

Challenges and Opportunities for CFOs in the Brazilian IT Sector

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Abstract

This study investigates the concerns and challenges influencing the performance frontiers of Chief Financial Officers (CFOs) in Brazilian IT companies. Given the complex and interpretative nature of the factors shaping a CFO's areas of action and role evolution, we opted for qualitative research methods. Specifically, Focus Groups will be employed to capture the nuances of these factors. Key findings pointed out four emerging themes: Mastering Hard Skills, Mastering Soft Skills, CFOs' concerns, and CFOs' challenges. Discussion and implications compile this article.

Keywords: *Chief Financial Officers (CFOs); Brazilian IT companies; qualitative research methods; Focus Groups.*

Suggested citation: Pereira, L.J.D., & Dias, M.O. (2024). Challenges and Opportunities for CFOs in the Brazilian IT Sector. *European Journal of Arts, Humanities and Social Sciences*, 1(6), 73-82. DOI: 10.59324/ejahss.2024.1(6).08

Introduction

Environmental uncertainty has a huge impact on a firm's strategic decisions. The origin and nature need to be understood. Milliken (1987) claims it develops from aspects of the organization's environment outside itself. This uncertainty can be understood as it is necessary to study its effects on the decision makers. It is here that the importance of the CFO's role comes in. According to Sharma and Jones (2010), in such a scenario, the CFO plays a strategic and value-creating role, far removed from the more traditional financial role. This shift has been commented on by various authors (Buchheit et al., 2019; da Silva Filho, 2018; Favaro, 2001; Walther and Johansson, 1998).

In the IT business, environmental unpredictability is greatly evident. Due to market competitiveness, it has become crucial to adapt new and strategic ways of facing rivals. Digitization is taken on by a well-defined digital strategy and a culture providing scope for innovation and adaptability. From this perspective, the CFO becomes an important player in strategic decision-making. Environmental uncertainty is a given and must be viewed as one of the determinants of the decision-making environment. IT industry companies will have to keep changing if they want to remain competitive.

Therefore, in this article we enhance the findings of Pereira (2023), aiming at expanding the discussion on the subject, presented in the upcoming sections.

Methodology

This study employed Focus Groups and collective interviews, using the conceptual framework of Goffman's Dramaturgical Theory (1959, 1961). In Goffman's framework, interviews are understood as interactive performances where participants play roles and are guided by an unspoken script. Adopting the semi-structured approach of Myers and Newman (2007), our study employed pre-prepared questions



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while providing space for spontaneous questions. IT professionals with at least five years of experience in the sector, knowledge of certain technologies, and participation in the respective projects were invited based on these criteria. They were invited through emails, WhatsApp, and personal invitations to take part in the Brazilian study. After the confirmation, an online discussion via Webex was held on October 10th, 2023, at 4:30 p.m.

Findings and Analysis

The Focus Group session was performed on 10 October 2023, from 4:00 p.m. to 5:29 p.m. (see Table 1). The meeting took place at the virtual chat room platform Webex®. The resulting files were stored in the MP4 extension. The Focus Group session gathered 10 participants and one facilitator, totaling 11 participants. The invitations (n =12) were sent via Calendar, phone call, text, and voice mail, with a 83.3 percent response rate formalized via email to those who confirmed. The two that did not confirm participation justified agenda conflict as the reason for their nonparticipation.

First, a disclaimer was read to the participants, which stated the following: (a) educational use of the data collected; (b) no commercial purposes on the research; (c) voluntariness of participation; (d) preservation of participants' identities and the actual names of the companies, for ethical and compliance issues; (e) freedom to stop participation at any time; and (f) participants were invited to authorize direct citations and the use of their names in publications. Software NVivo® 12 - student version produced the frequency distribution and word cloud (see Figures 10 and 11). The ethnographic information from the N=10 participants in the focus groups is shown in Table 1:

Table 1. Focus Group Ethnographic Summary

Theme	Theme 1	Theme 2	Theme 3	Theme 4
Category	Mastering hard skills	Mastering soft skills	CFOs' concerns	CFO's challenges
Subcategory	Accounting	communication	how to motivate people	remote leadership
	Finance	active listening	how to help the CEO	remote empathy
	IFRS	active speaking	how to interact with clients	Be the new CFO
	US gap	assertiveness	How to deal with market and sales	dealing with different hard skills
	BR gap	Focus	How to improve the relationship with the business team	
	Statutory	empathy		
	Operational control	time Management transformation agent		

Table 1 shows that 70 percent of the participants in the Focus Group session were male (30 percent female). The average time of work experience is 29 years. The participants were also mainly from Southeastern Brazil (90 percent); 100 percent are CFOs or work directly with CFOs. Finally, regarding the level of education, 100 percent have an MBA and occupy higher management positions.

