Gartner

The CFO Report

Gartner answers to top CFO challenges

4Q24

This edition's top CFO challenges

1.

How can I maximize my limited time with the CEO and align our priorities?

2.

How can I earn investor support for our cost optimization strategy?

3.

How can I deliver value on current investments and plan for the success of future investments?

4.

How can I secure employee buy-in for changes to the finance function?

Pulled in competing directions, CFOs must drive alignment

In the final months of 2024, CFOs continue to find themselves pulled in many competing directions, fueled by unique sources of disruption and change. For example:

1. CFOs are trying to support technology-driven innovation while making sure spending on that technology doesn't run unchecked.
2. CFOs have ambitious plans for the rest of 2024 but must be realistic about the economic headwinds (e.g., stubbornly higher costs, constrained access to capital) that threaten to restrict performance.

In this complex environment, CFOs find it increasingly important, and increasingly difficult, to maintain alignment with critical stakeholder groups. Use this latest edition of The CFO Report to avoid stakeholder misalignment by applying strategies tailored to the unique needs of your audience.

How CFOs Can Drive Alignment With 3 Key Stakeholder Groups

Source: Gartner

How can I maximize my limited time with the CEO and align our priorities?

Three of the top attributes that drive CFO personal effectiveness are a **strong CEO relationship, partnership with the CEO on company strategy** and the **ability to influence the CEO on major issues.** Maintaining strategic alignment with the CEO requires CFOs to work in a way that may feel counterintuitive — focusing their conversations with the CEO on areas of misalignment, not alignment.

But clarifying potential misunderstandings that could cause problems later is a smart way to use their limited time together. Going over points of commonality may make for smoother conversations, but risks papering over the issues most likely to cause friction.

CFO Personal Effectiveness

Source: Gartner

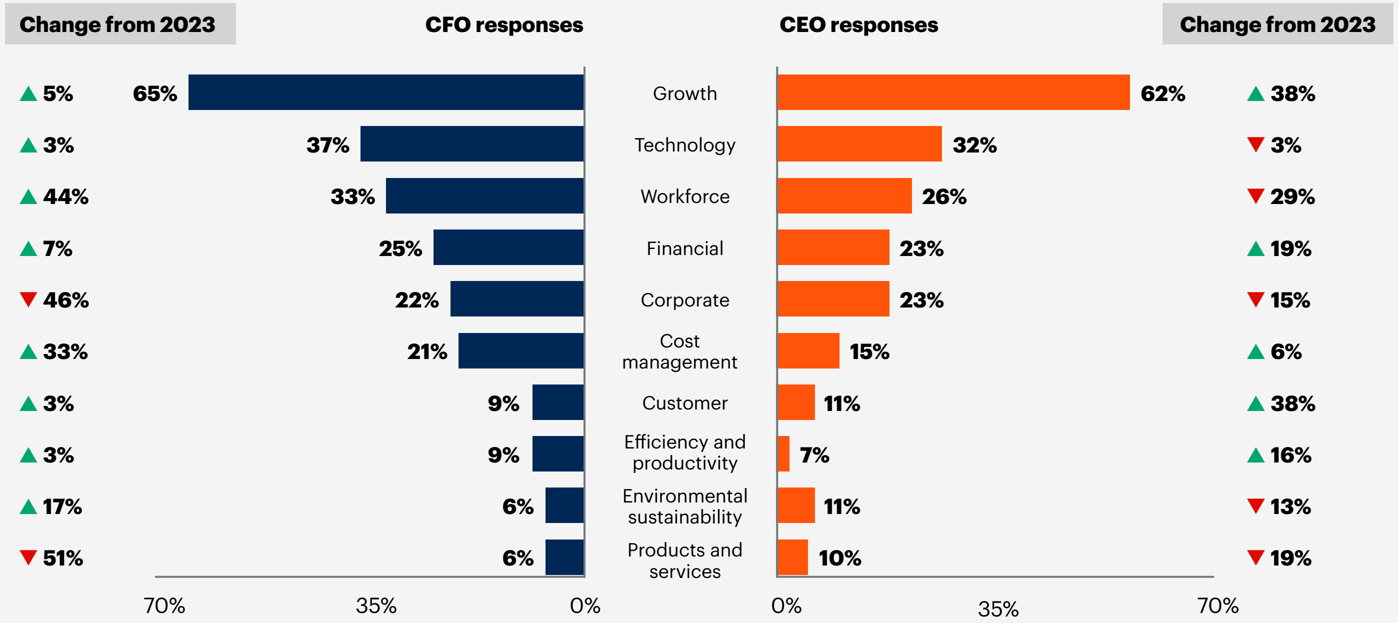
Dig into areas of misalignment to maintain strategic collaboration and make progress on key priorities

