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# Differentiators of Today's Personally Effective CFOs



# Overview

Only one in five CFOs exceed CEO expectations for contribution to short-term financial performance and promote company behaviors that lead to sustained top- and bottom-line growth. Review this research to learn what behaviors differentiate these personally effective CFOs and how to adopt them.

To prepare CFOs for the accelerating internal and external pressure to perform, we analyzed 61 large enterprise CFOs against our CFO-informed model for personal effectiveness. Only 20% of CFOs were effective against this model of being able to simultaneously encourage company behaviors we've found will sustain top- and bottom-line growth and outperform CEO expectations for contribution to short-term financial outcomes.

However, every CFO can achieve this level of effectiveness by demonstrating the following controllable behaviors:

- Closing the distance between CFOs and customers by spending more time with customers
- Going beyond relationship building to create constructive tension with the CEO and board
- Plugging into business performance with a less adversarial posture toward business leaders

This research teaches CFOs how to adopt these behaviors by applying tactics shared by personally effective CFOs.

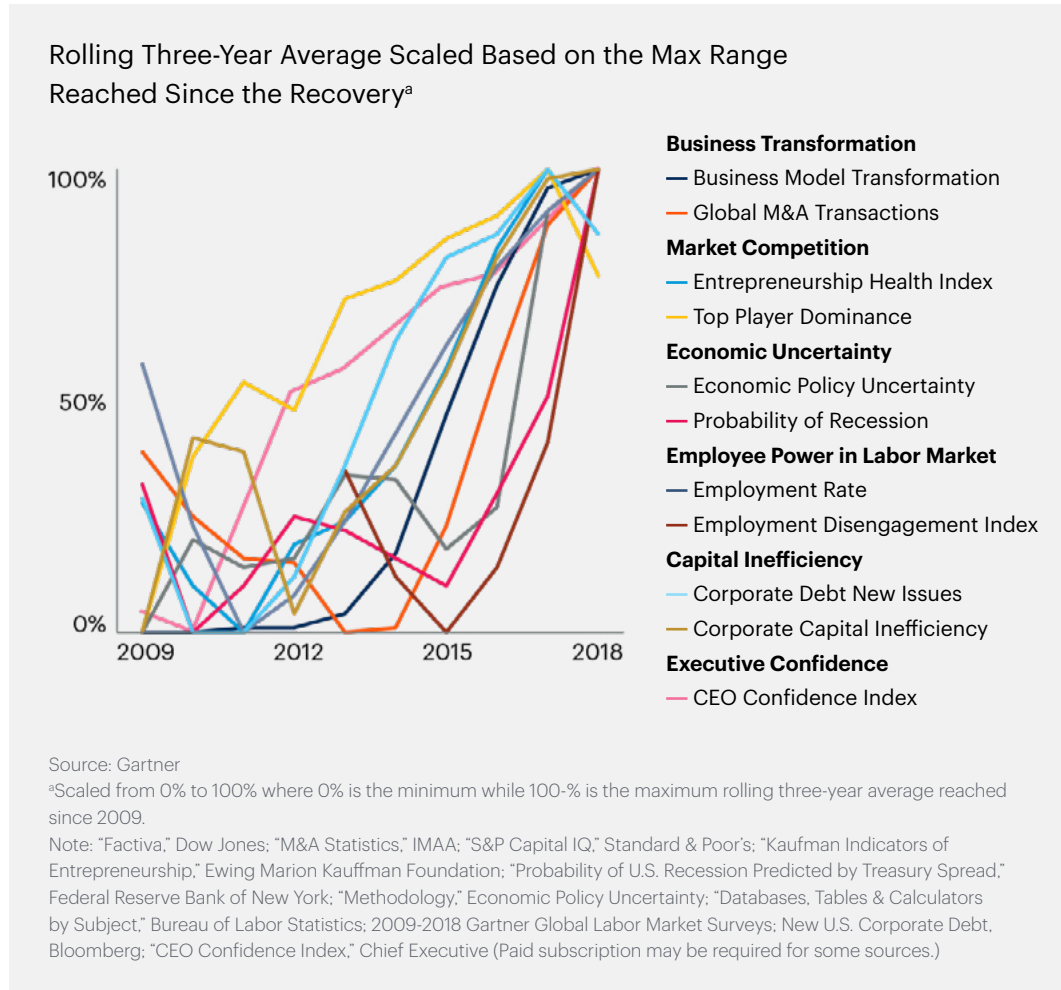
## Key Findings

- **Being personally effective is hard yet achievable:** Only 20% of CFOs are personally effective, yet personally effective CFOs differentiate themselves through controllable behaviors.
- **Personally effective CFOs close the natural gap between themselves and customers** by spending more time with them and personally prioritizing pricing strategy, working capital and the head of sales relationship.
- **Personally effective CFOs go beyond relationship building** to challenge CEO and board member assumptions about major decisions.
- **Personally effective CFOs plug into the business** by personally prioritizing business performance management and securing strong relationships with general managers (GMs) and their business unit CFOs.
- **Personally effective CFOs allocate their personal time** with the same rigor they ask their companies to allocate capital.

# What Makes a CFO Personally Effective Today?

This is a time like no other for CFOs. New and experienced CFOs face increasing external and internal pressure. CFOs and their organizations are all, to a varying degree, going through a turn with an uncertain outcome. We've been tracking major indexes for transformation, competition, economic uncertainty, employee power, capital inefficiency and executive confidence, and they're all at or near their 10-year maximum (see Figure 1).

