

What keeps CFOs up at night?

Digital Transformation: What does it mean, who's taking part, and why so many sleepless nights in the C-suite?



There's a great deal of buzz about digital transformation, but a fair amount of ambiguity about what that entails. In short, the digital transformation describes a business transition affecting the core of a company's operations and how it delivers value to its stakeholders. Integrating digital technology into all facets of a business involves more than simply moving to the cloud, it's a business disruption driving top-down and cross-departmental business strategies.

Of course, the cloud and technology remain critical elements, but the digital transformation journey is often as much about the adoption of new technologies as it is about abandoning long-standing outdated processes and disparate legacy solutions which hold hostage the company's growth. The pressure is on the C-suite to act.

Forward-thinking organizations on their digital journey are witnessing the roles and responsibilities among their workforce evolve as a result of this journey. At the forefront are today's finance directors whose primary responsibilities have expanded into reshaping and strengthening their company's foundations throughout and beyond their technology upgrades. As an enabler of change and strategic business agility, the CFO is becoming the driver of overall operational efficiency. When the rest of the C-level execs are resting easy, the trusty CFO has other concerns.

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In mid-sized corporations specifically, it has become commonplace for the IT department to report to the CFO, giving the implicit expectation that the CFO assume, at least in part, some of the CIO duties as well. Chris Tierney of Moore Colson CPAs and Advisors told Forbes in a fall 2018 interview, "Many CFOs now run IT, HR and other non-financial groups." Whereas the traditional CFO role centered on cost, compliance, and reporting, the role has now become one of strategy and vision which goes well-beyond the finance department. "The CFO is becoming more of a business partner for the CEO than a subordinate," Tierney explains.

The changing role of the CFO

Yesterday's CFOs may have had it easy by comparison. As experts at budgeting and planning, finance directors of another era were satisfied simply by trimming spending and streamlining the company's accounting practices. Posting quarterly reports and ensuring data accuracy for audit-readiness was just another day at the office. However, instead of looking back as stewards of their company's historical data, today's CFOs are looking ahead and directing company-wide growth.

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That's not to say they've been absolved from their previous responsibilities as directors of the finance department. CFOs are having to carry out their existing tasks faster and more effectively through automation. A recent Accenture report outlines the drive to automate routine accounting tasks in order to shift focus to strategic planning and advisory roles. By 2021, it's predicted 44% of all accounting functions will be fully automated with another 17% becoming mostly automated. That's over half of the traditional finance department's duties managed through technology.

No Time for Day Dreaming

Finance leaders are under increasing pressure to manage advanced technology concepts so new skill sets are required to effectively deliver against them. Out from behind the cozy confines of the finance desk, CFOs are now expected to monitor the overall pulse of the business. "The CFO function is becoming more complicated. It's no longer about only interpreting and following accounting rules, payroll rules, and treasury rules. There's a need for CFOs to have a much broader and deeper understanding of technology." Mike Shebab of PwC Audit services told CMO.com. "Today, they must become experts in efficiency, productivity, and automation," all of which are enabled through technology. In essence, the CFO is being called to serve as the Chief of Technology, Information, Compliance, and Data Science - one very tall order.

The unique position of the CFO as the steward of corporate data dictates additional responsibilities as Chief Information Officer. Covering a wide range of capabilities, from mining data to reaching across business entities for insightful decision-making, the CFO is expected to empower staff to work toward a common goal. By aligning separate departments working



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from newly shared data, companies are able to work collaboratively, taking in the bigger picture.

The CFO role as Chief Compliance Officer is seeing the shift as well. With the ongoing potential for new risk and compliance concerns in an already complex environment, the demand for more resources from the CFO is ever-present. Worries over maintaining compliance through any sort of technology upgrade continue to be plague those heading into a digital journey. Once CFOs set out on a path to cloud, what about security and integrity of their data when there are new threats daily?

