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The CFO Agenda

The CFO Program

The CFO Agenda

If this year's events are any indication, CFOs will likely continue to face their share of challenges. And while chief financial officers have always had to deal with new—sometimes unforeseen—issues, the very nature of change appears to often be, well, changing. Speed has altered the equation, often leaving little time to make decisions, let alone weigh options. Geopolitical turmoil, for one, has spread lightning fast, forcing companies to act swiftly to try to secure supply chains and, where necessary, pull out of once lucrative markets. Sources of capital have tightened, while the cost of capital itself has escalated. Increasingly, stakeholders and investors are applying pressure on companies to both improve performance and act on climate change. Meanwhile, breakthrough, possibly disruptive, technologies like generative AI seem to be arriving on the scene at a dizzying pace.

Of course, all C-suite executives have to be able to adapt to the unexpected and be prepared to pivot. But for CFOs, it can be more complicated. Why? Because the role has become more complicated. The reality is, the job description for a chief financial officer has expanded mightily in the past few years. Thus, when disruptions happen, CFOs will likely feel the impact on a number of fronts. Indeed, consider the wide array of board-level considerations that often involve input from CFOs. Strategic planning. Value creation. Climate and sustainability. Data and technology. And Talent.

These, along with two other major issues (enterprise risk and regulation and agility and resilience), comprise the key drivers discussed in this year's CFO Agenda. To varying degrees, all are front and center for many chief financial officers. In some cases, they are reframing the job itself, pushing finance executives well beyond traditional functional boundaries. And while these seven drivers typically require CFOs to think big-picture—and years out—finance chiefs still need to make sure that their teams deftly handle the day-to-day core tasks of the finance function. As Frank D'Amelio, our Deloitte CFO-in-residence and independent advisor of our CFO Program, says, "You can't have a long-term without a short term."

We invite you to share *The CFO Agenda 2023* with your teams and peers.

Steve Gallucci
US National Managing Partner, CFO Program, Deloitte LLP
Global Leader CFO Program, Deloitte Touche Tohmatsu

Drivers of the CFO Agenda

Value Creation
Building value for shareholders—and stakeholders

Data & Technology
Capitalizing on digital technologies to turn information into insight

Climate & Sustainability
Navigating the headwinds of climate change

Strategy
Being a thought partner to the CEO, business, and board

Enterprise Risk & Regulation
Managing risks to help preserve shareholder value and stay resilient

Agility & Resilience
Anticipating and adapting to unexpected events to succeed—not just withstand

Talent & Leadership
Guiding your organization's workforce amid change and innovation

Value Creation

Building value for shareholders—and stakeholders

How do you assess the potential impact of major initiatives on employees, customers, and communities?

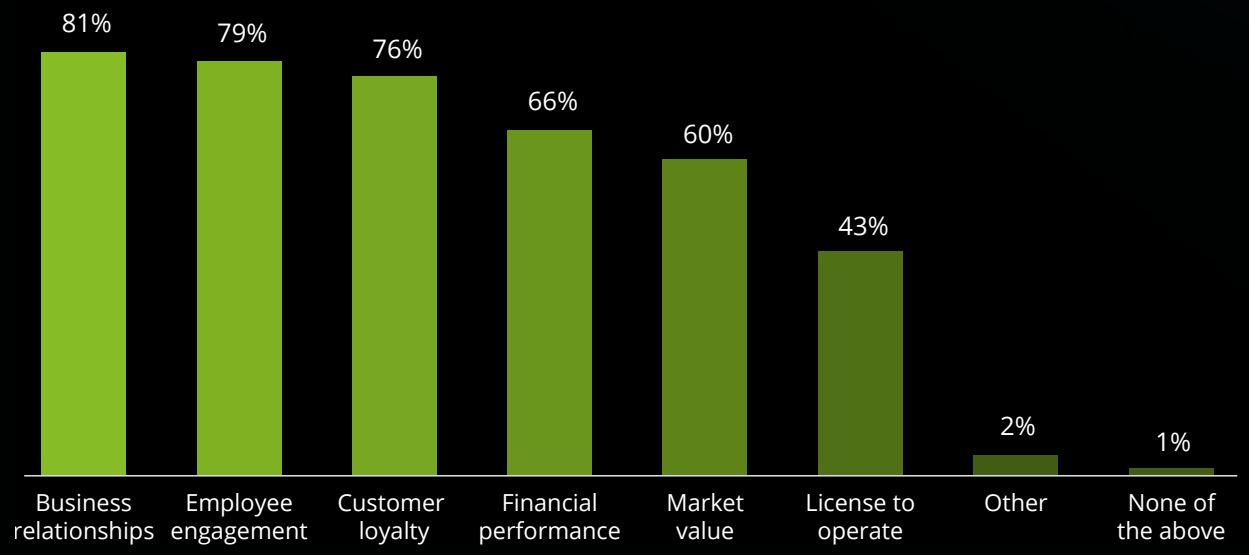
Traditionally, CFOs have relied on familiar, quantifiable benchmarks to gauge value creation, metrics like return on equity, return on investment, and total shareholder return. These yardsticks have one trait in common: They address value created for shareholders.

But CFOs have to address a broader set of stakeholders, from employees to customers to social and environmental advocates, who may want to be aligned with the company's strategy for creating a competitive advantage and accruing profits into the future. That requires understanding what these constituencies value.

Another complication: How exactly do you go about measuring concepts like brand, trust, and climate impact—future value drivers that are not easily pinned down in a spreadsheet? To be effective in a multi-stakeholder ecosystem, it's important to recognize the interdependence of metrics and

Does the level of trust you have with your stakeholders affect any of the following?

