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Five Ways Leading CFOs Can Drive Value in 2020

With markets becoming more dynamic and competitive than ever, CFOs face escalating demands as their roles evolve and grow. Increasingly, CFOs are shifting from oversight and financial control to business leadership and enterprise value creation. The common expectation today is that CFOs should actively participate in, or drive business strategy development, operational management and transaction activities.

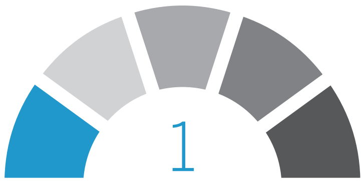
Business transformation will continue to rise, driven largely by marketplace volatility, technology advancements and disruptive innovation, but this decade may be the most progressive. In finance, CFOs and professionals have advanced from the emergence of the personal computer and spreadsheets in the 1980s, the advancement of ERP and the Internet in the 1990s, the drive to globalization and e-commerce in the 2000s and the adoption of the digital age in the 2010s. In 2020 and beyond, the CFO's ascension to strategic advisor will be paramount for leading business model agility and responding to an ever-unpredictable market.

Some organizations may find that traditional tasks currently performed by finance professionals will be eliminated, replaced or automated given the accelerated rate of digital transformation in finance. The business need for automation was verified in recent years, and the adoption of Robotic Process Automation (RPA) has already gained traction. The impact on Finance professionals will require them to develop and deliver new capabilities supporting strategy, scenario planning and enterprise performance — all while embedding analytics seamlessly into the business.

As we begin a new decade, CFOs can shape strategic direction and operational decisions by building a finance function that offers the capabilities and partnership to create enterprise value.

Leading CFOs are already incorporating the power of predictive analytics to anticipate trends, respond quickly to market fluctuations, generate business value and optimize capital allocation. In this decade of transformation, CFOs can make a big leap towards improving their financial organizations.

Here are five ways that CFOs can drive value with confidence in 2020. Our Driver's Manual contains the latest information you will need to successfully deliver the most precious cargo — results.



CHECK YOUR DASHBOARD

Lead integrated planning and reporting that translates strategy into outcomes and proactively manages the business against volatility.

When you want to make sure your car's systems are performing optimally, you conduct a multi-point inspection to ensure reliability. Likewise, it is critical for CFOs to know they have true and accurate planning and performance reporting to provide the timely, relevant and accurate fact base for decision-making. Define Key Performance Indicators (KPIs) at the enterprise level that are the drivers and "value levers" in driver-based forecasting models and you will enable scenario modeling, real-time performance reporting and the agility to take corrective actions when hazards are on the horizon. The right metrics (predictive KPIs that are material and volatile) link strategy, execution and performance management and cascade down the organization to drive achievement of the overall strategy.

Road check:

- Do you use a driver-based model that statistically correlates business drivers to outcomes?
- Is your financial forecasting touchless, freeing up valuable analytic capabilities?
- Can you capture real-time information to make timely business decisions?

TRAFFIC CONTROL

Ensure readiness and take the lead on mergers, acquisitions, divestitures.

Did you signal? Are you ready to merge lanes or exit? A driver without foresight is akin to a CFO steering an organization without direction. CFOs should play the key role in managing strategic alternatives on acquisitions, divestitures and mergers. They should also oversee deal structure and economics, risks and negotiation strategy based upon projected financial outcomes. Company decision-making across the transaction lifecycle relies heavily on the CFO and the finance function to maximize deal value, ensure the company can still fully function through the transition and reduce value-leakage post transaction.

Road check:

- Are you driving the transaction economic modeling and financial due diligence?
- Do you have the playbook, experiences and capacity for Day 1 close?
- Are you realizing the expected synergies post transaction?

YOU MAY NO LONGER NEED TO RELY ON YOUR SENSE OF DIRECTION, BUT MAKE SURE YOUR GPS IS READY TO GO

Modernize application platforms by leveraging the use of existing tools and adopting new digital technologies

Reading a map will always be an important skill, but technology affords so many advantages. Finding ways to create efficiencies, redeploy talent and explore new operating models through technology is critical. In many cases, fully leveraging the finance technology architecture already in existence is the first step in creating value. Too often, certain features of existing technology are not "turned on" or being used to full potential. By first determining if your finance technology and tools are suited for your business, you can then make the right decision to upgrade, explore new technology (e.g., planning, reporting, analytics tools) or simply get more out of what you own.

