

# EQUIPPING THE CFO FOR A SUCCESSFUL ENTERPRISE TRANSFORMATION

## SPONSOR PERSPECTIVE

The realm of finance has been a hotbed of disruption sparked by innovation, shifting regulatory environments, and uncertain geopolitical times. There is a new status quo for finance in this increasingly digital world characterized by near-constant change, cost pressures, evolving customer demands, compliance, and digital transformation. This paradigm shift has become a new imperative for finance to adapt in response. The prerequisite for this transformation is a robust platform of innovation to help you achieve process standardization, automation, and operational excellence. The “why” of driving these process improvements is clear: your customers, employees, and ecosystem will derive immense value from it.

Paralleling these trends is the transformation of the chief financial officer (CFO) role. Today’s CFO must go beyond a supporting cast role when it comes to the formulation and implementation of corporate strategy and intelligent spend. Those looking for a reason should look no further than how analytics and other digital tools have drastically shifted finance processes. From building brand loyalty using customer experience insights to transforming how small, fast-paced businesses connect to new markets and channels, the CFO must be well equipped with digital proficiency and strategic thinking to lead organizations through these changes, which are grounded in finance.

What trends must digital-savvy CFOs keep their eyes on? For starters, the increased automation and efficiency we’re seeing today. The most recent innovations in the cloud provide further flexibility with embedded capabilities that can be enhanced without disrupting daily business. All of these technologies are being embedded in modern finance systems and applications, serving as the backbone powering intelligent enterprise. CFOs now have at their fingertips the ability to turn real-time data into process improvement, ensure compliance, and guarantee employee and customer satisfaction alike—if they know how to take advantage of the latest innovations, that is.

All of these innovations in and transformations of the CFO role point to a growing need for a customer-centric mindset. Every decision, process, and product must be developed with end customers in mind. To achieve this level of insight where digital finance-equipped intelligent enterprises come into play, you must be able to collect, analyze, and respond to customer sentiment in real time and adjust your operations accordingly. CFOs looking to foster this capability can start with continuous learning and an appreciation for outside-in perspectives. The good news is, CFOs today have a golden opportunity to not only respond to this new environment but also to get ahead of it to deliver outcomes with real value to stakeholders.

With that, I encourage you to read this insightful report. As you will see, there is massive potential that the experience has to offer. To help you read the tea leaves and take advantage, Harvard Business Review Analytic Services has done a tremendous job analyzing and condensing today’s top finance trends, technologies, and expert experiences into a compact framework to help you regain peace of mind and shepherd you to the next leg of your very own business journey.

We hope you enjoy it!



**ANTHONY COLETTA**  
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# EQUIPPING THE CFO FOR A SUCCESSFUL ENTERPRISE TRANSFORMATION

Not so long ago, the typical CFO's focus was confined within the four walls of the business and concerned mostly with compliance and reporting. The CFO's role has evolved dramatically since then. Today, the gaze of the finance leader is directed outward, toward investors, analysts, and customers; regulators and legislators; and the broader business environment. The CFO's view reaches past the finance function to encompass the entire enterprise as well as the strategic partners and suppliers in its digital ecosystem.

Perhaps most important of all, the CFO is constantly looking to the future. "Disruption has long-term financial implications," says Chris Dimuzio, leader of PwC's finance transformation practice. "Today's CFO is expected to make decisions that will impact the business for the next five, 10, 15 years. The complexity of the job has grown a lot."

Operating in a competitive milieu characterized by massive and ever-growing amounts of data, dissolving boundaries between industries, and heated competition for talent, today's CFO remit extends far beyond cutting costs and driving efficiency. The CFO is a central player, along with the CEO, in the formulation and implementation of business strategy. Equipped with the right team and digital tools, the CFO is uniquely situated to lead an enterprise-wide transformation, one that leverages data and technology not just to become more efficient but also to derive insights that generate new business models and identify opportunities to improve profitability and fuel growth.

The onset of the digital era drives changes to all senior leadership roles, and while C-level executives across lines of business manage different functions and transformations, their impact now touches the entire organization. Collaboration and support enable department leaders to modernize their strategies, better solve enterprise-wide problems, and drive cross-departmental improvements.

As owner of the enterprise budget and a key player in IT and technology investment decisions for the entire business, the CFO can align with and energize the chief information officer (CIO) and the rest of the senior leadership team as well as the wider workforce. And ultimately, that alignment and energy will determine the success—or otherwise—of the transformation.

