

The Making of Today's New Digital CFO

How digital transformation is
disrupting the finance function.



The CFO – A Fast-Evolving Role

The primary objective of the chief financial officer (CFO) has remained consistent over the past decades: ensure the business is still around in 15 years. But the relative stability of this mission masks a massive shift in the things a CFO must do to make this a reality.

Historically, the office of the CFO was primarily tasked with vital, albeit somewhat mundane, back-office operations: paying bills, collecting revenue, recording transactions, budgeting, and external reporting to ensure compliance.

Supporting this mission, the controlling department focused on specific business lines and provided the plan, budget, and profitability reports. Interactions with other business units were largely limited to cross-business unit transactions.

A pair of macro-trends have disrupted this tranquil status quo: 1) an explosion of downside risk, and 2) the rapid acceleration of technology-led value creation.

From a downside risk perspective, the “triple threat” of cybersecurity, compliance and existential technology-enabled business model disruption have introduced an entirely new set of challenges to be managed.

And the ability to implement targeted, technology-enabled “micro-enhancements” that increase operational leverage and/or open up new revenue streams has introduced powerful, hard-to-predict implications to future operations as well as financial modeling.

These dynamics, taken collectively, have undoubtedly elevated the CFO. But the rapid expansion of the CFO’s job description – strategic thought partner to the CEO, financial wizard, compliance expert, risk mitigator, guiding hand to IT (CIO often reports to CFO) – have led outsiders, and even some CFOs themselves, to characterize the modern CFO as an impossible job.

On the surface, it’s hard to disagree. The range required to do these tasks well is immense. But after closer examination, we’ve observed that it doesn’t have to be that way.

There are, in fact, a set of innovative CFOs forging a blueprint for success. By intentionally introducing a set of foundational building blocks, these CFOs are shifting the posture of their businesses, in the process making their jobs much easier and their enterprises more successful.

This paper will explore the areas these CFOs are focusing on and present actionable strategies to achieve outsized success.

Areas Where Successful CFOs Are Evolving

Much like their predecessors, modern CFOs have a set of high-level areas of focus:

- **Compliance**
- **Communications**
- **Strategic Planning**
- **Financial Planning**
- **Being an Executive Management Team Member**

The difference from the past, however, involves the expectations within each of these buckets and the tools at a CFO’s disposal to excel at each of these. Listed below are six areas we see leading CFOs investing their time and resources:

1. Laying a Foundation of Enterprise Data: The single largest gating factor on an organization’s ability to innovate is the completeness and cleanliness of its data. Like never before, the proliferation of both structured and unstructured data is driving the need for proper data standardization.

Many enterprises, unfortunately, continue to struggle to cleanse data for accuracy and completeness. But leading CFOs are working with their CIOs to prioritize foundational data projects that, once completed, allow firms to harness the power of enterprise data, enabling rigorous modeling of potential investments, rapid development of modular innovation and more holistic risk management.

2. Unlocking the Intelligent Enterprise: Once data is cleansed and organized, CFOs are ensuring the business has the tools to make information both accessible and actionable, enabling data-driven insights that have the added benefit of attracting a new generation of finance leaders who thrive in rapid innovation environments.

3. Evolving an OCFO’s Services Portfolio: Cleansed data has the additional benefit of enabling the Office of the CFO (OCFO) to drive a customer/stakeholder-centric services portfolio focused on optimizing business processes, simplifying the customer/stakeholder experiences, and engaging business and finance in a collaborative manner to drive strategic priorities.

There is a natural, healthy tension between the way finance and the business evaluate opportunities. CFOs are architecting and utilizing prescriptive, statistically rich, real-time technology capabilities to properly evaluate project-based ROI. And within their own departments, CFOs are leveraging these approaches to think differently about financial planning & analysis, closing the books, and other key OCFO activities.

4. Outsourcing Repetitive, Transactional Activities: Standard OCFO activities and business processes are being automated to reduce costs, improve productivity, reduce risk, and allow the OCFO workforce to apply critical thinking and innovation to drive high value and profits.

More broadly, transactional BPO is shifting toward Robotic Process Automation (RPA)/AI for internally determined business processes and Process Automation/AI Outsourcing (PAO) for externally determined business processes.