We asked all participants for permission to use citations. They manifested their will by allowing the image's use for non-commercial purposes and this research. They also allowed us to quote directly if and when necessary. A black stripe, however, covered their names and identities for compliance reasons. The Focus Group session began with warm-up questions on self-presentation, followed by semi-structured questions and debates. The facilitator thanked everyone for attending and closed the session.



group sessions aided in the refinement of subsequent inquiries. The Focus Group session presented challenges due to participants' varied reactions and interactions. These factors impacted the design of the in-depth interview and may have influenced the intended question design.

First, following a rigorous three-phase, iterative coding process, the open, axial, and selective codes were grouped into categories and subcategories, revealing five emerging themes after careful content analysis: (a) Mastering Hard Skills; (b) Mastering Soft Skills; (c) CFOs' concerns, and (d) CFOs' challenges. The emergent themes (categories) and subcategories are displayed in Table 2 (Appendix).

The coding process was a challenging task, requiring triangulation by coders to avoid misinterpretations. A second researcher independently analyzed the raw data, comparing and further analyzing the findings, following Miles, Huberman, and Saldaña (2014). Table 2 shows the emerging subcategories and categories. First, the open codes were grouped, the axial codes emerged (subcategories), and finally, the categories (selective codes). The study involved merging redundant categories or subcategories in back-and-forth iterations, following Strauss & Corbin (1990). To ensure validity, data was triangulated by a researcher, following Denzin (1978) and Miles, Huberman, and Saldaña (2014). The themes were validated through two independent coding processes and consolidated through convergence analysis. The Focus Group Thematic Analysis is disclosed in the next section.

Discussion

Mastering Hard Skills

Participant #6 also expressed the importance of the use of Mastering hard skills influencing the CFO's activity: "I would just add that we have to be data-driven today. We have to be a professional who is very focused on technology. We have to be the catalyst for business in a faster way. So, I would only add in terms of not only the characteristic and also not being close to the technology, but within it because today there is no turning back. There is no going back, this evolution that we had in the area of finance." (P#6)

Participant #2 also support the idea of mastering hard skills: "I think it's fundamental, right? It's like this, going back to my analogy there, to be the co-pilot and to be able to give the insights, to help pilot the business, you need to have the proper instruments to be able to pilot. The instruments are the technology. To be able to analyze risk, to be able to simulate alternatives, to be able to measure returns, all of this will require technology, especially at the speed at which things are happening." (P#2)

Participant #9 has a complimentary vision: "if I look back in the last 30 years we had departmental systems, the first administrative, corporate systems, then the ERP evolution, internet, evolving with integrated systems, then Conrado knows SAP very well, coming to help us a lot to take it to the next level, then artificial intelligence." (P#9)

Participant #10 presented another opinion, regarding mastering hard skills: "I see that our influence as CFOs has to be much more horizontal than before when it was much more vertical. Before it was a very hierarchical influence, very Mister No, and now it has to be a very horizontal influence that has other leadership challenges because, in order to do horizontal influence, you need to work on many leadership themes to achieve that influence in this way that is not so hierarchical, not so vertical. So, I think there are other skills that we have to develop to be successful in this mission." (P#10). The alignment of mastering hard skills with research aims is strongly supported by the Agency theory, as seen by the impact of advancements in communication technologies on principals and agents (Jensen & Roeback, 1983).

Mastering Soft Skills was perceived as relevant to the participants. For instance, Participant #7 declared, "First of all, the skill is not soft; it's not fair to say that one is hard and the other is soft. So, I think this issue of people and talent management is fundamental. Today, we have an extensive range of generations working within organizations. So, this ability for you to get the best out of everybody, retain people, retain people, is a bad word, but if you need to retain the guy, you're not bought. (...) And I think that this interpersonal relationship skill, for me, is perhaps the most important thing, especially lateral. Because



today it is more difficult to build these bridges and work collaboratively, because we are much smarter.” (P#7)

Participant #2 has a similar opinion: “Actually, I think it’s a little bit like it rains in the wet, but I was going to say that the CFO has this role nowadays, you spoke in other words, but as a co-pilot of the business, of being there by the side of the CEO of the company to be able to support, always landing decisions and such, and checking and saying this makes a profit, That gives margin, that’s going to work, that landing.” (P#2)