## HIGHLIGHTS

- The CFO's role has evolved dramatically in recent years, reaching past the finance function to encompass the entire enterprise as well as the strategic partners and suppliers in its digital ecosystem.
- An enterprise-wide transformation calls for a mix of skills and capabilities that fall outside the conventional finance skill set. The ideal transformation team would include members with strong accounting and finance skills, augmented by data experts fluent in modern desktop-driven applications designed to improve efficiency and effectiveness.

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“You can’t transform without the right software and knowing how to use it, but at the end of the day, **transformations fail because people don’t understand why they’re doing it**, not because of a failure of software,” says Ted Bililies, chief talent officer at AlixPartners.

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“It takes a rare aggregation of talents and skills to succeed as a CFO today,” says Ted Bililies, chief talent officer at consultant AlixPartners and leader of the firm’s transformative leadership practice.

In addition to directing the business’s technology investments and driving the digitization of business processes, successful CFOs need the acumen to understand the needs and goals of the business units and partner with their leaders to steer the business, overcome obstacles, and measure results against the strategy. “A CFO can’t do all that without understanding how to educate and inspire—to lead people,” Bililies says. “You can’t transform without the right software and knowing how to use it, but at the end of the day, transformations fail because people don’t understand why they’re doing it, not because of a failure of software.”

The CFO needs to be equipped not just for present challenges but for future ones, too. At present, PwC’s Dimuzio says, data is proliferating, but companies have struggled to harness its power because finance can’t get their hands—and heads—around it. “It’s not generating a ton of insights,” he says, “just more P&L-based [profit and loss] reports.” The next frontier for finance will be applying artificial intelligence (AI) and machine learning to derive the insights that lead to better decisions and more accurate predictions. “It’s going to be a journey,” he says, “even for the most advanced companies.”

### **The Transformation Imperative**

The business case for an enterprise transformation is straightforward and compelling. It offers companies the

opportunity to make step changes in efficiency and effectiveness, to accelerate innovation and enter new markets, and to seize competitive advantage. Companies that successfully operationalize their transformation strategy are 16% more profitable than their peers, according to joint research by AlixPartners and the MIT Center for Information Systems Research.

McKinsey & Co. research has found that improved cross-functional collaboration, led by the finance function, enables companies to design and deliver better customer experiences, more accurate forecasts, greater data security, more efficient production, and more flexible and adaptable supply chains. And according to PwC’s 2019 Finance Effectiveness Benchmarking Report, companies that develop and enhance the skills of their finance people report lower resignation rates and higher job satisfaction, leading to lower replacement and training costs and improved productivity. Transformation along those dimensions brings the enterprise closer to the realization of senior leaders’ strategic objectives.

The CFO is at the center of nearly every transformation initiative, and for good reason. The CFO is owner of the budget, which is the material expression of company leadership’s priorities, and the executive responsible for assessing the risks and opportunities of every corporate undertaking. As steward of the business’s financial and operational data, the CFO is best positioned to work with the leaders of other functions and business units

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to identify where transformation will likely generate the most value—and to quantify the risks the changes will entail. And because the finance function already puts digital tools to extensive use in its day-to-day operations, it can model for the rest of the business how to leverage technology to best effect and pioneer new applications and use cases.

### **Wanted: Devil’s Advocates**

With a line of sight across the entire enterprise, the CFO also occupies a unique position in the C-suite, gaming out the financial implications of the transformation strategy and detailing how changes in departmental and functional work will contribute to—or detract from—realizing the strategy. “The CFO is an extremely important member of the C-suite team,” says Susan Lucia Annunzio, CEO of the Hudson Highland Center for High Performance and an instructor at the University of Chicago’s Booth Graduate School of Business. “Someone has to play devil’s advocate—to know when to say the emperor has no clothes—and as ‘keeper of the purse,’ the CFO has the most credibility.”

Collaboration between the CEO and the CFO creates a climate conducive to successful business transformation. But it takes a certain fortitude to challenge the CEO, to say, “I’m confused,” “That doesn’t make sense,” or “That’s an interesting idea, but have you considered what might go wrong?” It’s up to the CEO to foster an atmosphere that encourages candor and open discussion, and it’s up to the CFO to model for other members of the C-suite team what constructive devil’s advocacy looks like. The CEO, Annunzio says, can encourage such an atmosphere by letting everyone else have a turn before speaking, which counteracts the human tendency to refer to power for guidance, and by using the word “we” far more frequently than its singular counterpart, “I.”

The CFO in turn can contribute most to the team by demonstrating that, as Annunzio says, “it’s not about winning the argument. It’s about

helping each other help the company compete.” When the right atmosphere is established, true collaboration can take place, which means better decision making informed by a forward-looking CFO. “That’s when people begin to chime in, combine brainpower. Everyone contributes to an idea, and everyone owns the idea when it reaches its final form. Great ideas are the result of the idea-generation process, no matter who finally puts it into words.”

