Interview with:
Christian Campagna
and Antonio Oftelie
What are the biggest challenges facing CFOs in the next three to five years?

Christian Campagna, Senior Managing Director, CFO & Enterprise Value, Accenture Strategy:

That's a long period of time, given how fast the world is changing at the moment. But, I would say complexity and volatility, because those will not go away. I think it will be also how they balance profit and fueling for growth, finding the right level of investments, especially in disruptive business models, disruptive technologies, digitalization of their own function, but also of the enterprise.

Dr. Antonio M. Oftelie, Executive Director, Leadership for a Networked World, Technology and Entrepreneurship Center at Harvard:

Christian mentioned an interesting word: complexity. So, I think for chief financial officers in the finance function, one of the biggest challenges in the next three to five years will be managing that complexity. The complexity is moving faster. So, technology, digital disruption, the internet of things, and convergence of social and technological issues are gonna change the pace of the way CFOs have to manage their organization. And that is a skill set they're gonna have to acquire.

Are these challenges different from industry to industry? If they are, can you give specific examples?

Campagna:

I think, in general, there are no big differences between industries. Almost every industry is threatened by disruptors. I think the question is, ‘Where is your focus at the moment from a company perspective?’ If you are in a business, if you have margin pressure, if cost is really important for you, you probably invest a lot into your enterprise performance, trying to drive efficiency out of your back and middle office. Things like automation, robotics, et cetera, et cetera. If you are more market focused, you probably invest more into the front office, into data and insights that you get about your customers, new channels, your ecosystem. So, I think it depends.

Oftelie:

Yeah, that's interesting. I think there's some similarities for CFOs and for the finance function in companies coming up now and in the near term future, in that all of them are really looking hard at, ‘How do we optimize our current business value?’ Especially via digital, and the tools and technologies that are here now, the technologies that are on the uptake, so to say, everybody's working on them. They're also, I think, all looking at the idea around, ‘How do we create new business value over time?’ Especially via digital, and by changing their market position and what they can do there. But, importantly, they're also all thinking about, ‘How do create dynamic enterprises?’ So, ‘How do we create the skills, and bring the people in to have agility in this new world?’
Oftelie: I think industry by industry, how that plays out will be slightly different. For financial companies, they’re gonna be inundated with data as they already are, so how the leverage that to change their market position will be very important. If they’re a consumer company, dealing with, how do they build new types of products and services for people, especially getting the insights via data, will be very pressing for them. If it’s a standard, you know, manufacturing firm, for example, looking at, ‘How can we connect our tools, or what we build, to the internet of things, and to new data streams that we can better maximize the potential for those products and services?’ will be very important.

All of them have the same baseline challenges, but how they play it out I think is gonna depend on the industry.

What skills, competencies and relationships must the Next Gen CFO acquire, which are distinct from today’s CFOs?

Oftelie: Yeah, today’s CFOs generally, and how we’ve been trained in the past, has really been to look at, kind of the rear view, in some ways. We’re really good, and CFOs are really good at saying, ‘Here’s what the trends have been, here’s what our projections are gonna be, let’s track that very well and send it out to the rest of the C-suite. Now, CFOs are really trying to become the chief growth officers in many ways, looking into the future to say, ‘How can we anticipate change in our operating environment, what do we need to do to seed that change and transform our business over time?’ So the skillsets they’re gonna need are much more visionary and the aspect of, ‘How do we look to the future? How do I translate that into what I need to change now, and how do I work across the C-suite laterally with the COO, with the CIO, with the CEO of course, and other stakeholders to make that change happen?’ But also, vertically, within their organization to align the enterprise and the people to make sure that they have those dynamic skills to bring that future to bear as well.
What can these Next Gen CFOs expect in terms of disruptors in their roles?

Oftelie:

Yeah, next generation CFOs are really gonna face this issue around the ecosystem in their operating environment. Because of things like digital ubiquity, the internet of things, and the pervasive networked economy; it used to be that their firms were pretty independent within a market, and they had their established customers and suppliers and partners. Now, the market’s changing quite a bit with most firms, in that they’ll be part of an ecosystem. Multiple organizations, multiple competitors, multiple suppliers, et cetera, working within a system. So, the CFO will really need to be able to analyze that system. ‘Where do we create value over time? But also, how do we extract value?’ That’ll be, I think, very challenging for CFOs to get a handle on.