**Figure 1: Trend Lines Across Major Indexes**

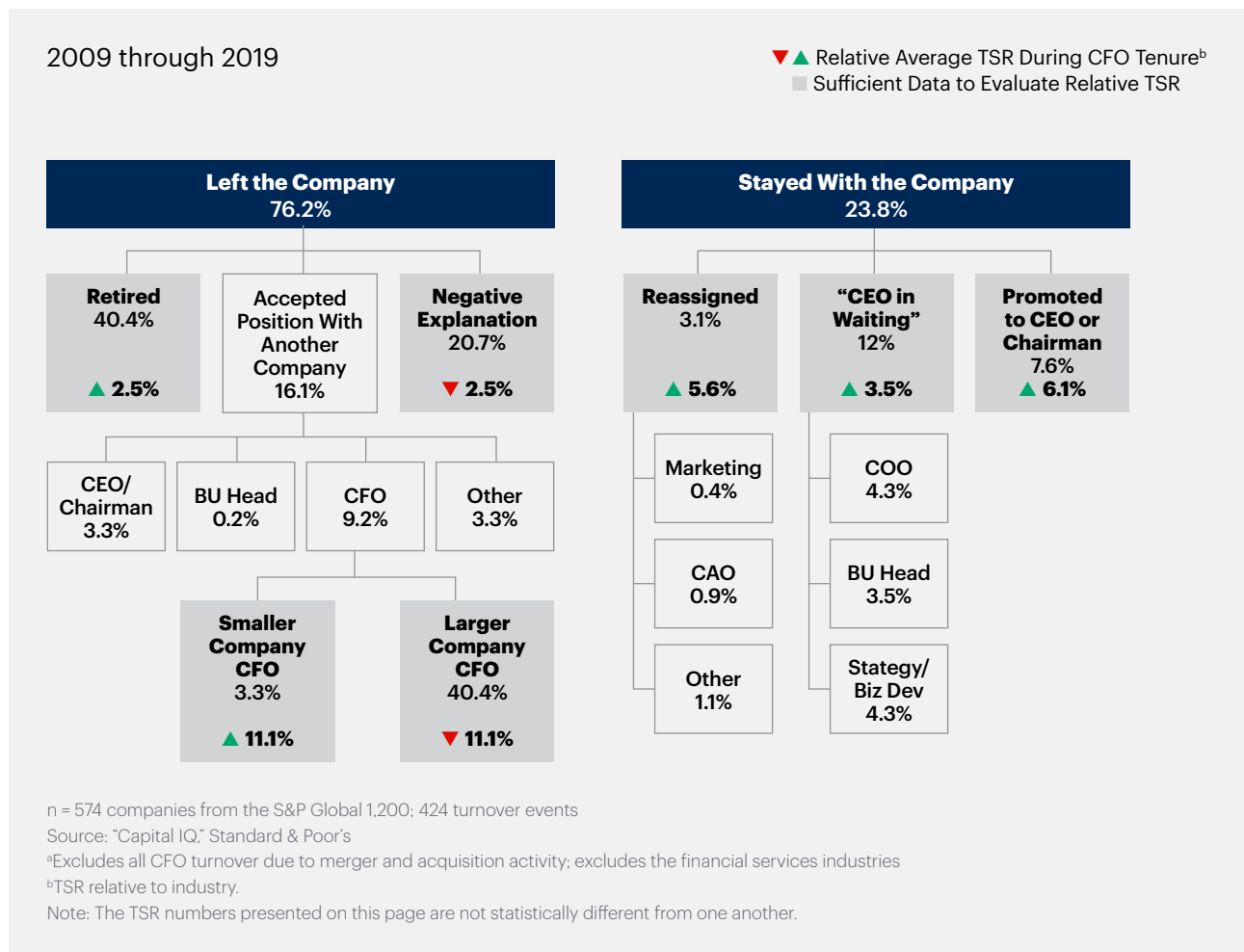


History tells us stakeholders determine the CFO's success during times like this based on the company's success during the CFO's tenure (see Figure 2). The average CFO tenure is five years — lower than most other executives — primarily because CFOs are held accountable for company performance. CFOs at underperforming companies generally depart the company under negative circumstances (e.g., resignation). And good outcomes for companies generally line up with good outcomes for the CFO (e.g., promotion to CEO, chairman).

While turns increase the risk of underperformance, they also represent opportunities to accelerate firm performance. We've found companies that take this opportunity earn a sustained advantage over their competitors long after turns have passed.

The impact of CFO performance in this moment has led CFOs to ask how they can rise to the occasion. In response, we conducted an investigation into a simple question: What makes a CFO personally effective today?

