Federal CFOs leading through change

Executive Summary: The State of the Federal CFO 2021

The role of the chief financial officer (CFO) is evolving rapidly in both the public and private sector. The pervasive challenges created by the COVID-19 pandemic and the ensuing economic crisis have only accelerated this trend. In its wake, forward-looking federal CFOs find themselves playing three distinct roles as leaders within their organizations, which we have defined as the economic guardian, strategic adviser and transformation architect. Furthermore, leaders are also taking advantage of emerging technologies and embracing more agile operating models to meet the dynamic and expanding needs of their agencies while strengthening financial and operational performance.
The pandemic has seriously tested our federal CFOs

The COVID-19 pandemic has been stressful and challenging for everyone—federal CFOs and their staffs included. Since the pandemic shut down much of the country in March 2020, federal agency CFOs have had to implement a slew of enormous relief bills, including the CARES Act, and appropriations bills that dispersed trillions of dollars across scores of federal programs and agencies. In doing so, they smartly navigated a delicate balance of speed—getting funds to where they were needed swiftly to stem further economic damage — and attention to detail—by following proper oversight protocols and internal controls to ensure fraud, waste, and abuse were minimized and funds were not squandered.

They also collaborated closely with their C-suite peers, using data throughout to inform their day-to-day decisions, to ensure funding priorities were aligned. They pivoted on a dime to adhere to ever-changing guidance and continuously updated oversight authorities on their activities to ensure needed transparency and oversight. And they did all this while working remotely and while leading their own agencies through one of the greatest periods of disruption in recent history.

As challenging as these recent months have been, new research tells us that many of the traits we saw on display from our federal CFOs and other senior financial managers during this period will become the norm going forward.

Prepare for more challenges ahead

Accenture’s recent global research, CFO Now: Breakthrough Speed for Breakout Value, found that the CFO’s role is changing rapidly in both the government and commercial sectors. Leaders are increasing their influence by optimizing core business and financial processes and by transforming enterprise data into the strategic, real-time, and predictive insights they need to navigate today’s escalating pace of change.

The challenges brought forth by the COVID-19 global pandemic and the ensuing economic crisis have accelerated this trend. The role and scope of the CFO function has expanded to include broader leadership and change agent responsibilities. Within the federal sector, CFOs are taking on more responsibility to improve both the systems and processes within the financial management function to better serve their agency’s missions and goals. By automating their operations, becoming more sophisticated consumers of data, and by empowering their workforces to expand their capabilities, CFOs have been able to lead with confidence at the faster cadence that today’s environment demands.

Federal agency CFOs face the added burden of ensuring organizational continuity, even as large numbers of seasoned employees become eligible to transition out of the federal workforce, leaving gaps in institutional and business knowledge. By taking advantage of maturing commercial technologies and embracing more agile operating models, CFOs can overcome these constraints while enhancing financial and operational performance.
Our research also tells us that successful federal CFOs increasingly play three distinct roles within their agencies:

01 Economic guardian
Leading a highly automated, data-driven finance organization to ensure adaptive, efficient, and resilient enterprise operations.

02 Strategic advisor
Providing targeted insights and modeling to help other C-suite executives improve the performance of their organizations.

03 Transformation architect
Driving efforts to evolve and transform operating models as well as the enterprise’s role in society.

By embracing emerging best practices and operating models, federal CFOs can continue their evolution and emerge from the pandemic in an even stronger position to lead their agencies forward.

About the research

Accenture has formally assessed the impact of financial operations on business performance across industries since 2003. This has provided us with unique insights into the evolving roles of CFOs over the past two decades. For the seventh and most recent iteration of our biennial State of the CFO research—CFO Now: Breakthrough Speed for Breakout Value—we surveyed over 1,300 senior finance leaders (C-level or C-1) between April and June 2020. These respondents were from $1 billion-plus enterprises spanning 13 industries and 11 countries. This research was supplemented by qualitative interviews with more than 40 senior financial leaders.

For our federal report—Federal CFOs Leading Through Change—we surveyed an additional 100 federal executives in October 2020 to compare their performance and attitudes against the global baseline. These executives spanned a cross-section of civilian and defense agencies, with 50 percent identified as agency or department CFOs or equivalent roles, and 50 percent identified as senior finance leaders.
State of the federal CFO

In Accenture’s 2018 global CFO study, we noted that the CFO and finance roles globally are being reshaped by several factors, including:

- Increasing expectations: Boards, CEOs, and enterprises expect and need more from CFOs
- The accelerating pace of change
- Constant pressure to show growth and improved performance
- The exploding volume and power of data, requiring both focus and new capabilities
- Expanding expectations for more control and compliance, driven by regulations and consumer expectations

The ongoing pandemic has only increased these expectations as many CFOs assumed additional responsibilities for business strategy and enterprise resilience in its wake.

