

Economics

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## **THE ROLE OF EXECUTIVE LEADERSHIP IN TRANSFORMING FINANCIAL MANAGEMENT PRACTICES**

**Summary.** *This article investigates the role of executive leadership in transforming financial management practices in global organizations, with a specific focus on the United States and Europe. Drawing on recent academic literature and authoritative consulting reports from the past five years, the study examines how top executives—particularly Chief Financial Officers—drive change through clear vision setting, strategic alignment, technology adoption, process reengineering, and talent development. The comparative analysis highlights common trends, such as a shift toward digital and data-driven financial functions, as well as regional differences in the urgency and methods of transformation. The findings indicate that effective executive leadership is pivotal for overcoming resistance to change, ensuring regulatory compliance, and fostering a culture of continuous improvement. These insights provide both theoretical contributions and practical recommendations for organizations aiming to modernize their financial management in today’s complex business environment.*

**Key words:** *Executive Leadership, Financial Management Transformation, CFO, Digital Transformation, Process Reengineering, Change Management, Global Practices, U.S. and Europe.*

**Introduction.** Transformative change in financial management has become a strategic imperative for organizations worldwide. Rapid advances in technology, market volatility, and rising stakeholder expectations are forcing

finance functions to evolve beyond traditional bookkeeping and control. Yet, major change initiatives often fall short of expectations. Recent research found that 85% of senior leaders have led multiple transformations in the past five years, but two-thirds admitted at least one failed to meet goals due to poor planning, execution delays, or reluctance to change [1].

This high failure rate underscores the crucial role of executive leadership – CEOs, CFOs, and top management – in guiding successful financial management transformations. Nearly eight in ten Chief Financial Officers (CFOs) report that pandemic disruptions accelerated the evolution of their role, pushing them to become “architects of business value” and “catalysts of digital strategy” rather than mere financial gatekeepers [2]. The question is: how do executive leaders drive such transformations in financial management, and what practices lead to success across different global contexts?

This article aims to analyze how executive leadership influences and drives the transformation of financial management practices. It will examine leadership approaches, strategies, and frameworks that enable finance functions to modernize and create value. Special attention is given to global best practices. Key research questions include: (1) What leadership styles and actions are most effective in transforming financial management? (2) How do executive-led initiatives (such as digitalization, process reengineering, and cultural change) improve financial practices and outcomes?

Prior studies highlight the importance of leadership in any successful organizational change. Classic change models (e.g. Kotter’s 8-step process) emphasize that leaders must establish a clear vision and urgency, empower teams, and embed new ways into the culture. In the context of financial management, *transformational leadership* – where executives inspire and motivate innovation – has been linked to better organizational performance and adaptability [3].

Recent work by EY and Oxford University stresses that *visionary communication* by leaders is pivotal: nearly half of organizations with high-

performing transformations said their leadership’s vision was “clear and compelling” [1]. Moreover, engaging and supporting employees through change can markedly improve success rates; providing emotional support during transformation boosts the likelihood of success by ~20%, and ensuring employees understand the leader’s strategy makes success **2.6×** more likely [1].

At the same time, emerging research on *digital leadership* suggests that traditional leadership skills must be complemented with technological savvy. In a FinTech change context, managers largely relied on traditional change management approaches (e.g. involving team members in planning and securing buy-in) but recognized the need to adopt new “digital leadership” capabilities [4]. Consulting analyses echo this blend: modern CFOs must pair timeless leadership traits (strategic vision, communication, influence) with tech-driven insight. Overall, the literature converges on the idea that executive leaders – especially CFOs in finance transformations – act as change agents who articulate vision, drive cultural change, invest in new technologies, and bridge the gap between short-term results and long-term innovation.

### **1. Executive leadership and financial management transformation: concepts and drivers**

*Financial management practices* encompass the processes and policies by which an organization manages its financial resources, including accounting, budgeting, reporting, internal controls, and financial planning. These practices ensure transparency, compliance, and efficient allocation of capital. *Transforming* financial management implies making strategic, fundamental changes to these processes – often through modernization, digitalization, or reorganization – to dramatically improve performance and alignment with business strategy [5].

