



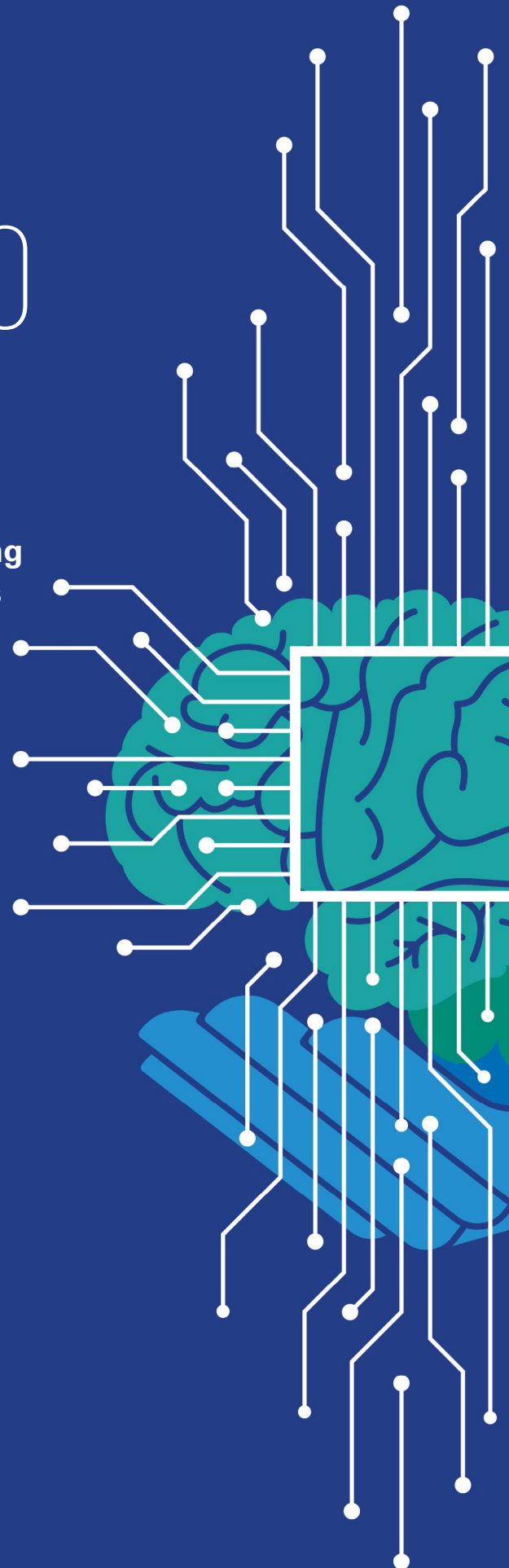
Succeeding as CFO in a digital world

**Lessons learned from the CFOs of 100 leading
technology and communications companies**

Taking a data-driven approach, we explore how the role of the Chief Financial Officer (CFO) is changing for 100 companies at the center of digital disruption, and what differentiates those who outperform versus the rest.

The results show a profession undergoing rapid change, with surprising learnings for current and future CFOs. Career paths are becoming less linear and success requires more operational and strategic experience than ever before. Looking forward, we offer seven questions that CFOs may need to address to outperform in the future.

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Introduction

To better understand CFOs facing digital disruption, we elected to take a data-driven approach, using career history as a key indicator of experience, skills and capabilities. Eventually, we were able to create a proprietary dataset—the CFO success database—laying the foundation for this paper.

We looked at technology and communications companies currently at the front of digital disruption, where continuous change, constant adaptation, and rapid innovation has become part of everyday life.

We believe that these sectors are leading the way and will offer very relevant learnings for other industries that have yet to feel the full force of digitization.

Many CFOs we work with today are increasingly being asked to help solve complex strategic and operational issues that fall outside the traditional finance domain. To do that, they must possess broader skills, and more diverse experience, beyond traditional Finance. But what specific knowledge, experience, and skills do successful CFOs have, that others lack, and how can the CFOs of today and tomorrow acquire such capabilities? In this paper, we examine what characteristics are most closely correlated with CFO success today, and pose a set of questions to help CFOs understand what it will take to outperform in the future—what we found surprised us.