Percentage of respondents citing an impact. (N=177)



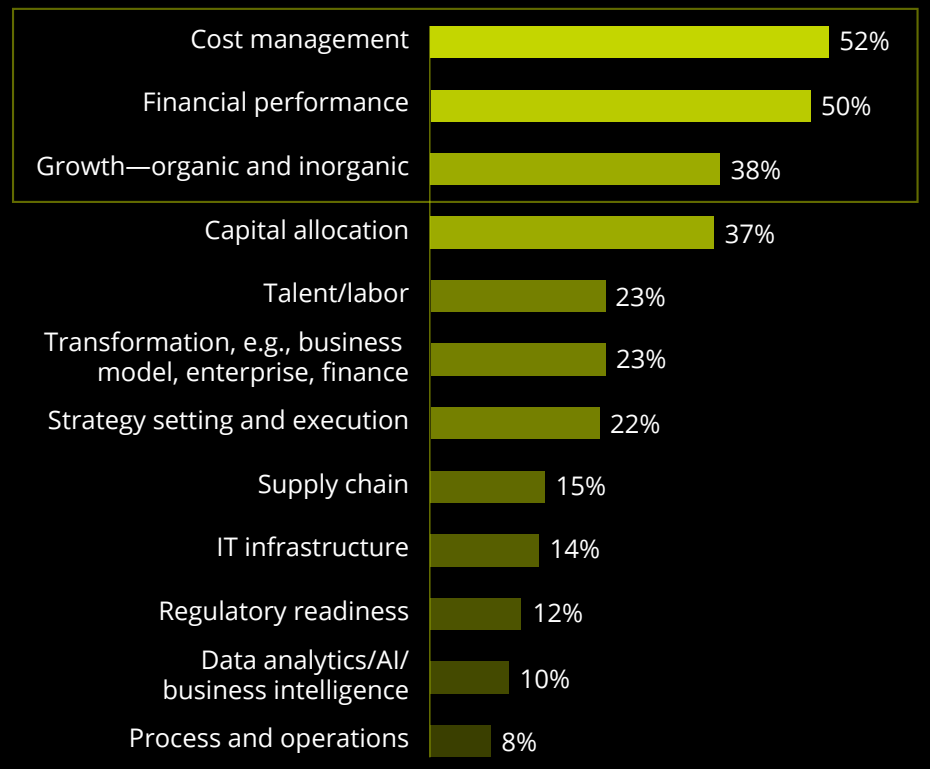
Source: **Deloitte Global Boardroom Report Trust Survey (December 2022)**

value creation across stakeholder groups. In tandem, balanced scorecards may need to be updated to address new value metrics for defining outcomes important to non-shareholder stakeholders. These metrics could include, for example, key resources and inputs for tracking availability of talent, societal, and natural resources, and key risk indicators for identifying potential issues with value creation performance and resource availability.

It will be up to CFOs, of course, to present their conclusions to management and the board, making recommendations that inform approaches to, among other things, capital allocation, revenue growth, and cost management. Providing this kind of analysis will likely be complicated by a slow-growing economy with higher-than-expected inflation and rising interest rates. Certainly, with the increasing cost of funding, managing cash will be crucial. Working capital may be one area for finance chiefs to revisit. Cash wrung from AP/AR is, plain and simple, found money. A CFO of an acquisitive company will also need to maintain a strong balance sheet, one that can be leveraged to help finance acquisitions.

How the evolving macroenvironment may affect any given value-creation strategy isn't easily predictable. But what should remain steady is the ambition of the finance team: to serve as an enabler of long-term value, not a constraint to it.

As CFO, what are your top three priorities for 2023?*



*126 (100%) of respondents across eight industries answered.

Source: **4Q 2022 *CFO Signals* Survey**

Click for a deeper dive

- **Deloitte Global Boardroom Report Trust Survey, December 2022**
- **Ways CFOs can build trust among stakeholders**
- **Why trust should be one of your key performance indicators**
- **Can you measure trust within your organization?**
- **Check it twice: A checklist for rethinking capital allocation**
- **Why an emphasis on cash flow forecasting remains critical**
- **Manage cost, cash, working capital to help tame uncertainty**
- **A new sustainable value system**

Strategy

Being a thought partner to the CEO, business, and board

In what ways are you contributing to setting the direction of your company?

Look at the textbook definition of the CFO's role, and you'll generally find it narrowly defines the scope to finances, reporting, and keeping the books. While these tasks are vitally important to the smooth operation of an organization, they don't necessarily contribute to top-line results. In movie terms, CFOs have been the talent behind the camera, not in front of it.

This black-and-white notion is changing, however, and swiftly. More and more, many CFOs are being asked to expand their imprint on the company. Today, some finance chiefs are expected to be a thought partner to the CEO on setting and executing strategy. Moreover, they should be able to shape a narrative that spells out the company's story in a clear and compelling manner—and tell it well.

And increasingly, they are collaborating with business unit leaders, working on initiatives aimed at boosting income. The importance of CFOs' relationships with other business leaders can be seen in the 4Q21 *CFO Signals* survey. When finance chiefs were asked to name the executives most important to their success, CEOs topped the list. Second on the list? Business unit leaders.

Rank order the importance of the following roles, as applicable, to your personal success as a CFO.*

*123 (95%) of respondents answered. Note number of roles ranked by respondents varied.

Source: **4Q 2021 *CFO Signals* survey**

When CEOs were asked the same question in a Fortune/Deloitte CEO winter 2022 survey, 66% of CEOs named CFOs as most important, followed by business unit/regional leaders.

