



The CFO as Catalyst for Change

How finance can take the lead in business transformation



EXECUTIVE SUMMARY

Our thanks to all survey participants and to the following individuals in particular for their time and insights:

- **Sandip Parikh, Head of Finance & Operations, Reliance Commercial Finance (India)**
- **Ken Gregor, CFO, Jaguar Land Rover (UK)**
- **Valdemir Bertolo, CFO, Serasa (Brazil)**
- **Henry Hon, Group CFO, Telstra International (Hong Kong)**
- **Robin Washington, CFO, Gilead Sciences (USA)**
- **José Manuel Alejo Cantú, CFO, Metalsa (Mexico)**
- **Thibault de Tersant, Senior Executive Vice-President and CFO of Dassault Systèmes (France)**
- **Jan Siegmund, CFO, ADP (USA)**

ABOUT THIS REPORT

For this report, we conducted a series of in-depth interviews with CFOs from leading companies based in every major region. In addition, we conducted an online global survey of CFOs that attracted 930 respondents in total. Of these, 270 (29%) were from Western Europe, 205 (22%) from North America, 160 (17%) from Eastern Europe, 150 (16%) from Asia-Pacific, 95 (10%) from the Middle East and Africa, and 50 (6%) from Latin America. Half of the respondents represented companies with annual revenues in excess of US\$1bn, with the remainder at companies with revenues between US\$250m and US\$1bn.

930 CFOs surveyed across Asia, Europe, Latin America and North America

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The role of the CFO continues to evolve. Tasked with steering their businesses through the worst economic times since the Great Depression, CFOs used their expertise in cost management and operational efficiency to ensure the survival of their organizations. Those who succeeded earned the respect and confidence of executive management, the market, and external shareholders, helping to elevate the role of CFO from financial steward to corporate strategist and change agent.

Today, CFOs must find new ways to sustain performance and grow the business. Rapid technological change, the rise of emerging markets, more empowered consumers and employees, and more active government intervention have all combined to disrupt traditional business models worldwide. As their influence has grown, increasingly it falls upon the CFO to not only manage disruption, but to also identify and invest in the business models, products, and services that will lead to sustainable, profitable growth.

The tools and structures that served finance leaders well in the past may no longer work so well. Cost levers that used to be effective are becoming less so, as margins become squeezed and incremental operational efficiencies are harder to uncover. Volatility makes it more challenging to set priorities and plan for future investments. Complex organizational structures hamper the ability of CFOs to gain visibility into performance across the enterprise. And disruptive technologies, such as big data, cloud computing, mobile and social media, have given rise to new forms of competition that are challenging even the most established enterprises.

Longitude Research commissioned by Oracle and Accenture recently surveyed 930 CFOs across Asia, Europe, Latin America, and North America to understand how finance executives are leveraging their growing influence to manage change and drive growth in this disruptive environment. What we learned was surprising: despite their increased profile, CFOs realize that their role as corporate catalyst remains incomplete. They recognize that there is still insufficient collaboration between the finance function and the business, and that they are not playing as significant a role as they would like in either strategy or business transformation.

How then should CFOs address these challenges? While the past few years have brought uncertainty and volatility, they have also provided CFOs with a unique opportunity to demonstrate their abilities in a whole range of strategic areas. Above all, the work that many have already completed has given them a platform to drive change across the whole business, not just within the finance function. In short, they should assume the role as the key catalyst for change across the entire enterprise.

BELOW ARE SOME OF THE KEY FINDINGS FROM OUR RESEARCH:

A focus on cost management will remain critical but must be balanced with an increased focus on growth. Over the past three years, the top priorities for CFOs have been profitability, cost management, cash flow, and working capital. These will remain top of the agenda in the years ahead but continuing to deliver cost savings is becoming more difficult. At the same time, finance leaders must balance this cost focus with the need to identify and exploit growth opportunities in a slowly recovering global economy.

The CFO role is becoming more strategic and influential, but challenges remain. More than 70 percent of CFOs say that their overall level of strategic influence has increased over the past three years. But for now, most CFOs say they still play a supporting, rather than leading, role in strategy, despite an appetite to become more deeply involved. Among our respondents, 35 percent identify shortage of time as a key barrier to being more effective in their role, which is second only to the challenging economic environment, cited by 37 percent.

CFOs are poised to become more effective change agents. Among our respondents, less than one in three CFOs play a leading role in business transformation, with just 32 percent playing a leading role in building the rationale for business transformation, and only 18 percent managing the transformation process. But, given their experience in finance transformation and cost management, and their unique perspective over the business, this is an activity that CFOs are extremely well placed to lead. Becoming an effective change agent requires CFOs to demonstrate strong leadership, commercial and strategic insight, and the ability to overcome organizational resistance.

Maintenance and integration issues remain the biggest concerns from a technology perspective. Asked about the aspects of their company's technology that causes them greatest concern, 30 percent of respondents point to the cost of maintenance, 29 percent to the cost of integration, and 28 percent to the lack of integration between systems. Dealing with these legacy problems consumes a disproportionate amount of time and also prevents CFOs and CIOs from focusing their attention on exploiting more innovative technologies that can help improve competitiveness and drive growth.

Technology innovations provide CFOs with an opportunity to shape IT in a way that supports broader business goals. Cloud computing, big data, analytics, mobile, and social technologies are having a dramatic impact across almost every business function and activity. Among our respondents, 57 percent agree that investments in big data and analytics will be a key source of competitive advantage. But many CFOs understand that they may lack the knowledge to play a more active role in how these technologies are adopted. Finance leaders now have a window of opportunity to collaborate with CIOs and other members of the management team to implement these technologies in a way that will achieve vital business objectives: increasing efficiency, improving collaboration and visibility between finance and the business, increasing organizational agility, and fostering innovation.

