European Research Studies Journal
Volume XXVIII, Issue 1, 2025

pp. 372-382

The Leader in ESG Change Management: The Transformation of the Chief Financial Officer's Role in Organization

Submitted 12/12/24, 1st revision 27/12/24, 2nd revision 28/01/25, accepted 15/02/25

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Abstract:

Purpose: *The aim of the paper is to present the impact of the CSRD Directive on the activities of the organization, with particular emphasis on the impact it will have on the role of Chief Financial Officer. CFO's will have to implement a global change in reporting imposed by the CSR Directive. Their role in organizations will be transformed. They are going to become leaders of ESG green strategic change and reporting Guards.*
Design/methodology/approach: *The approach to the topic of the paper is theoretical and practical. The changing role of the CFO in the context of organization and strategic change management is being analyzed.*
Findings: *As a result of the determinant of the change, which is CSRD, organizations will have to implement new non-financial reporting. A key role in the process of implementing this change in the organizations will be dedicated to CFO. There will be a transformation of CFO's function to the role of a multi-dimensional strategic leader of change management in organization.*
Practical implications: *The paper has practical impact. The general review characterizes the areas in which the CFO's knowledge and competences should be transformed so that they can effectively become leaders of ESG change.*
Originality/value: *We are able currently observing the transformation of the entire market. The occurrence of an external factor, which is a change in financial law (CSRD), determines changes in all organizations in the world. The paper is a summary of observations of the evolution of the scope of CFO's role and responsibilities to a strategic one.*

Keywords: *ESG, leadership in change management, Chief Financial Officer.*

JEL classification: *M14, G34, M41, L21, O16.*

Paper Type: *Viewpoint, General review.*

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1. Introduction

It is forecast, in business and consulting publications, that in 2026, about three and a half thousand Polish organizations will meet the criteria of the scale of operations resulting in the obligation to perform non-financial reporting under the CSRD Directive.

One of the main management challenges will therefore be the integration of the existing external, internal, management and tax reporting system with the reporting of non-financial indicators on environmental, social and governance (ESG) aspects within the area managed by Chief Financial Officers. Functions performed for the organization by people in these positions will be significantly modified.

The CSRD directive is an important external determinant of changes in virtually all organizations in Europe. It will necessitate the implementation of a data collection and reporting system for ESG indicators. Due to the requirement of consistency of data constituting the basis for reporting with regulations such as the Accounting Act or IFRS standards, Chief Financial Officers will inevitably become leaders of global change in organizations, and ultimately guardians of the correctness, substantive and consistency of data for reporting.

2. Leadership in Modern Organizations

Leadership has now become one of the most important issues of modern organization management. It is an indispensable element of it. It can not only lead an organization to business success. In the turbulent environment of the 5.0 economy, effective management of human resources is not enough.

Along with the volatility of the environment, it is basically necessary to constantly implement changes, work on maintaining and increasing the efficiency of operations in order to maintain a competitive advantage (Urbanowska-Sojkin, 1999; Cristea *et al.*, 2022).

Proper use of leaders means achieving results through people (Avery, 2009), teams, inspiring or urging a collective effort. It is therefore about optimally encouraging and inspiring individuals and teams to do their best to achieve the desired result. The overall goal of leaders in organizations is to accomplish tasks with the help of subordinate teams.

They must gain the commitment and cooperation of the team, get the group to accept and achieve common goals, and make the best use of the capabilities, energy and talent of the team members (Armstrong, 1997).

Characteristic features of leadership: it is a process, it takes into account influences, it occurs in teams, it takes into account common goals to be achieved. Starting from this assumption, "leadership is a process in which an individual influences a group of people to achieve a common goal" (Northouse, 2013).

The high level of complexity of processes and the multidimensionality and dynamics of the organization's environment mean that not only the organization, but also its leaders are required to be highly adaptable to the constantly changing environment (Avery, 2009; Tyagi *et al.*, 2023).

A modern leader must have special qualities. It should be a person who, above all, inspires, motivates, persuades and influences other people and effectively implements changes in the organization. In the literature on the subject, the approach of the authors is diverse, pointing to the desired character traits and behaviors that distinguish leaders from other people.

