THE NEW CFO

DELIVERING BUSINESS VALUE IN THE DIGITAL AGE

accentureconsulting

INTRODUCTION

After nearly a decade of prioritizing cost reduction and defensive revenue protection, companies are again focused on increased competitiveness and growth. In fact, Accenture research showed that 82% of executives say they are funding growth initiative investments from current cost reduction efforts.[1]

CFOs, who played such a critical role in efforts to manage costs, are once again being called upon to help deliver growth. They are happy to oblige.

BUT ARE THEY READY?

GROWING PAINS

Many CFOs are finding substantial changes from previous periods when their companies transitioned to growth. To become digital enterprises that can capture the growth opportunities that lie ahead, CFOs will need to navigate a complex environment characterized by:

UNPRECEDENTED UNCERTAINTY.

Geopolitical conflicts have heightened fears of global economic instability, which impacts companies in multiple ways. Uncertainty appears to be here to stay, which requires companies to be nimble.

A NEW BREED OF COMPETITOR.

It's never easy to boost productivity or gain sustainable competitive edge. But CFOs' efforts are now complicated by the fact that the competitive threats have multiplied. Industry peers continue to try to steal established companies' market share. New players from within and outside respective industries are creating new, digitally contestable markets. Established companies often lack the agility, speed and digital know-how that contribute to business success in the digital age.

STAKEHOLDERS' INCREASING DEMANDS AND GREATER EXPECTATIONS.

Digital advances have enabled an "always on" environment. People—consumers, customers and patients—increasingly expect superior experiences when interacting with a business or provider. Other stakeholders also have increasing expectations: Corporate leaders, investors, business partners, suppliers, and finance talent. All these place tremendous pressure on CFOs to successfully navigate the complexity and deliver speed, access and convenience.