Executive leadership refers to the actions of top-level leaders (C-suite executives such as the CFO and CEO) in guiding the organization. It involves setting vision and strategy, influencing organizational culture, and making high-

level decisions to drive change. In the context of finance, executive leadership means the CFO and other senior leaders champion initiatives that *re-envision the finance function* and mobilize the organization toward new financial management paradigms [5].

Academic and industry perspectives concur that strong leadership from the top is a catalyst for successful transformation. Transformational leadership theory posits that leaders who inspire a shared vision, challenge the status quo, and empower employees can achieve significant change. In practice, finance executives who exhibit transformational leadership will clearly communicate *why* new financial practices are needed and *how* they benefit the organization, thus motivating finance teams to embrace change. Case evidence shows that including organizational members in planning and securing their buy-in is essential for execution [4]. Leaders set the tone by aligning the transformation with a compelling narrative of enterprise growth and innovation.

Crucially, executive leaders define the vision and objectives of financial transformation. A well-defined transformation vision provides a “North Star” that guides all efforts [1]. For example, a CFO might articulate a vision to create a “*data-driven, real-time finance organization that partners with the business to drive strategy*”. This vision then informs goals like adopting self-service analytics, accelerating the financial close process, or redesigning performance metrics. Research indicates that having such a clear, compelling vision is common among successful transformations [1]. Leaders also set specific objectives and key results (OKRs) – for instance, reducing manual reporting by 80% or improving forecast accuracy by 30% – which focus the transformation on measurable outcomes.

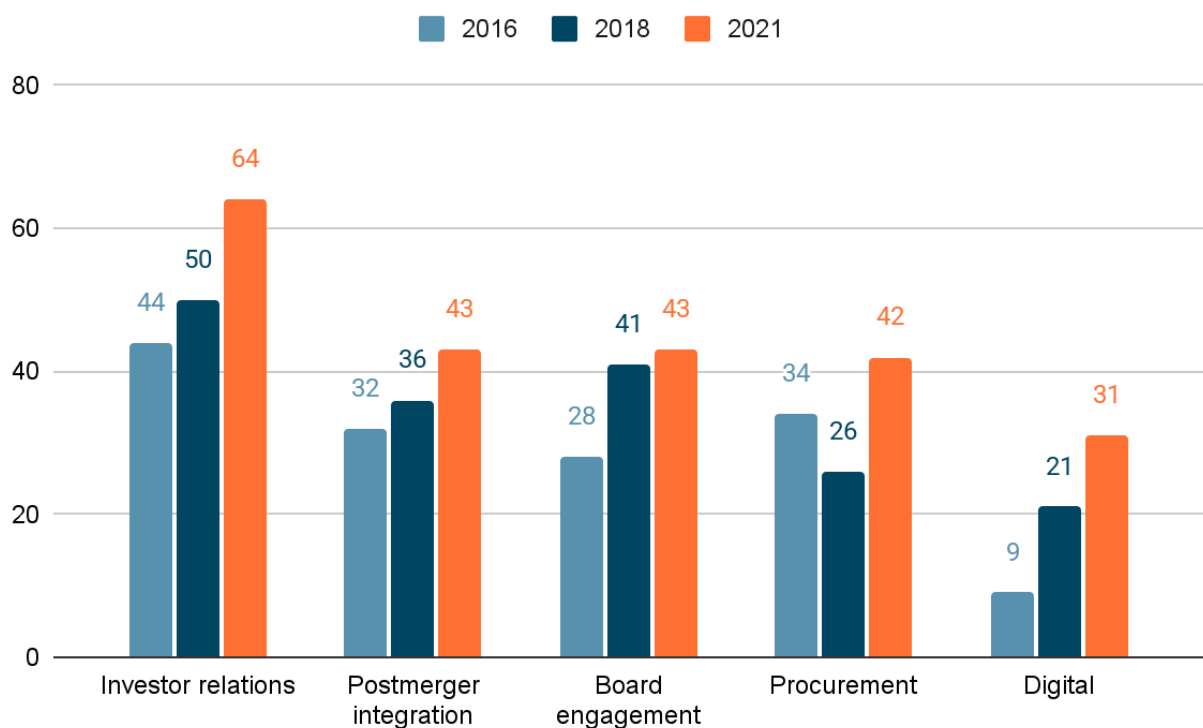
Beyond vision, executive leadership involves extensive communication and role-modeling throughout the journey. Leaders must *champion* the change at every opportunity, consistently explaining its importance and how it aligns with overall company strategy (often called “tone from the top”). Effective CFOs