As a starting point for these conversations, CFOs should understand where misalignment exists in key business priorities. Use the figure on the right to gain insight into how CFOs' and CEOs' typical perspectives currently differ, based on a survey of the two groups.

To facilitate conversations on these strategic business priorities — and other areas of misalignment — CFOs can use a communication style matrix to diagnose your CEO's style, keeping in mind that one's individual style could represent a mix of the four standard styles (amiable, expressive, analytic, driver). Then CFOs can tailor their communications accordingly.

CFOs' and CEOs' Top Strategic Business Priorities for 2024-2025

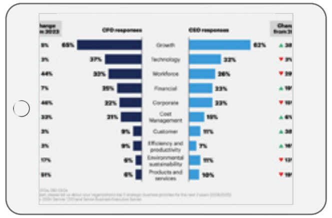
Summary top three mentions, coded responses — showing top 10



n = 81 CFOs; 282 CEOs
Q: Please tell us about your organization's top 5 strategic business priorities for the next 2 years (2024/2025).
Source: 2024 Gartner CEO and Senior Business Executive Survey

Take action with Gartner support

Learn more about where CFOs' and CEOs' priorities align and differ with the CFO Perspective on the 2024 CEO Survey.



Evaluate how the time is being spent and identify what is missing in interactions with your CEO to determine what you'd like to incorporate into future interactions.

Schedule a call with a Gartner expert to learn more about the implications of key priorities, like the shift in focus toward AI, or to discuss the best ways to tackle difficult subjects with your CEO.

Marcus Marion
Senior Director
Analyst

Use Gartner's Quick Answer: How CFOs Can Maximize One-on-One Time With the CEO to master this critical exchange and achieve both individual and organizational goals.

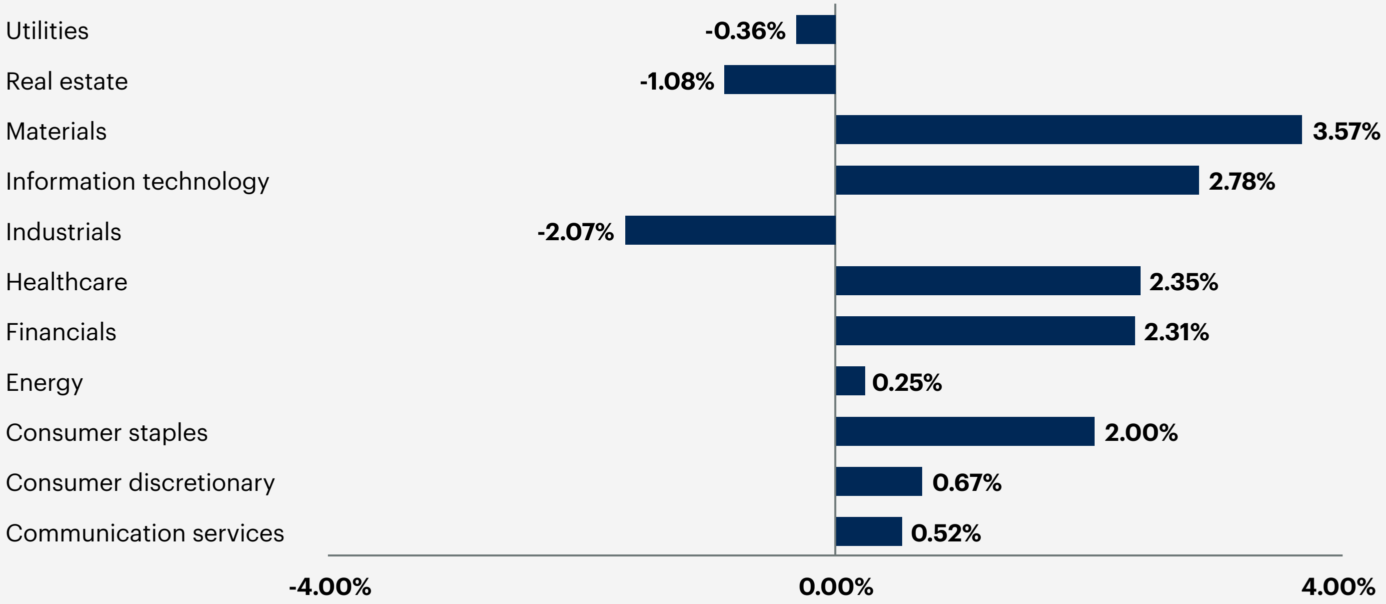
How can I earn investor support for our cost optimization strategy?