Participant #4 expressed the importance of the CFO being close to the business decisions: “And one more point there regarding the CFO being closer to the business: it has increased a little, perhaps, risk management. I think the CFO has always had this concern, but now it’s more, it is more flexible, let’s talk about it, risk, right? Moreover, attentive to decision-making, taking more risk, but doing this balance well, I think it has an important role and capability there together with the CEO.” (P#4)

The Participants considered it most relevant to pursue soft skills: “I think we have an increase in the need for soft skills to the detriment of hard skills. (...) I think we have to develop, listen to what the business needs from us, how we can contribute, so I think we have to increase our participation of soft skills in our daily lives.” (P#8)

Participant P#7 expressed the importance, too: “People started exchanging soft skills for people skills. (...) First, the skill is not soft, and it is not fair to say that one is hard and the other is soft. So, I think this people and talent management issue is fundamental.” (P#7).

Finally, mastering soft skills is supported by the Agency Theory (Eisenhardt, 1985) because principals and agents should put their efforts into mastering soft skills, aiming at improving their performance in the role of the CFO in the Brazilian IT market.

CFOs' Concerns were perceived as extremely relevant to this research. In addition, P# 10 said, "I'm going to go back to the topic of leadership because my boss is here. Leadership is key, but I'm talking about horizontal leadership. It's a very different leadership than ten years ago, fifteen years, five years ago. So, for me, this is a supercritical competence that generates teamwork." (P#10)

Participant #8 manifested an interesting view: “It is much more about helping to build a culture of ownership, helping to build a culture of maximizing investment, maximizing resources, helping our clients’ businesses thrive in a difficult time. We have to think about how we can help others in a difficult time because business relationships and the CFO has to be part of this, are long-term. How you charged someone or helped someone once is up to the customer. So, I think we had to understand this role and capitalize, help, and think about how to help the business.” (P#8)

Participant #4 reported a concern regarding the adaptation to the pandemic and post-pandemic: “I think this pandemic has also helped the CFO to position himself outside the company, to position himself in solving problems and challenges that we had. We had to break many paradigms in the financial system, such as, for example, all employees working remotely from home.” (P#4)

Furthermore, Participant #7 also expressed concerns about the pandemic: “So, I was in healthcare at the time of the pandemic. This flexibility that we had to develop, contracting goods and services outside the normal script, or outside the suppliers that were not the classics, somehow made some sectors reinvent themselves, developing local or alternative suppliers.” (P#7)

CFO's Challenges were perceived as relevant to the Participants, who considered it most relevant. For instance, Participant P#8 expressed the importance too: “I think we also have to understand what the challenges of your president, your line of business, your CEO are.” (P#8)

Ultimately, P#3 revealed the accordance with the investment in soft skills as relevant: “our business is a reliable business, both the IT business and our investment business. So, trust is the main word. And this is a great challenge for the CFO, who is the CFO who is going to translate this whole ESG issue, which is fundamental today for companies. When we are going to make an investment, we have to be based on



ESG. Any company today has to be looking at this issue of ESG, which is a main platform for the issue of the durability of the company in terms of trust.” (P#3)

Participant #8 revealed how the CFO should face their challenges: “It is much more about helping to build a culture of ownership, helping to build a culture of maximizing investment, maximizing resources, and helping our clients’ businesses thrive in a difficult time. We have to think about how we can help others in a difficult time because business relationships and the CFO has to be part of this are long-term.” (P#8)

Finally, CFO's challenges are supported by the Agency Theory (Eisenhardt, 1985) because principals and agents should put their efforts into mastering soft skills, aiming at improving their performance in the CFO activity in Brazil.

Implications

The primary objective is to provide stability and predictability in corporate relationships, instilling trust in people and economic actors about the CFO's role and compliance enforcement. One of the main implications regards the transferability of the findings to other fields and subfields of research, such as other C-Level positions, such as the Chief of Operations Officer (COO).

These findings are also transferable to other businesses or CFOs from different business segments, such as the fashion business (da Silva Filho, 2018). In addition, these principles facilitate the foreseeability and consistency of interactions while protecting the CFO's rights and obligations. According to Ali (2023, p.1), there are five challenges perceived by the CFOs from the North American IT company Oracle, with implications for this research, such as CFOs face five main challenges: juggling too many responsibilities (51 percent), managing cash flow (43 percent), developing accurate financial scenarios (43 percent), producing timely, accurate reports (37 percent), and implementing tech for finance (33 percent).