This broader role presents big challenges. For starters, it raises the bar on a CFO's own ability to lead and requires finance departments to have both the capabilities and mindset to partner with others on bold initiatives involving strategy and transformations. Key to almost any strategic initiative, for example, is ensuring there's enough capital to fund it amid competing demands. To help get that right, finance departments need top-notch skills in managing cash and scenario testing. And in the current economic and political landscape, finance chiefs have to be able to make tough decisions about strategic initiatives that may need to be shelved.

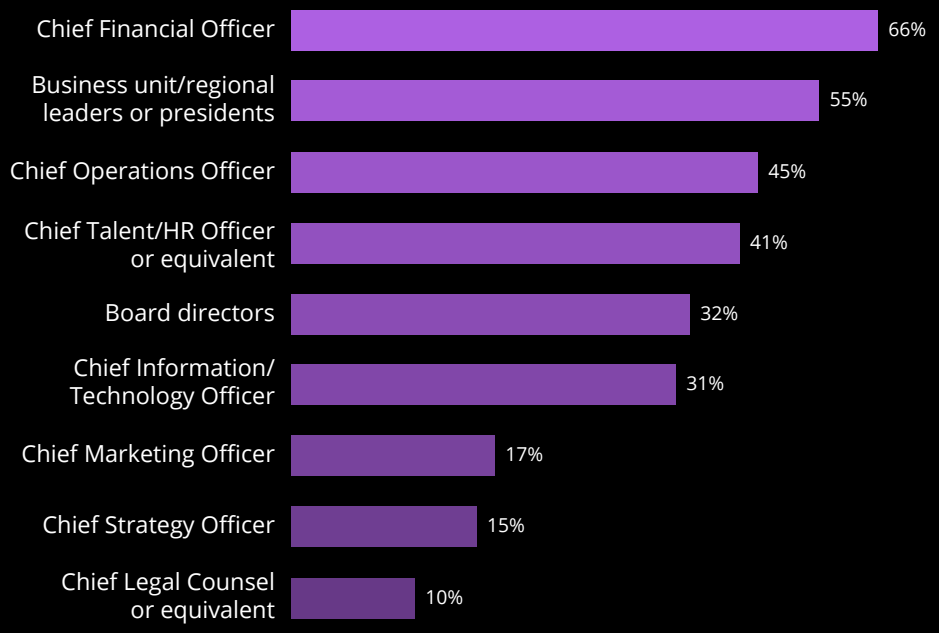
Many directors, too, want CFOs to help shape a company's direction and bring a big-picture view to the board room—one that helps inform and guide strategic decisions and aligns with a company's culture and social purpose. And CFOs may be tasked with going beyond short-term horizons, providing input on what a company's value drivers might be 5 or 10 years out.

This expanded role clearly elevates the profile of the CFO. It also comes with a caveat. While looking years down the road, finance chiefs should not lose sight of the fundamental, day-to-day—yes, behind the scenes—operations of the finance function.

CEOs consider CFOs most important to their personal success.

Rank order the importance of the following roles, as applicable to your personal success as a CEO.

Percentage of CEOs ranking these roles in the top 3



Note: CEOs were asked to rank order all roles.

Source: **Winter 2022 Fortune/Deloitte CEO Survey**

Are you a strategic CFO?
Seven critical questions to ask yourself:

1. How does your company plan to grow: M&A, organically, or both?
2. What are the dominant constraints that hold back your company's growth, and how might you overcome them?
3. What is the greatest uncertainty facing your company, and what can you do to resolve or navigate it?
4. What is your greatest area of spend where there is significant uncertainty about return?
5. Are your company's financial and growth goals ambitious enough?
6. What could disrupt your company, and what can finance do to defend against it?
7. What would you like your company to stop doing?

Click for a deeper dive

- The Leadership Accelerator
- Are you a strategic CFO? Seven essential questions
- CFOs seek stronger ties with business unit leaders
- Are you ready to make the switch to lights-out finance?
- Five questions to help shape an M&A strategy
- Five steps to building a strategically adaptive enterprise
- At the intersection of ESG oversight and strategy

Talent & Leadership

Guiding your organization's workforce amid change and innovation

What are keys to building a finance team with the skills to be an effective partner to the business?

The maxim still rings true: the higher you rise in a company, the more you depend on others to help you do your job. But for CFOs and other leaders, building and leading effective, sustainable teams has been complicated by a host of events.

For many finance chiefs and their organizations, the advent of new workforce models during the COVID-19 pandemic remains a wildcard. Three years later some organizations are still trying to get a fix on the right mix between on-site and remote work, and how to measure talent performance and productivity. The typical KPIs used to assess staff may not be relevant to hybrid models, and the impact such set-ups have on employee engagement or output and a company's overall financial position is still generally unknown. Thus, many CFOs find themselves at the center of talent issues on a much broader scale than ever before.