THE OPERATING ENVIRONMENT: NEW CHALLENGES REQUIRE NEW SOLUTIONS

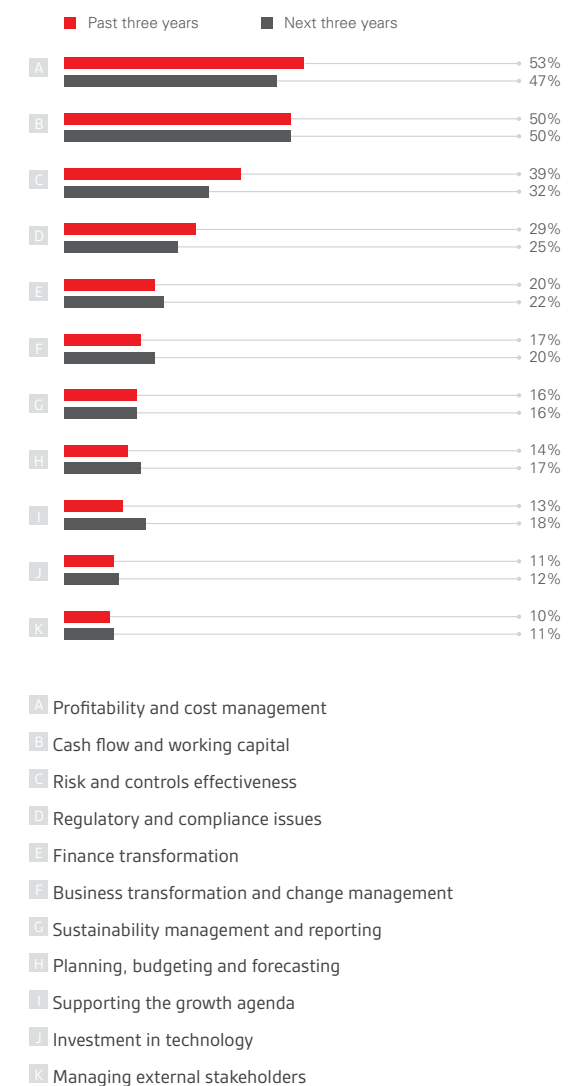
BALANCING COST CONTROL AND GROWTH

The past few years have required CFOs to apply every lever imaginable to rein in costs, conserve cash, and maintain margins against the backdrop of a highly challenging economic environment. Asked about the activities that have been their key areas of focus over the past three years, respondents point to profitability and cost management as the number one priority (see chart 1). The related activities of cash flow and working capital follow close behind. Respondents tell us that these activities continue to dominate the agenda.

Yet this focus on cost management will become increasingly difficult to maintain. The cost levers that worked in the past may be less effective in future because the easy wins have already been earned. At the same time, many companies worry that further cuts, particularly to headcount and fixed assets, may make it more difficult for them to take advantage of growth opportunities when they emerge.

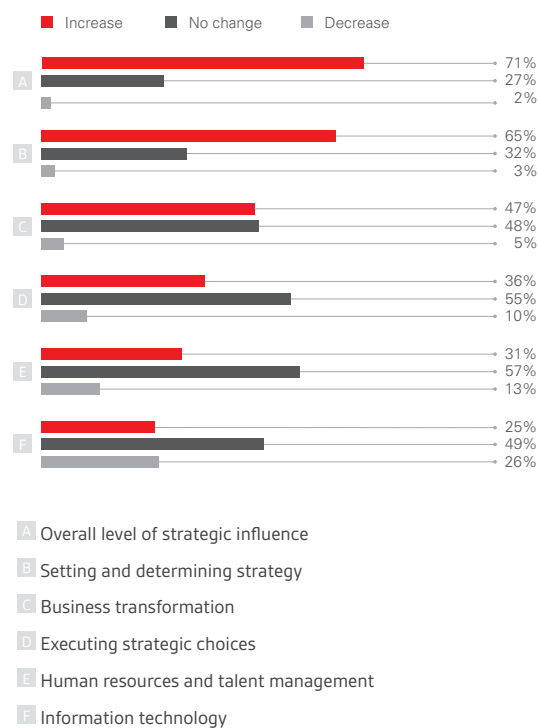
Emerging technologies are increasingly at the heart of new CFO strategies to overcome these challenges. Cloud computing, for example, offers CFOs opportunities to drive additional efficiencies, both because it reduces the need for up-front capital expenditure on hardware and software licenses, and because it minimizes the uncertainty associated with investing in new technology. This frees up capital that can then be allocated elsewhere.

Chart 1: Over the past three years, which activities have been your three key priorities and which do you expect to be the three key priorities over the next three years?



"As we grow and move into different geographies, there has to be a system that keeps us all connected, both at the desktop and beyond," says **Sandip Parikh**, the **Head of Finance & Operations** at India's **Reliance Commercial Finance**. "Cloud computing is important there."

Chart 2: Over the past three years, what change has there been to the level of your influence within the business in the following areas?



In addition to its cost benefits, cloud computing offers strategic benefits as an enabling technology. Its flexible deployment models enable CFOs to get in touch with every area of the business-as well as capitalize on opportunities to grow the business wherever they may arise. New cloud-based enterprise resource planning (ERP) solutions, for example, enable CFOs to integrate the back-office operations of a new acquisition or business unit with those of the parent corporation rapidly and inexpensively. Cloud-based talent management solutions can also help CFOs recruit and staff a new operation quickly, ensuring that it contributes to top-line growth sooner rather than later.

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THE ROAD TO A BIGGER STRATEGIC ROLE

Finance leaders today are expected to be strategic thinkers and business partners as well as having a mastery of the numbers. A recent survey from Accenture found that nearly three-quarters of C-suite executives said they were satisfied or very satisfied that their finance organization contributes to the strategy or execution of strategy for the larger enterprise¹. "A CFO is a key member of the strategy team," says Henry Hon, Group CFO of telecoms business Telstra International. "A CFO can focus on delivering results, understand those results, and think about how to improve them in a strategic fashion. Very few other people in the organization can do that."

Certainly, many CFOs have seen their strategic role become more prominent since the financial crisis. Among our respondents, 71 percent say that their overall level of strategic influence has increased over the past three years, while almost two-thirds have seen their influence over setting and determining strategy grow (see chart 2). Respondents from North America are particularly likely to have experienced this, with 79 percent having seen their strategic influence increase.

