Driving the Strategic Agenda: The CFO's Road Ahead

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The Changing Role of the CFO

The role of the CFO is changing dramatically. CFOs are increasingly being called upon by their CEOs to play a more significant role in driving strategy, growth, and operational excellence in their organizations. They are also being asked to collaborate with business partners across the enterprise and provide insights—beyond just the numbers—that will help inform decisions. According to the KPMG Global CEO Outlook survey, more than half of global CEOs report that the CFO is the function that will gain the most importance in the next three years.

This expanding role will be shaped by a constantly changing and fiercely competitive business landscape. Looking ahead, there are four business priorities that will significantly impact the focus of the CFO and strategies for driving the company forward: growth, the regulatory environment, business insights, and continuous innovation and change.

These priorities will challenge CFOs and finance organizations to re-evaluate how they work and the technology they use, and drive the evolution of their finance systems to deliver the capabilities and tools they need to succeed. Here is a look at the impact of these priorities on the CFO and finance organizations, and why they are moving to cloud-based finance systems to better help them support growth, change, and innovation.

Growth

A majority of CEOs view growth as their top priority during the next three years, according to the KPMG Global CEO Outlook survey, and this focus significantly impacts the CFO. CEOs are looking to CFOs to help them drive growth strategies across the organization, an expectation that makes sense given the unique perspective of the CFO. Outside of the CEO, the CFO is often the only role that has a view into every part of the business, and brings an understanding of both financial information and business strategy to the table.

> CFOs will need greater transparency across all areas of the organization beyond just finance.

CFOs will be driving multiple growth strategies, with CEOs reporting geographic expansion and organic growth as primary focus areas, and nearly half planning to grow through acquisition, according to KPMG.

This will not be an easy task for CFOs in today's constantly changing business environment—consumer behaviors continue to impact supply chains, new business models are disrupting the market, and the competition for talent continues to intensify. CFOs will be challenged with increasingly complicated questions to help them plan, such as:

- How are customer demands evolving and what new channels or capabilities are needed to meet these demands?
- Should the company acquire, merge, or divest and how is that done successfully?
- What is the best talent strategy for entering a new market?

To make these decisions, CFOs will need greater transparency across all areas of the organization beyond just the finance function—with insight into operations, customers, talent, and financials. They will need the ability to act quickly on decisions and make changes easily to avoid missing opportunities and losing out to the competition. CFOs will also need to collaborate closely with CHROs on growth strategies, to ensure that the right talent is in the right place at the right time. Given that people are typically a company's largest expense, working closely with the CHRO can ensure that both the financial and people impacts of decisions are addressed from the beginning.

Regulatory Environment

The regulatory environment is a top issue for organizations today, and CEOs are looking to the CFO to help them not only adapt to new regulations, but to create more value for the business as well. According to KPMG's "The View from the Top" report, a majority of CEOs view regulatory change as an opportunity to derive competitive advantage, and identified this as the second most important CFO initiative (48 percent) that can bring strategic value to the organization.

> Making data accessible to relevant stakeholders in real time will be critical.

While regulations can be highly specific to a given region or country, CFOs can think more broadly about how regulatory change can help drive improvements beyond compliance, such as streamlining processes or gaining new insights into the business. KPMG reported how changing reporting requirements have become a catalyst for the financial services industry. "For most financial institutions, there has been greater standardization and a deeper emphasis on building data-warehouse environments to meet new regulatory reporting requirements—data environments that can also be tapped to better understand and help grow the business."

Business Insight

Businesses, under pressure to operate quickly and at scale, are demanding more real-time financial analysis to help drive decision-making across the organization. CEOs are looking to the CFO and finance organizations to support functional leaders with relevant data and insights, and advise on strategy. In KPMG's "The View from the Top" report, nearly half of global CEOs reported that embedding more finance skills into the business through partnering was important.

To become better strategic partners to the business, finance will need to work differently than they have in the past, spending less time on processing transactions and more time on analysis and advising. The CFO and finance also can no longer rely on just looking at historical data to inform decisions and support business planning. To keep pace with change, finance will need to work with a current and holistic view of the business that can help them understand how financial data and other numbers like talent acquisition and HR data impact each other. This will enable finance to provide more meaningful and timely insights to business partners.

Mark Stinson, director of Corporate Accounting at Shelter Mutual Insurance Company, shared the importance of having access to data and insights to his finance team. "We want to know the reasons behind the numbers. We want to be able to look at losses by state and even lines of businesses within each state, so we can understand what is happening related to an uptick in losses in a region," he said.

Making data such as this accessible to relevant stakeholders across the organizations in real time will be a critical part of strengthening business partnerships. With everyone viewing the same information, collaboration can focus more on strategy and planning versus reconciling numbers.

Continuous Innovation and Transformation

CEOs are feeling pressure to keep their products and services relevant and are looking to the CFO to help their businesses innovate and transform. According to KPMG's "The View from the Top" report, one out of three CEOs say experience with transformation is one of the most important attributes for a CFO.

Businesses today are being impacted by change on many fronts—disruptive technologies, regulatory changes, shifting consumer demands, and unexpected competition are forcing companies to evaluate and evolve their business and operating models to stay competitive. Much of this change is driven by industry-specific needs, such as connectivity and digitalization disrupting the auto industry and omni-channel impacting supply chains in the retail industry.