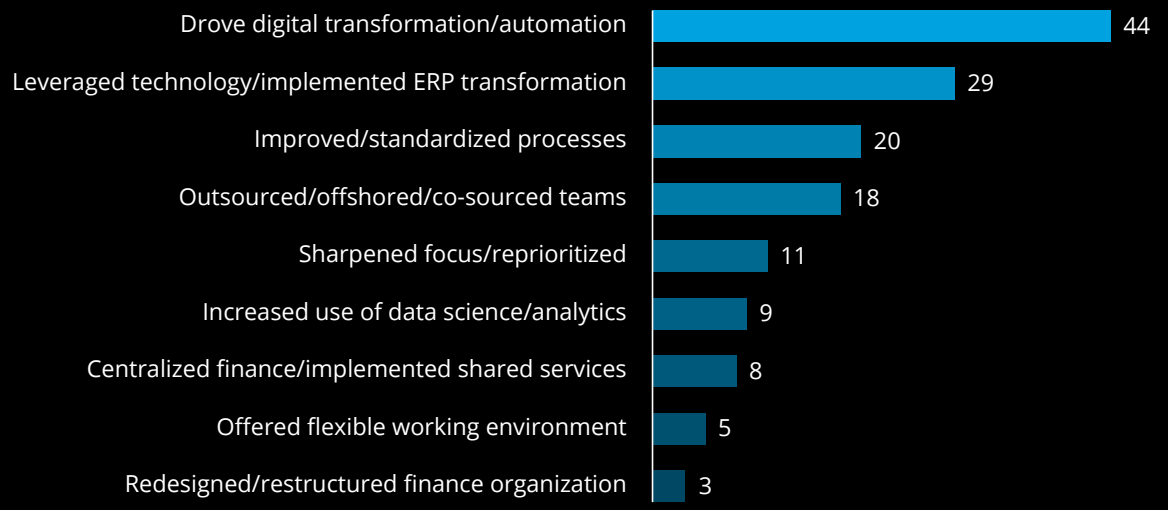
As leaders of finance teams spread across the country or around the world, CFOs face their own set of challenges. For example, some finance professionals may currently lack the expertise to meet the increasingly complex demands placed on the finance department. FP&A skills—or lack of them—seem to be a constant source of frustration for many CFOs. Indeed, in our 1Q21 and 3Q22 *CFO Signals* surveys, CFOs singled out FP&A as the capability they would most like to improve across their team and the one that most requires greater investment.

Moreover, finance professionals may lack training in new technologies and tools that can transform the finance landscape at a time when a sizable proportion of CFOs say their organizations will make greater use of automation and digital technologies for operations (79% in our 4Q22 *CFO Signals* survey) and to replace certain jobs previously performed by humans (cited by 61% of surveyed CFOs).

To meet increasing demands, CFOs also have often had to alter, reduce, streamline, and even redesign the work their teams perform. The challenge has not necessarily been doing more with less but rather doing higher-value work in a smarter way. CFOs may need to work with HR to devise development programs to address gaps in skills. Nearly two-thirds of CFOs responding to the 3Q22 *CFO Signals* survey named providing career development and more clarity in growth opportunities among the top three actions they have found to be most effective in retaining talent. The other two? Providing flexibility for work location and increasing salaries.

If you have taken any steps in the past year to alter, reduce, or streamline the types of work your finance organization does, please describe the actions you've taken.*

Most frequently cited comments by category (number of CFOs citing each category)**



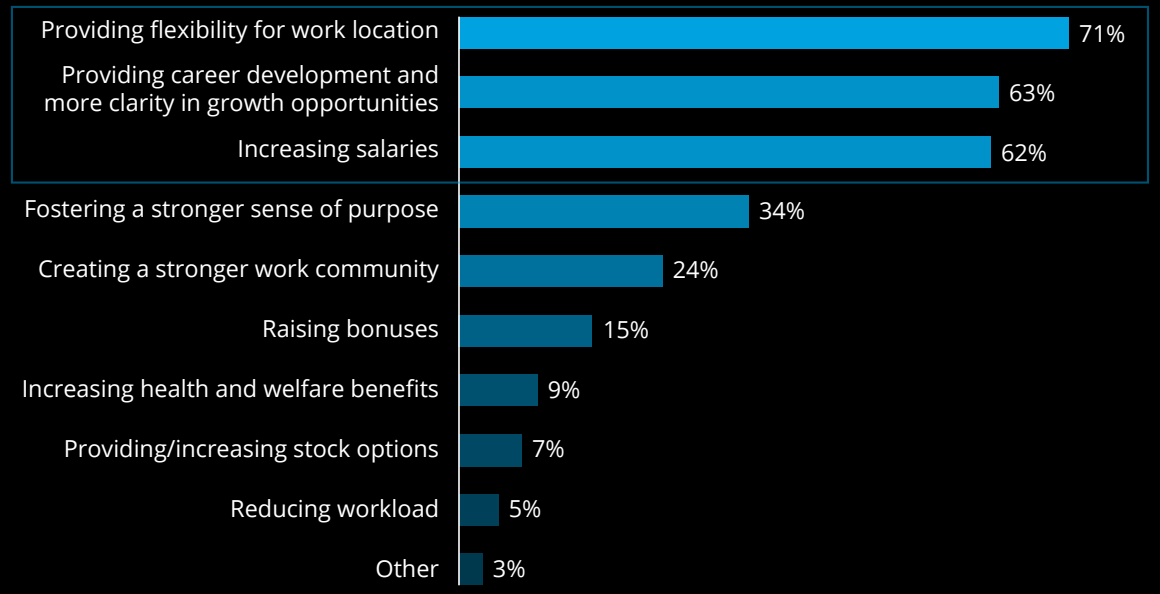
* 89 respondents (80% of total respondents). Total number of comments is more than the total number of respondents because some CFOs cited multiple actions.
** Note: These categories were developed based on responses to open-ended text questions.

Source: **3Q 2022 *CFO Signals* survey**

Besides equipping their finance organizations with technologies and stronger FP&A capabilities, finance chiefs might need to fill the gaps with new hires. In an economic slowdown, though, it could be hard to make the case for adding headcount. And with high inflation and a tight labor market, CFOs may have to offer higher salaries for new hires. This, in turn, could create a rift with existing staff, or worse, send them looking for better-paying jobs.