THE OPERATING ENVIRONMENT

Yet despite these promising signs, many CFOs still struggle to achieve their strategic potential. The CFO's role in strategy is most likely to be viewed in a context of aligning finance processes around it, with 47 percent playing a leading role here. Among our respondents, other aspects of strategy are less central to the CFO's role. Only one-third, for example, play a leading role in strategy formulation and just 24 percent in strategy execution. Where CFOs do play a leading role, it is most likely to be in aligning strategy with finance processes. But, even here, only a minority say this is an area where they play a leading role (see chart 3).

Asked about the key barriers to the effectiveness of their role, survey respondents point to a challenging economic environment as the leading factor (see chart 4). But shortage of time follows closely behind, particularly for respondents in North America. These two factors are closely interlinked: difficult economic conditions present CFOs with greater challenges and more problems to solve, and this cuts down further on the available time, particularly when the breadth of the finance leader's role is taken into consideration. This is consistent with other research: one survey from Accenture found that lack of time to focus on value-oriented finance capabilities was among the top three challenges for senior finance executives².

Lack of time will always be an issue for CFOs. At one level, they need to ensure that they have good enough teams around them to delegate those activities that are consuming too much time or distracting finance leaders from the more important aspects of their job.

97% say their overall level of strategic influence has increased

Chart 3: What role do you currently play in the following aspects of strategy?

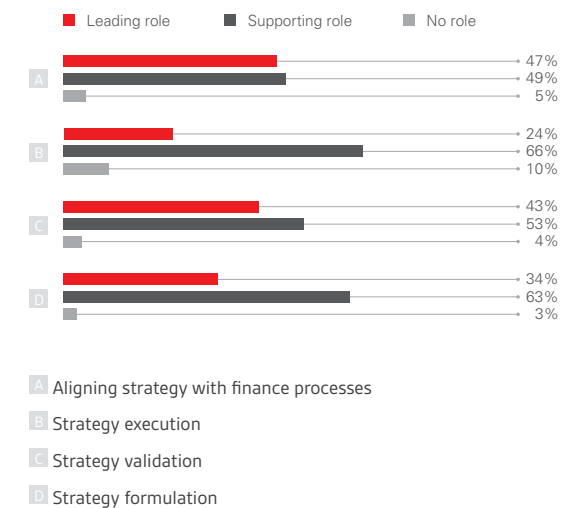


Chart 4: What do you currently consider to be the main barriers to the effectiveness of your role?



^{1,2} Accenture 2011 High Performance Finance Study

Playing an active strategic role at Gilead Sciences

Robin Washington, CFO of Gilead Sciences, a global biopharmaceutical company, is a relative newcomer to the sector after spending much of her career in technology companies. Inevitably, moving from one highly specialist sector to another entailed a steep learning curve to become familiar with the business. But for Ms. Washington, this has not prevented her from becoming very actively engaged in the strategic decision-making process.

"In some respects, the scientific aspect of the strategy is something that I will never be able to fully participate in due to its highly technical nature," she says. "But that being said, I can still play a very active role in strategy by making sure that we have the right financial modeling tools in place, putting in processes around scenario analysis and understanding the outcomes of the strategic decisions we need to make."

She argues that CFOs must play as active a role as possible in both strategy and broader business transformation. "The CFO should be an effective business partner who adds value as part of the decision-making process," she says. "Along with the COO, we are the company's real agents of change. If it relates to internal business processes and efficiencies, this is where a CFO can have the greatest impact."

More fundamentally, finance transformation programs, which include hiving off routine, transaction-based processes into shared services centers and developing centers of excellence to deal with specialist activities, can help to alleviate time shortages and enable an increased focus on what matters most. "Finance transformation allows my more senior people to get away from looking at day-to-day activities and focus on what really matters to the business," says Mr. Hon of Telstra. "It means gaining resources to address customer requirements and opportunities rather than spending too much time on operational issues."

A more strategic focus also enables opportunities to be captured more quickly. "Spending more time on the strategic aspects of the role means that we understand market opportunities better and can move more quickly," says Mr. Hon. "If you can reduce bureaucracy and increase transparency, you can move a lot faster because people understand what needs to happen."

EYES TURN TO GROWTH

As the global economy starts slowly to recover, CFOs will need to spend more time thinking about growth opportunities, and how they can steer the business towards making the right investments and decisions. Although still small, the proportion of CFOs who say that they will need to support the growth agenda over the next three years is greater than the share of those for whom this was a focus over the past three years (see chart 1).

As growth opportunities emerge, CFOs need to work with business colleagues to ensure that investment and resources are allocated appropriately and at the right time. "We need to find the right balance between capturing growth opportunities and sustaining our existing business," says Valdemir Bertolo, CFO of the Brazilian financial services business Serasa. "This makes the decision-making process a critical area of focus for the CFO to ensure an appropriate prioritization of the investment portfolio."

The need to maintain a careful focus on cost control while at the same time enabling growth will be a delicate balancing act over the next few years. It will be important to recognize that these two issues are closely intertwined. CFOs are uniquely qualified to assess which opportunities for growth come with the potential for acceptable margins. Their role is to "green-light" the best of these opportunities while applying the brakes to the more costly projects, and continuing to seek out new efficiencies across the enterprise.

IMPROVING COLLABORATION

Playing a more strategic, business-oriented role depends on effective communication and collaboration between the finance function and other parts of the business. But this is an area that remains challenging. CFOs in our survey point to lack of integration between finance and the business as a key barrier to the effectiveness of their role. Respondents from Asia-Pacific are particularly likely to raise this as a concern.

Despite efforts over recent years to embed themselves into operations and perform a "business partnering" role, there can remain a mistrust of finance because it is wrongly perceived as the function that says "no". Building stronger relationships is therefore crucial. "Our customers, especially operations, recognize finance as a strategic partner that ensures added value and supports decision-making with business sense," says José Manuel Alejo Cantú, the CFO of Mexican automotive components group Metalsa.

