

After Lockdown: European CFOs on Reopening and Beyond

On 12th and 16th June 2020, Egon Zehnder brought together more than 20 CFOs from large European companies in two different virtual meetings. Executives represented companies from the UK, Germany, Italy, Spain, Belgium and France. This was the third time Egon Zehnder provided a forum for CFOs to exchange their views on leading through the current crisis, with previous meetings held in March and April.

The conversations focused on the challenges CFOs face as leaders as they adjust to the emerging “new normal.” Below are some of the key insights that emerged.

Coming back is hard to do

All across Europe, companies are bringing some of their workforces back to the office. At the same time, all CFOs agreed that in the future, employees will work from home more often. This sounds simple, but the practicalities are highly complex and fraught with risk.

As keepers of the corporate purse strings, CFOs must balance between capturing the (real estate) cost savings that come from the permanency of working from home while simultaneously trying to predict – and mandating -- just what shape this new way of working will take (e.g. by having a certain amount of mandatory or incentivised days in the office). CFOs will have to consider a number of challenges: whether WFH will be mandatory or voluntary and for whom; what shape the physical offices will take; and, importantly, how to maintain a team spirit and forge a culture in an increasingly virtual workplace. This is impossible to value financially, yet if not done right can be very costly. While costs were an issue, CFOs on the calls said their primary concerns were both company culture and the sustainability of a large number of employees working from home.

Many companies are encouraging a meaningful proportion of their employees to come to the office. In doing so, they have prioritised those whose work cannot be done from home or only with great difficulty, or those whose output depends on close and physical collaboration with others. In these circumstances, companies try to make coming back to the office as “easy” as possible, from paying for taxis to providing COVID-19 testing at work to ensure employees feel as safe as possible.

It remains immensely difficult to predict with any certainty what the “correct” level of WFH will be. There is no guide and no precedent. But all agreed that the days of everyone commuting, of vast real estate and expensive locations, and the belief that only face-to-face meetings allow for intimacy, are truly over. As one CFO put it: “The genie is out of the bottle.”

The CFO as leader

With the prolonged nature of the pandemic, CFOs are increasingly turning their attention to their people leadership responsibilities. It is one thing to run an existing team virtually over a limited period of time. It is an entirely different matter to integrate new arrivals to the team and create a sense of togetherness. The question of how to continue to galvanise, enthuse, empower and lead a virtual team against the backdrop of a major global health crisis is a significant challenge for all CFOs.

As time progresses, many CFOs are observing more mental health issues in their organizations. This is within the context of continued, and at times increased, productivity. Employees appear to be paddling ever harder, while personal

circumstances, job insecurity and increased pressure to perform appear to be taking a toll.

CFOs are keenly aware that their leadership competencies and responsibilities are being put to the test like never before, and all feel an immense sense of responsibility. Many have begun coming up with new ways of connecting with employees: from virtual coffees to video calls solely focused on checking in with each other to having more frequent drop-in meetings and phone calls with team members. However, all agree that none of this can ultimately replace the human contact or the quick – but often important - chat by the coffee machine.

As a result, CFOs, like other leaders, are acquiring new skills to lead and motivate their teams. What some also highlighted during the conversations is that trust in their teams has increased significantly – largely as a matter of necessity due to decreased oversight. One CFO highlighted the example of a large call centre: “Our paradigm used to be that a call centre was a physical place where you standardised behaviours. But it was too risky to keep call centres open so we decided to distribute thousands of notebooks and headphones so people could work from home. And it worked, even though we don’t have supervisors walking around.”

Becoming experts on IT, digitization and cyber security

Many CFOs on our calls also held functional responsibility for IT. Even if they don’t, all have frequent and important interactions with their CIOs. One CFO mentioned that “our systems are more resilient than ever, because people’s home systems are taking the majority of the load.” However, the flipside of this has been the number of cyberattacks, which appears to have increased massively. As one CFO said: “The number of phishing attacks has exploded and the risk on our infrastructure is immense. The lion will always pick the weak gazelle. Our IT systems are core; without them, we are more than naked.” Going forward, CFOs will need to become even greater experts on IT and cyber security, and must ensure that they have a true ally and expert in their CIO.

The issue of increased digitization is also an important issue on CFOs’ minds. There are huge cost pressures on most businesses, and automating and digitizing processes are key levers to increase efficiency. In labour-intensive as well as hazardous businesses, further automating also decreases injury rates. And with the

increased push to conduct business virtually across all sectors, CFOs need to become leading thinkers in digitization or, at a minimum, be able to ask the right questions.

Dealing with investors

Today, companies are starting to focus more on the longer term, yet with caution and a recognition that they need to remain agile, adaptable and alert to changing circumstances. CFOs remain humbled by the inability to forecast. There is, however, a marked shift from trying to predict the future towards making decisions that help shape it. Said one CFO: “We are looking at the big trends and see how they correspond to our original assumptions and strategy. And we then try to translate these trends and uncertainties into numbers.” However, another CFO acknowledged that “the longer we can hold to strategic trends and questions instead of translating them into numbers the better we’ll be.” CFOs agreed they had to assess whether anything substantial had changed that affected the company’s original strategy.

Liquidity concerns remain of primary importance to most CFOs, as does close attention to how demand and supply chains are evolving. All of this continues to make it exceedingly difficult to provide any reliable guidance to investors and the markets. Yet investors have been patient and understanding, even though some companies expect the pressure for more concrete answers to increase. In many situations the interaction with investors has become more frequent, and many relationships have deepened.

Many CFOs nonetheless acknowledge that in the long term, the current setup is not conducive to strong relations with investors, let alone building new ones. Said one CFO: “We are a mid-cap company and seek new investors, especially in the US. However, because we cannot interact in person, investors tend to refocus their time and allocate it to the large caps.” Clearly, there are limits to the intimacy and efficacy of virtual relationships.

Finding the right rhythm with the Board

In the majority of companies, the CFO also sits on the Board of Directors. The crisis has meant that Board meetings have increased in frequency and decreased in duration – reflecting the need to check in with each other more often. . In some instances, short Board meetings take place every 2-3 weeks. While this allows

for better alignment and a more unified approach, it has also put a significant administrative burden on some CFOs. Other CFOs find it more challenging to engage the Board, due to something which is made all the more difficult by the virtual environment and inability to “read the room.”

The initial response by CFOs to the global pandemic focused largely on liquidity, flexibility and communication. As the crisis progresses, and CFOs have started to contemplate more profoundly the road ahead, they are trying to strike the right balance between capitalising on the opportunities the crisis presents and remaining aware and cognizant that these exceptional times require a high degree of pragmatism and curiosity. Just as the world has changed for good, so too have the elements of a successful CFO. The breadth of functional skills and leadership competencies required is bound to increase in the months and years to come.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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