

PEEPLCOACH

FINANCE PROFESSION

SPOTLIGHT

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KEY THEMES

1. Emotional intelligence is a critical requirement for leaders to be successful in any function, including finance.
2. Managing human capital (people), not just financial capital (cash/non-human capital), into the most valuable places pays off in terms of company growth.
3. Flexibility must be balanced with a fact-based perspective in order for CFOs to add the most value to the organisation and to positively influence peer leaders from other functions.
4. Developing talent and leadership within a finance function is a key responsibility for the modern successful CFO.
5. The finance sector (and, therefore, possibly the finance profession in other sectors) has the highest gender pay gap of all sectors; however, this sector is conducting the most audits on the gender pay gap, which may reverse this trend.
6. AI and other technology accentuate the need for finance leaders to develop their people development skills and emotional intelligence.

People and Numbers – the Challenge for Finance Leaders in 2024

Emotional Intelligence and Finance Leadership

Finance leaders are typically promoted after years of performing individual contributor roles that required a heavy focus on data analysis and numerical processing. However, once these leaders arrive in people-management positions, a very different set of skills is required for them to continue their careers successfully. In fact, in a recent article, the Forbes Finance Council identified 20 skills to ‘cultivate’ if these leaders ‘want to stay relevant and be successful’, of which only three are traditional numeric, data and information-processing skills.(1) The top three skills listed in this article are: Emotional Intelligence, The Ability to Connect Across Verticals and Empathy.

Other experts in the finance profession support this sentiment. Peak Frameworks specialises in training people to enter the profession of finance and identifies the following four areas as the most important factors for success: Decision-Making Abilities, Strategic Vision, Emotional Intelligence and Integrity.(2)

This apparent dichotomy of skills between individual contributor and leadership roles in finance could be a significant challenge for many wanting to make the progression to people leadership in their career. And for those who hold on tightly to their trusted analytical and numerical skills whilst performing senior leadership or executive roles, the success they had in the formative years of their career may begin to elude them in their latter years. The common theme in the above-mentioned references is emotional intelligence, which is explained by David Chavez of CVS Health in this Forbes article:



“*‘Emotional intelligence (EQ) is a crucial skill for finance professionals in the evolving workplace. The ability to manage one’s own emotions and understand and influence the emotions of others can lead to better collaboration, leadership and client relationships. EQ involves skills like empathy and social awareness, which are vital for navigating complex interpersonal dynamics in the business world.’*



A recent article by McKinsey titled ‘How the role of the CFO is evolving’ states that ‘The responsibilities of the chief financial leader are broader and more diverse than ever’.(3) Meagan Hill challenges the traditional and narrow focus of a CFO, advocating instead for a broader and more powerful focus.

“*‘... the CFO should identify capabilities that can create significant value, ensuring that talent goes to the most valuable parts of the organization.’*

John Koller, former Vice President of Finance Operations at Honeywell International and panellist on Peoplcoach's Spotlight on Leadership in Finance, provides his insight into the leadership responsibilities for CFOs and other senior finance executives:

'Beyond the obvious financial responsibilities, there is acceptance these days that a CFO needs to operate as a strategist, a marketer and a risk manager. However, the responsibility of CFOs to develop talented individuals and leaders often seems to be ignored, and yet this is critical in running and growing a successful company.'

When reflecting on these experiences and insights from senior finance executives, a key theme appears: the importance of CFOs taking the lead in actively managing human capital (people), not just financial capital (cash/non-human capital), into the places they can most benefit an organisation. Meagan Hill summarises this theme succinctly.

'Those (companies) that reallocate human capital more dynamically, meaning they have the right people with the right skills matched to the right work, had approximately 60 percent probability of having higher total shareholder returns (TSR) than competitors.'

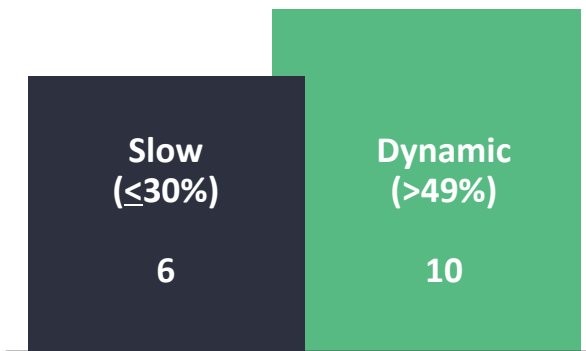


The figure below from the above-mentioned McKinsey article summarises this theme.

Reallocation of talent matters, just as reallocation of capital matters.

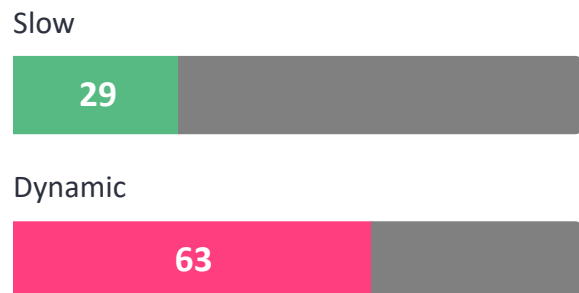
Successful companies that dynamically reallocate financial capital

Median total shareholder returns (TSR) CAGR of companies by degree of reallocation %



Successful companies that dynamically reallocate human capital

Probability of TSR higher than competitors by speed of talent reallocation %



'Measures the share of capital expenditures that shifted between business units over 20 years; assumes no dividends are paid out. For instance, a \$10 billion dynamic reallocator would end up with a market capitalization of \$67 billion vs \$33 billion for a slow reallocator. Study encompassed 505 slow reallocators, 498 moderate reallocators (not shown), and 505 dynamic reallocators. Respondents were asked about their organization's current TSR. Source: *Talent Wins: The New Playbook for Putting People First* (Harvard Business Review Press, March)



