

January 9, 2025

# Power to the people: Why CFOs may want to dramatically rethink their management style

Love. Empathy. Soul.

It's unlikely that those three words have found their way into a CFO's job description. Nor do they seem likely to characterize CFOs' interactions with investors, bankers, or boards of directors. Yet as finance leaders' roles expand exponentially—requiring them to navigate overlapping changes in technology, society, and the economy—some CFOs may feel the need for a more nuanced approach to leadership that will enable them to effectively tap into employee initiative, innovation, and ingenuity.

Certainly, the CFO role has grown far beyond delivering results and ensuring value creation, as detailed in [The CFO Agenda](#). Faced with persistent disruption and mounting demands from a growing roster of stakeholders, many CFOs serve as leaders, co-leaders, or sponsors of company transformations.<sup>1</sup> What once may have been regarded as a support role has now broadened into a leadership position

which combines strategic oversight with insight into operational execution.

But in some cases, finance chiefs find themselves running headfirst into obstacles—siloed decision-making, for example, or stifling bureaucracy—as they attempt to remake corporate processes or rethink standard operating practices. While some of these barriers may result from surface matters, such as personality clashes, in some cases CFOs may actually be coming up against a more foundational, deep-seated issue. In their efforts to mobilize and empower those around them, CFOs may be colliding with the organization's paradigm of power. Such a model encompasses the practices, methods, and structures that shape decision making and guide action. Without knowing it, CFOs may be trying to force a *power through* approach in an organization that has a legacy of operating via a *power over* paradigm. What's the difference? The power over method consolidates power

in the hands of a few, using authority to achieve control over people and their work. The power through method requires building a shared sense of purpose, empowering others and enabling ownership at all levels of an organization.

This shift in the concept of leadership—which is less about possessing power than in giving it away—represents a comprehensive change in thinking, behaving, and organizing. And it comprises the core thesis of a new book, *Leading Through: Activating the Soul, Heart, and Mind of Leadership* (Harvard Business School Press, 2024).<sup>2</sup> The power over paradigm, the authors argue, is rooted in the late 19th century. As modern industrial corporations emerged, they deployed bureaucracy and hierarchy to control and manage every resource, including the human resources. The tense stalemate it can produce has been visible in recent years, as some companies have demanded that employees return to their offices

full-time. Employees, on the other hand, have pointed to research that says they can be just as productive (and less likely to quit) if they work *some* days at home.<sup>3</sup>

Overthrowing the power over model in favor of a power through dynamic involves much more than a determined shift in mindset. Effective leadership is an outcome of organizational structure. To take a more enlightened approach, CFOs and others may want to rethink the role of hierarchy, changing how decisions are made. And to get a clearer sense of what's driving productivity, they will likely want to pay heed to metrics like employee engagement.

In this edition of *CFO Insights*, we'll explore why now may be the right time for CFOs to reassess their leadership styles, commit to mobilizing and empowering their teams, and explore a new organization model that balances freedom with unity.

**Command and control**

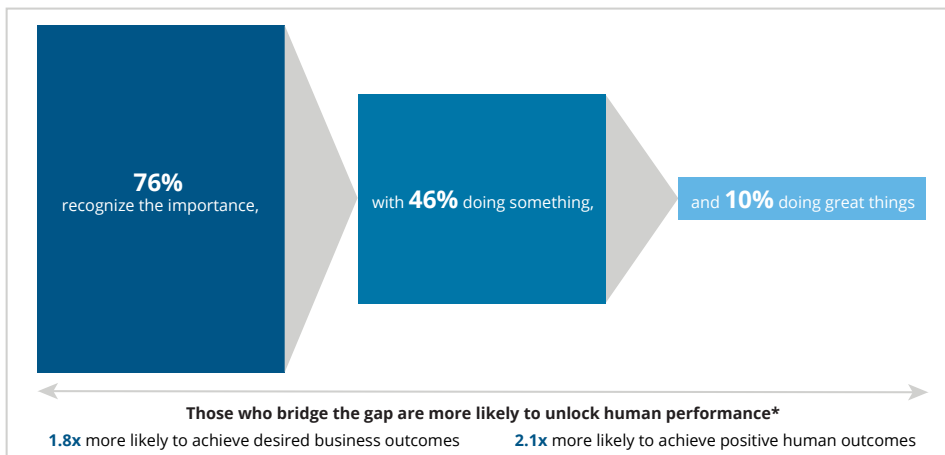
In the initial days of the COVID-19 pandemic, significant segments of the workforce were given the agency to work remotely. The seriousness of the emerging crisis was more than sufficient for companies and their employees to align technology and purpose, driving innovation and, in some cases, achieving extraordinary results.