CFOs and finance can help their organizations evolve with change by providing data and insights that can help identify growth opportunities and inform decisions. Finance will also need the ability to adapt to changes quickly and support new strategies, such as entering new markets or making acquisitions, helping to ensure their success.

How the Cloud Helps CFOs Meet Business Demands

These four business priorities will shape the focus of the CFO over the next few years, and are leading many to consider moving their financial systems to the cloud to help support increasing demands and responsibilities. While legacy systems have served basic accounting and reporting requirements well, they weren't built to help companies look forward and keep pace with the continuous change of today. According to Gartner, by 2018, at least 25 percent of new core financial application deployments in large enterprises will be public cloud SaaS. (Source: Gartner, "Predicts 2016: Financial Management Applications," by John E. Van Decker, Nigel Rayner, Christopher Iervolino, 23 November 2015.)

> Finance teams are also focused on empowering business leaders with real-time data and insights.

CEOs are also pushing their CFOs to the cloud. In KPMG's "View from the Top" report, CEOs stated that leveraging technology, such as cloud-enabled ERP systems, should be the main focus of CFOs in the future. Here are some of the reasons that are leading CFOs to the cloud:

Real-Time Data and Analytics

To support the growth agenda, finance is being asked to focus on analysis and planning, and to answer "What if?" questions. This will require that finance systems provide real-time data and insights about the current state of the business. Finance no longer has the time to manually reconcile different numbers from different systems for consensus. Rebecca Lowde, CFO at Salmat, moved to a cloud-based finance system after "spending thousands of man hours every month doing manual reconciliations across multiple geographic locations, with limited business insights provided from any of our systems." She now reports greater insight into financial data across the organization.

Joe Fanutti, CFO at Bill Gosling Outsourcing, saw a major impact to his finance team with a cloud-based finance system. "Our financial analyst time—in terms of preparation of data versus analysis—has gone from 70/30 to 30/70. Now we're only spending about 30% of our time producing financial information, with the rest now spent on analysis, allowing us to use data to drive future business decisions," he said.

At the same time, finance teams need to be able to track and capture greater dimensionality than they've done in the past to better understand the business context driving those numbers. This insight will help finance be able to identify and address opportunities and problems more quickly.

Finance teams are also focused on empowering business leaders with real-time data and insights that can help them react at the speed of business. The cloud is enabling finance to make relevant financial data easily accessible to functional leaders, improving collaboration across the enterprise. Conversations are becoming more strategic, shifting from debating the numbers to discussing the reasons behind them. With greater insight into current performance, leaders are able to continuously strategize and course correct when needed, leading to more consistent and higher operating margins.

Emerging predictive and prescriptive analytics will also provide finance with an opportunity to understand not just what has happened in the past or is happening in the present, but what may happen in the future, such as predicting those customers most likely to be late or not make payments.

Flexibility and Scalability

The pace of change keeps accelerating, and businesses need to be able to adapt to the changing realities around them. Being stuck with business processes and systems that can't keep up is a huge hindrance. With CEOs looking at growth through multiple vectors, such as expanding into a new market or making acquisitions, finance needs to be able to adapt to changes and support new strategies quickly.

Cloud-based finance systems bring agility and a scalable technology foundation that can support fast growth and significant change. This is why Nick Pointon, VP of Finance at King Digital Entertainment Plc, moved his finance organization to a cloud-based finance system, to "create a technology foundation that can support our rapid growth and drive business forward."

> CFOs need to focus on strategic value and supporting the broader organization.

Being in the cloud eliminates most of the offline processes, downtimes, manual reconciliations, and other big process management issues around system change. For example, setting up a new entity in a cloud-based system takes minutes and hours versus a legacy system, where having to customize it and take it offline to reconcile different systems can take months.

Operational Efficiencies

To become a more strategic business partner, CFOs and finance organizations are moving to the cloud for greater efficiencies that enable them to spend less time on managing transactions and more time on value-add activities. Cloud-based finance systems can help streamline business processes and offer real-time reporting, eliminating many offline processes and the need to compile and reconcile numbers.

This has resulted in a 20 percent reduction in time to close for some finance teams. Being in the cloud is also simplifying many administrative tasks for the entire employee base, enabling them to submit expense reports and approve purchase orders from their mobile devices.

Cloud-based finance systems with built-in workflow and controls are also helping internal auditors to become more efficient and effective. Internal auditors, who often spend significant time working outside the system to gather information and verify processes, can now access information about a process in seconds, versus weeks in a legacy system, enabling them to spend more time collaborating with others across the business on future initiatives. "I've seen a big improvement in how my team accesses information and creates reports to analyze data compared with how it's done with legacy systems. We have the ability to create reports based on real-time data, which saves us a ton of time and gives us greater confidence in the information," said Kendall Tieck, VP of Internal Audit at Workday.

The CFO's Road Ahead

It is an exciting and challenging time for CFOs as their role continues to evolve in a dynamic, ever-changing business environment. To keep up with the pace of change and steer their companies toward growth, CFOs need to focus on strategic value and how they can support the broader organization. Driving growth, contending with an ever-evolving regulatory environment, delivering deeper and more-strategic business insights, and staying agile as demands change requires a new kind of finance organization. All of this change will continue to lead CFOs to look inward at their finance systems and evaluate if they can help support business demands today and in the future.

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