FINANCE CAN BE A MAJOR DRIVER OF FUTURE GROWTH AND COMPETITIVE ADVANTAGE

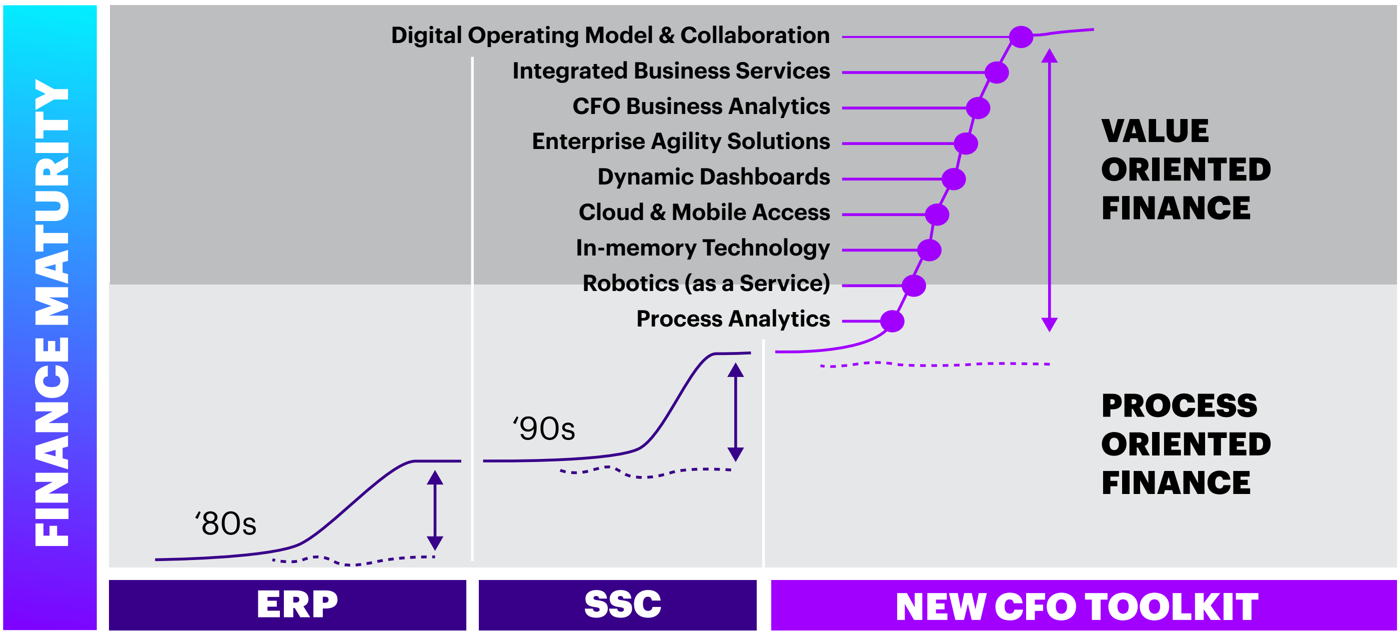
SEIZING A NEW FRONTIER

CFOs fall along a spectrum of readiness. At one end, some are still challenged to develop needed foundational capabilities. Others have taken advantage of digital and other new technologies and operating models to drive process improvements and efficiencies. A small group of CFOs have elevated the role of finance in their organizations by improving finance processes on a global scale, i.e., by leveraging enterprise resource planning (ERP) and shared services. These advances also allowed finance to be fully integrated with other business functions, from procurement and supply chain to HR and operations.

Today, CFOs have a new opportunity to take the finance function to an even more strategic level. Leaders are already taking action by shifting their focus from processes and productivity to true business value. They are no longer thinking of finance solely as an enabler of success. Rather, they understand finance can be a major driver of future growth and competitive advantage.

Digital and other technologies play a key role in making this shift to value-oriented finance possible today (see Figure 1). Complex legacy systems for reporting, planning and forecasting are being replaced with simpler, more cost-effective cloud-based platforms. And a host of new technologies such as robotics, in-memory technology, dynamic dashboards and advanced analytics are now available to help CFOs identify and pursue entirely new ways of working. These are freeing up the finance organization to move from transactional tasks to focus on higher-value activities, such as analysis and understanding implications on the business. CFOs can now reconfigure their process-oriented models into the insight engine for the business.

FIGURE 1.



WHAT DOES VALUE LOOK LIKE?

The impact of a finance organization's transition to value is enormous.

The most tangible benefits are evident in cost savings and productivity (see Figure 2). In both areas, a value-oriented approach can be a multiplier of the outcomes' value compared to the value delivered with a process-focused orientation. Other advantages can be seen in how finance is organized and its areas of focus.

For example, with a value-oriented approach, finance organizations approximate a 50/50 balance in their historical and forward-looking analyses. Under traditional ways of working, almost all of the finance organization's analyses are historical.

FIGURE 2.

AREA OF IMPACT	COST REDUCTION	PRODUCTIVITY	FOCUS OF ANALYSIS	REPORTING	ORGANIZATION	PERFOMANCE METRICS
PROCESS-ORIENTED OUTCOMES	20 percent savings	120 percent improvement	Past performance	Closing acceleration; reporting marks the end of finance's role	Finance functions are carried out in siloes	Focused on current operational performance
VALUE-ORIENTED OUTCOMES	**40-60 percent savings**	**200-300 percent improvement**	**Past performance + present/future possibilities**	**90 percent of reporting occurs in real-time; reporting marks the beginning of finance's role**	**80 percent of finance resources work in cross-functional teams**	**Focused on current performance and future value**