Many organizations are optimizing costs in response to today's high-uncertainty environment. But a Gartner analysis of stock price movements of companies that announced cost cuts between 2021 and 2023 shows that most industry sectors saw only minimal stock price appreciation a week after these announcements.

These limited gains suggest a level of skepticism among investors and indicate that cost-cutting actions alone won't guarantee positive investor perceptions. Therefore, CFOs must do more to reassure investors their organization is poised for success.

Limited Stock Price Appreciation a Week After Cost-Cutting Announcement

Average stock price movement for companies implementing cost-cutting measures (seven days)



n = 1,195 companies

Source: Capital IQ Database and Gartner analysis of earnings calls from Alphasense 2021 to mid-2023

Be transparent in earnings calls to foster investor trust and encourage alignment

According to a Gartner review of how profitable companies communicate their cost optimization efforts to investors, successful companies are upfront about the challenges and the rewards of cost optimization and employ three transparency tactics:

1. **Candidly share their understanding of cost drivers.** Demonstrating this understanding to investors, and then linking their cost optimization efforts to those specific drivers, convey that they have a handle on what drives costs and have a viable plan for dealing with it.

2. **Highlight the actions they're taking to protect differentiating costs.** These costs can't be easily replicated by competitors, which means they're meaningful drivers of differentiation. By communicating their investments in these costs, the companies show investors they're well-positioned to compete (and, ultimately, to create long-term value). Emphasizing these details will likely encourage continued strategic buy-in from investors.

3. **Reveal how investments they flagged in previous earnings calls paid off.** These companies close the loop with investors by following up on how plans they'd previously disclosed worked out. Doing so established a strong track record of generating returns from their spending — a tactic that's especially effective when showcasing that a calculated risk led to profits.

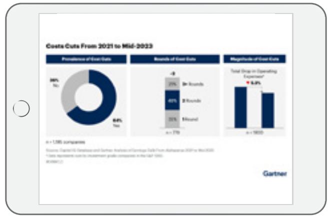
Take action with Gartner support

Talk to a Gartner Executive Partner — a former CFO who supports client priorities — to talk through the best way to craft a credible story or to learn more about differentiating costs.

Judy Roman
Executive Partner

Work with your head of investor relations to incorporate this messaging into your next earnings call.

Learn how other organizations are reducing costs, and how investors are reacting, with 4 CFO Lessons From Recent Cost-Cutting Efforts.



Visit Gartner's Cost Management Resource Center to understand strategic cost management best practices for CFOs.