Taking a data-driven approach to CFO performance

KPMG has collected publicly available information on the careers of 175 current and former CFOs for 100 leading technology and communications companies globally. Collectively, they represent 500 years of CFO experience for companies generating \$2 trillion in revenue and employing 6 million people.

Based on more than 7,000 data points, we profile the personal characteristics and career history of this group to determine how the role of the CFO is changing and what differentiates CFOs of companies that outperform their competition, in this sector so heavily impacted by technology disruption.

The results show a CFO profession undergoing rapid change with surprising learnings for aspiring CFOs interested in shaping their career paths; for current CFOs aspiring to overachieve in their current role; and for CEOs, boards, and investors considering what type of CFO to hire or promote.

Based on these learnings, we highlight seven questions that we believe successful CFOs will need to be able to answer to position themselves for success going forward, in this sector and others to follow, with concrete examples of how KPMG can help you succeed.

KPMG CFO success database



100
Companies



175
CFOs



\$2 trillion
Revenue



500
Years of experience



6 million
Employees



7,000
Data points

The methodology:

- **The companies sampled** range from high-growth start-ups to large multinationals based both in the U.S. and abroad.
- **For each CFO, we studied their** career path including three roles prior to becoming CFO, the performance of their company during their CFO tenure, and what role they took next for those no longer active.
- **For each case, we looked for** correlations with 30 personal characteristics, including prior experience, strategic and/or operational background, tenure in role, education, gender, and age.
- **In addition, we interviewed** select CFOs to add depth and personal color to emerging findings for CFOs from both traditional finance and non-traditional backgrounds.

The career paths of modern CFOs are anything but linear

In our sample, the average CFO at the time of promotion was 48 years old and had an average tenure in role of 4.9 years. However, the youngest was promoted much earlier in life, at age 36, and the longest-tenured served much longer than average, with 24 years in the CFO role.

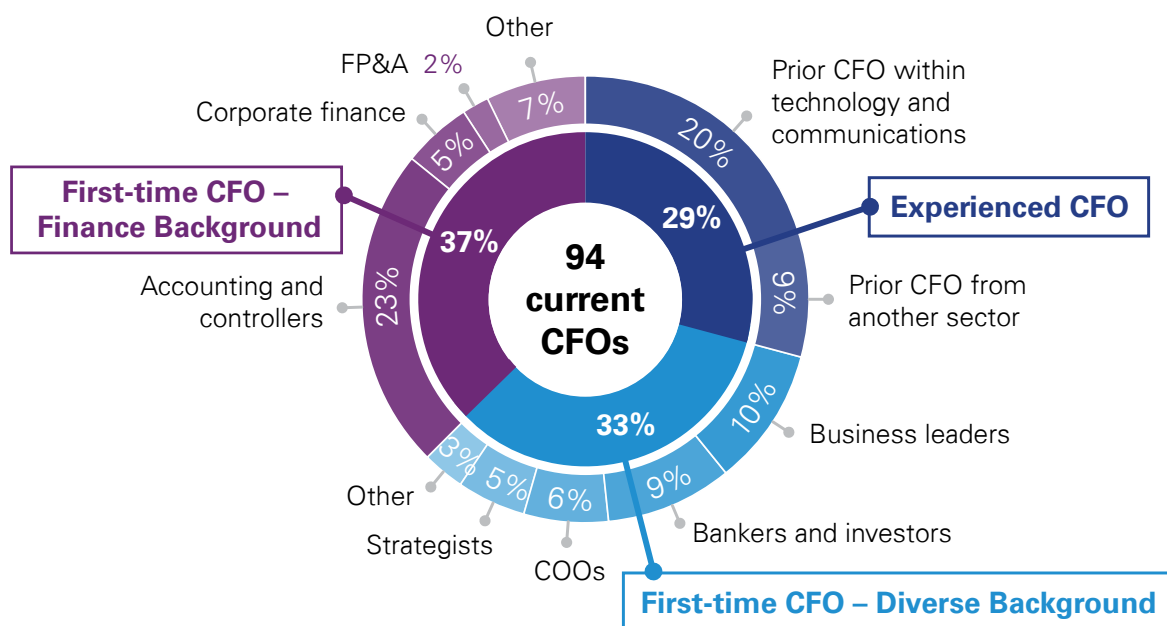
Not surprisingly, a majority of CFOs had Masters degrees and most were male. More surprising was the diversity of backgrounds in our current CFO sample set. Ultimately, current CFOs came from three types of backgrounds:

1 The first (and largest) group, representing 37 percent of current CFOs, were first-time CFOs with three prior roles all within the Finance function. Most came directly from accounting or controller roles but some from corporate finance or FP&A. For those looking to become a CFO, Finance continues to be a common path.