But no sooner had that challenge subsided then the Great Resignation began, ignited in some cases by the return of rigid controls and monitored expectations. Within organizations, it seemed that broad discontent and distrust trumped unity and compassion. Some businesses succumbed to pressure to double-down on power and control, prioritizing short term cost-cutting over activating the power of people, purpose, and even long-term productivity gains (see “[How CFOs can make the most of cost optimization](#),” *CFO Insights*, Nov. 14, 2024). The problem is that a draconian approach can backfire. In a worldwide survey, just 23% of workers report significant engagement at work, while 62% report that the organizations where they work do little to develop them, do not value them, and give them little opportunity to use their talents, learn, and grow.<sup>4</sup>

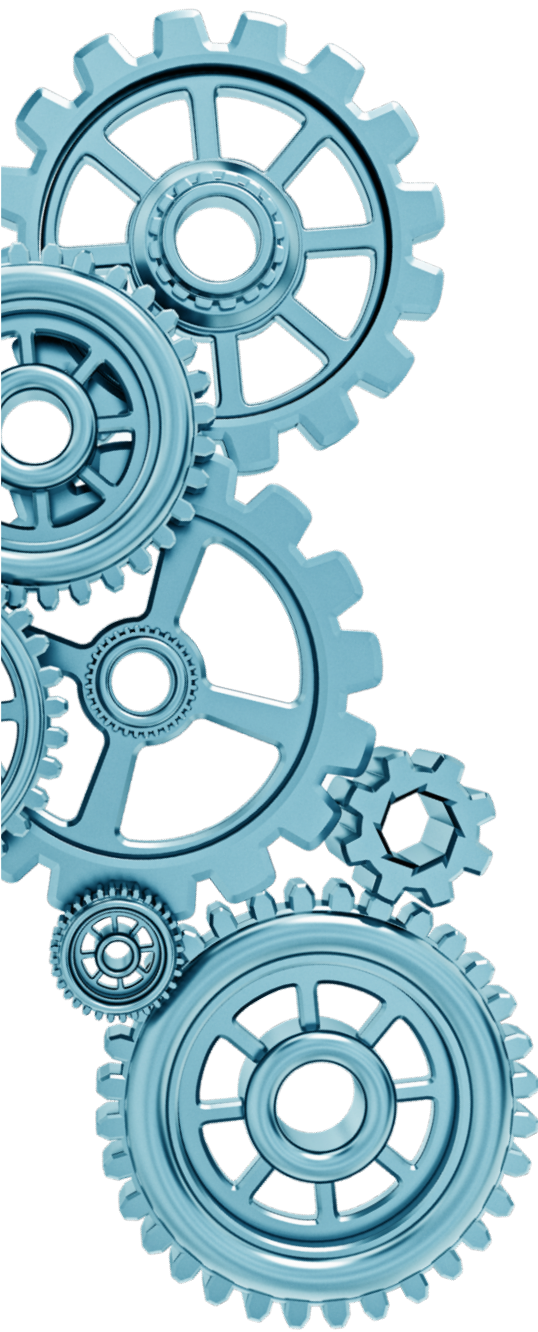
A 2023 [Deloitte report](#) described organizations as “falling short” in prioritizing human sustainability<sup>5</sup>—defined as the degree to which the organization creates value for people as human beings (see Figure 1). In Deloitte’s 2024 [Global Human Capital Trends](#) survey, just 43% of workers say their organizations have left them better off than when they started.<sup>6</sup>



**Figure 1. Survey respondents acknowledge the importance of human sustainability, but few are making meaningful progress**



\*Business outcomes are defined as meeting or exceeding financial targets. Human outcomes are defined as providing meaningful work for workers. Source: 2024 [Global Human Capital Trends](#), Deloitte Insights, Feb. 2024



The reason? It may be that many companies remain mired in the legacy mindset, focused on extracting value from people rather than giving them license to create value. At some companies, tangled reporting structures can create bottlenecks, preventing employees from making timely decisions and taking actions at the team level.

