THE FUTURE CFO:

Leveraging Technology to Adapt to Change

COLLABORATIVE SOLUTIONS
a cognizant company

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Introduction

Today's CFOs find themselves in a rapidly changing environment, one that is full of new and often unique challenges. Organizations need to be both fast and flexible, and CFOs need to play a large role in accomplishing both.

True organizational agility is achieved when people, processes, and technology align in a way that allows for fast decision-making and the ability to quickly turn those decisions into reality. All three of these factors have an important role to play but technology often needs to be considered first, as it helps enable people and processes to change.

In response to recent major global events, such as an uncertain economy, shifting regulations, and the COVID-19 pandemic, many organizations are looking to modernize to better adapt to these challenges and are looking to start with their finance function.

In fact, according to Gartner, **85% of finance teams** are undergoing or planning a finance transformation.

This eBook will explore the changing role of the CFO, what factors are driving CFOs to focus on organizational agility, and how technology can help them build a more flexible organization.

How the Role of the CFO is Changing

While the role of the CFO has been changing for some time, the past few years have seen the position evolve significantly. Some of these changes are the result of shifting expectations while others have to do with industry disruption or external factors. **Here are some of the major ways in which the office of the CFO is changing.**

Of the CFOs who attended a roundtable hosted by KPMG,

78% agreed that strategy support and commercial analyses should be focus areas for finance leaders.

CFOs NEED TO

Take a more advisory role in the business.

Today, CFOs are expected to operate as trusted partners and advisors to others throughout the organization, providing data-backed recommendations to other departments.

One of the primary reasons for this change is data – as organizations modernize, the amount of available data expands, necessitating specialists that can read this data and use it to create actionable insights.

Those in the finance department, especially in leadership positions, have experience collecting and interpreting data, making them a logical choice for this new advisory role.

CFOs NEED TO BE

Cross-functional and better understand other aspects of the business.

Gone are the days in which CFOs and their teams are siloed from the rest of the organization. Modern CFOs need to partner with others throughout the organization to help them achieve their goals, such as addressing supply chain issues or helping to resolve recruiting challenges. In addition, CFOs are expected to have a better understanding of the nuts and bolts of the organization, from marketing and sales to HR to products/ services delivery.

Part of the reason for this is simple – having a better understanding of how the organization operates allows finance leaders to better advise and support other departments.

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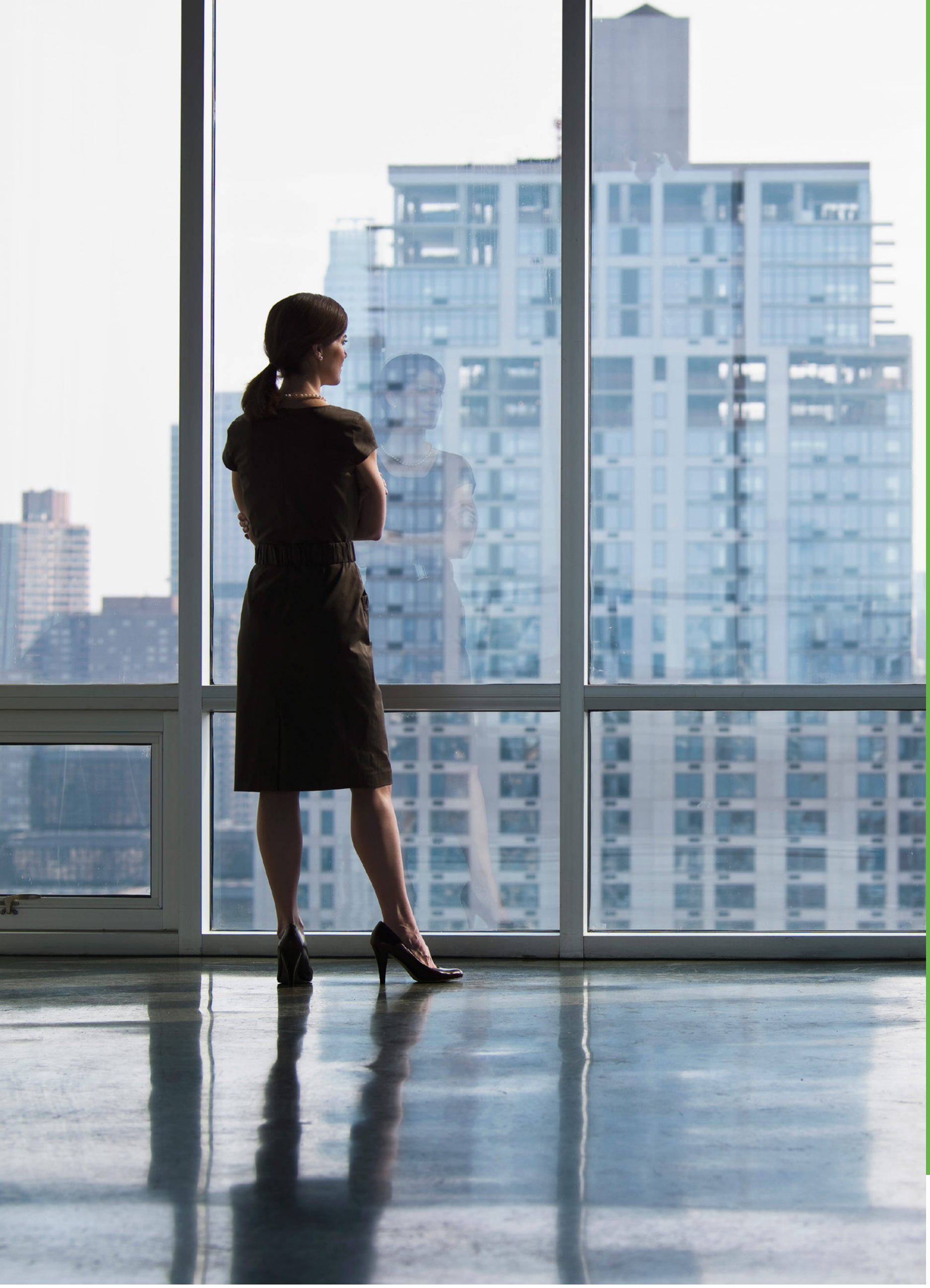
But there is another reason: with more CFOs being tapped to take on CEO roles, it is professionally advantageous for CFOs to learn as much about the organization and its day-to-day operations as possible. CFOs that have previously worked outside of finance, such as in sales, marketing, or operations are better positioned than those who have spent their entire career in the finance practice.