Small wonder finance chiefs regularly cite talent as a top internal risk in our quarterly *CFO Signals* surveys. The pressure isn't likely to ease up. Given the current uncertain climate, and with job hopping becoming more common, CEOs and boards want CFOs to build resilient departments with plenty of bench strength. With the average tenure of a chief financial officer running between 3.5 years (according to a Datarails survey) to as many as 5 years (per Crist Kolder's Volatility Report 2022), that bench strength should also include having a capable successor standing in the wings.

Which three actions have you found to be the most effective in retaining talent at your organization?*



*110 respondents (98% of total)

Source: **3Q 2022 *CFO Signals* survey**

Click for a deeper dive

- Crunch time: The finance workforce of now
- A recruiter's view on building a strong, diverse finance bench
- Steps CFOs can take to find reliable metrics for tracking well-being
- How CFOs can learn the ins and outs of the hybrid work model
- 3Q22 CFO Signals special topic: Work, Workforce, Workplace
- The skills-based organization: A new operating model for work and the workforce

Data & Technology

Capitalizing on digital technologies to turn information into insight

What constraints hinder you from providing data-driven analysis to help shape critical business decisions?

From discussions with CFOs, CEOs, boards, and others, there's a recurring mandate for finance: Deliver insights—insights to identify and execute growth strategies, compete on new playing fields, fend off disruption and even turn it into opportunity, and more. But none of this can happen without the right data, processes, technologies, and people. For overworked finance departments, keeping up with technology breakthroughs—let alone deploying them—can be difficult. Consider the metaverse. Last year, the concept of a single, immersive virtual world was being almost universally touted as the next big thing. This year, artificial intelligence seems to have taken the spotlight.

Still, technologies can hold promise for finance departments seeking to provide the business with deeper insights to improve performance and create efficiencies. For example, virtual scenario modeling in the metaverse and real-time data analysis supplied by AI could enable finance teams to evaluate more quickly various options and their implications for key decisions.

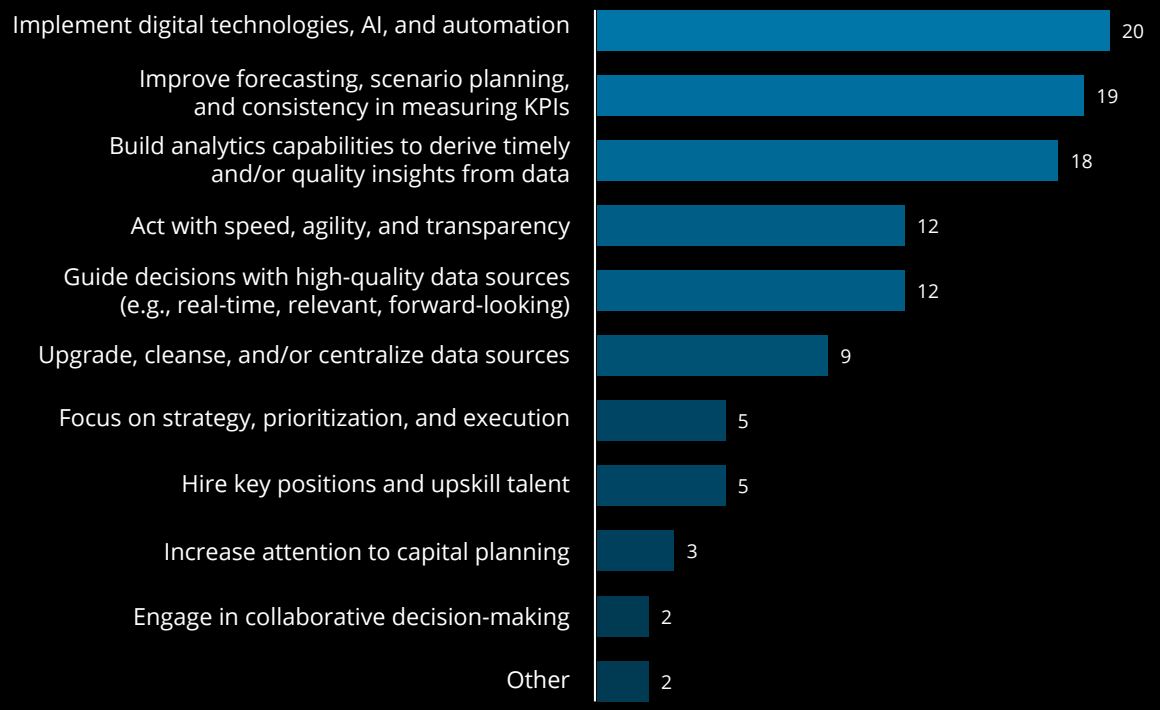
To fully drive insights from data, CFOs have to address several challenges. There's often a mismatch between the data companies collect and the data that generates insights. Moreover, some finance teams may not have experience in using data and technologies to build and depict insights in a way that's helpful to the business. Thus, finance chiefs may need to develop a talent strategy around data, storytelling, and visualization.

Standardizing data formats, long an elusive goal, can help enable CFOs and their teams to access and analyze information from disparate networks. In addition, CFOs might consider crafting a data governance strategy. The approach would treat data like other corporate assets—that is, with a lifecycle, a monetary value, and a return on investment. Such rigor could help companies invest in the right technologies—and not just the hyped ones.