However, it is possible to indicate a group of those that are definitely repeated. These are: determination, motivation, responsibility, self-confidence, cognitive abilities, emotional and social intelligence, openness, emotional stability, problem-solving skills, compatibility (Goleman, 2004).

An effective leader will therefore be a person who can achieve results thanks to people, skillfully exerts influence on others, also has the power and ability to create visions and directions of action, acts as a mentor and tactician, but also creates and develops the team, improves and shapes subordinates.

3. The CSR Directive as a Determinant of Strategic Change in Organizations

The phenomenon of change in organizations is characterized by special features:

- is a dynamic process occurring over time,
- applies to every element of the company,
- requires planned implementation if it is to be effective (Zarębska, 2002).

The causes of changes can be divided into external and internal in the simplest way (Zarębska 2002; Kuc and Moczydłowska, 2009). Internal decisions are most often a derivative of management decisions aimed at achieving the long- and short-term strategic goals of the organization (Pagkalou *et al.*, 2024; 2025).

External ones, on the other hand, are a derivative of events that occurred in the organization's environment and caused the need for its adaptation. The main internal drivers of change are presented in Table 1.

Changes in the organization's environment also affect all areas of its functioning, thus forcing a specific transformation and adaptation to the requirements of the environment (Penc 2002; Zając 2006). The most important external factors causing changes in the organization are presented in Table 2.

Table 1. *External factors causing changes in the organization*

Area in the company	Factors causing/shaping change
Financial	• decline in net profit; • higher operational costs; • lack of funds for investments;
Social	• staff turnover, • conflicts and discontent among the crew, • decrease in work efficiency, • insufficient level of qualifications of employees, • little personal involvement of the organization's members in the implementation of its goals
Technological	• wear and tear of the machine park, • lowering the level of quality of manufactured products or services; • unsatisfactory level of technology

Source: *Own study based on: Zając Cz., Social and organizational problems of acquisitions and mergers of enterprises, Wyd. WAE Wrocław, 2006.*

Table 2. *External factors causing changes in the organization*

Enterprise environment	Factors causing/shaping change
International environment	• political changes in Europe and the world • raw material crises • integration and disintegration processes
International and national economic situation	• globalization of economies • virtualization of markets • strong increase in competition • increase in customer requirements
Legal environment	tax, customs, labour law regulations stimulating or inhibiting entrepreneurship and creating new jobs
Market forces	• globalization of markets • virtualization of markets • strong increase in competition • increase in customer requirements
Social and cultural trends	• demographic phenomena • social values • lifestyle
Technological changes	• rapid development of information technologies • new solutions in the field of materials, processes and products
Ownership changes	• sale of enterprises • acquisitions, mergers • privatization of enterprises

Ecology	• changes in the natural environment • pro-ecological legal regulations • environmental movements

Source: *Own study based on: Zając Cz., Społeczne i organizacyjne problemy przejęć i fuzji przedsiębiorstw, Wyd. WAE Wrocław, 2006.*

The concept of CSR turned out to be the determinant of global change for many organizations operating in various sectors of the economy. It assumes conducting business in accordance with the values and principles professed by the community in which the company operates.

However, organizations should not limit their activities in this area only to building their image or reputation. Instead, they should treat CSR as a set of strategic activities that result in detailed tasks to be performed. The areas of activity in which organizations should carry out specific tasks related to the implementation of changes and self-improvement are presented in Table 3. They should determine additional activities of the organization (Young and Marais, 2012).

Table 3. *Areas of CSR activities.*

Environmental area	Social and Employee Area	Management area
• energy efficiency and energy management • greenhouse gas emissions • climate change risks • water management • waste management and circular technology • biodiversity loss • pollution management • environmental management system • sustainable construction	• health and safety • human rights • human capital and management • diversity, equity and accessibility • health & wellbeing • education • supply chain management • fair working conditions • stakeholder engagement • community engagement and service accessibility • products or services impact on customers • marketing and communication	• management board and composition • board diversity • policies in place • executive compensation • shareholder rights • tax and accounting practices • ethics/anti-corruption • lobbing • security and cybersecurity • ESG governance at the board level • certificates

Source: *Źrodło: PwC, Od regulacji, raportowania i finansowania po strategiczną zmianę. https://pwc.pl/pl/usługi/jak-esg-wplywa-na-biznes-w-twojej-branzy.html#content-free-1-8089, b.r.*

In order to enforce additional activities in organizations in the areas defined in the CSR concept, actions have been taken to standardize and quantify them. They are regulated in a regulation issued by the European Union, commonly referred to as the Taxonomy (EP, Council of the EU, 2020).