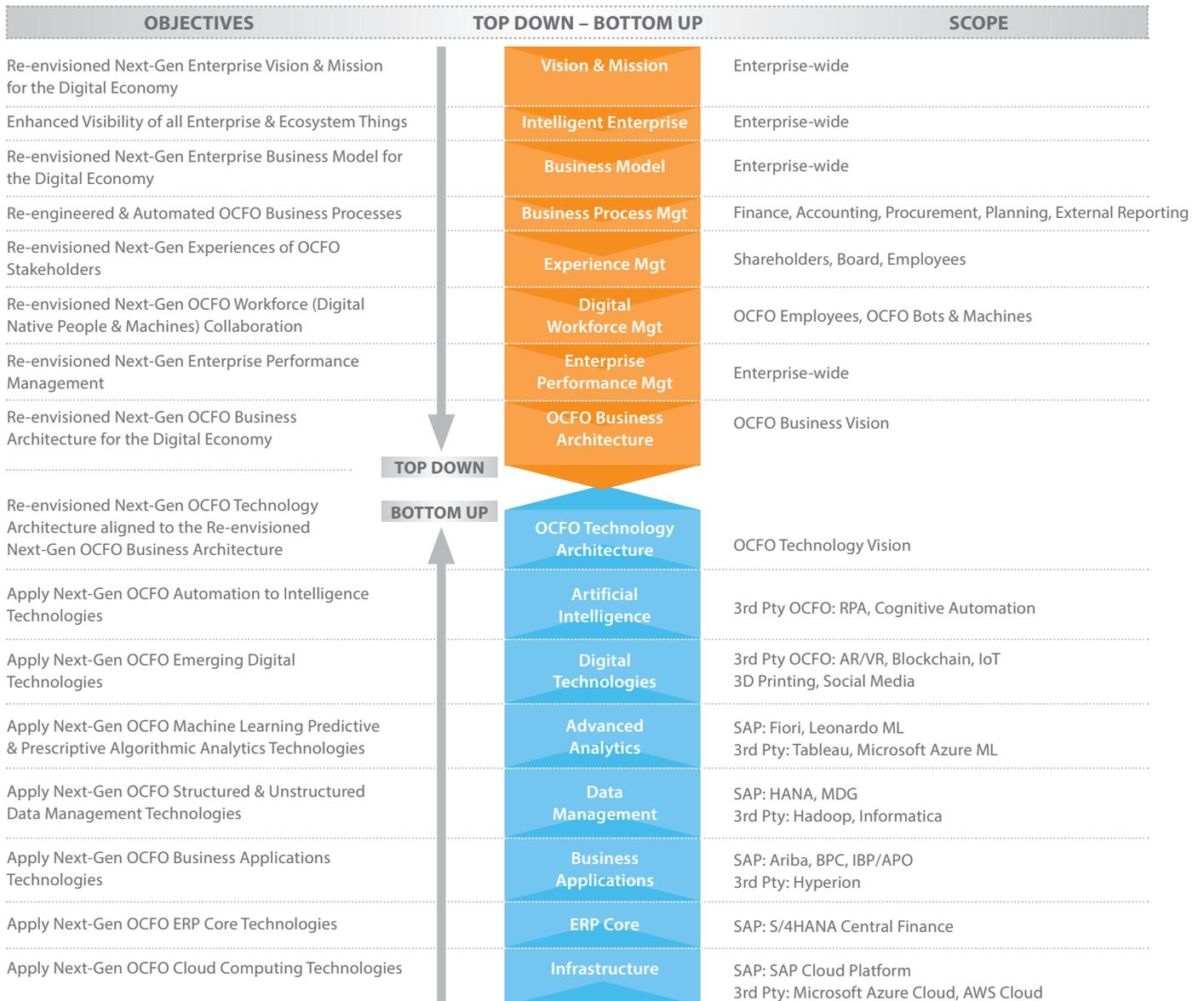
Incremental, continuous process automation – often measured in an ongoing series of single-digit basis point improvements – has become a massive force of divergence between companies. Over time, enterprises that doggedly pursue this approach create structural differentiation from the competition, an advantage that pays meaningful long-term dividends.

5. The Role of the OCFO Workforce is Being Enhanced. With many of the OCFO's transactional operations becoming automated, modern CFO shops are shifting focus to deeper business analysis and the identification of value-added services.

As a result, the OCFO workforce's required skills are radically changing. Digital native OCFO professionals have many of the skills required to access data, but this needs to be paired with the business knowledge to glean actionable insights. Taken collectively, these improvements transform the OCFO from a reactive to a proactive force.

6. CFOs Are Taking Charge of their Enterprise's Digital Transformation: While CFOs are streamlining their own OCFO activities, they are also increasingly leading the digital transformation of their broader enterprise. Forward-thinking CFOs assist their enterprise to achieve growth objectives through real-time, smart, and rapid investments in digital and AI technologies.