The Gender Pay Gap in the Finance Profession

There appears to be two key dynamics at play across the finance sector and profession in Australia when it comes to the gender pay gap. On one hand, finance has the greatest gap between men and women's earnings. However, the finance sector is conducting and acting on gender pay audits at a higher rate than any other industry or profession. Research suggests that the greater time taken out of women's careers for parental and carer responsibilities is a key factor in the gender pay gap for finance professionals. (4)



'Across finance more broadly, where the gender pay gap is the greatest of any industry at 27.5 per cent, women hold only 28.7 per cent of key senior management roles.' (4)



Compared to Other Functional Areas

Flexible leadership and the impact of AI in Finance

Compared to other functional areas of a business, finance leaders often deal with 'black and white' data or facts. Some examples of such irrefutable facts in a company are the current cash balance and how it varies from last month's cash balance, the current number of employees and associated payroll costs, and the value of secured contracts from sales last month. It may not be too long a bow to draw to suggest that, on average, people who pursue careers as accountants and go on to be finance leaders are attracted to clarity and certainty in their work environments and are relatively less comfortable with ambiguity and flexibility. Whilst on one hand, this 'reality-based' focus is frequently a much-needed balance to those leaders who are more 'blue-sky' thinkers and creativity-focused, it may be a challenge for some senior finance leaders to adapt to being flexible when this is necessary for optimal company outcomes.

In a recent Forbes article by Brooke Evans, flexibility is listed as one of four critical leadership traits for CFOs in founder-led companies looking for fast and profitable growth.



'Numbers aren't flexible, but CFOs must be. They must be able to change direction when warranted and to advise the CEO on financial options when things don't go as planned.' (5)

This notion of flexibility raises another perspective to consider for finance leaders. The above-mentioned quote from Evans is logical in terms of how a CFO's flexibility is important when it comes to making decisions and advising the CEO in a dynamic marketplace and changing world. On another level, flexibility as a leadership style may also be important for a finance leader in terms of fitting into a leadership team amongst other leaders in other functions. Without constructive relationships and bonds between leaders, the best advice and decisions may fail to get traction and positive outcomes.

Generative artificial intelligence (AI) is an area of rapid change in today's economy. This ongoing change will have a significant impact on the way humans perform work; and finance is a function where AI has an obvious home, being so rich in data. There is much literature and media on how AI can be seen as a threat to traditional human work, but also as an opportunity for humans to migrate to different types of work alongside AI tools. Andrew Laningham of The Harris Poll addresses this topic in a recent article.



'Generative AI can't replace human creativity. An underreported aspect of generative AI is how much human involvement is needed to make a work that passes in professional settings. The technology is extremely sensitive to the prompts that are given to it. For an image or body of text to come out looking like a human made it, the person prompting the AI needs to have expertise in the medium the technology is working in.' (6)

This perspective presents finance leaders with an opportunity to leverage their humanity and emotional intelligence to guide the use of technology, including AI, to produce valuable work for organisations. The adaptation to AI, together with the other leadership themes covered in this paper, may be similarly relevant to other data-based, numeric and scientific functions such as IT and engineering.

The finance leader in 2024 and beyond has, on one hand, a huge set of challenges to navigate in order to be successful when compared to the CFOs of years gone by. On the other hand, if navigated successfully, the modern CFO can influence their organisation in a far more positive and profound way than the traditional, more narrowly focused finance leaders of the past. Emotional intelligence, human capital management, flexibility, and building people capability and capacity are four key themes for finance leaders to bolster alongside the traditional skills associated with financial acumen. Furthermore, with the growing capability of generative AI tools, human and emotional elements of leadership will become more important for success in the future. Of course, finance professionals have a choice to grow as individual contributors and steer clear of leadership roles. However, for those keen to go down the path of leadership responsibility in finance, taking on these development areas seems to be increasingly important if that is to be a fulfilling and successful direction.



SOURCES

1. [20 Key Skills Finance Professionals Need To Cultivate \(forbes.com\)](https://www.forbes.com)
2. [What is Leadership? Examples in Finance and Key Traits \(peakframeworks.com\)](https://www.peakframeworks.com)
3. [How the role of the CFO is evolving \(mckinsey.com\)](https://www.mckinsey.com)
4. [How women are forging ahead in the finance world \(intheblack.cpaaustralia.com.au\)](https://www.intheblack.cpaaustralia.com.au)
5. [Four Critical CFO Leadership Traits That Drive Growth For Founder-Led Companies \(forbes.com\)](https://www.forbes.com)
6. [What's Missing in the Conversation About Generative AI and Jobs \(theharrispoll.com\)](https://www.theharrispoll.com)

PEEPLCOACH SOLUTIONS FOR LEADERSHIP IN THE FINANCE PROFESSION

Peepcoach recently engaged [Dr Joel Davies](#) to study the impact of the Peepcoach leadership programs on critical outcomes such as leadership competence, productivity and organisational commitment. The results showed that, after participation in a Peepcoach program:

- managers felt that 67% of participants had improved their leadership capabilities
- managers reported that 66% of participants were now more effective in their role
- 92% of participants believed that they were now better equipped to be a great leader
- 74% of participants felt more motivated to do their best work
- 91% of participants believed they were more effective in their role as a result of the program.

[Download the Peepcoach Impact Study.](#)

Why are Peepcoach programs so successful?

- Programs are flexible and customisable to meet the business requirements and competency frameworks of different industries, organisations, teams and individuals.
- They combine bite-sized training content with 1:1 and group coaching in an approach that is more than just training and more than just coaching.
- Content is designed to meet the specific needs of frontline, emerging and middle managers.

What next?

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To find out more about Peepcoach and our programs contact us at hello@peepcoach.com.