Campagna:

Yeah, and I think, it’s not only to analyze the system, you know, ‘Where do I get value from, where can I extract value?’ CFOs will still have their traditional roles, and one of the big roles is managing risk and compliance, and try to imagine how companies already have challenges making sure that they are compliant within their current structure, and managing the risk. Thinking about the ecosystem, you know, you are very much linked into suppliers, you are linked into other companies, you know. People maybe don’t buy from you, they buy from someone else, but it’s directly to someone else. They need also to manage here compliance and risk. So, I think this is a challenge that is ahead of CFOs where I think we need completely new thinking, new ways of thinking, probably completely new technologies to enable managing their compliance and risk.

Oftelie:

Yeah, the interesting thing you said, Christian, was around these new skills. One of the things I think will be really fascinating is, how CFOs think about the traditional measures of value, so, ROI, or internal rate of return, or net present value, especially when thinking about the innovations, they have to move forward as chief growth officers, and this new economy they’re working in challenges all that. It’s very difficult to understand, ‘How do we see these innovations disrupt ourselves with the new business models,’ but also have to hold on to, ‘We know we have to create value for this over time, but how do we measure that?’
Is there one piece of advice that you can give to Next Gen CFOs in this era of disruption?

Campagna: The one piece of advice is: be agile, and take the challenges that are ahead, not only as an additional risk, but also as a big opportunity.

Oftelie: Yeah, I would add to what Christian said, and I think it’s something around creating dynamic capacity, as we call it, at least as an academic. It’s a term where we say, ‘How can the CFO be really in charge of making sure that the structures, the systems, the capabilities, the processes within the firm are agile enough where they can respond really dynamically to changing market conditions?’ It used to be that that was the role of the CEO or perhaps the HR department to think about. Now it’s the entire C-suite, and the CFO really needs to be part of that.

How can Next Gen CFOs use data and technology to make their organizations more agile?

Campagna: Oh, I think predictive analytics is something what really will help driving more insights, driving new business models, new channels, topline growth. I think there’s also this artificial intelligence coming. What will really change the way how the finance function is working. I think there will be – today everyone is about robotics. Robotics is taking out the human middle wear, you know, the transactional stuff. But, I think this robotics is evolving more and more into kind of artificial intelligence where basic decisions, or at least, the suggestion of basic decisions will be made by systems, so I think the bar will raise for the FP&A function to make more impactful, more difficult decisions.

Oftelie: Christian mentioned intelligence, and looking inside the organization for information, and I think, even, with being a chief growth officer, so to say, for CFOs, they’ll also need to become the chief intelligence officer in some ways. Using technology, analytics, data to better understand what’s going on in the organization. One of the big challenges they have is they spend way too much time in retrospective analysis, right. So they have to free up their time to think about, ‘How do we address this future market, the way we need to transform our organizations?’ They can only do that if they free up time. And so analytics, data, and the insights, and actionable intelligence they get from that, will, in theory, at least, and I think, in practical ways, really open up the door for capacity within the organization that they can then channel towards the future.
Thinking back to Karim Lakhani's presentation, what insights can you share for CFOs that want to implement an agile business model, part one? And part two, how can they get working with the C-suite to improve growth?

Karim Lakhani is a Professor of Business Administration at Harvard Business School

Campagna: What I took away from Karim Lakhani was, he made a very provocative statement on day one by saying, 'Every company will become a software and service company.' And I thought, 'That's really provocative.' On day two, we had two companies presenting. Two old companies, both are more than one hundred years old. They are in the classical manufacturing kind of industry. One is making, today, thirty percent of their revenue with software, and the other one was telling us that they are making already twenty percent with their revenue with services. He probably made a provocative statement, but, there's a lot of truth in it.

Oftelie: Yeah, Lakhani was really talking about a concept he calls digital ubiquity. It's interesting because this is a premise that society will really be permeated with data. It'll cross people, it'll cross systems, companies, and for CFOs they'll really need to think about, 'How do we capture value in this new distributed ecosystem of data, and then how do we really build markets from that?'

So what were the main takeaways from the 2016 CFO of the Future Summit?