Road check:

- Is the Finance department heavily dependent on Excel and manually intensive data collection?
- Do you need to deploy the latest technologies or will tuning up your current systems suffice?
- Does RPA deliver the business value it promises to your organization?

FUEL EFFICIENCY

Drive enterprise cost optimization by taking a broader role to reduce costs across the enterprise and incorporating into the planning process.

You can't wear blinders in the driver's seat. CFOs should collaborate with leaders across the organization on a periodic basis to assess and optimize costs without undermining strategic objectives. This should be accomplished through both function-specific and enterprise-wide initiatives such as building variable cost business models, adopting zero-based budgeting and understanding ROI on significant IT and other major expenditures. CFOs should develop an effective cost optimization strategy that provides enterprise cost transparency and management as part of the business cadence well beyond 2020; it is also critical to obtain and maintain cost targets among the leaders in the organization. Finally, the C-suite should make sure to clearly communicate and hold the entire team accountable for these efforts both as a group and at the individual level.

Road check:

- ☐ Does the Finance group take the lead in optimizing costs across the enterprise?
- ☐ Have you moved to a variable cost model to better manage through economic volatility?
- ☐ Once costs are taken out of the system, how do you ensure they do not creep back in?

GO THE EXTRA MILE — THERE'S ALWAYS MORE TO LEARN

Deploy talent development programs to enhance capabilities and better align to business needs.

Successful finance teams not only know how to manage and synthesize data, but they are also adept at analyzing it to drive solutions and decisions. Finance leaders should look for "problem solvers" with strong technical capabilities, and invest in talent development programs to facilitate upskilling, increase retention and create a synergetic team with a common language. Leading CFOs are hiring talent with skills outside of traditional finance roles and encouraging them to collaborate to both problem-solve and innovate. This "pit crew" approach is enabling finance teams to work at a faster pace to influence business decisions and build a stronger link with other functional groups.

Road check:

- ☐ Are finance professionals being developed to work and interact with ever-changing information and technology?
- ☐ Do you have the right finance capabilities to enable you to be an effective business partner?
- ☐ Is the Finance department's training program a competitive differentiation to attract, retain and develop top talent?

FINAL THOUGHTS – FINANCE STRATEGY 2020

Timing is ideal for CFOs to develop or refresh finance strategies to ensure it has the vision and capabilities to proactively address business-cycle volatility, incorporate the latest digital capabilities and ensure it is a valued business partner across the enterprise. In an ever-changing market, now is the time to have a well-defined finance strategy including the newest model equipment with a driver's manual to be successful down the road. Ideally, your strategy should encompass the following components across the Finance function.

Accounting and Financial Reporting
Determine treatment of complex accounting issues, accelerate close process, deliver single source of truth with timely and accurate financials, improve operational efficiency and effectiveness of accounting organization.

Strategic Alternatives and Transactions
Ensure readiness on IPOs, mergers, acquisitions and divestitures, undertake deal due diligence and synergy realization, manage post-merger integration.

Planning and Performance Reporting
Lead integrated, end-to-end planning and reporting capabilities that translate strategy into performance: driver-based modeling, touchless forecasting and zero-based budgeting.

Finance Systems and Automation
Define finance technology architecture, optimize use of existing tools and deployment of new digital technologies, provide timely, relevant and accurate fact-based information to business leaders and management.

Cost Management
Drive enterprise-wide cost optimization efforts across SG&A, supply base, business partners and the workforce

Treasury, Balance Sheet, Working Capital
Optimize capital structure and allocation, accelerate cash flow and working capital across customer-to-cash, forecast-to-fill, source-to-settle.

There are high expectations for the CFO to drive performance while protecting the business. Finance's imperative is to shape strategic direction and operational decisions by delivering capabilities and facilitating effective partnering in the business. Leading CFOs safeguard the business while anticipating market trends, quickly addressing volatility and proactively managing business performance.

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