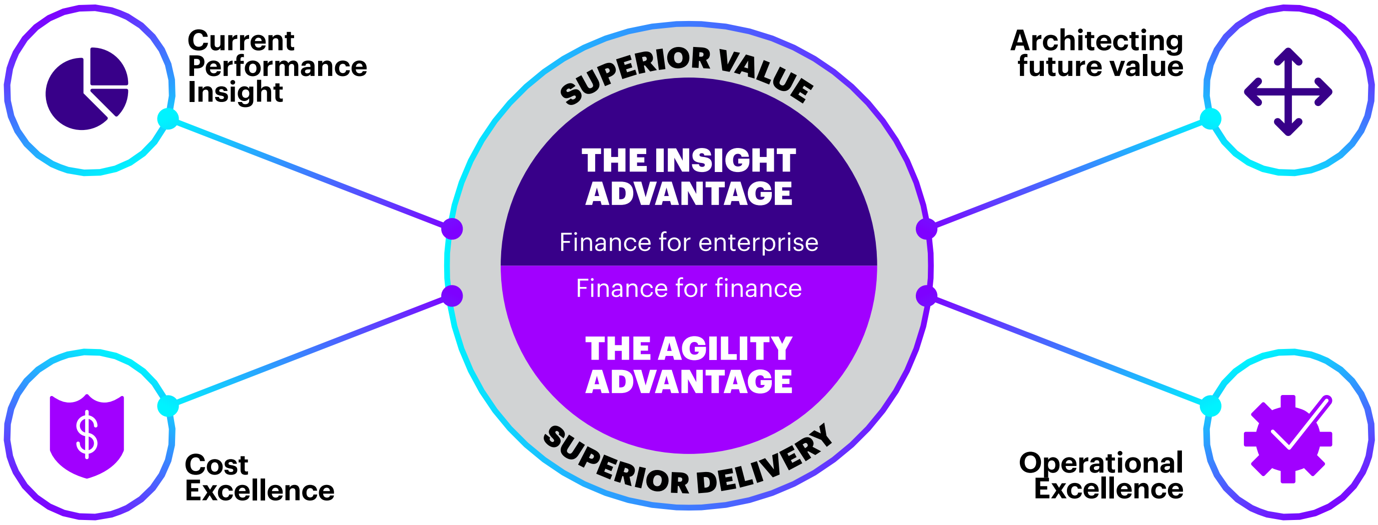
ROBOTICS IN ACTION.

A global beverage company is using robotics to automate the manual, time-consuming reconciliation of its inventory management system with its core SAP system. Robotics is helping the company to reduce inventory reconciliation time from more than 40 hours to less than 10 minutes. Along the way, it is boosting productivity by 90 percent and performing with 100 percent accuracy.

MAKING THE SHIFT

CFOs who adopt a value-orientation can realize two big advantages (see Figure 3). They generate insights that allow them to not only understand and improve current performance, but also identify opportunities to pursue future value. And they operate with much more agility to achieve cost savings and operational excellence.

FIGURE 3.



TO EFFECTIVELY MANAGE THE TRANSITION FROM A PROCESS TO VALUE ORIENTATION, FORWARD-THINKING CFOS DO FIVE THINGS:

1. ADOPT A NEW MINDSET.

Value-oriented CFOs see themselves as more than cost and process authorities. They consider themselves to be value architects who view the world of finance through a different lens. Specifically, they shift their primary focus beyond transactions, data and reporting processes toward helping the business grow. They don't just fix problems or control costs, but rather identify new opportunities and unleash potential. Importantly, they can forego the comfort from 100% accuracy of backward-looking analyses to the discomfort of a less-than perfect, forward-looking view.

2. EMBRACE NEW TECHNOLOGIES.

A number of new technologies are now available to help those who want to focus on value and create a digital enterprise. These free finance professionals for more interesting and impactful work. Days spent collecting data, monitoring spreadsheets and preparing reports give way to more analytical, collaborative and strategic activities.

THREE NEW TECHNOLOGIES ARE PARTICULARLY IMPORTANT:

ROBOTICS.

Robotic process automation or cognitive computing significantly reduces the potential for human error, improves compliance and quality, and dramatically reduces cost to serve. Using robots, for example, to handle requisition-to-purchase orders can cut transaction-handling time in half. Robotic "digital assistants" can reduce operating costs by as much as 80 percent.[2] Additionally, we anticipate robotics can automate or eliminate up to 40 percent of transaction accounting work by 2020.[3] This shift means that finance staff can spend more time—up from 25 percent to more than 75 percent—on decision support, predictive analytics and performance management.[4]

IN-MEMORY TECHNOLOGIES.

These systems' parallel programming to make it much easier and faster to process large volumes of data simultaneously and in near real-time. Record-to-report processes are typically based on month-old information. Overnight batch processing also makes them quite time-consuming. But with in-memory ERP solutions, finance organizations can generate real-time reports and see the impacts of their transactions immediately.

CFO BUSINESS ANALYTICS.