For CFOs, the need to uproot the control-and-command organizational structure often coincides with a time when doing more of the same work—or even doing it faster—isn't sufficient to keep up with the pace and scale of a transforming business landscape. Macroeconomic factors, from geopolitical tremors to demographic shifts to technological advances like Generative AI, are forcing change at a rapid pace. The result: these dynamics are reshaping how companies operate and how they create value, altering organizational needs and heaping more expectations on CFOs and their teams.<sup>7</sup> Finance chiefs and other executives require a much more agile leadership style, one that scales to proactively address disruptions across the enterprise, stretching beyond the finance function.<sup>8</sup> (See [“The art of agile: Success factors in building an adaptive business,” CFO Insights](#), February 2022.)

In practical terms, that means that CFOs need to enable and empower their different teams, supporting them with the necessary resources required to bolster their capabilities. If CFOs ultimately need to modify or expand their own leadership capabilities, they have to begin by questioning their historical ways of working, evaluating how best to navigate through the complexity and ambiguity to meet the moment.

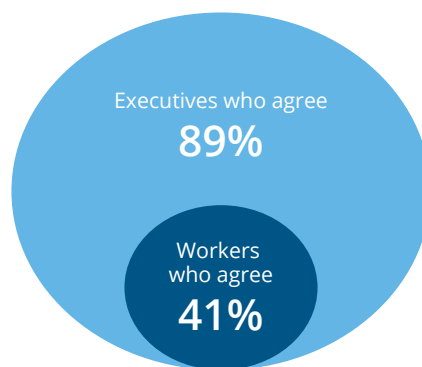
### Starting blocks

A business that is not optimizing the conditions for its workforce to flourish and thrive may be seriously harming its own productive potential. But even those executives who see the issue, and think they are doing enough to address it, may not realize how deeply rooted the problem is (see Figure 2).

For starters, organizational design is often built around a misguided assumption that there's a trade-off between employee autonomy and the level of control from the top. On a more basic level, it may simply be easier for management to exert control over people than it is to unleash their potential.

The book, however, advocates for reorganizing by adopting a modular leadership system. The principle of modularity involves shaping the enterprise around teams. While those components may be designed independently, they are intended to work well as a whole.

**Figure 2. Are executives advancing human sustainability? Workers are skeptical.**



Source: [2024 Global Human Capital Trends](#), Deloitte Insights, Feb. 2024

Modularity, and the freedom that results from it, depends on making choices about the organization's structure and its use of authority. With a modular set-up, decision making is decentralized, with smaller units serving as the fundamental structure of the organization. For those teams to operate most effectively, three actions need to be taken:

**1. Creating a framework for action.**

Rather than being overseen by a coercive bureaucracy, team members rely on principles and guidelines—not rigid rules and extensive operating procedures. In addition, a system of accountability supports the teams-based structure, pushing the responsibility for improvement and innovation to the organization's front lines.

**2. Making information visible.** By sharing key information, companies ensure that teams can integrate with one another and work with one another, even across functions. There are at least four kinds of information: objectives (the organization's aims), standards (the organization's values), strategy (the purpose the organization is pursuing), and context (the who, what, where, and how of the organization.) All of this information needs to be both accessible and transparent.

**3. Defining the role of power.** Power is essential to leadership, but it can be expressed in many ways. In a modular system, it serves as a means of enabling and activating the potential in everyone. Making that kind of power a reality requires leaders and their teams to discuss how power is used—applying constant vigilance and focused attention so it invigorates the entire organization.

The modules ultimately serve to help undercut the notion that leadership means having power over others. The new thinking: leadership comes from empowering others.

**Take it personally**

Getting to that mindset requires a willingness to challenge accepted ways of doing things, and, at its simplest, rock the boat. But it also involves a more personal touch.

This brings us back to the CFO, the one whose skills include love, empathy, and soul.

Leaders should *love* those they work with—which the book defines as building and establishing connections and engaging them in genuine interactions on a day-to-day-basis. *Empathy*, in turn, is a core ingredient in those relationships. An innately human trait, empathy cultivates a sense of belonging. By activating the *soul* of leadership, CFOs can build on universal values, making very explicit declarations of their values, beliefs, and purpose.