### **Building the Right Team**

The tactical work of turning words into action—that is, operationalizing enterprise-wide changes—requires a team, captained by the transformation leader. That leader, Dimuzio says, “has to be a change agent, has to understand the strategy and how to cascade it down through the organization.” The CFO is in the driver’s seat because of his or her distinctive ability to make financial sense of the transformation strategy.

An enterprise-wide transformation calls for a mix of skills and capabilities that fall outside the conventional finance skill set. The ideal transformation team, Dimuzio suggests, would include members with strong accounting and finance skills, augmented by data experts fluent in modern desktop-driven applications designed to improve efficiency and effectiveness. They need to be leaders as well, to educate the workforce in the value that data can generate when it is freed from organizational silos and used to connect disparate areas of the business.



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**IT’S UP TO THE CEO TO FOSTER AN ATMOSPHERE THAT ENCOURAGES CANDOR AND OPEN DISCUSSION, AND IT’S UP TO THE CFO TO MODEL FOR OTHER MEMBERS OF THE C-SUITE TEAM WHAT CONSTRUCTIVE DEVIL’S ADVOCACY LOOKS LIKE.**



## WITH THE RIGHT DIGITAL TOOLSET, THE CFO CAN STREAMLINE AND IMPROVE FINANCIAL PROCESSES.

To fulfill that mandate, the CFO works closely with the CIO and the IT function to guide the enterprise's technology investments—high-stakes decisions that can influence the course of the business for years to come. The CFO's job when making those determinations involves both evaluating and selecting the technology and mapping out how best to apply it. "How is it driving process efficiency more holistically from end to end?" Dimuzio says. "For example, things like accounts payable or procurement happen through the ERP [enterprise resource planning] system." In concert with the CIO and IT department, the CFO, he says, "has to figure out how to layer on intelligent automation to make those processes more efficient."

Transformation team members also have a vital role to play in overcoming organizational opposition to emerging technologies such as AI and robotic process automation (RPA). "You need someone who can make people excited about new technology—it's a good thing! It's not there to take their jobs, it's there to free up time for next-level activities." Those activities also depend on new technologies, such as desktop visualization software that helps pinpoint salient information. "It's about increasing capacity, not just taking out costs," he says.

To increase capacity, the CFO needs the right resources, starting with a team of finance professionals who are fluent in the language of finance and the language of business. "We in finance all focus on capital," Dimuzio says, "but finance also needs to focus on resources. In addition to building the business case for a particular course of action and sell it, we need to ask if we have the right people to execute it." For example, the finance partner who wants to create a new product needs to understand how the new product would affect the supply chain and manufacturing operations. Could the CFO pull someone with the requisite experience and business acumen from the organization to fulfill that need, or would it be necessary to hire externally? A focused

transformation team can help the CFO look across the entire enterprise as he or she considers such questions and orchestrates a response.

Putting together an effective finance team is to a large extent a matter of making lists, AlixPartners's Bililies says. He recalls a recent engagement with a company in health care that had just hired a new CFO. The previous CFO launched a finance transformation that the CEO and board wanted to accelerate. Bililies worked with the new CFO to define his core business goals for the next two years and identify the critical roles needed to achieve them, finally arriving at five key roles. Next, they listed the key performance indicators (KPIs) those five key players needed to work against and the key outcomes they were expected to achieve. Candidates for those roles were ranked by their likelihood of achieving those outcomes. "Just putting it all on paper made a huge difference," Bililies says.

Assembling a team is only part of the process. The CFO and transformation team need to adopt digital tools that fuel and sustain the business transformation. With the right digital toolset, the CFO can streamline and improve financial processes. Automating manual processes—invoicing and budgeting, for instance—leaves the finance team with time to anticipate a problem rather than react to one. And integrating these platforms arms the finance team with data and insights that can inform better decision making for the entire organization.

### Plenty of Data, Not Enough Insights

Data is the other part of the equation. But the challenge is no longer gathering data—the challenge is to know what to do with the wildly variegated information flowing into the business every hour of the day. "In addition to the traditional finance skills," Dimuzio says, "CFOs now need to layer on the skills of a data scientist. They need to know to take the core data from their ERP and EPM [enterprise performance management]

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“More and more, the CFO’s job involves **making strategic decisions guided by new data**—making bets and knowing when to fold,” says Chris Dimuzio at PwC.

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systems, add in less-structured data, and marry it all up to extract better information and insights.” And to do that so much faster than ever before. One possible application of that hybrid data would be analyses that measure both the cost of an experience—for example, a train trip—and its quality, enabling leaders to make trade-offs to ensure a better experience at a manageable cost.