With anytime the CFO has left over, they are serving as Chief Data Scientists. Involved in projects related to both technical and business sides of the company, they are bridging business strategy and data science projects together. No stranger to innovation, CFOs are now expected to go even further understand how predictive analytics, bots, AI, robotics, and IoT concepts can take the company to the next level. "The CFO must understand data visualizations, data transformation, and how to use analytics, AI, and other technologies to achieve enterprise goals," Shebab explained.

Counting Sheep

Finance leaders know, at some level, that cloud adoption is inevitable, perhaps even obligatory, but initiating a move to the cloud can be daunting. With mounting pressure to shed outdated processes and spearhead the adoption of new and disruptive technologies, CFOs lay awake at night wondering how to bring it all together.

With a number of technology options offering similar features, the CFO needs to look for the solutions that answer the call.



To the Cloud - A Modular Approach

System upgrades are disruptive and the precursor to new learning curves by giving up the familiar legacy systems, and this scares everyone. Yes, installing a new ERP system is a commitment but modern technology allows controllers to retain legacy system functions while prioritizing the adoption of new solutions. Giving finance heads the freedom to enact a modular approach to implementing new systems sets their mind at ease. With the right digital foundation, finance leaders ensure a continuous, seamless evolution and ramp-up.

Without a doubt, the primary driver of cloud adoption is business agility and access to new innovation. By implementing scalable solutions, organizations can easily adapt to business processes changes without the time or expense of customized software.

Even when a partial transition to the cloud can seem scary, CFOs recognize that the move allows for quick integration of new technologies. Integrated systems provide more relevant information faster to stakeholders across the company. A full suite of cloud options further

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offers the opportunity for standardization and automation while reducing reliance on labor.

Automation

Today’s CFOs are automating not only core finance functions, but streamlining overall operational functions and bringing value to an organization as well. Research indicates 81% of CFOs see identifying and targeting areas of new value across the business as one of their main responsibilities.

Increasing the speed and accuracy of those core process, machine-learning-driven automation allows CFOs to spend less time managing and reconciling data and more time on forward-looking analytics, gaining total direct and indirect spend control across the business.

Insightful Analysis

Centralizing business functions into a single system integrated with cloud-based solutions bring powerful BI, data visualization, and predictive analytics tools. Compiling data by entities or across the entire company, these solutions are easily integrated with many on-prem systems. A single system which consolidates information in one place goes further to connect teams, provide instant analysis and visualization. With company-wide reporting from a unified source, CFOs are able to optimize working capital and capture new opportunities.

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Through a digital transformation, finance heads are spending less time managing and reconciling irrelevant data and more time on forward-looking, insightful analytics. With cloud-based tools providing instant analysis into a consolidated view CFOs get total direct and indirect spend control across the business.

Finance execs are getting a broader understanding of their markets for better business strategy and decision-making as a whole. In doing so, companies are improving business operations by pushing analytics to the forefront of financial operations.

Compliance and Security Delivered

Compliance is paramount to the digital transformation CFO. Newer regulatory and standards requirements, such as GDPR and IFRS require changes in data handling processes - and synchronization across multiple key departments. According to Thomas Sehested, GAN, "Historically, IT has been responsible for data security and network protection, but GDPR's requirements make this a C-suite affair." Embedding comprehensive and real-time compliance into operational processes while working alongside risk management teams allow companies to harness full compliance without a disruption.

Often hand-in-hand with compliance concerns is the security of the company's data. With cybersecurity a growing priority, modern technology delivers real-time, up-to-date, cloud-based cybersecurity protections changing how CFOs distribute and audit data.

A different approach to Finance and its Leadership

"Digital technology is disrupting the role of the CFO. It is fundamentally changing the way organizations approach finances and how they interact with customers," Accenture Strategy's David Axson told CMO.com. Today's CFOs are leading the finance function by adopting a broader role as strategic advisor and partner to their organization. Armed with the right technologies and trusted partners to provide guidance and support through the digital transformation journey, they are thriving in their new roles.



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