2 However, almost as many (33 percent of CFOs) were new to the role and from a more diverse set of career paths, with operational or strategic experience in at least two of their three prior roles. While many had Finance experience earlier in their careers, they were ultimately promoted from a wide range of roles as BU leaders, investors, Chief Operating Officers (COOs) and strategists, with the potential to bring valuable cross-functional perspectives to their new roles.

3 Finally, 29 percent of the CFOs for the companies in our sample had prior CFO experience. A third of these individuals came from outside the Technology and Communications sectors, indicating a willingness for CEOs and Boards to look outside their industries for the right candidates.

Career paths of current CFOs



Source: KPMG CFO Success Database (n=94)

Notes: Based on last 3 roles. Total may not equal 100% due to rounding

The profile of the CFO is changing rapidly between generations

Compared to their predecessors, the current generation of CFOs differs significantly in several key aspects. On average, they bring with them stronger external experience, higher level of education, deeper strategy and operational background, and more gender diversity; trends consistent with evolving demands on a critical role for companies at the forefront of digital disruption.



More strategic and operational. The percentage of CFOs with prior strategy experience almost doubled in one CFO generation (from 24 percent to 40 percent) and prior operating role experience rose from 20 to 36 percent. Combined, these were the largest relative differences between current and former CFOs.

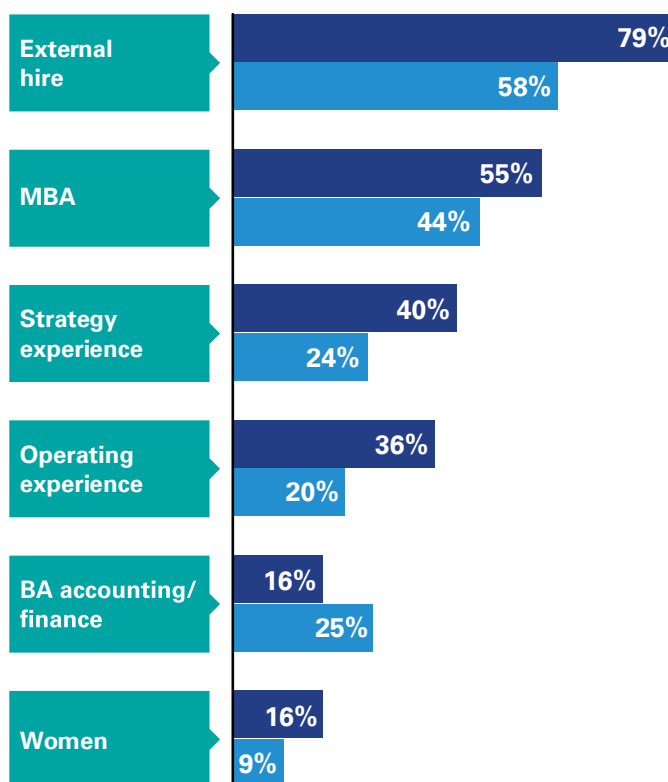


More external. The percentage of CFOs with prior external experience rose from 58 to 79 percent. This was the highest absolute change between CFO generations, indicating decreasing chances for internal promotion (contrary to Fortune 500 overall where the majority of CFOs have typically been internal successors).



More diverse. The percentage of women among active CFOs almost doubled in one generation (up from 9 percent with former CFOs to 16 percent with current CFOs). Although still far from parity, technology and communications companies appear to lead other sectors when it comes to gender diversity (compared with only 13 percent average across Fortune 500 companies).