engage not only finance staff but also other executives and departments, since transforming finance can impact the whole enterprise. Notably, CFOs who spend more time on strategic influence and impact (rather than transactional tasks) are better able to guide their organizations forward. In many companies, however, CFOs find themselves stuck in day-to-day “information” and “insight” activities and aspire to shift more into advisory and impact roles [6]. This requires delegating routine work and developing the finance team’s capabilities – again, a leadership responsibility.

Executive leaders also create the culture and mindset needed for transformation. Transforming financial management often means challenging long-established routines (monthly reporting cycles, static budgets, siloed controls) and replacing them with agile, technology-enabled methods. This can provoke resistance – hence leaders must foster a culture open to change. Studies underline that supportive, people-focused leadership increases transformation success [1]. By listening to employee concerns, providing training, and recognizing quick wins, leaders reduce fear and build buy-in. CFOs who show empathy and support – for example, by investing in upskilling finance staff and acknowledging the difficulties of learning new systems – can significantly boost morale and commitment [1]. In short, executive leadership sets both the *visionary direction* (“where we need to go”) and the *trust environment* (“we will support you through this change”) that together drive transformation forward.

Over the past several years, the remit of finance leaders has broadened, particularly in response to digital disruption. Between 2016 and 2021, the share of finance leaders who say they are responsible for their company’s digital activities more than tripled (fig. 1) [7]. CFOs who once focused mainly on financial reporting and cost control are now often in charge of *digital transformation initiatives*. Nearly three-quarters of CFOs report having the final say on technology investments for the enterprise [2]. This expanded mandate positions the CFO as a key executive sponsor for finance transformation projects.

It also reflects a paradigm shift: modern financial management is inseparable from technology (think automation, cloud ERPs, advanced analytics), so executive leadership in finance must encompass tech leadership. A recent McKinsey survey notes that CFOs today oversee areas like data analytics, investor relations, and even aspects of strategy that go far beyond traditional accounting [7]. This convergence of roles means that executive leaders in finance are uniquely placed to drive comprehensive transformations – they understand both the *technical process changes* and the *strategic big picture*.



**Fig. 1. Activities or functional areas that report to CFO, % of respondents [7]**

In summary, executive leadership provides the essential foundation for transforming financial management. By defining vision and strategy, communicating relentlessly, fostering an adaptive culture, and taking ownership of new domains like technology and data, leaders create the conditions in which meaningful change can occur.

## **2. Leadership-driven transformation of financial management: strategies and practices**

Transforming financial management is a multi-dimensional endeavor. It typically involves process innovation (streamlining workflows, adopting agile planning and reporting methods), technology adoption (implementing new financial systems, automation tools, analytics platforms), and organizational realignment (restructuring finance teams, redefining roles and skills). Executive leadership is the driving force orchestrating these changes.

A key practice is ensuring that financial transformation initiatives are tightly aligned with the company’s overall strategy and have strong executive sponsorship. Successful CFOs treat finance transformation not as an isolated IT project, but as a strategic program that will enable business growth, agility, and value creation. For instance, an organization pursuing a digital business model might need a finance function capable of real-time revenue analytics and dynamic forecasting. An executive leader would articulate how transforming finance (by implementing, say, a cloud-based analytics dashboard and rolling forecasts) directly supports strategic goals like faster decision-making or improved customer responsiveness. According to Gartner research, only about 20% of CFOs are “personally effective” at both delivering short-term results and driving long-term growth behaviors [6] – indicating many finance leaders struggle to balance immediate financial duties with transformation efforts. The most effective leaders, therefore, explicitly tie transformation projects to strategic outcomes (e.g. “this new budgeting system will enable our expansion into European markets by providing better visibility and control”) and maintain senior-level advocacy throughout the project lifecycle.