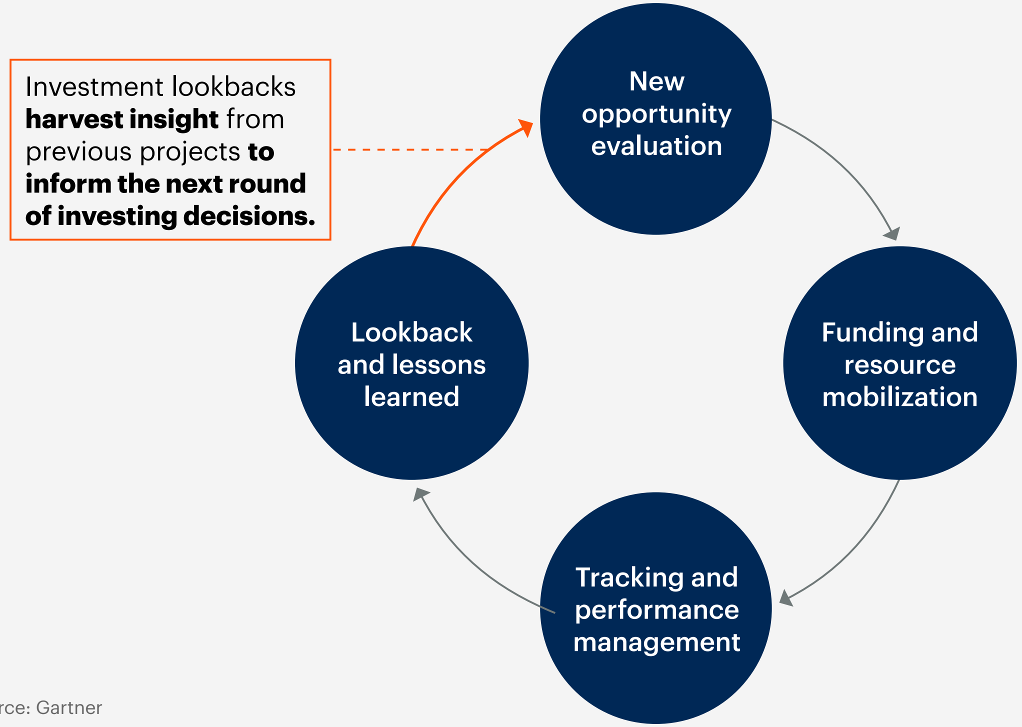
How can I secure employee buy-in for changes to the finance function?

To maintain strategic alignment, CFOs and business unit leaders must create a shared understanding of what drives value for the organization, especially as today's organizations pursue more fundamental shifts in their business and operating models.

This shared understanding of value drivers should encompass a broad definition of "value." For instance, value could mean achieving particular project goals, but if that's not possible, value could also mean lessons learned at the conclusion of underperforming projects.

As conditions change, CFOs should use continuous learning to refine this shared understanding throughout the investment process (not only during project execution but continuing after projects have ended). Intentionally positioning this work as learning-focused helps minimize any fear among business unit leaders whose investments may not have met initial expectations, ultimately fostering more honest investment review discussions.

Lookbacks as Part of a "Learning Loop"



Source: Gartner

Maintain alignment with business unit leaders to share project learnings and adjust accordingly

For in-flight projects, CFOs can build in regular opportunities to touch base with business unit leaders, agree on what they've learned and modify their plans accordingly. CFOs can use what they're learning from in-flight projects to maintain alignment with business unit leaders by checking that their planned allocation of resources is still their best bet to support the organization's objectives. One way to do this is by establishing an executive portfolio review committee to evaluate investments on a regular basis. CFOs should work with other committee members to realign resources where necessary (e.g., when investments are no longer aligned to the organization's strategy, are not performing as expected or are being shifted to a different timeline).