**Figure 2: CFO Turnover, Next Position and Average Relative TSR During CFO Tenure**

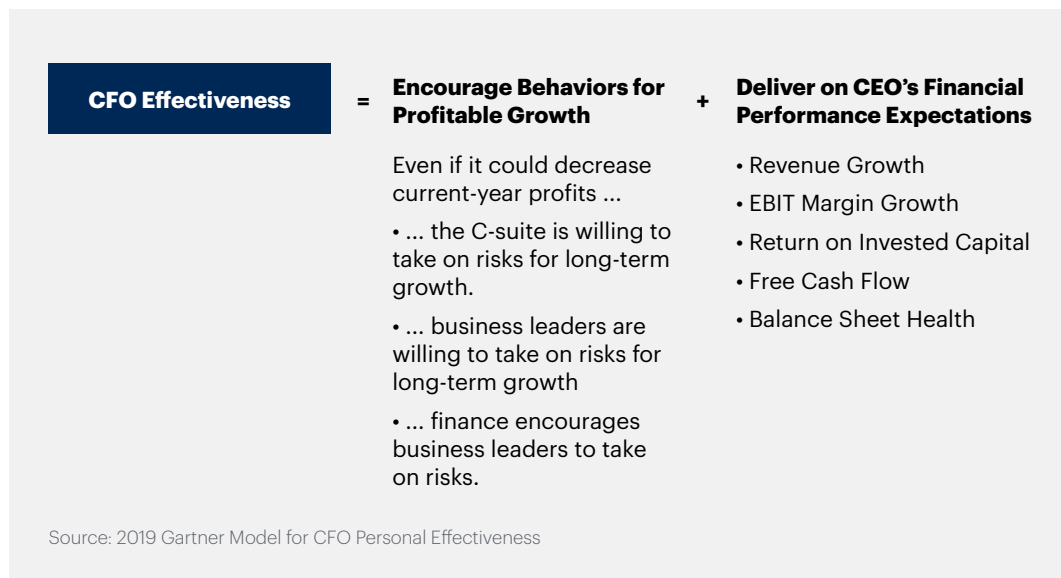


## Being Personally Effective Is Hard but Achievable

To understand what makes a CFO personally effective today, we needed a measure for CFO personal effectiveness. CFOs told us effective CFOs contribute to short-term financial metrics and long-term profitable growth. Following this lead, we measured the personal effectiveness of 61 large enterprise CFOs by asking them about their performance against an index of short- and long-term performance metrics (see Figure 3) that include:

- The executive team's, business leaders' and finance function's willingness to take on risk for long-term growth. Our efficient growth research found these behaviors predict sustained top- and bottom-line growth
- The CFO's contribution (against CEO expectations) to revenue growth, EBIT margin growth, return on invested capital, free cash flow and balance sheet health

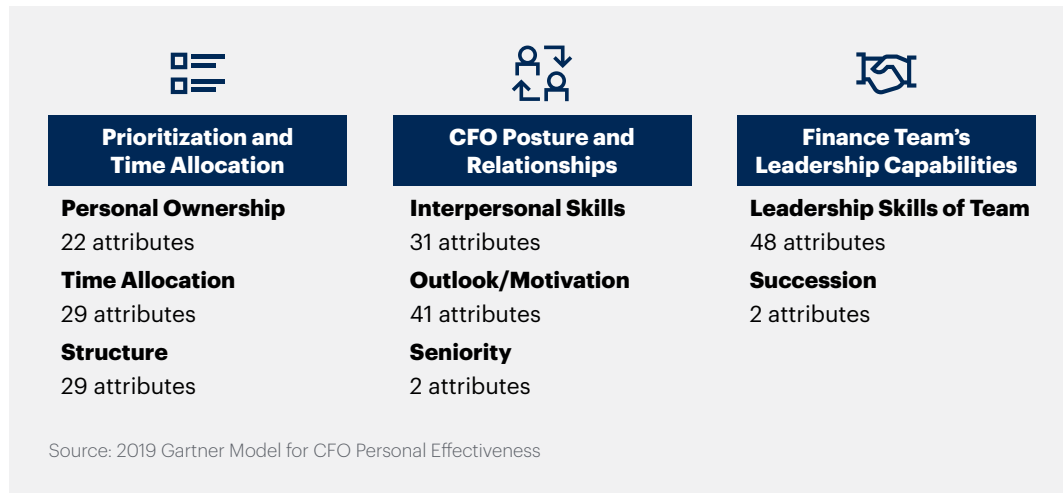
**Figure 3: 2019 Gartner Model for CFO Personal Effectiveness**



We found only one in five CFOs are personally effective.

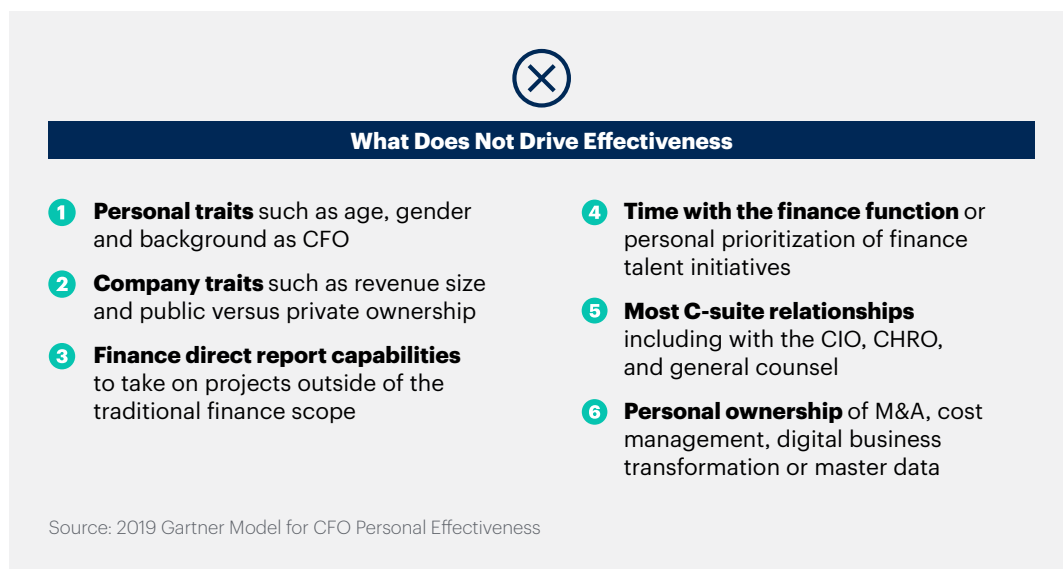
We wanted to understand whether the average CFO could become a personally effective CFO and, if so, how. We used quantitative tools to learn what differentiates the CFOs who measured up as personally effective from the CFOs who were average. Specifically, we asked our 61 surveyed CFOs how well they demonstrated over 200 attributes (see Figure 4).