This legal act was created to establish a legal framework that this time was not only to facilitate sustainable activities and investments, but above all to measure and evaluate them (EP, Council of the EU, 2020).

These provisions (Corporate Sustainability Reporting Directive CSRD) are intended to encourage companies to review, evaluate and possibly revise their strategic short- and long-term activities in terms of whether they contribute to the implementation of the basic formal and practical obligations resulting from the Directive for each organization (Pagkalou *et al.*, 2024; Hoang *et al.*, 2022).

The standard also requires the measurement of the effects of activities in the form of a set of indicators. Together with the redefined strategy, in the form of extended non-financial information, they will be obligatorily attached to the annual Financial Statements (PwC, Rumniak, 2103). Measuring the activities undertaken by the organization and their evaluation by specialized entities, but above all accounting for the advancement, effects and progress to improve their efficiency and quality will cause, or even force, the implementation of strategic changes in organizations.

In addition, it should be emphasized that it will not so much be assessed whether and what actions are taken, but above all whether the organization, through appropriate remodeling of its long-term strategy, has thoughtfully planned the financing and comprehensive implementation of changes in the scope defined in the areas of CSR and in such a way as to strive for self-improvement, understood as increasing efficiency within individual areas.

4. ESG Change Leader – The Role of the Modern CFO in the Organization

Chief Financial Officer (CFO) is a specialist who is responsible for management and financial strategy in an organization. Shaping financial strategy, investment planning, budget and risk management – these are not the end of the challenges faced by people working as CFOs.

The manager's responsibilities also include ensuring compliance with regulations (The Accounting Act, IFRS or ESG standards), financial analysis, advising the CEO in the area of M&A (mergers and acquisitions), planning the IPO process (initial public offering), obtaining financing, as well as various non-financial duties.

Long before the concept of CSR and the obligation to report, the CFO was already a strategic leader, influencing a wide range of decisions, from human resource management to IT security issues. In the face of market changes, competition and cost pressure, people performing this function in an organization face a number of challenges, the implementation of which is often difficult to reconcile as part of the adopted financial strategy, especially the cost area.

One of many examples would be meeting the conflicting demands of long-term investing in asset building while maintaining cost efficiency in the short term. In addition, there is the constantly changing function of financial departments (e.g., changes in tax regulations or reporting CSR indicators) and operating according to the principle of "more for less". These conflicting goals lead to paradoxes that basically become an integral part of the CFO's role in the organization.

The CFO, as a business partner, is tasked with providing proven data, supporting the management board in making decisions in line with the long-term value creation strategy.

Effective cooperation between business and finance is supported by activities such as m.in: inventory of stakeholder needs, identification of processes and reports requiring improvement, prioritizing activities aimed at streamlining and improving the efficiency of processes, adapting data and reports to the needs of recipients (e.g. visualization of financial results).

The most important challenges that the CFO must face as part of his or her job description. These include, above all, optimization of the reporting process, i.e. the use of new technologies, support for the talent management process in the organization, cost optimization, compliance with ESG standards, financial planning and budgeting.

Optimizing the reporting process means that the finance department is under constant pressure to provide information quickly and at minimal cost. In addition, this information should be adapted to the changing priorities of stakeholders, but also should take into account the volatility of the economic environment. For this reason, optimization of reporting processes is crucial to speed up the preparation of reports created from large amounts of data, while ensuring their high quality.

Effective and fast implementation of financial processes is supported by both tools that improve the efficiency of processes and automate manual tasks, as well as modern ERP or EPM systems. To ensure high quality reporting and financial processes, an efficient and automated process of data collection and transformation is essential. Business intelligence solutions and data warehouses allow you to centralize and harmonize these processes and obtain data that is correct, complete, and delivered on time.

Talent management is also gaining importance in the area of the CFO's activities. Talent in an organization is essential for future growth and profitability, and high turnover always results in high recruitment and implementation costs, as well as the outflow of knowledge from the organization. Above all, you should ensure that employees devote their time to development tasks and projects that require professional judgment.