Characteristics of current CFOs



■ Current CFOs ■ Former CFOs

Source: KPMG CFO Success Database; Capital IQ (n = 155)



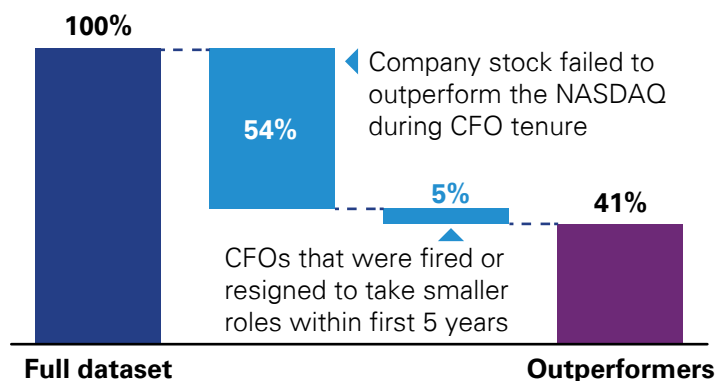
Higher educated. Current CFOs are more likely to have a masters degree or higher than their predecessors, with MBA degrees rising from 44 percent to 55 percent. The New CFOs are also more likely to have a Science master's degree (up from 9 percent for former CFOs to 13 percent for current CFOs) or even a law degree (up from 2 percent prior to 8 percent for active CFOs).

In addition, we wanted to investigate whether there are any correlations between specific dimensions of CFO backgrounds and success in role. Naturally, establishing an objective standard for CFO outperformance is challenging, given the multitude of factors driving company success. For the purpose of this report we looked at the combination of CFO longevity and financial success of their company during their tenure as an indicator of “outperformance” using the following two criteria:

- 1 The company outperformed the NASDAQ composite index during the CFO’s tenure, and
- 2 The CFO remained in the role for five years or more or the CFO stayed fewer than five years but was able to secure a new higher-level role.

Based on the data and criteria outlined above, **41 percent of current and former CFOs** for technology and communications firms qualified as members of an “outperforming” executive team.

Defining CFO outperformance



Source: KPMG CFO Success Database (n=59)



Operating experience is a key driver for CFO success

For the “outperforming” CFOs, we looked at the correlation of different characteristics and higher likelihood of success. Of many factors considered, prior operational experience stood out as most relevant. Half of CFOs with operational experience outperformed in their role, compared to the overall outperformance rate of 41 percent.

However, digging deeper, operational experience alone is not sufficient to predict outperformance. Of the outperforming CFOs with prior operations experience, half were prior COOs and one of the following two things was true in all cases:

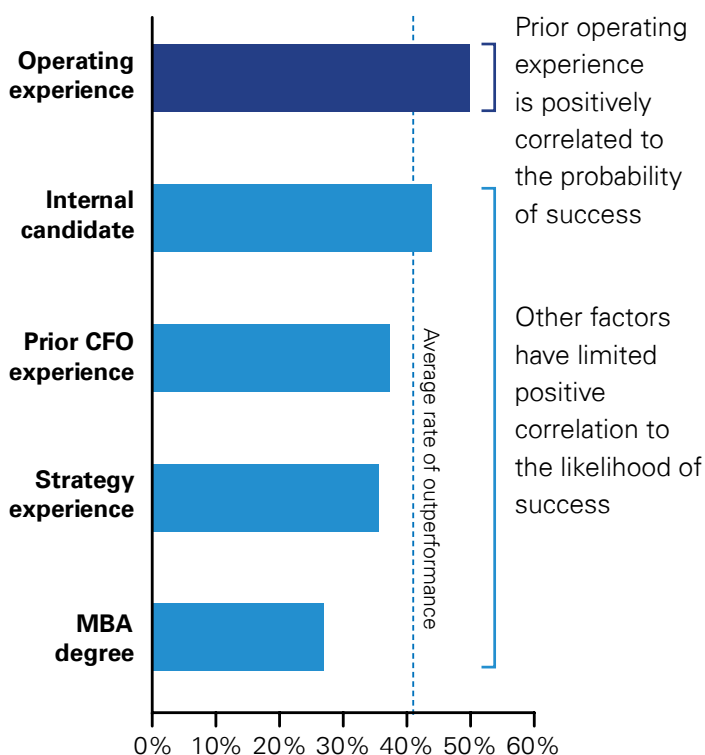
- 1 They were internal promotes with prior business experience, including in an operations role, or
- 2 They had worked previously as a CFO for another company.

This correlation of two different factors—experience in operations and internal experience—indicates the critical importance of having an inside understanding of a business in order to effectively manage the impact of financial decisions on the company’s operations.