Moreover, a recent Deloitte report found that the right combination of digital transformation actions can unlock up to $1.25 trillion in additional market capitalization for Fortune 500 companies. According to the research—drawing from 10 years of financial disclosures from more than 4,000 global organizations—the higher valuation is likely due to the specificity of technologies mentioned in communications with investors and analysts. Such detail can give stakeholders a more tangible sense of strategies employed, and a way to keep closer tabs on where the enterprise is placing its capital investments.

As CFO, what improvements, if any, would you suggest to enhance your company's decision-making in planning for the remainder of 2023 and 2024?*

Most frequently cited comments by category (number of CFOs citing each category)**

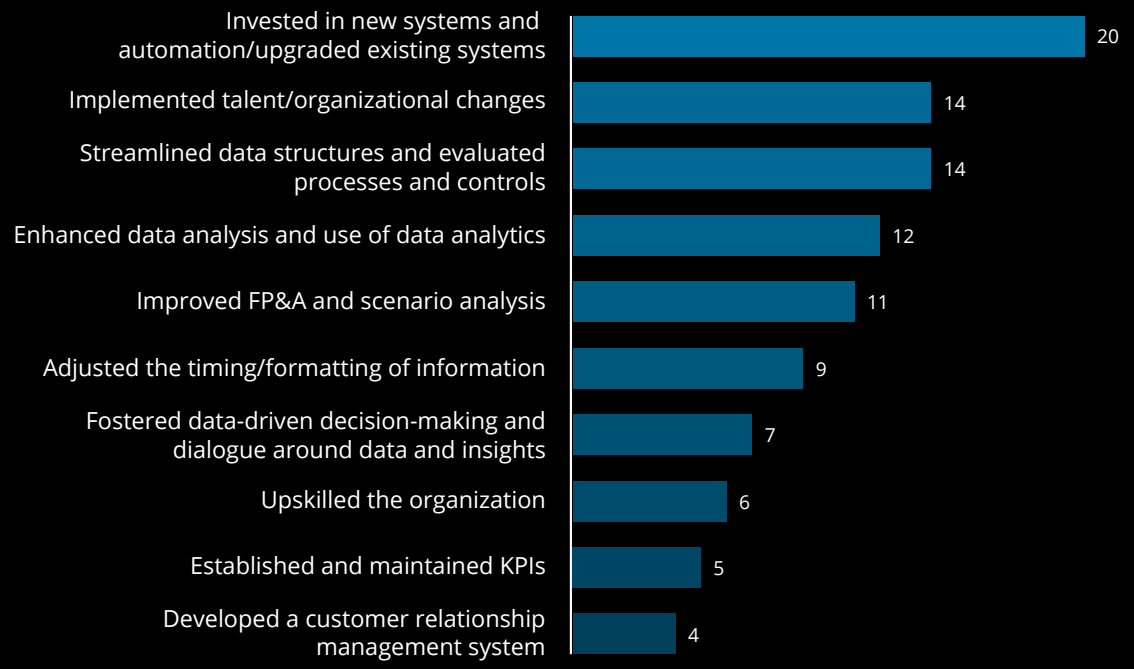


* 82 respondents (74% of total respondents). Total number of comments is more than the total number of respondents because some CFOs cited multiple actions.
** Note: These categories were developed based on responses to open-ended text questions.

Source: **1Q 2023 *CFO Signals* survey**

What's the most effective thing you've done to improve the data and insights your finance team provides to the business?*

Most frequently cited comments by category (number of CFOs citing each category)**



* 85 respondents (77% of total respondents). Total number of comments is more than the total number of respondents because some CFOs cited multiple actions.
** Note: These categories were developed based on responses to open-ended text questions.

Source: **1Q 2023 *CFO Signals* survey**

Click for a deeper dive

- Unleashing value in digital transformation: Paths and pitfalls
- Machine-enabled FP&A: Unlocking potential
- Data, analytics, and your AI strategy
- Building trust in machine-powered FP&A
- Got data? Now create the right operating model
- CFOs cite challenges to gaining value from IT
- 1Q22 CFO Signals special topic: Managing the Information Technology Function
- 1Q23 CFO Signals survey

Enterprise Risk & Regulation

Managing risks to help preserve shareholder value and stay resilient

As your organization's steward, how do you gain a clear line of sight into your company's exposures?

If the year 2023 has taught any lessons thus far, it's the value of having a clear-eyed view of enterprise risk. Companies seem to be facing threats on several fronts—internal, domestic, and global. Asking tough questions and ensuring organizations are prepared for the best- and worst-case scenarios can be a daunting assignment—one that often falls on the desks of CFOs.

Certainly, it's hard to underestimate the potential impact of recent geopolitical challenges on finance departments. CFOs frequently cited geopolitics among their most worrisome external risks in both the 4Q 2022 and 1Q 2023 *CFO Signals* surveys. The Russia-Ukraine conflict has triggered supply-chain disruptions and higher input costs and led to uncertainties outside the region. China's previous COVID lockdown, along with political tensions elsewhere, could have C-suite executives rethinking the future of their business operations—and not just in China.

Which external risk worries you most?
(N=99)

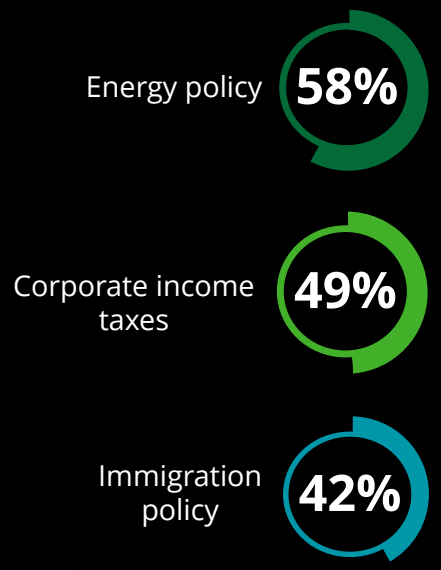
Source: **1Q 2023 *CFO Signals* survey**

Similarly, economic variables like inflation, rising interest rates, and the threat of a recession might be keeping many CFOs up at night. Finance chiefs will need to work closely with their treasury departments to try to hedge exposure to fluctuating commodity prices and swings in the costs of other inputs.