Misalignment between the operating models in finance and the rest of the business can also cause problems. In the past few years, finance functions have been in the vanguard of driving changes to the operating model under the banner of finance transformation. In most companies, however, these changes have not filtered through into other functions, such as HR or IT. As a result, finance and other functions can appear out of step with each other.

Poor integration between business processes across the enterprise can also hamper collaboration—and the ability for CFOs to gain visibility over corporate performance. Finance has led the way on end-to-end processes, where the focus is on all the steps between input and outcome, rather than on specific business processes, often through automated mechanisms. These improvements must now be rolled out across the business.

One emerging solution to the collaboration problem is the adoption of Integrated Business Services, a more advanced evolution of shared services that focuses on business outcomes, user experience, and how to simplify the business. In the new world of Integrated Business Services, the focus is no longer strictly on savings. Instead, it is about end-to-end processes at a more granular level combined into service models, with a strict focus on positive outcomes for stakeholders, customers, and vendors. The end result is simplified processing, better collaboration, and more value to the overall organization.

Eyes turn to growth at Jaguar Land Rover

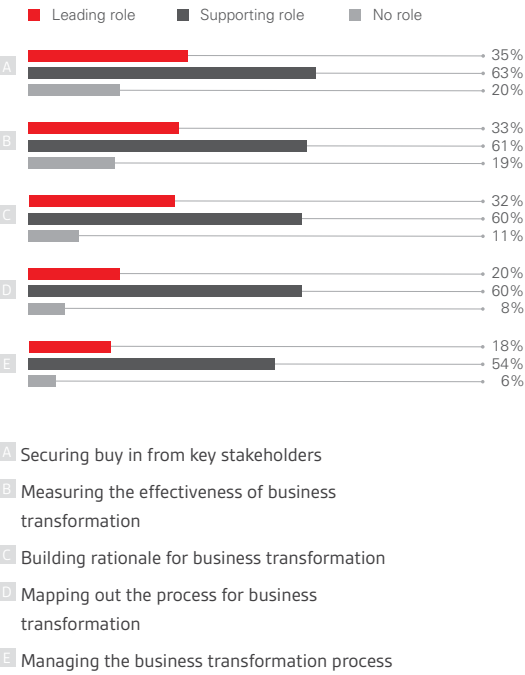
Following its acquisition by Tata Motors in 2008, **Jaguar Land Rover** has overcome a highly challenging economic environment and bucked the trend in the automotive sector. In its last financial year, the company posted record pre-tax profits, driven in part by successful new models such as the Range Rover Evoque.

For **Ken Gregor, Group CFO** at the company, the priorities are now quite different than in 2009. "Back then, the focus was on survival, but we've now moved on from that to consider how to grow, sustain the present level of performance, and make the right business decisions for the long term," he says. "We're still just as focused on managing cash flows but, on top of that, we're supporting many business decisions around where we want to invest."

The finance function plays a key role in that investment decision-making process and is embedded in key functional and business areas. "A big part of the strategic role of finance is to say: 'let's make sure we make the right business decision here,'" says Mr. Gregor. "Let's make sure we're really clear about what we're getting ourselves into."

“Operating as a catalyst for change is definitely my role,” says **Jan Siegmund, CFO of ADP**, the US payroll and HR services company. “I think there are two elements: the role I have within this organization is to operationalize ideas and to create accountability so our executives can make progress on what we say we want to do.”

Chart 5: What role do you currently play in the following aspects of business transformation?



BECOMING A CATALYST FOR CHANGE

Lack of collaboration between finance and the business makes it difficult for CFOs to become engaged in broader, enterprise-wide transformation projects. For example, just 32 percent play a leading role in building the rationale for business transformation, and 20 percent in mapping out the process for change (see chart 5).

Yet because of their broad perspective over the entire business, and their experience in leading large-scale finance transformation projects, CFOs are often best placed to play a leading role in driving change throughout the organization. The CFOs' broadening influence—which in many companies now encompasses IT, procurement and operations as well as finance and strategy—also makes them well positioned to become the catalyst for change in their organization.

“You can’t do the job properly as a CFO without thinking constantly about how to improve performance and efficiency and that cannot be done without change,” says Thibault de Tersant, Senior Executive Vice-President and CFO of Dassault Systèmes. “You can always make incremental improvements but you quickly reach the limits of what is possible. Beyond that, you need to transform the business to get to the next level of efficiency.”

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Many industries are realizing that the ways in which they made money in the past are unlikely to be appropriate in the future. Moreover, the pace of change is now so rapid that companies must constantly be rethinking their operating and business models and adapting them to suit an evolving external environment. This means accepting large-scale change as a normal part of doing business, rather than the exception. “Constant reorganization has become our tool to deal with the rapid pace of change,” says Mr. de Tersant. “In our organization, it’s not unusual for 40 percent of people to change their jobs every year.”

From the perspective of the CFO, this change needs to take place in a way that minimizes disruption and duplication of effort, and maximizes efficiency. “Business transformation on the scale that we have implemented means that we need systems that are flexible enough to accommodate change without heavy customization,” says Mr. de Tersant. “It’s also essential that we can compare business results before and after the change without distortion.”

Few companies possess the capabilities to embed appropriate innovations to their business models. But CFOs can play a role in developing these skills. A more structured approach to strategic insight and decision support, along with a strong grasp of information through more robust use of analytics, can help companies to stay one step ahead. CFOs can also support the transformation process by building the rationale—and challenging—potential courses of action for the business.

“You need to strike a balance between sustaining the existing business and introducing change,” says Mr. de Tersant. “It’s easy to consume too many resources on making incremental changes when in fact what is needed is deeper business transformation. The biggest barrier to change is that people only want to focus on legacy activities. As CFOs, we need to convince them to let go of activities that are not useful and focus on new ones that are.”

Greater involvement in business transformation, including business model innovation, demands CFOs with the leadership skills who can overcome resistance to change and bring employees along with them. “Ultimately, you need to convince people that the change is good and that they need to embrace it,” says Mr. Bertolo. “You can use reason to prove that the change is good, but you also need people skills to make the change happen.”