**Figure 4: Attributes in Our Quantitative Analysis**



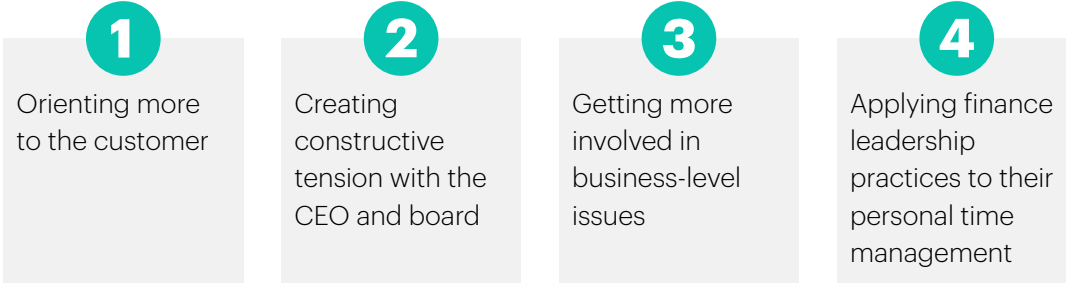
We found that being a personally effective CFO is achievable. Personally effective CFOs differentiated themselves through controllable attributes. Uncontrollable traits don't drive personal effectiveness (see Figure 5).

**Figure 5: Attributes That Don't Drive Effectiveness**



We combined over 100 qualitative interviews with our quantitative survey analysis to learn how the average CFO could become personally effective. Specifically, we combined analysis of what attributes drive personal effectiveness with an investigation into what personally effective CFOs do differently with their time, relationships and teams.

We found personally effective CFOs differentiate themselves by:



The 20% of CFOs who were personally effective shared tactics with us that the average CFO can apply to adopt these behaviors and become more personally effective. This research teaches CFOs:

- What activities to prioritize (and what to ignore)
- Which relationships matter most and how to build constructive tension to get the most out of those relationships
- How to be as judicious with their time as they are with their money — providing pragmatic advice on how to manage a commodity in such high demand

# Differentiators of Today's Personally Effective CFOs

The remainder of this research shares what's different about these personally effective CFOs who outperform peers on their contribution to short-term financial metrics and the promotion of company behaviors that sustain top- and bottom-line growth.

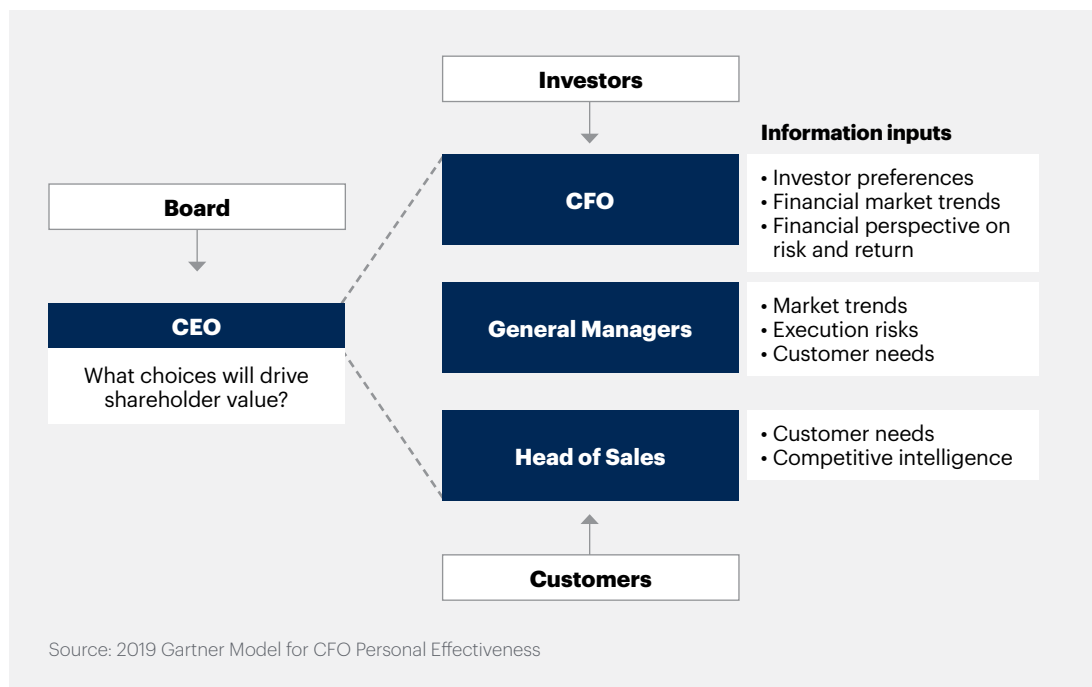
## 1 Strong Customer Orientation

Customer perspective is fundamental to decisions about where organizations will see the best returns on growth investments and which capability investments will differentiate them in the customer's eye. But the CFO role naturally orients to the investor, remaining distant from the (external) customer (see Figure 6). The average CFO understands what investors value but has a weaker understanding of what customers value. This weaker understanding of customers handicaps the average CFO's ability to deliver on what investors want.

**“Investors sense whether you really know what’s happening with your customers.”**

CFO, industrial goods

**Figure 6: Proximity of Executives to Sources of Critical Information**





Personally effective CFOs differentiate themselves by making understanding customer behaviors and preferences (and how they're changing) a natural and recurring part of their workflow. They spend 40% more time with customers than the average CFO, and they personally prioritize activities and relationships that improve their understanding of customers (see Figure 7):

- They own, rather than delegate, pricing strategy.
- They cultivate high-quality, not strained, relationships with their head of sales.
- They own working capital and its impact on customer experience and the buying decision.