Executives often spearhead the reengineering of core financial processes as an early win in transformation. Common targets include the financial close and consolidation process, budgeting and forecasting cycles, procurement-to-pay workflows, and management reporting. By introducing best practices and modern

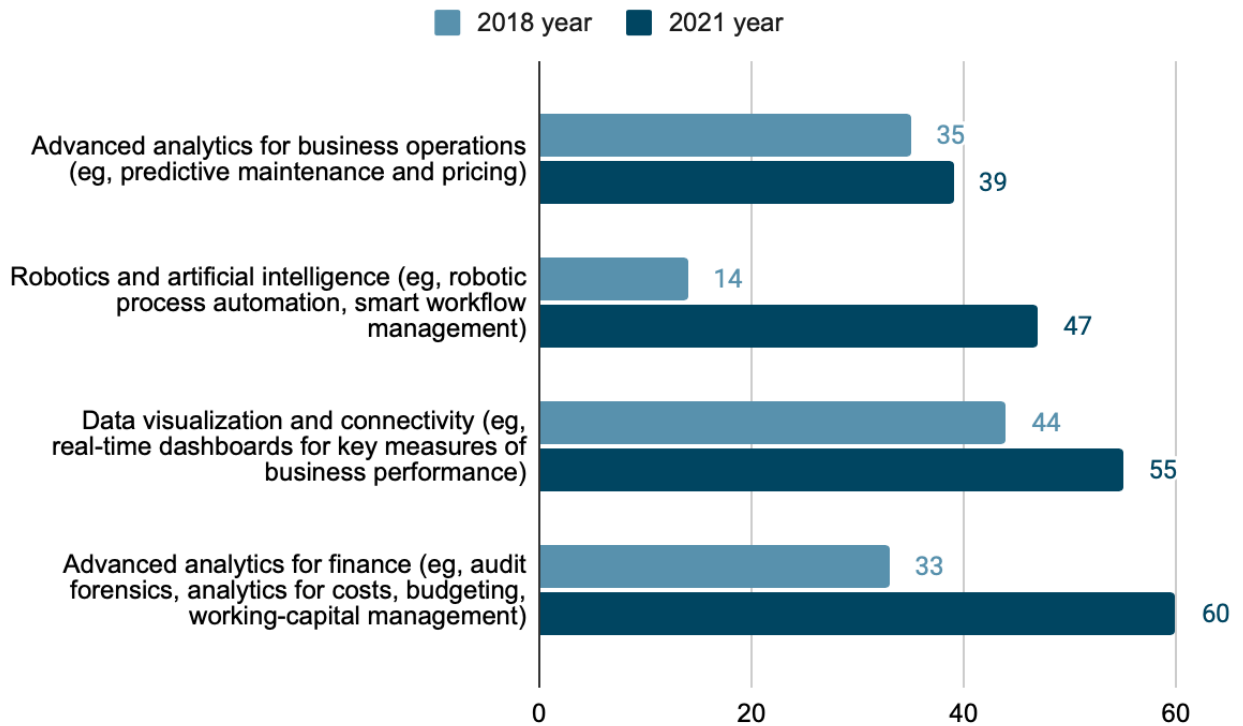
methodologies, leaders can dramatically improve efficiency and insight. For example, many firms are shifting from annual budgets to rolling forecasts and scenario planning, which require cultural change championed by the CFO. In academic terms, this reflects moving the finance function up the value chain from basic *information* provision to generating *insight and influence* [6]. The CFO's leadership is crucial in implementing such practices – setting expectations that finance will deliver forward-looking analysis, not just historical reports, and perhaps adopting frameworks like *beyond budgeting* or driver-based planning.

