Why 2021 Is the Year of the CFO

By Samantha McDonald

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In 2021, the CFO role is more important than ever.

In the early months of the global health crisis, many companies leaned on their finance heads to make tough and sometimes painful decisions to protect their businesses. Some took steps to safeguard liquidity, tap lines of credit and look at opportunities to raise capital. In other cases, they were forced to seek relief on debt covenants, slash executive pay and implement layoffs, as well as freeze spending in certain departments as part of cost-containment strategies to ensure survival.

Now, as the country races toward the light at the end of the COVID-19 tunnel, companies will once again turn to the CFO to navigate the new normal — and their decisions could have a make-or-break impact on a business' recovery.

"Over the last year, retailers have relied heavily on CFOs to lead crisis management and create stability amidst the rolling shockwaves brought about by the pandemic," explained Kyle Rudy, partner at executive search firm Kirk Palmer Associates. "As companies reemerge and begin to place post-pandemic bets, CFOs play a critical role in optimizing financial performance while investing in key areas to ensure continued relevance in an entirely-disrupted world."

In recent months, companies — particularly those in the hard-hit apparel and footwear industries — have found themselves propped up by federal fiscal stimulus, a widespread vaccine rollout and pent-up consumer demand. Such factors have led brands and retailers to record larger-than-usual profit and sales gains, which have been challenging to measure against the same period in a coronavirus-plagued year.

Without a feasible comparison, many businesses have held their quarterly numbers up against 2019 levels — a metric called the two-year stack, which some analysts say can mask dramatic percentage spikes but is still not an accurate comparison, considering 2021 is a transition year. According to experts, today's CFOs will need to be very discerning about their company's financial results, which are largely expected to beat Wall Street estimates and surge past last year's figures.

"Companies need a very strong, financially grounded CFO who looks beyond the anomaly of 50%, 100% and even 200% or more in sales growth," said Farla Efros, president of consulting firm HRC Retail Advisory. "Retailers that going to win are those that can truly manage their balance sheets. This really is the year of the CFO."

As for their fiscal priorities, which had largely been put on hold last year, experts have suggested that companies expected to emerge in a strong position will have proactive CFOs. Not only did these executives set up cash war rooms and model several scenarios amid the outbreak, they are also making offensive moves such as continuing with their M&A or divestiture plans or accelerating their digital transformation efforts.

"If a chief financial officer or head of finance did a great job throughout 2020, that gave them a lot of credibility," said Sarah Engel, chief marketing officer at consultancy January Digital. "Now, shifting gears, they're going to have to get back into the strategic investments that they deferred last year. A good CFO is going to prioritize those investments, use all the tools available and learnings from the last year, and be able to stimulate growth."