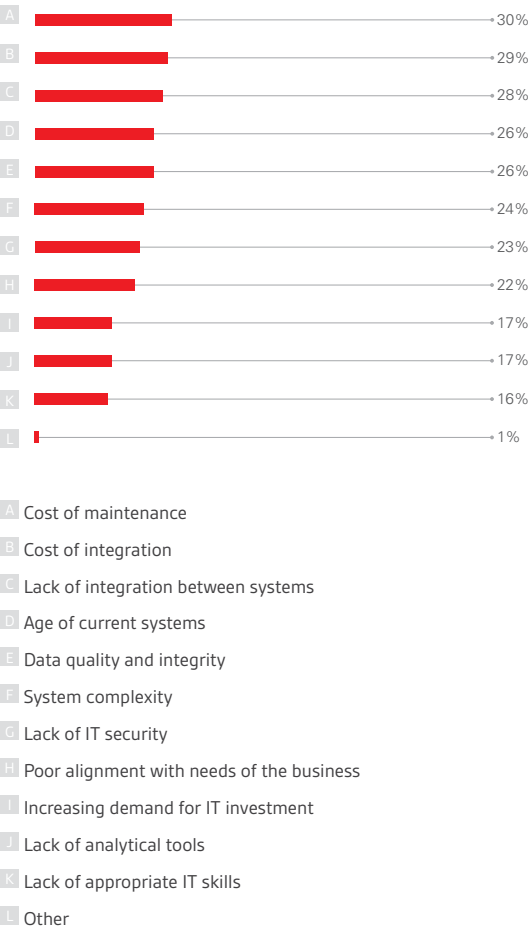
32% are playing a leading role in building the rationale for business transformation

“You need to strike a balance between sustaining the existing business and introducing change,” says **Thibault de Tersant, Senior Executive Vice-President and CFO of Dassault Systèmes**. “It’s easy to consume too many resources on making incremental changes when in fact what is needed is deeper business transformation. The biggest barrier to change is that people only want to focus on legacy activities. As CFOs, we need to convince them to let go of activities that are not useful and focus on new ones that are.”



TECHNOLOGY: A NEED FOR INNOVATION, NOT JUST MAINTENANCE

Chart 6: Which of the following aspects of your company's current technology assets and infrastructure cause you most concern?



DEALING WITH THE PROBLEMS OF TOMORROW, NOT JUST TODAY

CFOs have long complained about the ongoing struggle with legacy IT systems that are poorly integrated and expensive to maintain. Our survey finds that these concerns have not gone away. Asked about the aspects of their company's technology that causes them greatest concern, respondents point to the cost of maintenance, the cost of integration and the lack of integration between systems as their top three concerns (see chart 6). Other problems, such as the age of current systems, data quality and integrity, and system complexity, also rank highly.

Simply dealing with these legacy problems consumes a significant amount of time that might otherwise be better used to implement more innovative technologies, such as cloud computing, mobile, and social, into the business. Keeping the lights on has been a key focus for CFOs, but the true power of technology lies in the opportunities for productivity and growth it offers. CFOs need a better understanding of the capabilities of technology innovations, such as big data and analytics, in order to make better judgments about where to prioritize the company's investments.

Working together with CIOs, CFOs recognize that they must maintain their focus on technology innovations to improve collaboration between finance and the business, to enable the better flow of information and insight, and facilitate quicker, better decisions. Better use of data and the incorporation of leading, as well as lagging indicators, can help finance teams to look forwards as well as backwards. Yet for many CFOs, the role that they play in introducing these innovations remains limited. Just 31 percent of respondents, for example, agree that big data and analytics have shifted the responsibility for IT from CIO to CFO.

Similarly, the technology responsibilities of CFOs are for the most part still focused on more passive activities, such as measuring returns on IT investment, or scrutinizing IT infrastructure purchasing decisions (see chart 7). Fewer claim responsibility for aspects of technology that are better able to drive business change, such as big data/analytics and IT services purchasing.

The challenge, then, is for CFOs to really grasp the power of technology to deliver the change they aspire to for their organizations. In order to do that, they must make more effort to understand what innovative new technologies can offer.

30% are concerned about the cost and maintenance of their technologies

Chart 7: Which of the following IT decisions are currently the responsibility of the CFO in your company, and which do you expect to be the CFO's responsibility in three years' time?

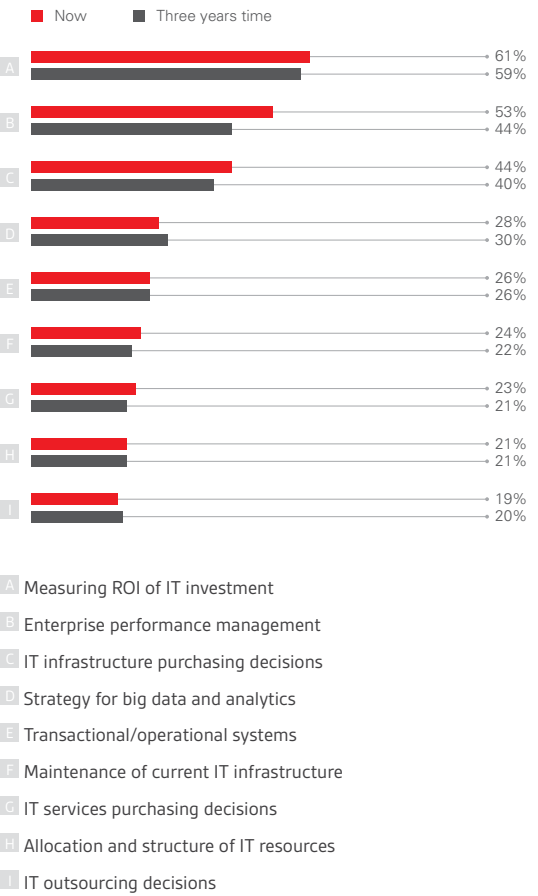
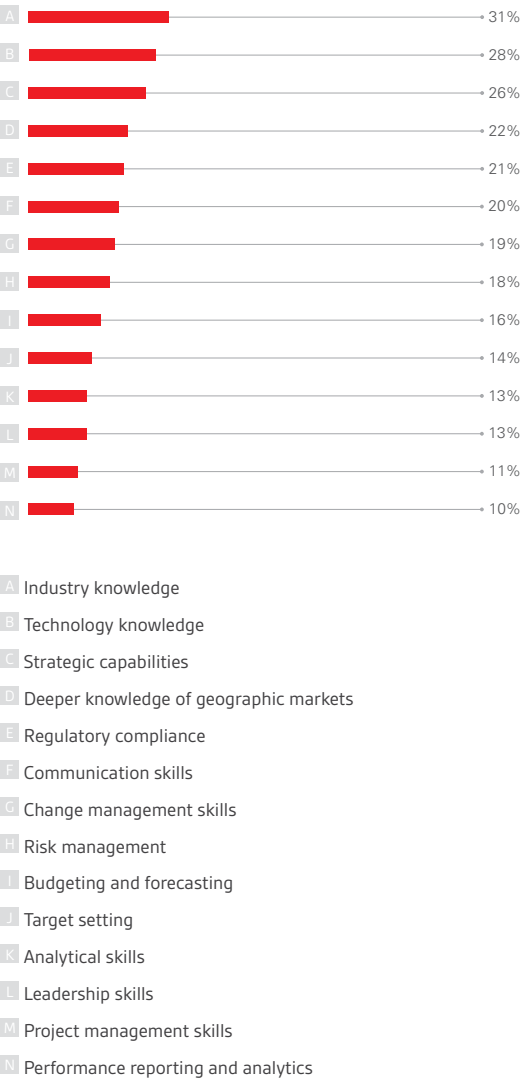