**Figure 7: Attributes Driving CFO Personal Effectiveness**



CFOs can rapidly improve their customer understanding by setting out to develop their own “theory of the customer” (see Figure 8). They can build this theory by reviewing their teams’ synthesis of macroeconomic analysis, sales trends by customer segment, buying patterns, customer research surveys and potential responses to shifting customer demographics and preferences. They can then test and refine this theory by shadowing sales calls, attending customer events and taking on executive sponsorship of key customers. A proven theory of the customer enables CFOs to be more informed and influential when discussing customer-related investments with CEOs or heads of sales by coming with a customer perspective of their own.

**Figure 8: Customer Orientation Considerations and Tactics**

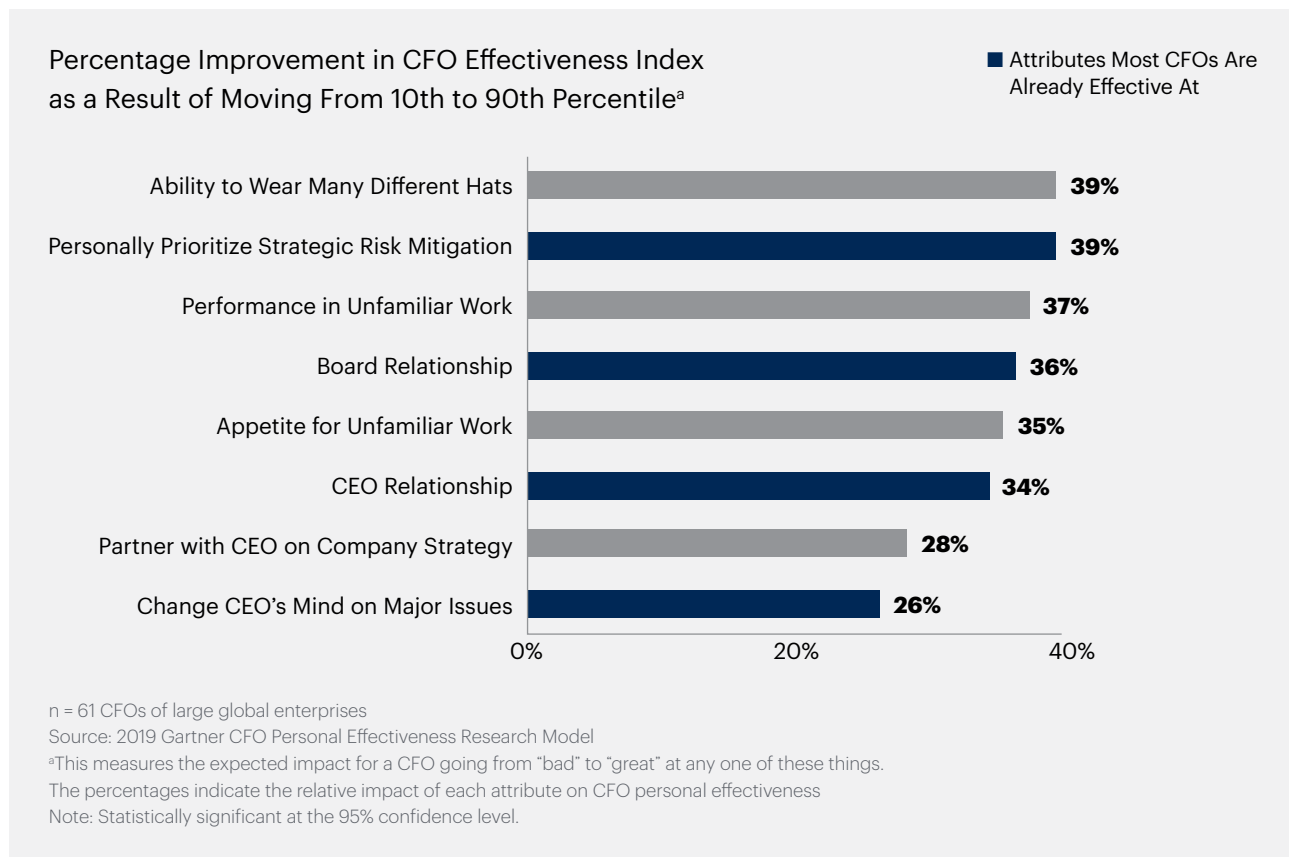
<b>CFO Goal: Develop your own theory of the customer.</b>	
<b>Considerations</b>	<b>Tactics</b>
<ul style="list-style-type: none"><li>• How are <b>other executives</b> spending time with customers, and how can I complement their efforts?</li><li>• Which <b>customer segments</b> will I get the most benefit from interacting with?</li><li>• How do I make sure I am not only used for problem customers and get a <b>balanced viewpoint</b>?</li><li>• How can I <b>communicate</b> to other executives the underlying benefits of being close to customers?</li><li>• How <b>difficult</b> is it for customers to do business with us?</li></ul>	<ul style="list-style-type: none"><li>• Shadow sales calls.</li><li>• Attend customer events (with no formal speaking role).</li><li>• Tell business leaders you are interested in customer exposure.</li><li>• Take on executive sponsorship of key customers.</li><li>• Read customer surveys and voice of the customer updates.</li></ul>

Source: Gartner

## 2 Constructive Tension With the CEO and Board

Three out of four CFOs have a strong relationship with the board and CEO, partnering with them on company strategy. But personally effective CFOs go beyond strong relationships to bring constructive tension to their dialogue with the board and CEO (see Figure 9). They're positioned to challenge the board and CEO because their mastery extends beyond finance, playing multiple roles well and performing well even when work is unfamiliar. And they make these challenges constructive, changing their CEOs' minds even on major issues almost twice as frequently as the average CFO.