An implication is that companies prioritizing reporting over strategic planning are disadvantaged. CFOs need timely data for decision-making, but strategic planning and collaboration are crucial for success. CFO surveys show that in small and midsize businesses (Ali, 2023), CFOs wear multiple hats, including assessing cybersecurity risks, managing system integration, filling talent needs, and evaluating new technologies like Blockchain and AI, matching our research objectives, as outlined in Section 1. The CFO's role is under increasing scrutiny due to economic uncertainty, increased regulatory requirements, financial restatements, and investor scrutiny, leading to a rise in CFO turnover. CFOs and finance functions are crucial in guiding companies toward transformation through judicious decision-making and leading performance and organizational health improvement.

One implication regards the CFO's adaptation to new demands like digitalizing critical business activities and managing cybersecurity. However, many CFOs believe their companies must prepare to handle these challenges. To deliver value, they must build skills in other areas, play a more active leadership role, and rethink their approaches to overcoming external pressures and finding new investment opportunities.

In this research, CFOs believe they can create value in various ways, not just traditional finance work, as revealed in theme two, managing soft skills, and theme six, the strategic CFO, cultivating strategic leadership as the most valuable area. In the future, CFOs should focus more on strategic leadership, organizational transformation, performance management, and big data and technology trends.

Top executives and CFOs agree on the value of finance chiefs in their companies. Both groups agree that CFOs are involved in their teams and should focus more on strategic leadership. However, CFOs perceive their contributions differently than other C-suite executives. Most CFOs are involved in bringing deep financial expertise to discussions, focusing on creating financial value and serving as the executive team's public face to stakeholders. However, there is a gap between CFOs' current leadership and what other business leaders expect of them, as revealed in themes five and six, in which CFOs often need more resources and skills as barriers to effective finance function performance. In contrast, others identify a lack of innovation mindsets.



Finally, CFOs acknowledge the need for innovative decision-making methods, but only some report using them. Two in three CFOs believe their companies need more agile, scenario-planning, and decentralized decision-making capabilities. They use basic financial controls but rarely report advanced practices. Most CFOs agree that their companies set project-level capital-expenditure budgets, use comparable metrics across business units, and track project results.

This article has implications in the following fields and subfields of research: (i) Business negotiations (Navarro and Dias, 2024; Santos and Dias, 2024; Dias, 2023; Valente and Dias, 2023); (ii) leadership (Dias, M., Pereira, L.; Vieira, P., Pan, Juliana, 2022; Vieira, P., Dias, M., Lopes, R., Cardoso, 2021; Pan and Dias, 2024; Dias, M., Vieira, P., Pereira, L., Quintão, H., Lafraia, J., 2023; Dias, M., Pereira, L.; Vieira, P., Pan, Juliana, 2022); (iii) trust in business (Santos and Dias, 2024).

Conclusion

This paper used content and thematic analysis to examine the factors impacting CFO activities in the IT industry in Brazil. Four major themes emerged: (1) transformative change, in which CFOs use emerging technologies to develop strategic plans and inform decision-making, and (2) their role as trusted advisors to the CEO.

Although some research has been done, more comprehensive studies are needed to investigate CFOs' decision-making processes' determinants in IT business activities. The previous literature has explored the role of the CFO concerning financial performance, capital budgeting techniques, organizational structure, and strategic ecosystem.

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Appendix

Table 1. Focus Group Coding: Categories, Subcategories and Open Codes

Interviewees	Name	Job position	Local	Professional Experience (Years)	Gender (M/F)	Education Level	MGT Level	Company
P#1	Leonardo Dias	COO	Rio de Janeiro	20	M	MBA	H	IBM
P#2	Francisco Loschiavo	CEO	São Paulo	31	M	MBA	H	CTI
P#3	Antonio Ramos	President	Rio de Janeiro	31	M	MBA	H	Brazil Pension Fund
P#4	João Celidônio	Country Controller	São Paulo	32	M	MBA	H	IBM Brazil
P#5	Gustavo Conrado	CFO	São Paulo	23	M	MBA	H	SAP Brasil
P#6	Stania Moraes	Independent Board Member	São Paulo	33	F	Post-MBA	H	Ciena
P#7	Magali Leite	President	São Paulo	30	F	MBA	H	IBEF
P#8	Vitor Melo	CFO	São Paulo	27	M	MBA	H	Kyndryl
P#9	Antonio Martins	CEO	São Paulo	31	M	MBA	H	IBM Latam
P#10	Gabriela Gaytan	Financial VP	Mexico City	32	F	MBA	H	IBM
			Average	29				