Figure 1: OCFO Top Down / Bottom Up Roadmap



Driving Tech-Enabled Value Creation

In figure 1, we depict a CFO Top Down / Bottom Up Roadmap to Technology-Led Value Creation.

Before discussing the OCFO's technology architecture, one must first re-envision the enterprise's business vision with an eye toward what is technologically possible, both today and in the near future.

Sustainable digital transformation, which leads to becoming a market disruptor and improves competitive advantage, must align business transformation enhancements (top down) with technology transformation enhancements (bottom up).

In this model, emerging technology enables business-driven requirements, which is consistent with the OCFO's digital transformation.

To arm themselves with the data to excel, modern CFOs invest in projects to gain visibility into the enterprise's asset data, capital suitability, risk exposure, and profitability, segmented by product, geography, and/or business units.

During executive team strategy sessions, this enables CFOs to contribute business value based on complete, accurate, real-time financial and risk information.

Looking to the Future

Predicting the OCFO's future business and technology environment 10 – 15 years from now is difficult, particularly given the pace at which disruptive technology continues to emerge. With that said, it is both possible and instructive to identify and think through the areas where enterprises will most likely need to make progress during that period.

In figure 2, we have identified areas that will impact the OCFO in the coming 15 years:

- **Intelligent Enterprise**
- **OCFO Business Processes**
- **Experiences of OCFO Stakeholders**
- **OCFO Workforce**
- **Enterprise Performance Management**

Figure 2: 2035 OCFO Business and Technology Predictions

| | 2035 Business Predictions | 2035 Technology Predictions |
|--|---|---|
| Envision Intelligent Enterprise (with the following Technologies: Automation to Intelligence, Emerging Digital, Machine Learning Predictive & Prescriptive Algorithmic Analytics, and Structured & Unstructured Data Management) | <ul style="list-style-type: none"> • An intelligent OCFO function makes data more accessible and actionable, provides data-driven analytics to gain more insights and attracts a new generation of finance leaders who thrive in rapid innovation environments. | <ul style="list-style-type: none"> • Create an Intelligent Enterprise High Value Business Process with Automation to Intelligence, Emerging Digital, Machine Learning Predictive & Prescriptive Algorithmic Analytics, and Structured & Unstructured Data Management technologies providing a real-time and in-memory platform. |
| Re-engineered & Automated OCFO Business Processes (using Business Applications and ERP Core Technologies) | <ul style="list-style-type: none"> • Shift away from Transactional toward High Value Business Processes • Implement strategies to reduce functional and operational complexity, streamline processes, and efficiently use the OCFO to deliver cost-effective, high value services. • Optimize transactional processing by designing and implementing leading practices across the OCFO transactional business processes: P2P, A2R, O2C, R2R. | <ul style="list-style-type: none"> • Transactional BPO shifting toward RPA/AI internally and Process Automation/AI Outsourcing (PAO) for Transactional Business Processes • Design and implement latest versions of SAP BPC, Ariba, IBP/APO, and other 3rd Party emerging Business Applications (e.g., Hyperion). • Design and implement SAP S/4HANA Central Finance (CFIN) as part of an enabler, and typical first step, to an Enterprise's digital transformation, • Achieve timely, accurate and transparent data through a smart continuous close. |
| Re-envisioned Experiences of OCFO Stakeholders (for Shareholders, Board Members, Regulators, and Employees) | <ul style="list-style-type: none"> • Drive shareholder value and sustainable growth to Grow Revenue and Reduce Costs (e.g., reduce days outstanding, reduce operational costs, increase cash collections) • Improve compliance and accuracy in reporting to gain better balance sheet integrity and accuracy in capital availability forecasts. | <ul style="list-style-type: none"> • Design and implement Experience Management emerging technologies (e.g., SAP Qualtrics) for Shareholders, Board Members, Regulators, and Employees. • Utilities SAP Qualtrics' O-Data (Operations) and X-Data (Experiences) Analytics to better understand the Enterprise OCFO Stakeholders. |
| Re-envisioned OCFO Workforce (a human-machine workforce collaboration) | <ul style="list-style-type: none"> • Realign the OCFO skills and competencies with the Enterprise's strategy and stakeholder needs to serve as a strategic business partner. • Scale vision by combining a human-machine workforce that uses intelligent technologies and OCFO staff with next-generation skills and competencies. • Apply Organizational Change Management techniques and Training to assist with a human-machine workforce adoption. | <ul style="list-style-type: none"> • Embed analytics, AI and consumer-centric digital channels into the employee experience. • Optimize the Service Delivery Model and Outsourcing (e.g., PAO) to reduce costs and focus on core competencies. • Improve Digital Native People and Machines Collaboration through Integration Technology. |
| Re-envisioned Enterprise Performance Management | <ul style="list-style-type: none"> • Realign planning, budgeting, consolidation, reporting and analytics to provide enterprise performance intelligence which drives better decisions and actions | <ul style="list-style-type: none"> • Integrate Planning aligning Financial (e.g., SAP BPC) with Sales & Demand (e.g., SAP IBP/APO) Planning Applications. • Deliver cost and profitability analysis including activity-based management and product and customer profitability. • Design and deliver reporting and analytics to monitor and provide visibility to the Enterprise. |