Other applications include leveraging data, AI, and machine learning to pinpoint emerging security risks before they become a threat to the business. Data security and governance take on increasing importance at transforming companies. Because such companies rely on data to generate value and fuel growth, protecting data from contamination and theft takes on existential significance. Data security falls squarely within the CFO’s purview, both to retain the digital trust of customers and investors and to improve compliance with increasingly stringent data protection regulations.

The data explosion is also changing the pace of finance activities. Consider budgeting and capital allocation, which used to be relatively static processes, involving annual plans and annual or semiannual reviews. The proliferation of data now offers finance organizations not just the opportunity but, in many cases, also the obligation to conduct more frequent reviews and reallocate capital on the fly as conditions change.

“More and more,” Dimuzio says, “the CFO’s job involves making strategic decisions guided by new data—making bets and knowing when to fold.”

In fact, the CFO’s job has become increasingly strategic, involving questions about investments. What form will the investment take? What will the returns look like? How should the organization measure the opportunity on the back end? Those questions require input from the entire C-suite, Dimuzio says, and the CFO is expected to challenge every answer and collaborate with other leaders to incorporate data and analytics into every decision and every phase of the operation.

### **A New Kind of CFO for a New Kind of Enterprise**

A transformed enterprise is one that coordinates a myriad of activities toward a single shared goal. As a key player in both formulating and executing strategy, with a real-time view of the performance of the enterprise and its components, the CFO to a large extent controls the pace and intensity of the transformation through resource allocation and project management. Setting overall strategy, gaining buy-in from stakeholders, breaking it down into manageable components, and setting priorities have moved to the forefront of the CFO’s activities, even as the finance function retains its traditional responsibilities for control, compliance, and reporting.

Success in the role depends on a number of factors, beginning with alignment with the CEO, the other chief transformation strategist. “There can be no daylight between the CEO and CFO on strategy,” Bililies says. “When you have people speaking from unaligned talking points, the whole organization is at risk.”



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**“THERE CAN BE NO DAYLIGHT BETWEEN THE CEO AND CFO ON STRATEGY.” TED BILILIES, ALIXPARTNERS**



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**CHRIS DIMUZIO, PwC**





## AS A KEY PLAYER IN BOTH FORMULATING AND EXECUTING STRATEGY, WITH A REAL-TIME VIEW OF THE PERFORMANCE OF THE ENTERPRISE AND ITS COMPONENTS, THE CFO TO A LARGE EXTENT CONTROLS THE PACE AND INTENSITY OF THE TRANSFORMATION THROUGH RESOURCE ALLOCATION AND PROJECT MANAGEMENT.

But that's just for starters. Other requirements for a successful transformation—and a successful CFO—include these:

### **CROSS-FUNCTIONAL COLLABORATION THAT STARTS AT THE TOP**

An effective C-suite is composed of people who can look across the entire enterprise and not view every question from their own departmental or functional lens. “It’s a bad sign if people speak only from within their silo,” Chicago’s Annunzio says. “The worst CFOs think their sole job is to oversee the company’s money.”

### **A TRANSFORMATION TEAM THAT BRINGS TOGETHER A VARIETY OF SKILLS AND CAPABILITIES**

A good team delivers on the strategy set by the CEO and the CFO. It blends multiple skills—such as analytics, automation, data visualization, and process expertise—and functions—such as IT—into a unit focused on solving business problems, not just cutting costs.

### **A FINANCE FUNCTION THAT HAS ITS OWN HOUSE IN ORDER**

Finance-led transformation teams need credibility, and an effective, efficient finance operation builds trust in its insights and recommendations. A finance organization that struggles to close the books every month will likely see its advice fall on deaf ears.

### **A FINANCE FUNCTION THAT MODELS EFFECTIVE DEPLOYMENT OF NEW TECHNOLOGY**

Finance can be a proving ground and showcase for new technology before it’s deployed across the rest of the organization. When finance professionals use RPA to handle rote tasks so they can spend more time solving business problems, they build interest and enthusiasm for new digital tools. When they use forward-looking analytics to anticipate a recession and make strategic adjustments to cushion the blow, they make an effective case for new technology.

### **A FINANCE FUNCTION THAT FOLLOWS THROUGH**

Transformation is a continuous process, not a journey with a fixed destination. As transformation leader, the CFO can be effective only by “managing ruthlessly,” Dimuzio says. That means monitoring the progress of the transformation day to day and week to week and intervening whenever KPIs indicate a loss of momentum or deviation from the transformation road map. “No more ‘set it and forget it,’” Dimuzio says.

“Digital changes everything” is a common refrain in business today. It may be that what digital has changed most is the role of the CFO.



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