Especially when cloud-enabled, integrated with in-memory technologies or accessible via mobile devices, CFO business analytics can provide real-time actionable insights. Advanced analytics, which apply complex algorithms to internal and external data sources, are particularly useful for CFOs looking to calculate real-time costs and forecasts based on multiple scenarios, along a number of dimensions. Additionally, predictive analytics enhance CFOs' ability to more accurately anticipate and mitigate future situations.

CFO BUSINESS ANALYTICS IN ACTION.

A global tire manufacturer uses CFO business analytics to reduce both raw materials' procurement costs and the time to perform analyses and simulations--from seven working days to just 10 minutes. Rather than explaining price/volume variances after the fact, the solution facilitates the company in making fast and informed decisions that help produce future value. Merging financial, supply chain and external market data in a real-time analytics and predictive model provides insights on how commodity prices and forex (FX) rates' fluctuations may impact company performance. This helps the company to anticipate market and global economy trends.

3. RECONFIGURE THE FINANCE ORGANIZATION TO DRIVE VALUE.

As value-oriented finance takes hold, the concept of a traditional finance team would likely end. In our experience, up to 80 percent of traditional finance services can be delivered via cross-functional, integrated teams focused on an end-to-end process.

The new value-centric finance organization utilizes:

CONTROL CENTERS.

These centers are made up of specialized teams focused on control, compliance, communications and risk management. By streamlining work processes and consolidating the fundamentals of finance—statutory accounting, compliance, tax, treasury and investor relations—they are able to provide nimble, responsive and cost-effective services.

DIGITALLY-ENABLED AND VALUE-BASED SERVICES MODELS:

Cross-functional teams improve costs and value by delivering end-to-end services to employees, customers and suppliers. One example is global business services that have analytics competency centers. Within these centers, analytics professionals do more than analyze financials. They assess product, customer, expenses and project trends and apply on-demand, multi-dimensional predictive modeling and analytics to uncover new sources of potential value. In this model, the value of global business services extends far beyond wage arbitrage.

4. RE-THINK THE TALENT STRATEGY.

To accommodate the shift to value orientation, CFOs will need to develop in their organizations new behaviors, skills and competencies. Of course, traditional finance acumen would still be valued, but that is just the starting point. Team members must also possess skills such as insightfulness, analytical reasoning, risk awareness, tolerance of ambiguity and decisiveness. They will need cross-functional business knowledge and be able to use digital insights to drive actions. New operating models and technologies will call for the talent profile to be expanded: Statisticians, data scientists, behavioral scientists, economists and even anthropologists can all play a role.

5. ADOPT NEW MEASURES OF "SUCCESS".

As drivers of growth, re-imagined CFO roles should include expanded performance measures to incorporate future value. We're already seeing some leading companies allocate half of their metrics to current performance and half to future value. In terms of future value, it makes sense that CFOs include measures of "intangibles," since these have a direct bearing on the value the business may generate in the coming years. Measures should also encompass the broader business knowledge and insights that will be expected. With a value orientation, CFOs and their business peers' metrics would be much more aligned, creating opportunities for CFOs to enhance their role as business partner.

A LEAP OF FAITH.

CFOs have traditionally focused on the accuracy of their reports and insights about historical occurrences. This may cause some CFOs to resist transiting to a value-based orientation. After all, accuracy cannot be guaranteed when dealing with issues related to what has not yet occurred.

Forward-looking CFOs will not let their discomfort stop them from making this needed change. They will use technology to get real-time data and analytics to gain trustworthy insights. CFOs can then quickly assess and propose actions. They will recognize that it's better to be 80 or 90 percent accurate about the value that lies ahead than 100 percent accurate about what has happened in the past. Accenture anticipates that CFOs who pivot to value can see dramatic improvements in agility, efficiency and workforce productivity. More important, they can become critical drivers of value and core enablers of the growth that companies seek.

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SOURCES:

1 Accenture, "Increasing agility to fuel growth and competitiveness." 2016.

2 Accenture, "Consumerization. Advanced robotics. Specialized talent." 2015.

3 Accenture, "Finance 2020: Death by digital," 2015.

4 Ibid.

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