How to Start

Faced with the enormity of this transformation, many CFOs are uncertain where to start. Having worked with many organizations, we have found that, like many initiatives, the ideal approach is to begin with the enterprise's corporate strategy: what is the enterprise's actual starting point and, more importantly, is the enterprise able to **recognize** and articulate direction the enterprise wants to evolve?

After getting key stakeholder alignment on the enterprise's vision, CFOs can work with the CEO and executive leadership to systematically **envision** tasks and processes that would most benefit from digital transformation.

The OCFO can then identify and **experiment** with the digital and AI technologies and capabilities required to improve these areas.

From there, teams go through an iterative process of **aligning** and **realizing** tangible business benefits.

To bring this to life, in figure 3 we have provided a 'Rapid Start 5-Step Approach'.

How to Execute the Rapid Start 5-Step Approach

This model can assist the CFO in identifying and understanding the full range of digital opportunities in the OCFO, evaluating those options based on your business objectives.

Laying the foundation for change are the first four steps, **Recognize** through **Align**. These four consultative activities allow the CFO to work with key stakeholders to define, articulate and measure their digital visions by evaluating various innovative ideas and scenarios.

Once the vision is clear, the organization can shift to **Realize**, the step where the digital transformation truly begins.

At Infosys Consulting, our method – the Digital CFO Intelligent Enterprise Method – expands the **Realize** step in figure 3. Our method is presented in figure 4, which articulates how we assist enterprises with the implementation of their roadmaps by utilizing our in-depth project management, best practice-driven CFO business process modernization, innovative CFO digital and AI technology modernization, experience management, digital workforce management, and change management expertise and experience.

