprecedented level of expectation on the CFO. It is not a job for the faint of heart and requires an elusive set of abilities. However, while the CFO role is demanding, it is worth keeping in mind that the CEO is ultimately accountable for the success or failure of the company.

What has primarily changed from the past traditional role of the CFO is that the CEO now depends on them much more for strategic decision-making direction. They must be able to not only handle the pressure and expectation from the CEO but also embrace it and truly flourish in the role.

5

They Are Up-to-Date With What is New in the Market

The saying that in business the only constant is change is more true than ever before. The rapid increase of change that we have witnessed over the last decade is only set to keep rising. Organizations are already undertaking regular technology and process benchmark reviews against the market. The risk of failing to do so is that a competitor gains a key advantage, such as getting to market faster with new products, or implementing automation to lower operational costs.

Conversely, investing in the right technology, people, and processes at the right time can drive market performance. As a result, it is essential that the CFO is up-to-date with new and emerging technologies, business methodologies across departments, and trends in the world of working professionals.

What Are The Expectations Of The Modern CFO?



The modern CFO now has many roles in an organization, including traditional expectations as well as new responsibilities.

Financial management

The Finance department continues to be responsible for accounting, bookkeeping, financial reporting, and regulatory compliance. It is this position, as the financial gatekeepers of an organization, that grants the CFO such a special vantage point from which to guide overarching business strategy.

Strategy

The CEO increasingly expects their CFO to leverage the insights that the financial department can generate. As a result, the CFO can become a reliable business strategy driver. To optimize strategic input, the CFO should now also have a strong understanding of the business at large, including its core operational processes and the inner workings of each department.

Partnership & advice

With elevated expectations, it is a natural consequence that other leaders within an organization will look to the CFO for advice and guidance. The CFO is now expected to be a partner among top management, providing not just the CEO with their input, but other C-suite executives as well.

Change & transformation

Fast change has become a constant across virtually all industries in recent years, especially through digital transformation. However, many employees continue to find adaptation difficult, and CFOs are expected to help drive requisite change, whether it's related to day-to-day work, processes, or updates to technology.

The Top Traits and Experience of Successful CFOs

The professionals that have become outstanding CFOs for the modern organization tend to share a similar spectrum of traits. Experience is invaluable, but a lack of it doesn't have to be a barrier for aspiring CFOs.

Proactive and open-minded



In order to adapt to change and step up to new challenges, a proactive approach and open-mindedness are critical foundational traits. A proactive, open-minded CFO focuses on what they can control rather than on external factors. This breeds a solutions-focused approach that acts as the basis for collaboration with C-suite colleagues, keeping ahead of market and business trends while driving corporate strategy.

A global perspective



The modern CFO considers how the entire organization works on a global scale. It positions them to consider different cultures, working practices, laws, and so forth across their offices, countries of operation, and countries of supply. They understand that a globalized market means that everything is connected across the worldwide economy. As such, they are able to gain informed insights and make more considered decisions.

Cross-functional collaboration



They understand that individual departments in a company are rarely, if ever, standalone anymore. All departments are interconnected to one degree or another. To optimize organizational performance, the CFO must work together with other department heads.

Problem-solver mentality



No matter how difficult a task may seem from the outset, the most successful CFOs focus solely on how to approach it in order to complete it. A foundation of proactivity and open-mindedness drives this solutions-focused approach.

Future-focused



They constantly look to the future to see how new technologies and approaches can improve their financial department. They also keep close track of upcoming workplace and corporate trends to help drive decision-making for the whole organization.

Discover How Abacum Accelerates Performance for the Modern CFO

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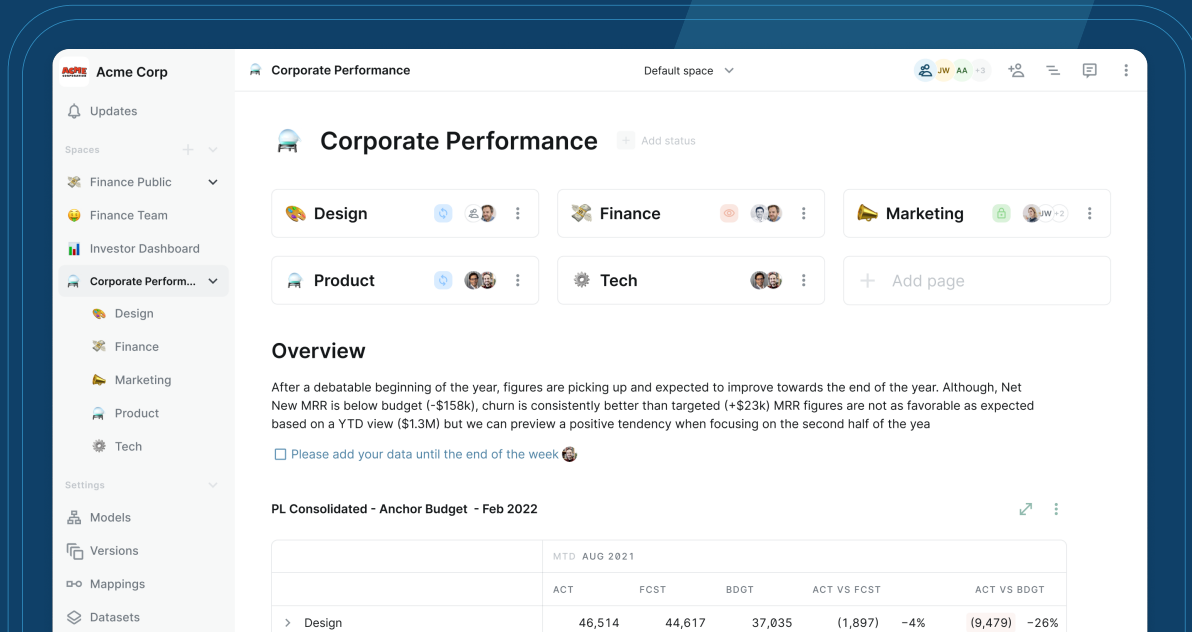
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Abacum is the collaborative financial planning and analysis software that enables CFOs to level up their department for the modern business landscape and drive seamless interdepartmental workflow to plan, report, analyze, and share.

It equips CFOs to align their ERP, BI, CRM, HRIS, and spreadsheets in a single place and automate their workflows. These powerful features grant CFOs real-time overview control of the business's macro and micro performance. It also facilitates optimal collaboration with other departments, making data management and cross-functionality efficient and effortless.

Abacum is where the entire company meets, hosted by the financial department. It is where teams plan, define targets, track performance, and drive alignment.

Work better together with Abacum.

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