As policies and regulations expand, CFOs are expected to address issues beyond accounting and taxation. To name a few: Third-party risk, data-sharing and privacy, climate change, and network integrity. Cybersecurity, for instance, has typically been the domain of IT. Rules proposed by the Securities & Exchange Commission for disclosing cyber incidents and bolstering registrants' risk management will likely draw CFOs further into the picture. So, too, would the SEC's proposed rules on disclosures for climate reporting.

CFOs also will likely need to deal with the Global Minimum Tax (GMT) Pillar 2, which establishes a minimum effective corporate tax of 15% for large multinational enterprises. Finance and tax departments will be tasked with complying with the GMT and minimizing any risk arising from the mandate.

In which policy areas would your company like to see the U.S. Administration and Congress provide clarity or make changes first?
(N=125)



Source: **4Q 2022 *CFO Signals* survey**

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- **Accounting for macroeconomic and geopolitical impacts**
- **Fragile supply chains confront ongoing threat from the Russia-Ukraine war**
- **Dynamic, integrated risk assessments for a new era**
- **SEC proposes new cybersecurity disclosure rules**
- **China dispatch: Complexities of decoupling supply chains**

Climate & Sustainability

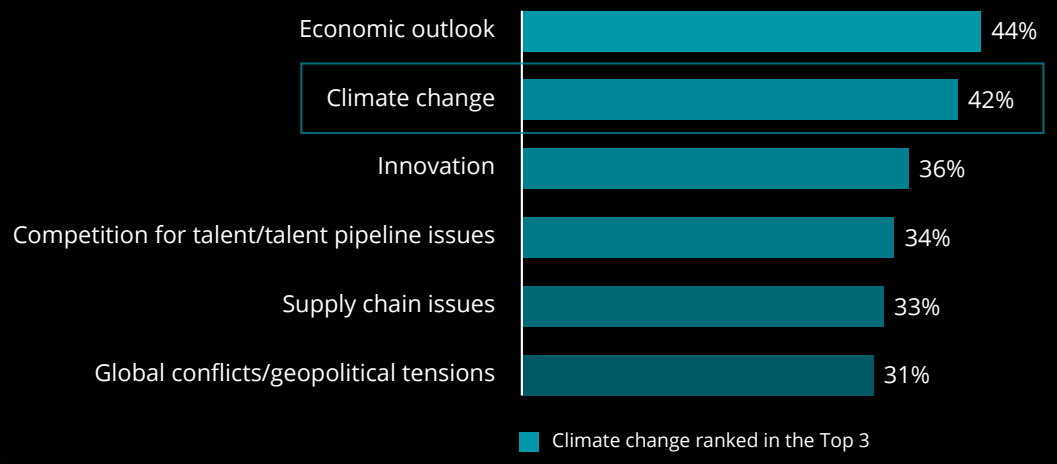
Navigating the headwinds of climate change

What forces are shaping your climate and sustainability agenda?

The Securities & Exchange Commission has proposed requiring all public companies to disclose carbon emissions, climate risks, and plans for reducing greenhouse gases starting in 2024. Ultimately, the reporting requirement will likely put chief financial officers in the middle of climate and sustainability issues on which investors and a growing list of other stakeholders may potentially hold divergent views.

It may not be a particularly familiar position for CFOs to occupy. Some organizations may view ESG investments as a way to add value to shareholders and other stakeholders. Some businesses, however, may lack a governance framework for engaging with these groups. And there are various risks to consider on both sides of the climate and sustainability divide. Differing views on a company's policies could lead to litigation, potential fallout at state and local levels, shareholder and stakeholder activism, and customer defection.

What does your organization see as the most pressing issues to focus on over the next year? *(Rank in order of importance)*

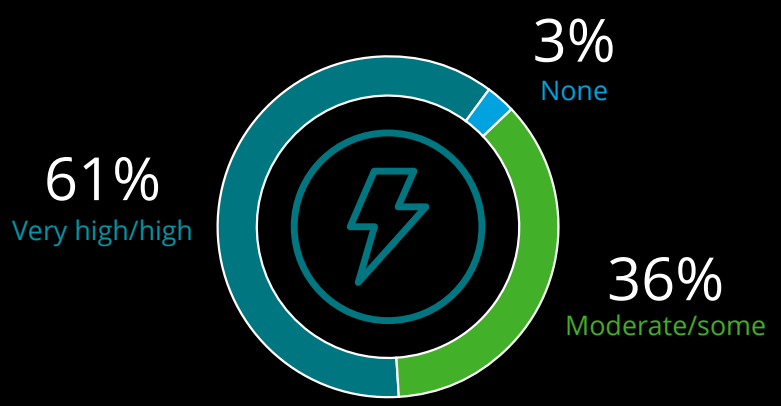


Source: **Deloitte Global CxO Sustainability Report 2023**

So, should a company go forward with climate and sustainability plans? Or should it hold off? An advantage of the first option: a well-thought-out plan of action may provide transparency while satisfying stakeholder demands. CFOs can bring some clarity to the discussion by forecasting how different approaches might play out with investors, customers, and workers.