Chart 8: In which of the following areas do you think you most need to improve your skills and capabilities?



A LACK OF KNOWLEDGE

Asked where they most need to improve their own capabilities, many CFOs cite knowledge of technology as key area of focus (see chart 8). Indeed, only industry knowledge is seen as a greater priority. As mobile, analytics, cloud computing, and other major trends play a greater role in both the cost and growth agendas, better understanding of technology is becoming a critical capability for today's CFOs.

This does not necessarily mean that CFOs need in-depth technical knowledge or be able to manage technology on a day-to-day basis. For Ms. Washington of Gilead, it is the application of technology that matters. "Thinking about how to leverage technology is certainly vital," she explains. "But more importantly, I need to focus on implementing effective business processes because, as we grow, it is my job is to ensure that we continue to do so profitably."

BUILDING BRIDGES WITH THE IT FUNCTION

Most finance leaders recognize that technology is a critical tool to enable them to fulfill their role. And, as a result, CFOs have become much more closely involved in IT investment decisions and in managing IT infrastructure. No wonder, then, that 84 percent of CFOs say that co-operation between the finance leader and CIO has increased over the past three years (see chart 9). And among respondents from Asia-Pacific and North America, this proportion exceeds 90 percent.

At ADP, for example, Mr. Siegmund says his relationship with the company's CIO is now one of his closest in the business. "My CIO is my office neighbor and we're best friends at work," he says. "The title on my door doesn't change my approach: I still offer ideas for product direction, I review products, I offer improvement ideas as I observe them. So I really engage in a wide variety of business problems."

Yet, despite this closer collaboration, our survey finds a lack of consistency around how CFOs perceive technology as part of their role. On the one hand, there are signs that the CFO's role in IT will become more prominent. Looking ahead to the next three years, just over half of CFOs expect that their influence over IT will increase (see chart 10). Despite this shift, only 38 percent agree that IT is now a fundamental part of their responsibilities (see chart 9).

84% of CFOs say that co-operation between the CFO and CIO has increased over the past three years

Chart 9: Please indicate whether you agree with the following statements. (Chart shows percentage that agree)

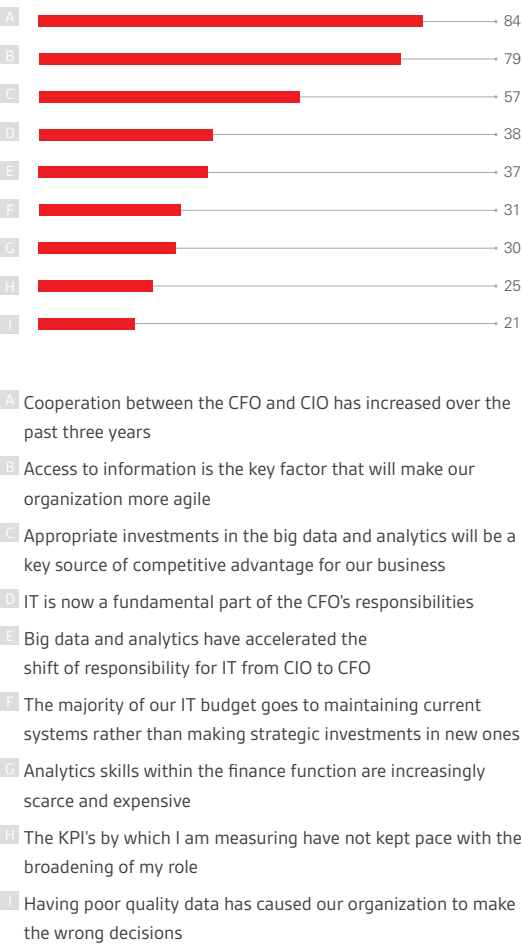
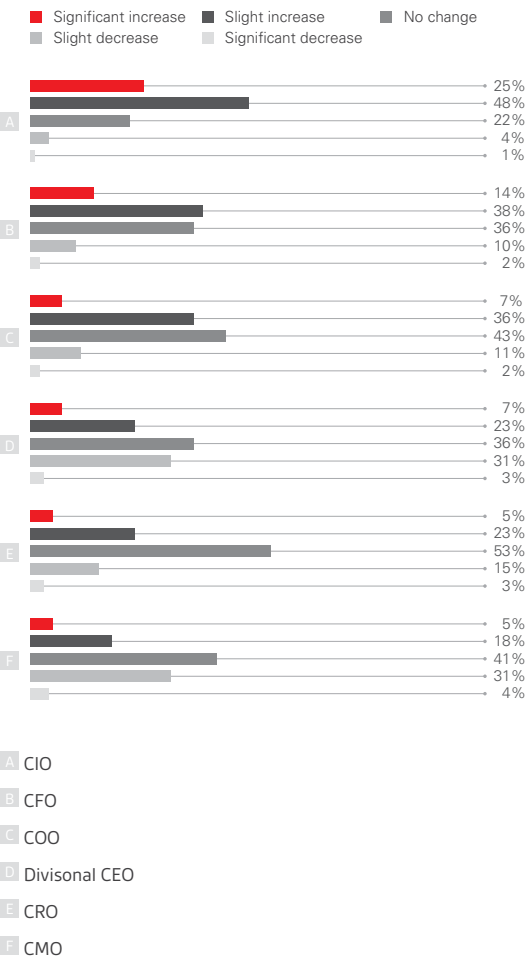