**Figure 9: Attributes Driving CFO Personal Effectiveness**



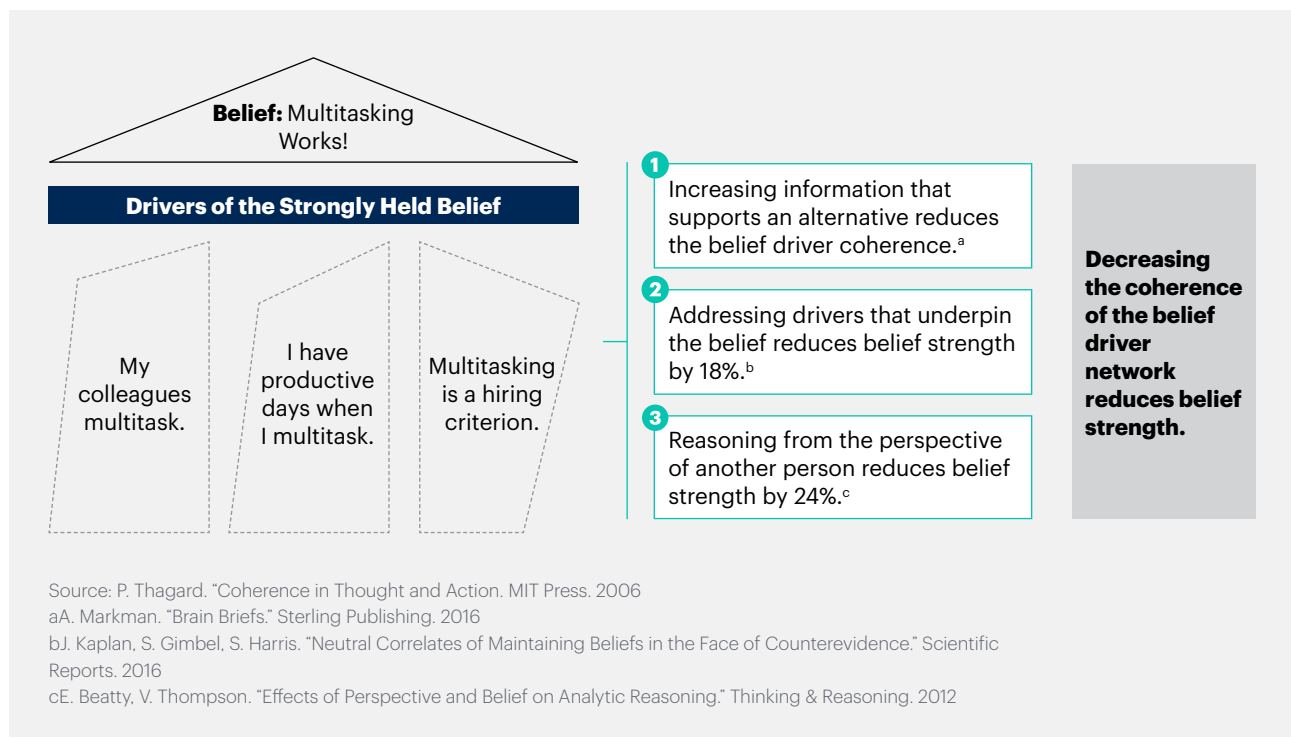
Personally effective CFOs make tension constructive by using a different strategy when challenging stakeholders. The common strategy for trying to change experienced senior executives' minds — coming directly at beliefs with counterevidence — isn't just ineffective but in fact often serves to make them more resistant to changing their mind.

Personally effective CFOs instead target the underlying drivers of those beliefs (see Figure 10). This breaks down the assumptions that underlie their beliefs and increases the likelihood they will self-recognize the need to change their mind without triggering a defensive stance. Personally effective CFOs use this strategy more frequently to change stakeholders' minds.

**“My CEO got where she was based on trusting a certain set of beliefs, so she’ll resist if I attack them head-on, even with data. I need to understand her history and her underlying assumptions if I want to make a difference in her thinking about an issue.”**

CFO, pharmaceuticals

**Figure 10: What Science Says About the Effect of Targeting the Drivers of Strongly Held Beliefs**



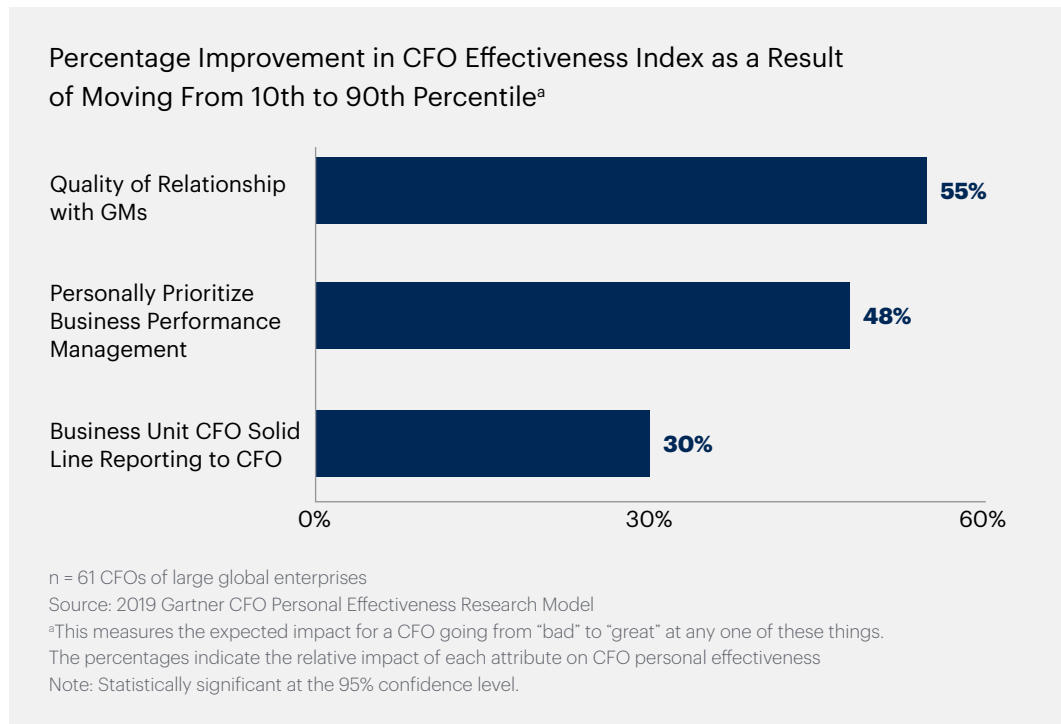
When disagreeing with a stakeholder, some personally effective CFOs force this recognition of underlying assumptions by asking a stakeholder to take on their perspective (and offering to in turn take on the CEO's perspective). During a 30-minute discussion, CEOs and CFOs each defend their conversation partner's perspective. When playing the CFO, the CEO will internalize the CFO's perspective far more effectively than by simply hearing about it from the CFO. Research suggests this perspective switching has the potential to reduce the strength of the CEO's belief by up to 28%.