Over time, this new paradigm can help change people's mindsets. They may begin to see and better understand not just some of the detrimental impacts of the power over model, but also the benefits of trying a different type of leadership. Such leadership balances autonomy and unity to help them do their best (speaking of best, see the accompanying story for the greatest hits of *CFO Insights* in 2024). For CFOs, typically anchored in rationality, efficiency, and control, it's bound to take time to adjust to the *Leading Through* model.

And to be sure, a large part of the CFO's job will continue to revolve around technology: data management, data analysis, computer-assisted scenario planning and the like. But CFOs should also make sure to place more value on building intra-personal relationships and employee collaboration—tapping into employees' collective humanity as part of their role.



# CFO Insights: Greatest hits, 2024

For CFOs, it was the year of the Great Wait.

From the US elections to the Federal Reserve's plans for interest-rate cuts, 2024 kept CFOs guessing. Has inflation been vanquished? Could geopolitical tensions be eased, or even contained? Closer to home, CFOs continued to assess how generative AI could reshape work—including their own roles. Yet again.

The last few years have solidified the CFO position as a forward-looking function, expanding beyond expertise in financial statements and capital structure to encompass strategic advising and performance management. As if managing data, globalization, and digital transformation weren't enough, they have confronted issues such as the COVID-19 pandemic and the hybrid workplace, requiring them to become agents of transformation, global thinkers, and IT whizzes.

The topics we've covered in *CFO Insights* this year document the role's growing centrality, from [succession planning](#) to [decision making](#). What follows are some of our top articles of the year, aimed at helping CFOs oversee their ever-thickening portfolio. Why wait?

1. **The CFO Agenda:** If any single article tracks the evolution of finance leaders from “Dr. No” to “Dr. Know,” it’s the CFO Agenda. This far-reaching report summarizes the five macro factors underlying finance’s ever-broadening mindset, from demographic changes to technological advancements, to six specific areas that are now capturing their attention. The growing complexity of such areas as Talent & Culture and Climate & Sustainability highlights the rising expectations that CFOs face as they use their expansive view to connect these dots and drive improved outcomes.
2. **The new, interconnected nature of CPOs and CFOs:** CFOs and chief procurement officers have traditionally traveled in different orbits, with the former focused on P&Ls and the latter concentrating on multi-year value creation. But supply chain snarls and ESG commitments, among other issues, have resulted in closer encounters of the strategic kind. Their deepening collaboration could potentially produce surprising results.
3. **How CFOs Can Make the Most of Cost Optimization:** CFOs can end up paying a high price for using traditional cost cutting methods, from reducing headcount to squeezing suppliers. Cost optimization, however, offers an approach to managing costs without compromising long-term value. That’s a trade-off that many CFOs will be happy to leave behind.



## End notes

1. **CFO Signals™** survey, 2Q 2021, US CFO Program, Deloitte LLP. Of those CFOs whose companies were undertaking a transformation, 42% said their primary role was co-leader, 16% said they were leaders, and 19% served as sponsors or enablers each.
2. *Leading Through: Activating the Soul, Heart, and Mind of Leadership* (Harvard Business Review Press, 2024), coauthored by Kim B. Clark (former dean, Harvard Business School, Jonathan R. Clark (professor of management, University of Texas at San Antonio) and Erin E. Clark (managing director, US National Leader, Leadership Services Human Capital, Deloitte Consulting LLP).
3. **"Executives and Research Disagree about Hybrid Work. Why?"** *The New York Times*, Oct. 12, 2024.
4. **"State of the Global Workplace,"** Gallup, June 12, 2024.
5. **"Advancing the human element of sustainability,"** *Deloitte Insights*, January 9, 2023. This publication first introduced the concept of human sustainability.
6. **"2024 Global Human Capital Trends,"** *Deloitte Insights*, February 5, 2024. The foundational survey polled 14,000 business and HR leaders across many sectors and in 95 countries. That research was also supplemented by worker-and-executive-specific surveys.
7. **"The Exponential CFO: The CFO role isn't just changing, it's expanding,"** Deloitte Development LLC, 2024.
8. **"When scaling Agile, engaged self-aware leadership matters. A lot."** Deloitte Insights, September 30, 2022.

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