Elsewhere, CFOs can work to maximize green incentives for investments in sustainability. Finance chiefs can also partner with C-suite leaders to invest in innovations in areas like sustainable abundance, as well as in new sustainable processes, products, and services. Indeed, nearly half (49%) of CFOs in our 4Q22 *CFO Signals* survey said their organizations intend to increase investments in ESG. Financial analysis and capital allocation will likely be crucial to the success of such plans. And that brings CFOs into much more familiar territory.

To what degree do you expect climate change to impact your company's strategy and operations over the next three years?



Source: **Deloitte Global CxO Sustainability Report 2023**

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- How ESG disclosures may expand the nature of the CFO's role (1-2023)
- Deloitte 2023 CxO Sustainability Report
- Going green: Accounting and reporting for environmental credits
- Leaders turn focus to third-party ESG risks
- 2Q22 CFO Signals special topic: Decarbonization and the Role of the CFO
- Top ways CFOs are funding decarbonization goals
- Finance for a sustainable future: A new dynamic opportunity

Agility & Resilience

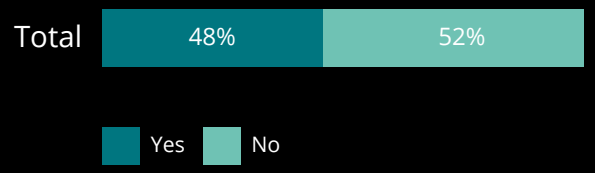
Anticipating and adapting to unexpected events to succeed—not just withstand

How do you prepare your organization to pivot in the face of unexpected events?

During the upheaval brought on by COVID-19, the need for agility and nimbleness became abundantly clear. Supply chain disruptions and stay-at home restrictions, for instance, tested companies' abilities to keep operations running as smoothly as possible. Addressing these and other unforeseen issues required C-suite leaders to respond quickly and decisively. In short, they needed to turn on a dime in order to be resilient. And they needed strong balance sheets, liquidity, and cash flow to do that—all in the CFO's wheelhouse.

Today's geopolitical and economic landscape are placing new strains on enterprises. And while lessons were learned during the pandemic, resilience remains a neglected subject for many. Part of the problem: In many cases, strategic initiatives can take priority over more defensive measures. Beyond that, some companies lack a clear vision of what resilience actually means. Indeed, in Deloitte's Global Resilience Report 2022, only 52% of 700 executives, directors, and senior leaders indicated resilience is well-understood across the organization and has cross-functional engagement.

Is there a common understanding/definition of resilience within your organization?



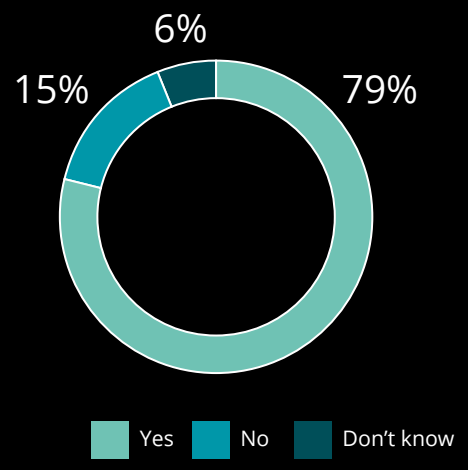
Source: **Deloitte's Global 2022 Resilience Report**

At the same time, industry disruption—often spurred by competitors with breakthrough technology, new business models, or other innovative approaches to commerce—puts a premium on agility. As companies increase their focus on Agile initiatives, finance chiefs may need to craft new frameworks for distributing capital—and at a time when funding is getting costlier. It also will be important to expect new business partners and expanding ecosystems and consider the financial, risk, and regulatory implications of those.

On another front, CFOs could face a career challenge that requires a different sort of agility. As detailed in the previous six drivers, the nature of the chief financial officer's job is changing dramatically. As such, it's imperative that CFOs broaden their expertise to meet new demands. But taking on tasks not necessarily in your comfort zone can be daunting. The move from the more traditional purview of the finance chief—budgeting, reporting, and the like—to cross-business collaboration and value creation can be a big leap.

It's nevertheless a role most CFOs should embrace. The days of the chief financial officer operating behind the scenes may be coming to a close. From here on in, CFOs may need to get comfortable being in the spotlight.

In your opinion, should your organization create a chief resilience officer role in the next five years?



Source: **Deloitte's Global 2022 Resilience Report**

Click for a deeper dive

- **True grit: Turning resilience into a core competency**
- **Financial reporting considerations: Supply chain and labor disruptions**
- **CFOs weigh investing in supply chain resilience**
- **Deloitte's Global Resilience Report 2022**
- **The art of agile: Success factors in building an adaptive business (2-2022)**
- **Why CFOs are moving toward a more dynamic finance function (7-2022)**

About Deloitte's CFO Program
The CFO Program brings together a multidisciplinary team of Deloitte leaders and subject-matter specialists to help CFOs stay ahead in the face of growing challenges and demands. The program harnesses our organization's broad capabilities to deliver forward thinking and fresh insights for every stage of a CFO's career—helping CFOs manage the complexities of their roles, tackle their company's most compelling challenges, and adapt to strategic shifts in the market.

For more information about Deloitte's CFO program visit our website at: **www.deloitte.com/us/thecfoprogram**.

Deloitte *CFO Insights* are developed with the guidance of Dr. Ajit Kambil, Research Director, CFO Program, Deloitte LLP; and Josh Hyatt, Manager/CE Journalist, CFO Program, Deloitte LLP.

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