Oftelie: So a big take away from the CFO of the Future Summit was that, as we brought in participants and asked them about how much their job has changed in the past five years, around seventy-five percent of them said its changed significantly. When we asked them what it's going to look like in five years, more than ninety percent said that it would change significantly. So a big issue for them is, 'How do we manage this change?'

Campagna: Yeah, that was also a big surprise to me, but I thought, David Rowland (CFO, Accenture), he really summarized it very, very well when he coined the term that the CFO is becoming the chief growth officer. Because I believe it really describes very, very well what we described as a chief value officer, or we used other terms, but chief growth officer is something what really stucked with the audience, and I think maybe David really coined a new term here.
What were the most surprising insights for both of you?

Campagna:

There were actually two big surprises to me. One was, how companies are dealing with activist investors, or how different companies are dealing with activist investors. We had one case presented where the company actually appreciated a kind of a wake-up call that came via an activist investor, and I think they did their homework, they reacted on this, and I think they were also, to some degree, thankful that this activist investor pulled out, and a long term investor came in, helping them to continue the journey after the wake-up call. Another company presented, and I think it was more the typical view of activist investors, like something what you do not highly appreciate if you face it, and he said they are trying to protect against activist investors by being activist investors themself. I think both companies followed the same path. For one it was the external trigger that gave the wake-up call. For the other companies they were knowing that they need to have this wake-up call, so they decided that they move into the role of an activist investor. That was really a big surprise.

The second surprise was, we spoke about performance management systems, and we shared that we in Accenture, we retired our very strict and well known performance management system. A lot of participants couldn't believe this, and it was over the two days, they came always back to it, 'How can you do a performance management,' you know, 'How can you make sure you know who are your top, your bottom performers? How do you allocate money without having these strict rigid rule based system?'

I know that we are one of the first companies doing this—we are not alone, some others are also doing it—and what I promised to the people who were really, really shocked by this, that I will inform them, you know, after our first year and a couple of months how it turned out. I believe it will turn out very, very well, but it was kind of surprising how some, or especially finance people, couldn't believe that you could manage a workforce without having this very strict rule based system.

Oftelie:

So I think there were two big takeaways for me that tended to interlink a bit. One was that this traditional view of shared services is really changing over time, to managed services, to something moving beyond functions to more of the professional services within a firm. That's interesting in that it opens up the capacity for CFOs to spend more time on developing new business models, digital business models of the future. They have to really be thinking on one hand, 'How do I maximize the value out of our shared services, out of our managed services?' and really be leading that effort, at the same time, freeing up those resources then, to move towards the future, and grappling with what will be the business models of the future, the digital models that will need to put forward in the future, and linking those things together.
What did the 2016 CFO of the Future Summit offer the attendees that is different from other similar conferences that are aimed at finance leaders?

Oftelie: 

So this summit is really special in that CFOs and finance leaders, day to day, are really in the grind, right. They’re really working the numbers, they’re managing their businesses, they’re running the enterprise. They don’t get a lot of time to get on the balcony, so to say. To come together with their peers, other leaders, to think about the future, both near term and long term, to think about future business models, how they create value in the future, how they capture some of that value in the future. So they come here to the Summit, they can exchange ideas on that, share best practices, and, I think, really inspire each other to think about what the future looks like, and they can really only get that here.

Campagna:

I think there are not that many summits out there that are really addressing the next generation of CFOs. I think the participants really appreciated this, being amongst peers. I think we also have the right mix between academic mental stimulation, with great presentations, opening the mind, and at the same time, you know, bringing in group CFOs who telling their stories, you know, what really worked, how they have done it. Plus, the great networking in this great environment here, I think that made it very, very unique for me, and I know also for many participants.

Final thoughts?

Oftelie: 

So, I think, looking to the future, it’s going to be fascinating to see how chief financial officers can really become the growth officers like we talked about, and really interesting to see how they look at the future as far as digital business models, how they transform their organizations over time and really capture value in the future. This, I think, is a central challenge for CFOs. We’re hoping to keep working with them, bring them back to the Summit, to address that issue.

Campagna:

Final thought is, because I’m sure we will continue to do this, how can we make it better, because I think this one was pretty good already.
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