Personally effective CFOs use constructive tension — not more time building relationships — to increase their impact on the board and CEO.

### 3 Plugged Into Business Performance

Personally effective CFOs keep business-level performance front and center to their work (see Figure 11). They personally prioritize, and don't delegate, decisions on how to accelerate business performance and mitigate business performance risks. They engage GMs on these decisions with an eye toward building strong relationships; GM relationship strength is the strongest driver of CFO personal effectiveness. And personally effective CFOs structure their teams to give them a pulse on performance at the business level by taking on business unit CFOs as direct reports.

**Figure 11: Attributes Driving CFO Personal Effectiveness**



By using operating reviews differently than the average CFO, personally effective CFOs can stay plugged into business performance. Many CFOs use operating reviews to explicitly pressure business units to improve performance, putting business leaders in a defensive posture. Personally effective CFOs instead recognize this will limit the insight business leaders share about performance. Instead of increasing pressure, they take a posture that creates a more open dialogue to help the CFO better learn about and add value to business performance.

We've seen some personally effective CFOs take a simple yet powerful step to open up a more productive session. They concentrate operating review agendas on qualitative discussion of important issues, not reporting on variance to financial plans. This enables these CFOs to better focus on controllable drivers of performance, address outdated assumptions and understand changes in customer preferences. These CFOs still conclude sessions with a quick presentation on financials, but they do so in a way that doesn't crowd out more constructive discussion.

**“The last thing you need to talk about is the financials because everyone in the room understands them already. And if the business leader won't understand, I'll meet with them before the meeting to prevent a 'gotcha' moment [that] isn't productive.”**

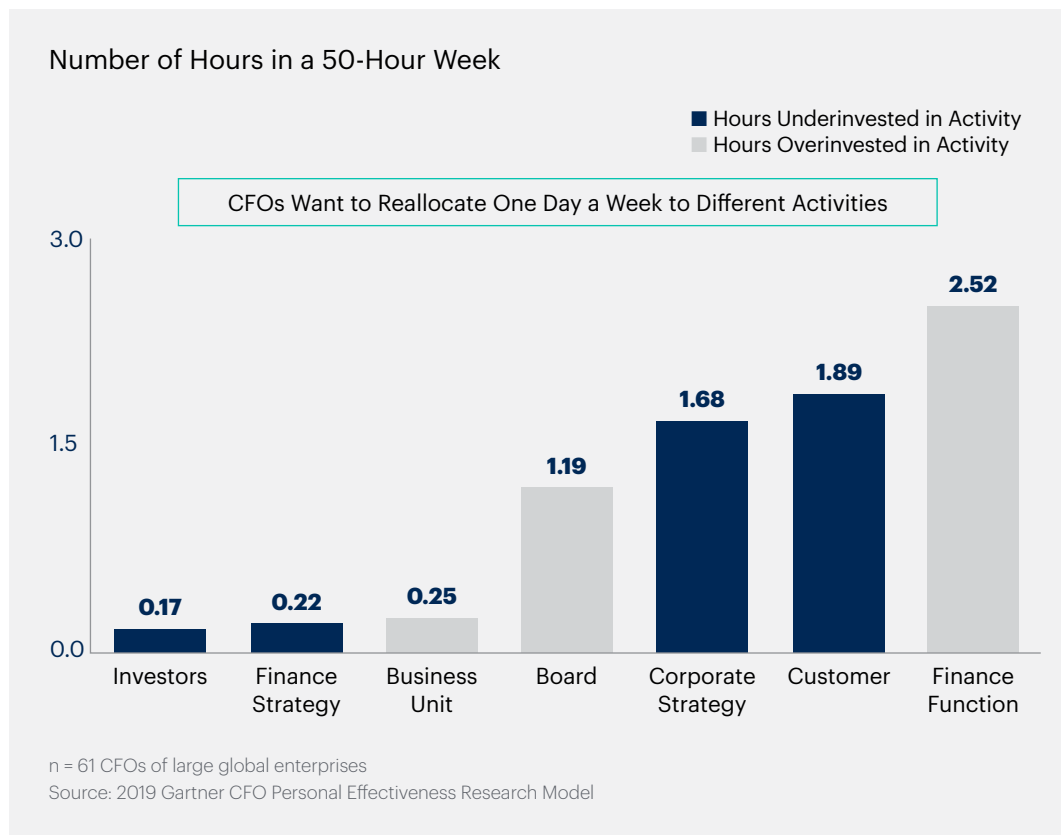
CFO, insurance

## 4 Apply Capital Allocation Tactics to Managing Personal Time

Building a theory of the customer, creating constructive tension and plugging into business performance takes time few CFOs have. Effective CFOs make time for these — and other — priorities by being more ruthless about managing the day-to-day flow of activities so priorities don't get lost in the shuffle.