CFOs NEED TO BE

Forward-thinking, planning for the long term, and anticipating different challenges.

Organizations have had to react to a lot of different crises over the past few years, including the move to remote or hybrid work, supply chain challenges, war, and economic instability. The problem with constantly putting out fires is that at some point it becomes routine and the organization becomes reactionary. CFOs need to work to correct this by helping to craft a business strategy as well as anticipating potential challenges and proactively finding solutions to address them.

> The long-term consequence of ad hoc tradeoff decisions is to normalize crisis mode and short termism. This lengthens the time for companies to recover from a shock and reduces the chances of taking advantage of potential investment opportunities arising from disruption.

- Faith Vakil, Director, Research in the [Gartner Finance practice]

Finance teams should consider adopting a continuous planning methodology, one that looks both short-term and long-term and that doesn't stop at the end of the current fiscal year. To do this, they need tools that can help them utilize existing data to test different scenarios and therefore chart the best course forward for the organization.

CFOs NEED TO BE

The keeper of the data.

As previously mentioned, organizations are aggregating more data with each passing year. Naturally, this comes with a lot of benefits, since the more data that can be accumulated, the better visibility organizations have into their own operations and thus more opportunities to improve and build upon them.

That said, data that is disjointed, inaccurate, or not passed along to the right parties does not provide much value. It falls upon the finance department, and more specifically finance leaders, to ensure data is collected, validated, and disseminated properly.

While information technology (IT) departments can be valuable partners with this task, finance needs to take the lead when it comes to data and many are doing just that by accelerating their organization's digital transformation efforts.

According to a Workday study

51% of CFOs are investing in an intelligent data foundation.

More than simply being the caretakers and gatekeepers of data, the CFO needs to be a storyteller, making sense of the data for others. When CFOs and other finance leaders are providing recommendations to others throughout the organization, they can use storytelling to show how and why their suggestions can have an impact.

CFOs NEED TO

Enable technological and organizational change.

With more organizations looking to modernize their technology and business processes, CFOs need to take a pivotal role in these changes.

Aside from allocating more money and resources to modernization efforts, CFOs can work with other department heads to create a transformation strategy and advocate for change.

Again, having a strong understanding of how the organization works and building solid relationships with other departments can make this process easier. According to KPMG, 93% of finance leaders now aspire to be an active part of digitalization especially as companies recover and rebuild from COVID-19.

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Areas of Focus for the Modern CFO

Now that we have taken a look at the changing role of the CFO, let's examine some of the important challenges and opportunities that they face in today's world and how technology can help each area.

This is why, according to Gartner,

72% of CFOs will focus on improving the flexibility of budgeting and forecasting in 2022.

Improving Budgeting and Forecasting

To stay proactive and minimize the risk of disruption should new challenges emerge, finance departments need access to better planning and forecasting tools, ones that support continuous planning as well as make it easy to build new reports as needed.