Executive leaders also benchmark and bring in external best practices. Many CFOs consult industry frameworks or enlist advisors (e.g. Big Four consulting firms) to guide their transformation roadmap. These provide models for an optimized finance function structure, key performance indicators (KPIs) to track, and target levels of process performance (such as "best-in-class" close in 2 days, or AP automation >90%). By comparing the organization's current state to these benchmarks, leaders can identify gaps and prioritize improvements [5, 8]. For instance, if peer companies of similar size use robotic process automation (RPA) for invoice processing, a CFO may push to implement RPA internally to stay competitive. This practice of *external orientation* is highlighted in consulting literature – CFOs are advised to look outward for innovative ideas and not just tweak existing internal processes.

Perhaps the most visible aspect of financial management transformation is technology enablement, and here executive leadership plays a decisive role in steering investments and adoption. Modern finance functions leverage an array of technologies: enterprise resource planning (ERP) systems, cloud-based accounting platforms, automation tools (RPA, AI for invoice processing or reconciliations), business intelligence (BI) and analytics solutions, and more recently, machine learning for predictive forecasting. A survey of finance leaders shows a clear trend of increasing technology uptake – the use of robotics and AI in finance operations has *tripled* since 2018, and use of advanced analytics nearly



doubled [7]. Importantly, nearly 60% of organizations reported a positive return on investment from finance tech investments within the past year [7], illustrating that these changes pay off.



**Fig. 2. Use of digital and/or automation technologies in finance organization, % of respondents [7]**

Executive leaders, especially CFOs in collaboration with CIOs, drive the selection and implementation of these technologies. Leadership tasks include prioritizing which systems to upgrade or replace, securing budget for major IT projects, and mitigating risks associated with system changes (like ensuring data integrity and cybersecurity). Moreover, leaders must address the *human* side of tech adoption – ensuring that staff are trained and that new tools are fully utilized rather than underused. A common pitfall is underestimating cultural resistance to new technology: employees may cling to familiar spreadsheets and routines. Here, a CFO’s influence is vital to mandate and model the use of new analytical tools, for example by personally using dashboards in meetings and phasing out legacy reports. Executive sponsorship signals to the entire company that the

transformation is a priority. As one CFO observed, there’s a “huge opportunity” for CFOs to shape how data flows through the organization and drive a mindset that values data-driven insights [9].