CFOs must continue the learning process after projects have completed. They need to ensure postproject meetings lead to concrete change rather than devolve into backward-looking discussions that focus on enforcing accountability for underperformance. As CFOs focus these discussions on lessons learned, they should establish alignment in two categories:

- **Controllable factors,** which business unit leaders should actively work to remedy for future projects (e.g., pricing variances that undercut profitability outcomes). An example lesson learned could be to set up better monitoring mechanisms that can detect variances in real time.
- **Uncontrollable factors,** which the enterprise doesn't expect business unit leaders to individually address (e.g., lower-than-anticipated economic growth). An example lesson learned could be that finance should focus on obtaining better data and developing more effective leading indicators so it can create better initial forecasts.

Take action with Gartner support

To learn more about prioritizing investments, both before they launch and while they're in progress, see How CFOs Should Improve Investment Prioritization.

Schedule a call with a Gartner expert to learn more about setting up living project charters or an executive portfolio review committee, as well as creating an agenda for an effective investment lookback.

Dennis Gannon
VP Analyst

Explore how to learn from in-flight projects and modify the organization's expectations with Case Study: Increase Accountability for Digital Spending Through Learning-Informed Project Charters.

Start listing the functional leaders and business leaders you would convene for investment lookbacks.

How can I make sure my leadership team can get employees on board with changes to the finance function?

As finance transforms into a more digitally enabled organization, the CFO's leadership team must ensure its employees align with the function's technology strategy; however, **nearly half of employees report that change resistance is a barrier to achieving transformation success and organizational goals.**

CFOs and finance transformation leaders are thinking differently about organizational structures, roles, activity locations and the people-technology balance across all finance functions. The finance strategy must unlock value from technology as well as talent by recognizing the unique value proposition each component brings to the operating model.

Gap Between Finance's Vision and Employee Actions

1
Define vision
Redefine how finance should operate to become more digital.

2
Explain the why
Communicate why the change is necessary and important.

3
Employees miss the "what" and "how" for them.

Reasons why employees struggle to enact the vision:

Lack of clarity
"What behaviors do I need to change?"

Low relevance
"How does it relate to my day-to-day work?"

Low agency
"How can I contribute to driving the change?"

Source: Gartner

Ensure your employees are aligned with your function's technology strategy to reduce change resistance

CFOs can help senior finance leaders build alignment within their teams by considering the following actions:

- Fast-track buy-in during the finance transformation planning stage by assessing how your transformation program will affect key leaders and employee groups before crafting a transformation narrative that addresses their main concerns.
- Help your FP&A teams understand how they can align their staff to their generative AI objectives. Solutions include customizing their engagement strategy to different groups of employees based on their experience with, and acceptance of, the technology.
- Talk to your controller about building alignment with their technology goals for the function by reducing employees' resistance to new technology. Recommend that they limit the spread of negative reactions while harnessing social influence to drive acceptance.
- Make sure your finance transformation leader connects the new vision for finance to employees' workflows to help them better understand how the change will affect them.

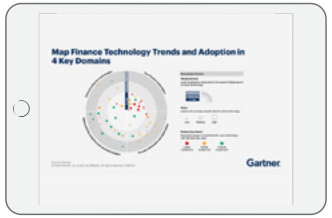
Take action with Gartner support

Use forthcoming CFO and finance leadership team meetings to evaluate your current change management approach to align on opportunities to develop a more stakeholder-centric change management strategy.

Schedule a call with a Gartner expert to create a purposeful technology roadmap that includes well-defined opportunities and implementation timelines that set the finance function up to drive efficiency and effective decision making.

Marco D'Ascoli
Director Analyst

Use the 2024 Finance Technology Bullseye to validate your technology investment decisions against take-aways from 350 peers.



Learn more about reducing change resistance among finance teams by exploring Always-on Change Management for a Successful Finance Transformation.

Actionable, objective insight

Position your organization for success. Explore these additional complimentary resources and tools for finance leaders:

Research
3 Steps to Improve Corporate Investment Prioritization

Learn three steps to improve investment prioritization outcomes at your organization.

Download Now

Webinar
3 Change Management Principles to Supercharge Your Finance Transformation

Accelerate your transformation with iterative finance change management.

Watch Now

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