But while having access to powerful planning tools, such as Workday Adaptive Planning, is a priority for CFOs, a key challenge to utilizing these tools effectively remains: **managing data.**

According to the KPMG study, the majority (70%) of CFOs strongly agreed that data management will be a key priority in the next 5 years. This is in the face of an ever-growing amount of data. A Harvard Business Review study found that 90% of respondents stated that the amount of data their organizations collect has increased.

Since accurate forecasting requires accurate data, organizations need to take steps to ensure good data hygiene, such as consolidating different systems into a single source of truth so that the information isn't siloed and therefore prone to discrepancies.

Addressing Talent Shortages

The global workforce is going through what has been called "The Great Resignation," with companies struggling to fill open positions as well as hold on to top talent.

75% of CFOs have had difficulty hiring new employees.

This has impacted finance departments as well, with CFOs finding it hard to keep their teams staffed. Approximately 75% of CFOs have had difficulty hiring new employees, according to CFO.com. In response to these challenges, some organizations are requiring existing employees to work more hours, a strategy that will likely lead to increased dissatisfaction and potentially more employees leaving.

To reduce workloads on existing teams and ensure critical tasks get completed, CFOs need to invest in automated solutions, which can perform simple, repetitive tasks without the need for human involvement.

By automating as many business processes as possible, finance teams can reduce their workloads.

This not only helps to ensure business continuity when teams are shorthanded but also creates more time for analysis and planning. According to CFO.com, nearly half of organizations are implementing new technologies to increase automation and reduce busy work.

Moving the Needle with Environmental, Social, and Governance Reporting

In another study by KPMG, more than 50% of financial professionals responded that they saw Environmental, Social, and Governance (ESG) reporting as a way to highlight to employees and investors their organization's edge against competitors.

While ESG standards are still something of a wild west with various standards of reporting available and no universal standard in place, these reports are still growing in significance across many industries. Investors more frequently prefer to invest in companies with a solid ESG strategy in place and potential employees who would rather work for companies that demonstrate their commitment to diversity and inclusion with numbers.

CFOs looking to build out their ESG reporting need to consider a few things:

- How accessible and accurate is ESG data? Is it centralized in one area or spread out across a variety of different tools?
- Are there systems in place to make it easy to get feedback from employees on the organization's diversity efforts?
- Does your organization have tools to survey employees to better collect information like their daily commute distance?
- Can your organization create different ESG reports based on different frameworks?

Machine Learning and Robotic Process Automation (RPA)

Critical to being able to address challenges like staffing shortages and the increased need for data analysis is automation. Robotic process automation combined with machine learning can dramatically reduce the number of simple, repeatable processes that finance teams perform on a daily basis.

33% of CFOs plan to prioritize investing in AI and machine learning.

This lightens the workload on teams, allowing them to do more high-level work that helps the organization's bottom line and that is more fulfilling for staff. CFOs will need to invest in automation as well as adapt their teams to best utilize the technology. Roles that consisted primarily of data collection and processing, for example, may need to be changed and workers reskilled or upskilled.