As the U.S. General Accountability Office (GAO) noted in a recent report, “with the Coronavirus Disease 2019 (COVID-19) pandemic—which has required unprecedented federal action to protect public health and reduce economic impacts on individuals and businesses—now more than ever, lawmakers and government leaders need access to timely and reliable financial information.”

Our research found that the pandemic and economic crises have disrupted operating models for federal departments and agencies—with CFOs, in many cases, rising to the occasion. The majority of federal survey respondents indicated they have taken numerous steps “to a great extent” to navigate this uncertainty, including:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Enhancing capabilities to produce real-time data</td>
<td>59%</td>
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<tr>
<td>Investing in technology to automate core tasks</td>
<td>57%</td>
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<tr>
<td>Embedding a more agile workforce including remote work</td>
<td>55%</td>
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<tr>
<td>Developing additional long-term financial forecasts</td>
<td>54%</td>
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<tr>
<td>Horizon scanning with senior leadership</td>
<td>51%</td>
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<tr>
<td>Assessing resilience of third-party suppliers and ecosystem partners</td>
<td>51%</td>
</tr>
<tr>
<td>Ramping-up delivery of short-term forecasts and analytics</td>
<td>50%</td>
</tr>
</tbody>
</table>
Through these actions, federal CFOs have expanded their role as the primus inter pares (“first among equals”) amid their C-suite peers. For example, 93 percent of federal respondents (versus 79 percent of global respondents) believe that the CFO is best positioned to ensure organizational resilience to achieve the mission in the current environment. Furthermore, 92 percent view the CFO as fully accountable for their agency’s ability to navigate the current disruption. Finally, 86 percent believe that the economic upheaval of 2020 has “demonstrated the large complexity of the CFO’s responsibilities and the vital role that finance plays in aligning the back office with wider organizational strategy.”

A complex, dynamic landscape for the foreseeable future

They also view the current operating environment as continuing for the foreseeable future. Sixty-six percent of federal finance executives (as of October 2020) do not expect “business as usual” to return for at least another 12 months. Across the federal enterprise, 89 percent agree that senior leaders’ expectations for finance are fundamentally changing. And 85 percent of these executives believe that without a strong finance function, their agencies will not be able to achieve their ambitions in the post-digital world.

Despite this upheaval, federal CFOs remain committed to their unique public mission during these tumultuous times. Four out of five argue that they cannot lose sight of their efforts to innovate and enhance service to the public no matter what happens in the economy. And many are taking responsibility for their agency’s broader role in society, such as their agency’s environmental impact.

Given these new priorities, they anticipate spending significantly more time on business transformation (26 percent of respondents), enterprise risk management (26 percent), and supporting strategic initiatives (26 percent) post-pandemic. In contrast, they expect to spend the same or less time on cost-cutting and efficiency drives.
Modern CFOs embrace three distinct roles

Our research tells us that successful federal CFOs play three distinct roles within their agencies:

01 Economic guardian

The first mandate for any CFO is to lead the finance function with an eye toward maintaining the financial health of the enterprise in volatile and uncertain times. In so doing, CFOs have long known that technology is reshaping the finance function. But many have underestimated the dramatic pace of change, which has challenged their business tools and the competencies of their workforce.

Strategies and tactics that can help federal CFOs develop more automated, data driven finance organizations include increasing their technical maturity and flexibility; embracing automation for efficiency and quality; using analytics and AI to become more insight-driven; and reskilling their workforces to provide more complex analysis.

02 Strategic adviser

Our past global research discussed how the commercial CFO had emerged as a strategic partner to the chief executive, often serving as the only leader with full veto power over a major decision. Increasingly, they are playing a similar role across the extended leadership team, as they shift the focus of their counsel from compliance and reporting to strategic planning and performance improvement.
Federal CFOs are well-positioned to play this role. They have visibility spanning the entire enterprise and across the full budget lifecycle, access to underlying data and analytics, and a high-level understanding of enterprise risk and operational resilience. By continuing to enhance partnerships with their peers and gaining a deeper understanding of their needs, they can provide actionable insights that drive critical performance improvements.

A couple of ways federal CFOs can further bolster their strategic advisory roles within their agencies’ leadership teams is by playing a more hands-on role in shaping technology agendas and exerting more direct influence across the agency.

03
Transformation architect

Unprecedented changes are sweeping across the economy, creating a real need and opportunity to reinvent how government operates. Federal CFOs are responding to this urgency by taking on agency-wide initiatives that go beyond their core financial focus. In many cases, they are leveraging their unique perspective to transform current operating models and evolve the agency’s role in society. For example, identifying new sources of value is already their top use of operational data.

To better unlock trapped value, improve their agencies’ societal impacts, and re-imagine the status quo, many federal CFOs are contemplating anew their agencies’ value propositions and considering societal concerns as part of their balance sheets.

Taken as a whole, these three roles provide a framework for federal CFOs to grow their influence and impact while improving the performance and resiliency of their agencies.
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