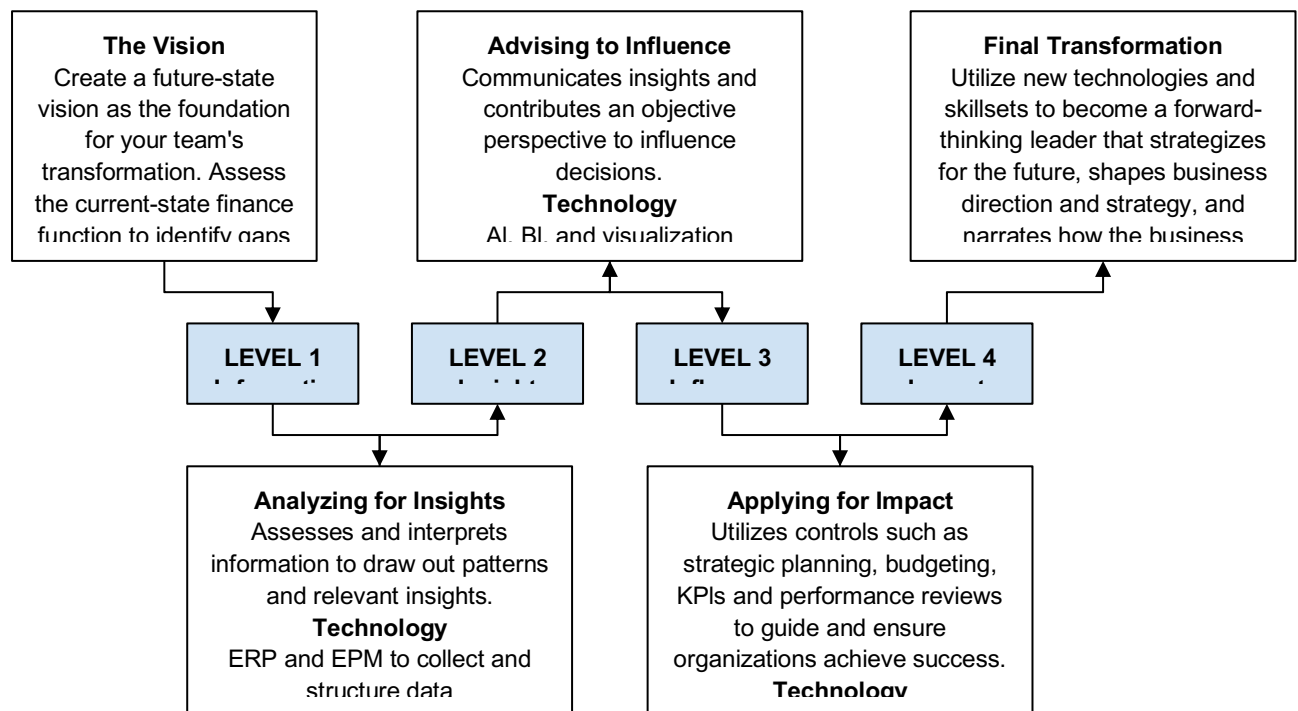
Another practice is integrating disparate data sources to create a single source of truth for finance. Many transformations involve data consolidation – under leadership guidance, finance and IT teams work to connect systems (ERP, CRM, HR data, etc.) so that the CFO can get holistic, timely insights. This aligns with the concept of *finance as an integrator*: “Finance uniquely integrates all these functional domains, holding a privileged position to drive value,” notes one EY expert [1]. By championing data integration and governance projects, an executive leader ensures that improved financial practices (like scenario modeling or risk analysis) are fueled by accurate, enterprise-wide data.

Transforming processes and tools is not enough; the finance workforce must also transform. Executive leaders pay close attention to reshaping the finance team’s skills and roles. Often, this means upskilling existing staff (training accountants in data analytics or automation) and bringing in new talent (such as data scientists or business partners within finance). According to an EY/Oxford study, high-performing transformations invest in the right technologies *and* the right people capabilities – nearly half of successful companies said they had the necessary tech to meet their vision [1]. CFOs, as leaders, spearhead these talent initiatives by promoting a culture of continuous learning and sometimes reassigning or reorganizing team structures to support new priorities.

For example, a CFO might establish a “Finance Transformation Office” or assign a senior finance executive as a transformation lead to coordinate projects and training. They may also encourage a rotation program where finance staff spend time in IT or operations to build broader skills, fostering the cross-functional mindset needed for modern finance. On the consulting side, Deloitte and others often advise creating *agile, multi-disciplinary teams* within finance to

tackle transformation projects – something that requires leadership endorsement and resource allocation. Additionally, leaders often revise performance metrics and incentives for their teams to align with transformation goals (e.g. rewarding process improvement or innovation in addition to routine task completion).

Notably, as automation reduces manual work, executive leaders redefine finance roles toward higher-value activities. A common theme is moving finance professionals from being *transaction processors* to *strategic advisors*. The “Four Levels” model described by finance experts illustrates this progression: Level 1 (Information) and Level 2 (Insight) activities involve collecting and interpreting data, whereas Level 3 (Influence) and Level 4 (Impact) involve partnering in decision-making and strategy [6]. Leaders aim to push their finance teams toward the Influence/Impact end of this spectrum. In practical terms, that might mean training analysts to not only produce reports but also present actionable recommendations to management. Executive leadership reinforces this by entrusting finance teams with more decision-support responsibilities and highlighting examples where finance influenced key strategic moves.



**Fig. 3. An illustrative framework for CFO-led transformation outlines a roadmap from basic financial information to strategic impact [6]**

As shown above, the journey involves four levels: Information, Insight, Influence, and Impact. Executive leaders start by setting The Vision for the future-state finance function, then drive the team through stages of analytics and advisory (“Advising to Influence”) toward the final stage of strategic leadership (“Final Transformation”). Each stage requires leveraging Technology (e.g., ERP, AI, BI tools) and Upskilling of the finance team (business, people, and leadership skills) to elevate finance’s role. This roadmap emphasizes that CFOs must guide their organizations from simply reporting financial data to actively shaping strategy and value creation.