Firsthand knowledge of operations in a technology-focused business appears increasingly critical to the CFO’s ability to ensure profitability and performance. However, prior analyses shows a clear trend to hire more CFOs externally versus their predecessors (79 percent currently versus 58 percent for former CFOs).

This indicates an interesting disconnect and could suggest that although being an internal candidate has some correlation to success, greater value is being placed on other factors (evidenced by the increasing prevalence of external hires) than on hands-on experience with the business—perhaps to the detriment of total performance.

Share of CFOs that outperform by characteristic



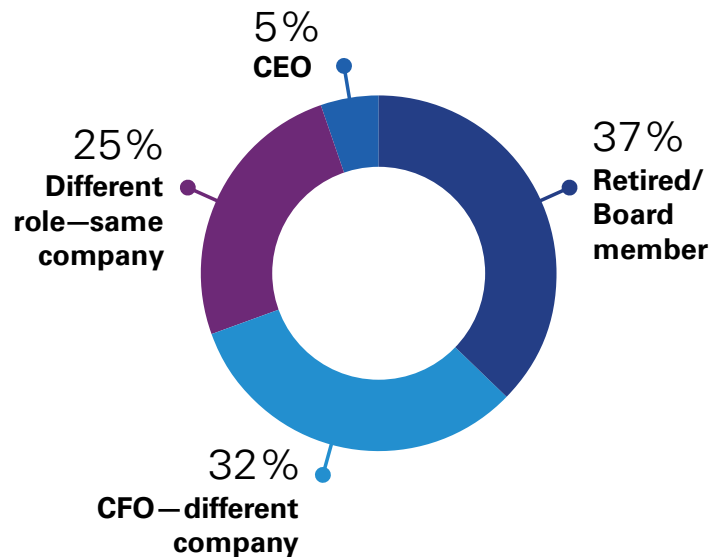
Source: KPMG CFO Success Database; Capital IQ; Yahoo! Finance (n = 59)

The journey post-CFO

Former CFOs took various career paths after completing their tenure with their companies in our sample:

- 37 percent held the CFO role as the last position before either retiring or becoming a corporate board member.
- 32 percent continued as CFO but moved to a new company as their subsequent role.
- 25 percent stayed at the same company but moved into a new or broader role (e.g., COO)
- Just 5 percent became CEOs

While these post-CFO role trends show a consistent bias toward either remaining in a CFO role or retiring, these trends may shift when it comes time for the “newer breed” of current CFOs to begin to contemplate their next career moves.



Source: KPMG CFO Success Database; Capital IQ (n = 71)



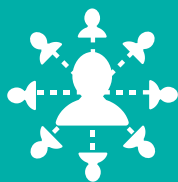
Career implications for aspiring and future CFOs



Aspiring CFOs should consider a lateral move outside the Finance function to build strategic and operational experience prior to pursuing a CFO role. In addition, candidates should be willing to look outside their company, and even their sector, to accelerate their career path, since the majority of CFOs make either one or both shifts, and increase the likelihood of success in role when promoted.



Existing CFOs should consider broadening their experience outside traditional finance to gain a solid understanding of the organization's day-to-day operations, align financial and operational planning, and actively participate in defining and executing corporate strategy. Driving a portfolio of transformational programs and building critical analytics capabilities may offer attractive levers to expand the impact of the CFO role accordingly.



CEOs, boards, and investors recruiting talent for CFO positions should seek out candidates with operational expertise, carefully balancing external candidates with internal talent that have the necessary strategic and operational experience from within the firm's ranks. This includes identifying candidates from beyond the Finance function, with a broad lens towards individual performance, and continuing to increasingly promote women.

Are you prepared to outperform?

In this section, we offer a few reflections based on additional interviews and exposure that KPMG has to CFOs. Fundamentally, we believe that criteria for CFO success will continue to evolve with the type of pressure facing the company. This will be particularly true in industries, such as technology and telecommunications, that are both leading the charge on digital disruption and dealing with traditional issues driven by regulation, globalization, scarcity of capital, and competition for talent.