Figure 3: Rapid Start 5-Step Approach

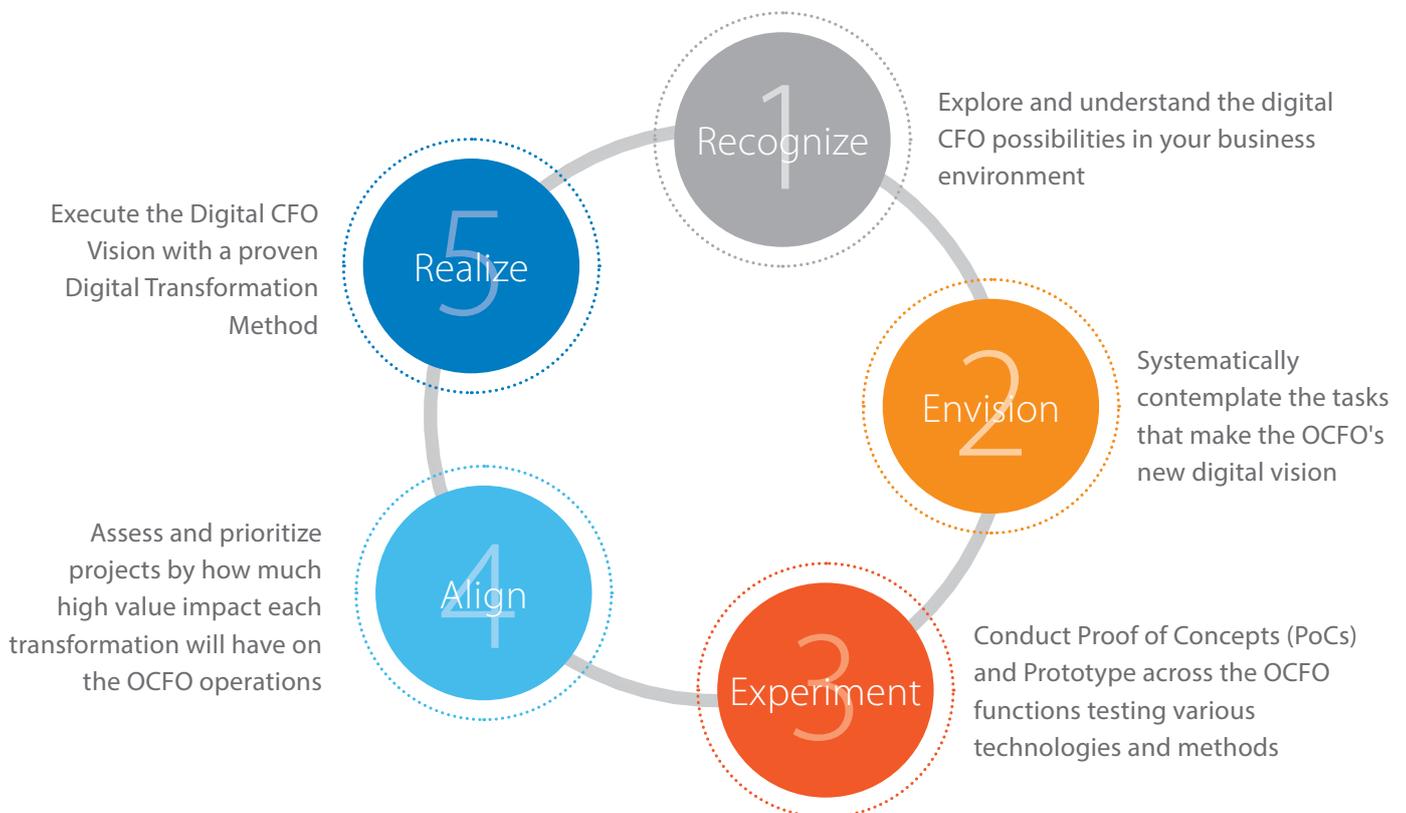


Figure 4: Infosys Consulting's Digital CFO Intelligent Enterprise Method



Our Digital CFO Intelligent Enterprise Method begins with an **Innovate** phase, where we evaluate and detail clients' high-level roadmaps, focusing on making your corporate vision a reality while laying a continuous improvement foundation.

During our **Build** phase, we assist in the conversion of Digital CFO requirements into an OCFO Architecture, followed by building the actual solution.

During our **Transform** phase, we assist firms through their complete OCFO transformation. And during our **Manage** phase, we assist clients with Digital CFO's continuous improve-

ment (e.g., managing digital and AI applications and/or your OCFO transactions that are outsourced utilizing process automation applications).

At Infosys Consulting, we have a passion for helping CFOs manage through the challenges of equipping their enterprises to thrive in a rapidly evolving world. Want to learn? Reach out to our team for a consultative session on how we can add value to your enterprise.

About the Experts



Alex Collevocchio – Partner, Services Practice (U.S.)

Alex is a senior partner leading the digital CFO offerings within our services practice at Infosys Consulting. He joined the firm in 2017 and has over 25 years of experience as a financial management and digital/AI strategist. He has become known as a transformation leader with deep experiences leading his clients into 'disruptors' by re-envisioning their business models and value chains, while leveraging the power of emerging technologies. Alex creates holistic solutions delivered by his innovative, curious teams who bring financial modernization know-how, technical depth, and industry insight to our clients. He is the lead author of this report.



Shan Yong – Partner, Financial Services & Insurance Practice (APAC)

Shan has been with the firm since 2013 in various senior capacities. Based in Melbourne, he heads our financial services practice across Australia and New Zealand, leading some of our most innovative work in the space. His teams develop solutions and strategies to help senior business leaders drive change, transformation and new revenue opportunities for their organizations. Shan has 20+ of senior advisory experience across the financial services and telecommunications space, becoming an expert in enterprise architecture, strategy and governance. Prior to Infosys, Shan held senior roles at HOD Consulting Fiserv. He is a regular speaker at client events and a key contributor to our firm's thought leadership channels.

About Infosys Consulting

Infosys Consulting is a global management consulting firm helping some of the world's most recognizable brands transform and innovate. Our consultants are industry experts that lead complex change agendas driven by disruptive technology. With offices in 20 countries and backed by the power of the global Infosys brand, our teams help the C-suite navigate today's digital landscape to win market share and create shareholder value for lasting competitive advantage. To see our ideas in action, or to join a new type of consulting firm, visit us at www.InfosysConsultingInsights.com.

For more information, contact consulting@infosys.com

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