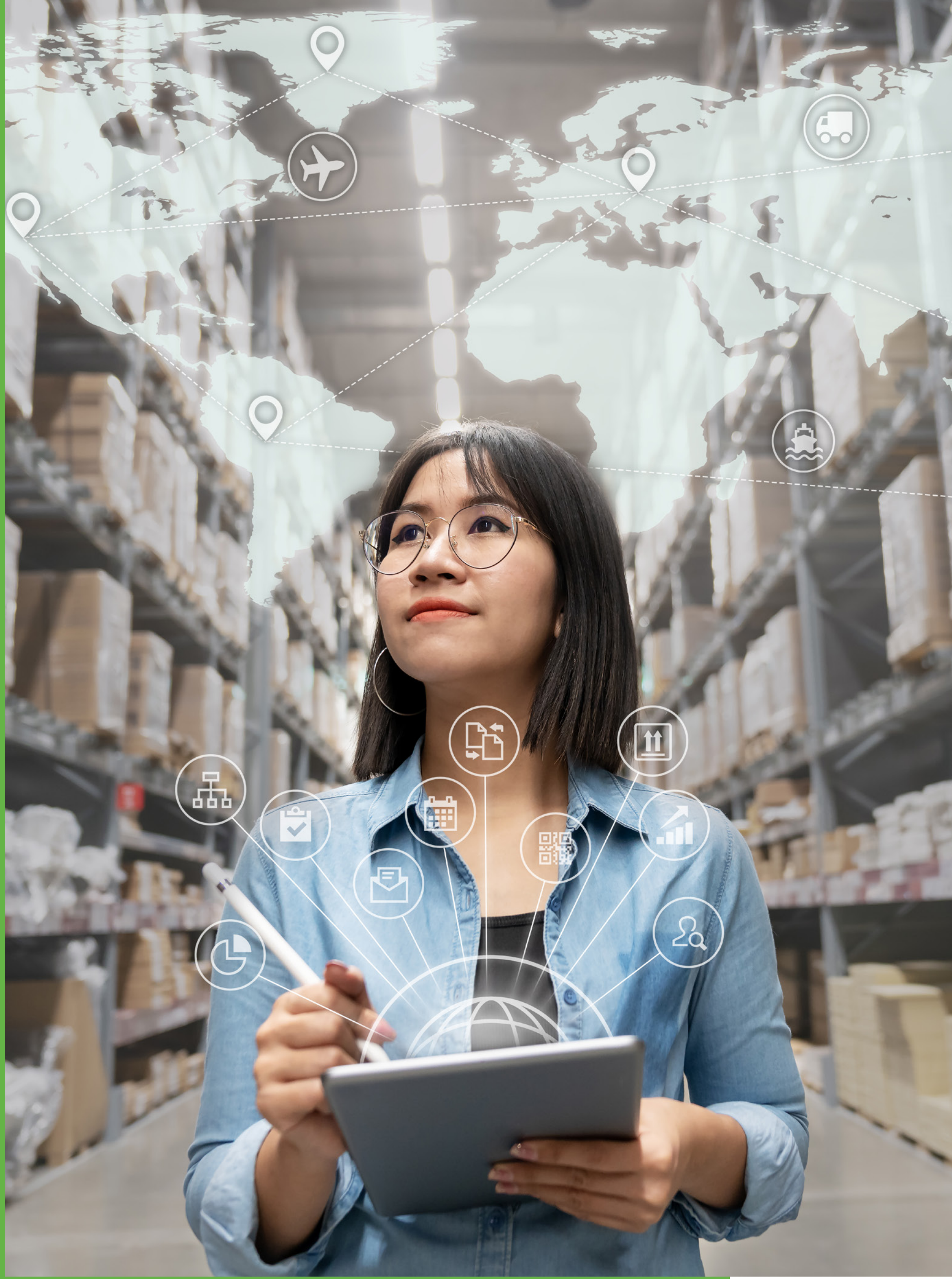
While the transition to automation has been slow to start, it is a growing trend. In fact, 33% of CFOs plan to prioritize investing in AI and machine learning according to a Workday study.

Mitigating Supply Chain Disruptions

Global conflicts, environmental crises, pandemics, and other global factors have made managing supply chain disruption a monumental task for businesses. These challenges spread across a variety of industries, such as healthcare and retail, with no sign of letting up any time soon.

CFOs need to be able to reallocate limited resources to maximize profits but doing so requires a clear picture of the existing supply chain as well as end-to-end revenue management, neither of which is easily accomplished when using outdated legacy systems. Because of this, modernizing to cloud-based solutions, such as Workday Revenue Management, allows CFOs to spot opportunities and work with others throughout the organization and realign efforts to ensure profitability. Similarly, organizations need supply chain solutions that give them greater visibility while also being more agile.

For example, a solution that changes the way the business approves transactions or adds new vendors, thus reducing friction and streamlining internal processes.



Mergers and Acquisitions

2021 was a monumental year in terms of Mergers and Acquisitions (M&As), with a total of $5.1 trillion in total transaction costs according to KPMG.

While it remains to be seen if this M&A activity will remain this high, many organizations are looking to M&As to help drive their growth strategy. For those organizations, preparedness is key – if an organization plans to acquire a number of businesses, then they need to have the technology and processes in place to assure a smooth transition and facilitate a faster return on investment.

CFOs need to be heavily involved in developing a repeatable, well-defined acquisition strategy, one that can be easily adapted to fit the unique needs of each acquisition. Just as important is ensuring that their organization is well-prepared to absorb other entities. Consolidating data all into one place, for example, makes it significantly easier to integrate with another organization's data. Utilizing cloud-based technology also makes the process of merging data a much simpler process. CFOs need to work with their IT teams to ensure that, from a technology standpoint, combining another organization's systems and data is as straightforward as possible.

Transforming the CFO Role with Workday

Technology plays a key part in helping organizations adapt to an ever-changing global environment and having the right technology in place can help CFOs guide their companies to success.

By transitioning to Workday Financial Management, CFOs can consolidate disparate financial tools into a single solution. This has a number of benefits, including:

- Greater agility thanks to a cloud-based system that can be accessed from anywhere with an internet connection.
- Improved data accuracy thanks to information being consolidated into a single source of truth.
- The ability to easily be customized based on your organization's needs.
- Automation to help reduce busy work and allow finance teams to get more done.

In addition to these benefits, Workday Financial Management can be paired with Workday Human Capital Management, Workday Adaptive Planning, Workday Payroll, and other solutions to truly unify your organization's essential systems seamlessly into a single solution.

Ultimately, Workday is a modern solution designed to address the challenges that today's CFOs face while reducing organizational complexity and providing a wealth of actionable insights.

Want to learn more about how Workday can help your organization?

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