Given this, we see a few key capabilities and roles that outperforming CFOs of the future will likely need:

- **“CEO adviser”**: In order to create and maintain a leading market position, the CEO will need a CFO who is an active business partner that can anticipate cross-functional challenges, identify opportunities, and develop strategic action plans to help drive the business into an uncertain future, moving far beyond reporting historical finances and managing free cash flow.
- **“Technology investor”**: With digital driving both significant challenges and opportunities, the CFO will play a key role in making technology “triage” decisions, together with the CTO and BU leaders. This includes making strategic investment bets on what technologies will truly matter for their company, by when, and matching the size of investment to the size of the opportunity at the right time, across a portfolio of technologies including cloud, Artificial Intelligence (AI), robotics, and Internet of Things (IoT).
- **“Transformation leader”**: Modern CFOs must understand what drives the business performance short-, mid-, and long-term, and use those insights to help identify areas for growth and operational improvements, ensure that critical resources are aligned against these priorities, and manage a portfolio of transformational efforts for maximum return.

- **“Data/Analytics champion”**: To drive new insights, CFOs must make better use of the huge volumes of data at their disposal. Beyond regulatory and management reporting, this data—if analyzed correctly—can provide strategic value to the organization, not only by explaining “what has happened” but by predicting “what will happen,” using technologies like machine learning.



Seven questions to position yourself for CFO success:

- 1 Have you prioritized the key technology or market trends that will have the biggest impact on your company's P&L in the next 36 months?
- 2 Are you actively involved up-front in strategy formulation efforts driven by your CEO, COO, and/or chief strategy officer?
- 3 Have you provided clarity on the financial requirements and expectations of delivering on your strategic priorities?
- 4 Are your strategic, financial, and operational planning processes closely aligned with common metrics and quarterly review cycles?
- 5 Do you manage the share of your total investments (OpEx, CapEx, and talent) allocated to “run the business” versus “transform the business”?
- 6 Do you know how your company's portfolio of transformation initiatives is performing versus expectations since last quarter?
- 7 Can you provide the Return on Investment (ROI) on your company's investments in key initiatives driving operational or transformational change?

How KPMG can help



Understanding the impact of disruptive technologies

CFOs hear about many important trends impacting their business—from AI, machine learning, and personalization to robotics, IoT, and the cloud. Having a clear process in place to understand which investments will provide the best return—and where to place their bets—will be critical for generating the highest ROI and ensuring that business owners across the business are invested in a coordinated way. KPMG helps companies understand the commercial impact of emerging technologies for their business.



Injecting CFO perspective in strategic planning

When testing new business strategies, it is critical to inject the CFO's perspective as early as possible. As part of its Strategic Planning offering, KPMG supports top organizations in refining a regular process to test and review all new strategic initiatives and their supporting business cases with the same underlying assumptions. This includes Finance function business case reviews, formalized templates and assumptions, and more.



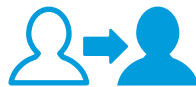
Aligning resources and investment

Outperforming CFOs ensure that critical resources—including OpEx, CapEx, talent, and management time—are aligned with the company's strategic and operational priorities. Not only does this mean actively confirming that all resources are focused on meeting company needs, but also identifying untapped operational opportunities to free up greater investment capacity. KPMG supports companies to analyze, optimize and track what share of resources are aligned against each key initiative.



Tracking ROI to adjust and reallocate

Too often, businesses lack a firm grasp on the impact of their initiatives or the effort and return from sustaining versus disruptive activities. The strategic CFO tracks key investments quarterly and adjusts quickly. KPMG supports organizations in driving more visibility to their ROI, allowing businesses to test the progress of new initiatives against predecided hurdles and quickly reallocate investment if initiatives fail to deliver the planned returns.



Transitioning to the CFO role

For individuals moving into a new role, KPMG offers a thorough set of services to help new leaders prepare for success, e.g., by sharing lessons learned, avoiding common modes of failure, highlighting key opportunities and challenges for a particular industry and company, helping shape a tactical action plan to help ensure a successful start for your first three to six months, and providing access to peer CFOs to exchange ideas and inspiration.

Drastic changes in technologies, business models, markets, and customer demands are the new normal for the technology and communications sector. The CFO's role is changing to meet the demands of this new reality. While all CFOs must effectively manage capital, modern CFOs must bring a broader range of experience, understanding, and strategic insight to the business.

CEOs are increasingly looking for a partner who will help them navigate uncertain waters to achieve long-term competitive advantage. Today's CFO must be deliberate and forward thinking, a change leader and a project manager who is able to adapt to meet the challenges of disruptive competitors and changing customer demands.



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Thank you

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