Strong executive leadership also institutes proper governance for the transformation program. This includes establishing steering committees, project management offices, and clear accountability for different workstreams (technology, process, people). The CFO or another senior executive often chairs a transformation steering committee that regularly reviews progress, addresses

roadblocks, and ensures cross-functional coordination. By maintaining this governance oversight, leaders keep the initiative on track and signal its importance. They can make timely decisions, such as reallocating resources to a lagging project or adjusting scope in response to new information (for example, accelerating an automation project that is yielding quick wins).

Change management – managing the human side of change – is another arena where leadership matters. Executive leaders often serve as *chief change agents*, visibly endorsing the transformation and engaging with stakeholders at all levels. This can take the form of townhall meetings led by the CEO/CFO to explain changes, internal newsletters highlighting success stories, and recognition of teams that adopt new practices. Academic research consistently shows that when top management is actively involved in change management, employees are more engaged and resistance is lowered. In a large financial transformation, for example, if European finance staff are worried about standardization imposed from U.S. headquarters, having the global CFO directly communicate and listen to their input can build trust and global buy-in.

Leading consulting reports stress pragmatism in change initiatives. In a turbulent economic climate (like 2024’s uncertainty), CFOs may avoid massive “big bang” changes and instead pursue incremental, targeted improvements that still advance the transformation vision [10]. An EY report noted that due to economic pressures, many CFOs are taking a *pragmatic approach*, focusing on strategic tech investments that yield cost efficiencies, rather than attempting to do everything at once [10]. However, even a pragmatic approach requires the leader to maintain a clear vision to inspire the team and keep the momentum [10]. Executive leadership thus involves carefully balancing short-term pressures with long-term transformation goals – a challenge 78% of finance leaders acknowledge as critically important [10]. The most effective leaders are able to deliver quick wins (e.g., automating a tedious reconciliation to save employee

hours) while still charting a steady course toward the broader transformation (like a fully digital, insight-driven finance function in 2-3 years).

Finally, executive leaders establish metrics to measure transformation progress and value. They treat the transformation like any important business initiative, with key performance indicators. These might include process metrics (time to close books, forecast accuracy, percentage of reports automated), financial outcomes (reduction in finance cost as % of revenue, improvement in working capital), and strategic outcomes (e.g. finance’s contribution to strategic projects or decision quality). By tracking these, leaders can demonstrate the impact of the transformation to the board and shareholders – which is vital for continued support. For example, a CFO can report that due to the transformation, the finance team delivered analytics that identified a cost-saving opportunity contributing to a 5% margin improvement. Such communications help cement the credibility of the finance transformation and the leadership behind it.

In summary, executive leadership manifests in a variety of hands-on practices during financial management transformation: aligning initiatives to strategy, reengineering processes using best practices, championing technology and data innovation, developing talent, governing the change effort, and keeping a focus on performance and results. Both academic evidence and consulting insights underscore that without active leadership in these areas, even well-intentioned transformations can falter. With leadership, however, finance transformations can yield substantial benefits – from efficiency gains and cost savings to better decision-making and strategic agility.

**Conclusion.** Executive leadership is critical in driving the transformation of financial management practices. The analysis shows that clear vision setting, strategic alignment, proactive technology adoption, and robust change management are indispensable for modernizing finance functions. In both the U.S. and Europe, effective CFOs and top executives have demonstrated that by reengineering processes, investing in digital tools, and developing human capital,

organizations can achieve significant efficiency gains and enhanced strategic insight. While regional nuances influence the pace and focus of transformation efforts, the core leadership principles remain constant. These findings underscore that strong executive leadership not only facilitates immediate operational improvements but also lays the groundwork for sustainable competitive advantage in an increasingly dynamic global market.

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