Chart 10: Over the next three years, how do you expect the degree of influence on IT decisions held by the following individuals or groups to change?



Emerging technologies suggest a stronger role for the CFO in IT. Consider investments in big data and analytics, for example. Almost six out of ten finance leaders agree that appropriate investments in big data and analytics will be a key source of competitive advantage for their business (see chart 9). This is consistent with research from Gartner, which forecasts that 70 percent of high-performing businesses will manage their business processes using real-time predictive analytics by 2016³. Another report found that retailers that could leverage big data effectively stood to gain a potential 60 percent improvement in operating margins⁴.

Analytics is becoming a key area of focus. According to a recent study, business intelligence and analytics ranked top among CFO investment priorities in 2012⁵. “Anything that can help us reduce the amount of time that we spend analyzing data and converting it into information that is actionable is interesting to us,” says Mr. Bertolo. “These tools can really advance our ability to understand trends with a greater level of granularity and on a much timelier basis.”

Moreover, such tools are valuable internally, as well as in external dealings. ADP’s Mr. Siegmund says: “The big data analytics that we’re planning to run to, let’s say, better analyze the need for what other products clients should buy, or to support our sales teams and our sales finance teams in understanding why clients are leaving, will depend on the same data we are using in finance. It’s just a different side of the same medal.”

These technologies mean that, whether they like it or not, CFOs and CIOs must collaborate more closely on technology projects. Both executives need a common understanding over how to use technology as an enabler of both efficiency and performance. This means that CFOs must take a close look at key IT projects and use their finance skills and insight to ensure that the right investments are being made. “If the CFO is not at the forefront of decisions on technology, then I think that’s a mistake,” says Mr. Hon.

CFOs and CIOs must also collaborate with other members of the management team, as investments in innovations such as cloud computing and big data affect every part of the business. Marketing is a case in point. According to Gartner, investment in high-tech marketing now exceeds overall IT budgets and the decision over selection of marketing technology is shifting towards the CMO⁶. It is therefore essential for CFOs to engage more closely with CMOs and ensure that investments can help to achieve broader corporate performance goals.

57% agree that investment in Big Data and Analytics will be a key source of competitive advantage

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³ <http://www.cio.co.uk/news/3428679/real-time-analytics-set-drive-business-processes/>
⁴ Big Data: The Next Frontier for Innovation, Competition, and Productivity, McKinsey Global Institute, June 2011
⁵ “Top 10 Findings From Gartner’s Financial Executives International CFO Technology Study”, Gartner Research Report May 16, 2012
⁶ IT Key Metrics Data ’12: Executive Summary, 15 Dec 2011, Gartner



SKILLS AND CAPABILITIES: BUILDING THE FINANCE FUNCTION OF THE FUTURE

SIX HALLMARKS OF HIGH PERFORMERS

- The best performing finance organizations are far more likely to have advanced capabilities in the following areas:
- **Finance function strategy and governance:** developing an operating model and governance structure that will support the strategy of the organization and reporting capability necessary to measure how the company is performing against strategic objectives.
 - **Value-centered culture:** driving a shareholder value orientation throughout the organization, ensuring analytics and metrics are understood and leveraged in key decision making processes.
 - **Strong focus on emerging technologies:** working together with IT to build a business case for, and deploy, innovative technologies such as cloud, social media and analytics. The ability to apply these technologies to drive the next level of efficiencies, and support broader business decision-making, has become critical.
 - **Strategic planning and target setting:** linking value drivers and key performance indicators to the strategic objectives, and developing targets that are cascaded down through the organization.
 - **Forecasting, reporting and analytics:** developing an integrated approach to forecasting and reporting to provide timely insights that will provide for near real-time course corrections to be made throughout the organization. Most companies are focused on historical information, which does not allow for timely corrections.
 - **Financial risk management:** managing risk more proactively and holistically across the enterprise. Traditionally, credit and operational risk have been managed separately. However, the ability to assess and report these risks across the enterprise provides the organization with the ability to monitor risk exposures before they become financial operational losses.