This can be achieved, for example, by automating processes and routine and repetitive tasks. Contemporary organizations operating in a turbulent and volatile environment are looking for cost savings in areas such as: employment, technological investments, reduction of the number of processes. Potential solutions that can help CFOs reduce costs include modern cost and profitability management software, process automation, and machine learning, the use of artificial intelligence (AI) technology.

It is also worth taking into account the fact that automation and digitization are developing in enterprises every year. Every organization should follow this trend and monitor the latest market innovations to maintain its competitiveness. One of the areas of responsibility of the CFO, which will change dynamically in the near future, is planning and reporting.

A thorough change will be forced by a legal change such as the CSR Directive and the requirement to report, together with the Financial Statements, non-financial ratios imposed by the aforementioned regulations (E&Y, 2024). The modern CFO will therefore have to take on one more role. It will become a leader in the implementation of ESG change, or rather "green change".

To effectively meet these requirements, it is necessary to conduct a detailed analysis of these regulations and to design, implement and integrate new data collection processes to meet ESG reporting requirements. The collection of disparate data within the organization and the monitoring of defined indicators and goals for ESG reporting can be effectively supported by technology.

However, what should be clearly emphasized, the guardian of the correctness and quality of this data should be the CFO. In accordance with the guidelines detailing the directive, all indicators, the way they are constructed, repetitive reporting, etc. they must comply with accounting regulations, i.e., the Accounting Act and IFRS. In addition, as in the case of accounting data, the rigor of correct documentation of batch data and archiving them will apply. Therefore, the CFO of the future will also be the guardian and leader of the CSR governance in the organization.

5. Conclusion

In the modern reality of the CFO, where the number of tasks and additional responsibilities is growing, finding time to build knowledge and experience is increasingly a challenge. The CFO is responsible for a wide range of operations in the company, sometimes also for human resources and IT departments.

If organizations focus solely on CSR compliance and ignore its broader purpose, they will miss a valuable opportunity to integrate the SDGs into their long-term value strategy. Organizations that excel in generating value through sustainability are most likely to use new products and services as an opportunity to drive their growth and competitive advantage.

As a result, CFOs who see the future potential of sustainability reporting can use it to align their strategy, including financial strategy, with sustainability goals, enabling the company to positively and effectively transform its business model. A CFO who sees a framework for business in sustainability reporting, in addition to the goal itself, can transform it into a tool that supports setting strategic goals, sustainable development, taking appropriate actions, measuring their performance, identifying and managing risks and opportunities, and building lasting relationships with stakeholders.

Sustainability reporting is critical to this endeavor as it enables the company to understand the drivers of its value and communicate progress towards its goals. Reporting under the CSRD will also lead to the implementation of a change from the perspective of maintaining the market competitiveness of the organization. At the same time, the high level of disclosure required by the Directive will lead to the emergence of new market and business risks.

A good example of this would be the risk of being accused of greenwashing if ambitious goals are set that are not backed up by the possibility of achieving them. In addition, this type of "green" risk may cause an avalanche of new risks, for example, in the financial, operational and human areas.

Managing sustainability risks is an entirely new competency for CFOs that they need to learn. It will be all the more difficult because it is not yet a mature discipline in itself. In addition, it relies on sustainability reporting to understand the impact of these risks on the organization. The challenges for CFOs in the coming years range from a lack of available data to a lack of metrics, interpretation of standards, and gap analysis.

However, they should have a clear understanding of any issues that may prevent the organisation from meeting its obligations under the Directive in order to manage the expectations of external stakeholders, with particular emphasis on customers and investors.

Due to the challenges associated with reporting, the priority in addition to learning about ESG reporting requirements is to monitor whether the company has sufficient human and IT resources to support an effective and efficient reporting process. It is also crucial to assess the company's ability to collect and analyse data for sustainability reporting, including related internal controls, and to identify areas for improvement.

The CSRD imposes the obligation to attest sustainability reports. Ultimately, preparing an accurate, comprehensive, and reliable sustainability report is an organization-wide project and should be led by the CFO. Only the person with financial and accounting competence can provide the organization with oversight to develop reliable sustainability information.

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