The complexity, dynamism and ambiguity of the CFO's job makes it difficult to allocate time well. In fact, the average CFO loses almost eight hours — roughly one business day a week — to the wrong activities (see Figure 12).

**Figure 12: Difference in Current Versus Ideal CFO Time Allocation**



While no CFO can solve this time allocation regret completely, the most effective CFOs have cut this difference by almost half. They're better at time allocation because they apply tactics to treat their personal time with the same rigor they ask their companies to apply when allocating capital (see Figure 13).

**Figure 13: Finance Leadership Principles Applied to Personal Time Management**

	 <b>Finance Leadership Practices</b>	 <b>Personal Time Management</b>
<b>Focus Priorities</b>	Explicitly announce and discuss team and company focus areas.	Explicitly announce and discuss your own personal focus areas.
<b>Remove Low-Return Investments</b>	Zero-base budgets to remove low-return resources.	Zero-base your calendar to remove low-return uses of time.
<b>Increase Speed to Impact</b>	Use agile principles to increase speed to impact.	Dedicate time for focused sprints to increase the speed of your own impact.
<b>Learn From Previous Investments</b>	Use investment postaudits to create an ROI learning loop.	Use calendar postaudits to create a learning loop on your time spend.

Source: Gartner



## **Announce Personal Priorities Publicly**

Personally effective CFOs explicitly announce personal — not just their company's or their function's — priorities to their stakeholders, their peers and their teams. This helps these CFOs to keep their time aligned to what's important by:

- Signaling to direct reports they should take ownership of activities that aren't the CFOs' personal priorities
- Signaling to direct reports they should take a similar posture to delegation
- Raising the bar for interrupting their work
- Reducing the relationship cost when opting out of meetings and work not aligned with their personal priorities
- Encouraging stakeholders to provide feedback on where they focus

**“Sharing my personal priorities with my team and my stakeholders creates clarity for everyone about where I will and will not focus my time — and I expect, and encourages, my team to do the same.”**

Fredrik Hedlund, SVP and CFO Global Connect, Nielsen

## **Zero-Base Your Calendar**

On average, 85% of a CFO's time is scheduled. This makes calendar management almost equivalent to time management. When companies need to more closely manage capital, they zero-base their budgets. So when personally effective CFOs need to more closely manage their time, they zero-base their calendars.

Zero-basing a calendar follows the same principles as zero-basing a budget. Zero-based budgets remove preexisting resource allocations and then bring them back based on alignment with the company's strategy. Similarly, zero-based calendars remove all preexisting meetings and then bring them back based on alignment with the CFO's priorities.

When bringing this activity back, personally effective CFOs not only allocate time for the meetings that align with their priorities but also allocate time for activities — like reflection and sleep — necessary to succeed against these priorities.

## Carve Out Concentrated Blocks of Time

CFOs with more control over their calendar can better adapt their intervention strategy to the challenge at hand. All CFOs — including the personally effective ones — rely mostly on iterative interventions, using recurring, short check-ins to manage their responsibilities. They rely on iterative interventions because they work for most CFO responsibilities given they promote delegation, provide CFOs with an opportunity to intervene at inflection points and fit easily into a calendar.

However, personally effective CFOs use concentrated interventions more frequently than average CFOs. Concentrated interventions are like agile sprints — long periods of continuous time devoted to a single challenge. Certain problems are not CFO-worthy but come with especially ambiguous or incomplete information, complex dynamics and uncertain outcomes.

Personally effective CFOs tell us they can't wrap their minds fully around these problems without concentrated time and energy. Concentrated time also counters the organizational drag and inertia that comes with a more drawn-out problem-solving process. CFOs' responsibility set is too broad for concentrating interventions regularly, but personally effective CFOs carve out time for this concentration when the problem warrants it.

**“Some of our most important, ambiguous problems won't be solved quickly enough and to the right level of quality unless I dedicate meaningful time and energy to personally guide the team to the solution.”**

CFO, real estate

## Compare Planned and Actual Time Allocation

Personally effective CFOs learn from history, creating a learning loop to continuously improve their time allocation. They use calendar postaudits, usually relying on an executive assistant, to answer the following questions:

- Where did I spend more time than I expected, and was that additional time worth it?
- What priorities should I have spent more time on?
- What responsibilities can I delegate next time around?

These calendar postaudits help CFOs continuously refocus their scheduled and unscheduled time on their priorities.

# Conclusion

Being a personally effective CFO is hard yet achievable. As external and internal pressures continue to increase, CFOs should be ruthless with their time management to create opportunities for developing a unique customer viewpoint, bringing constructive tension to board and CEO dialogues and plugging into business-level performance. This will position CFOs to provide an outsized contribution to company performance that establishes a culture of sustained profitable growth.

# Recommendations

To increase personal effectiveness, CFOs should:

- Maximize their personal ownership of business unit performance, pricing strategy and working capital for their organizations.
- Spend more time with their organization's customers and then try to spend even more time with their organization's customers.
- Explore taking on their business unit (geographic, divisional) CFOs as direct reports.
- Focus their attention on building strong relationships with their CEO, GMs, board and head of sales.
- Partner with their CEOs on matters beyond finance, including company strategy and major cross-functional issues.
- Apply the principles of company capital allocation to their own personal time allocation.

# About This Research

This research uses quantitative analysis of surveys from 61 large organization CFOs globally and qualitative analysis from over 100 CFO research interviews to determine what differentiates today's personally effective CFOs.

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