SKILLS AND CAPABILITIES

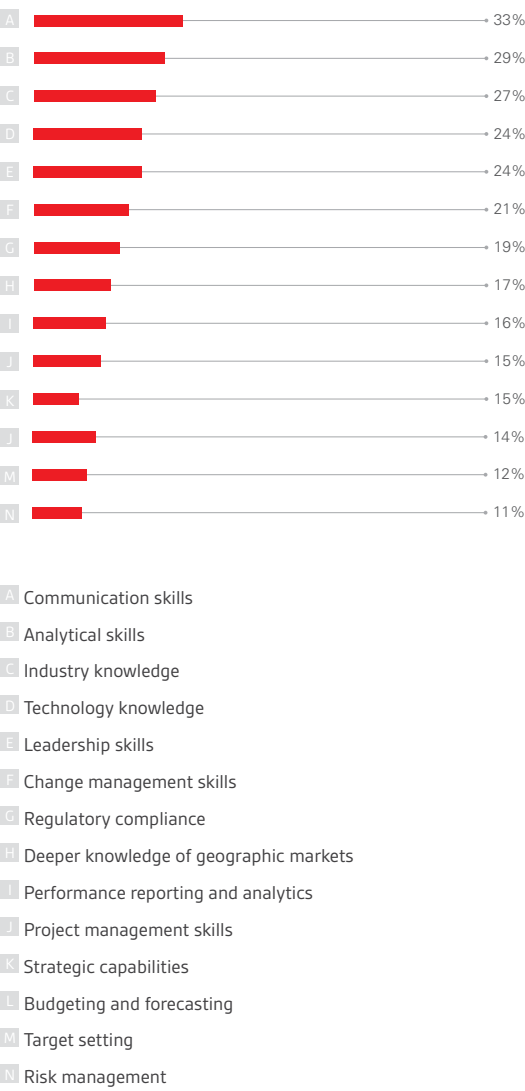
UNDERSTANDING WHERE SKILLS GAPS LIE

Finding talent in the finance function remains challenging for many companies. One recent survey found that 59 percent of CFOs find it challenging to find skilled finance professionals today⁷. If CFOs expect to free up capacity in order to focus on strategic matters and solidify their role as change agents, they need to have a team with the capabilities to handle core finance activities, such as cost management and risk assessment. “Finding and keeping great talent is absolutely critical because when you don’t have great talent it forces the CFO to be less strategic,” says Ms. Washington of Gilead Sciences.

Changes to the role and responsibilities of the finance function have exacerbated the talent challenge. Senior finance professionals are now expected to possess strategic insight, be agents of change, and manage highly complex projects, such as the implementation of shared service centers or enterprise technologies. This is very different from the more “traditional” role, which would have been much more focused on the numbers.

Asked where they think their direct reports most need to improve their skills and capabilities, communication skills top the list, with leadership skills also making the top five (see chart 11). As finance functions become more focused on “business partnering” and driving enterprise-wide change, these softer skills are becoming essential—and, indeed, are more important than traditional finance skills. Companies want finance professionals who are commercially minded and with strong leadership capabilities. Yet, for many finance professionals, this has not formed a key part of their training.

Chart 11: In which of the following areas do you think your direct reports most need to improve your skills and capabilities?



⁷ Survey of 1,400 CFOs of U.S. companies conducted by Robert Half International

The rising importance of technology—and the skills required to leverage it—also creates gaps, with CFOs pointing to analytical and technology skills as key areas for improvement among their direct reports (see chart 11). As companies embed big data and analytics more deeply into their finance functions and operations, they need confidence that they have the right skills in place to extract the maximum from these technologies.

Companies also need to be careful that structural changes to finance operating models do not weaken the talent pipeline further. The creation of centralized shared service centers offers the opportunity to pool skills and disseminate best practice, but it can create a silo-based platform for career development. Five years ago, in-country finance managers would have been exposed to a broad range of finance activities. Today, however, the number of in-country finance managers has shrunk, making it more difficult for up-and-coming finance professionals to gain valuable experience. Organizations with shared services centers should consider rotational roles and personalized career development planning of their high potential professionals through the center and the business to help alleviate this situation.

Cloud-based talent solutions are playing an increasingly important role in helping CFOs plug talent gaps. They can help companies to understand where skills gaps lie, and provide valuable insights into where talent assets reside—both within the company and externally. This helps them to adopt a more strategic approach to workforce planning, ensuring that they have the right people in the right roles, and that skills and capabilities in the finance function are keeping pace with a fast-changing environment.

KEY RECOMMENDATIONS FOR A CHANGING ROLE

In this report, we have explored some of the key challenges facing the finance function, and how leading companies are addressing them. Below are some of the steps that we believe senior finance professionals should consider to overcome these challenges and help position their business for future success.

THE OPERATING ENVIRONMENT:

- 1. Apply emerging technologies to drive the next generation of efficiencies in the business
- 2. Work with business colleagues to ensure that investment and resources are allocated appropriately and at the right time
- 3. Explore integrated business services as the next evolution in the shared services agenda
- 4. Adopt a forward-looking approach to strategic insight and decision support, along with a strong grasp of information through more robust use of analytics, to stay one step ahead of business model innovation
- 5. Take the lessons from finance transformation and use them to drive change in the broader business

TECHNOLOGY:

- 6. Shift the focus from maintenance of IT systems to technology innovation
- 7. Develop a better understanding of how technology can support both the cost and growth agendas
- 8. Collaborate with other functional areas, including marketing and HR, to ensure that technology investments enable the right business outcomes

SKILLS AND CAPABILITIES:

- 9. Adapt training and recruitment to keep pace with the changing finance role
- 10. Apply cloud-based talent systems to assess skills gaps and enhance workforce planning



CONCLUSION

CFOs have made significant progress over the past decade in transforming their roles and the contribution that they make to the company. They have become trusted advisors to the business and strategic partners to the executive team. And, through their work over the past few years on cost and cash management, they have in many cases saved their companies from obsolescence.

Within their own function, CFOs have also been at the forefront of innovation in organizational change. The implementation of finance transformation programs has provided a radical overhaul of operating models, introduced significant efficiencies and enabled the pooling of resources and knowledge in centers of excellence. This has set the blueprint for the rest of the organization, leading to discussion of similar transformations taking place in HR, procurement, and IT.

With their profile now higher in the organization than at any time in recent memory, CFOs now have the opportunity to become an agent of broader, business-wide change. Leading CFOs are now helping organizations take a much closer look at processes, using their enterprise-wide perspective and objectivity

to determine the rationale for change, prioritize initiatives, and then drive them through the organization as efficiently and effectively as possible.

Technology is increasingly proving to be an important enabler of this new role. Innovations such as big data and analytics are giving CFOs and other managers the information to identify the need for change, make well-informed decisions, and prioritize different initiatives.

Becoming an effective agent of change requires CFOs to possess the leadership and communication skills to work with CEOs to outline the vision and overcome resistance. They must possess the strategic insight and ability to challenge accepted ways of doing things and demonstrate why an alternative would be better. And they must have the ability to prioritize their own agenda and find the time and resources to dedicate to change projects—a challenge itself at a time when the CFO role continues to become more demanding and complex.

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