



#Digital



IN 30 SECONDS

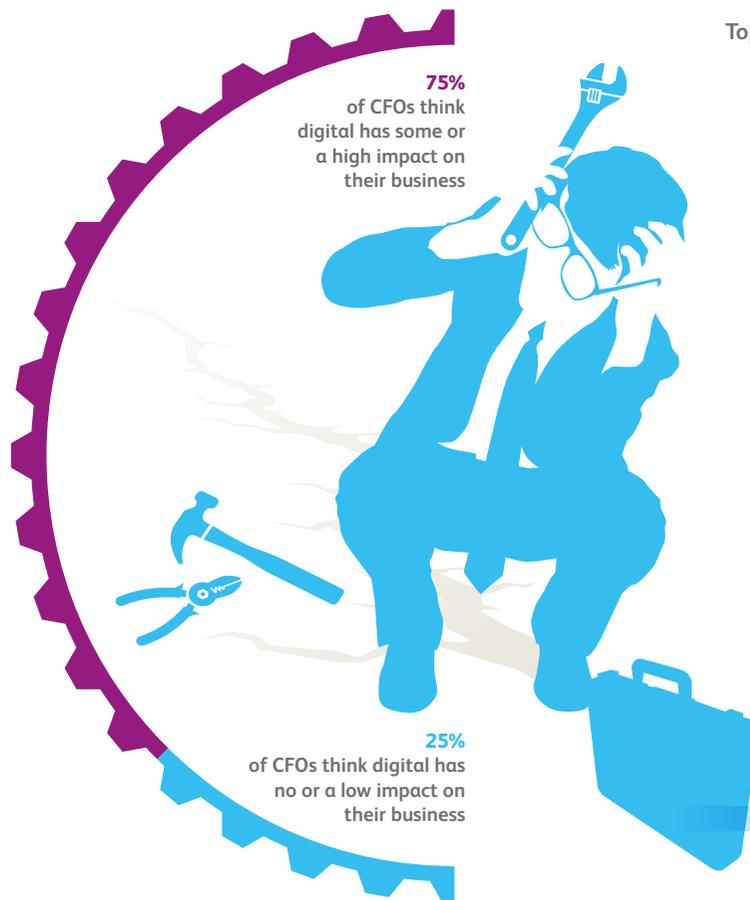
- In a dynamic and highly complex environment, businesses are leveraging opportunities to enhance customer experience and new business models powered by digital technologies
- Internal processes dealing with business information and management reporting are next in line for a revamp, moving to forward-looking insights driven by real-time data
- The emergence of digital technology offers an unprecedented opportunity to transform not only the CFO's organisation and processes but also its image
- Many CFOs who are adapting their role have already experienced major benefits via real-time, integrated decision support and predictions powered by digital

The exponential CFO

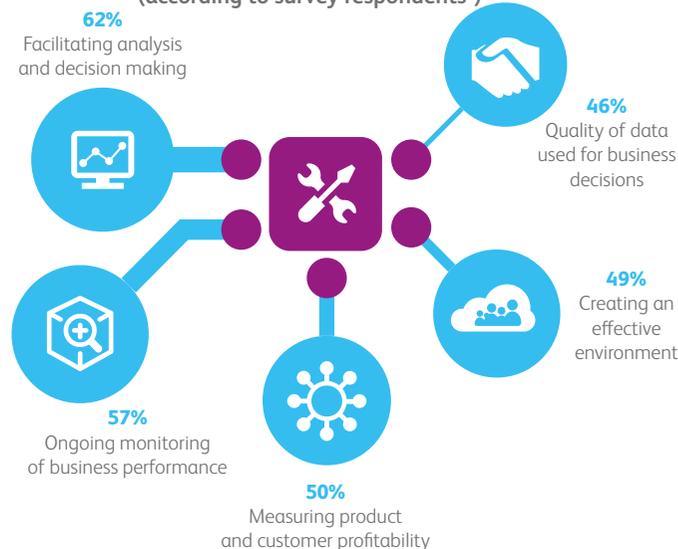
8 finance chiefs on their path to digital, and the need to master 6 additional roles to succeed in the digital world

Impact of digital on the finance function

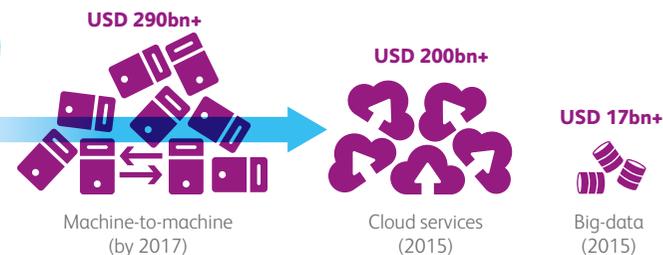
Digital technology is redefining the role of the CFO. As more sophisticated ways emerge in the way data is processed and prepared for the challenges of decision making, three quarters of CFOs feel digital technologies have an impact on how they manage and steer their organisation.



Top five business priorities requiring improved technology support (according to survey respondents*)



Revenues created by digital technologies worldwide



Sources: Oracle report, Gartner report, BearingPoint CFO Survey (see 'Notes and bibliography')



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The importance of looking forward

In the late 1950s, the famous British sportsman and playboy/adventurer Donald Campbell smashed the world land-speed record. His vehicle, widely considered revolutionary for the time, had one curious feature: there were no rear-view mirrors. Looking backwards would be unhelpful, thought Campbell. It would be distracting not to focus on the road ahead.

Fast-forward to today and many CFOs find their field of vision crowded with rear-view mirrors. Transactional and retrospective tasks receive the lion's share of attention and investment. Instead of being a strategic business partner to the CEO, providing proactive data-enabled support, too many CFOs are diverted by the backward-looking view, prioritising existing systems of record. Whilst these are essential, they distract from focusing on forward-looking business insights that can drive innovation and opportunities to add value.

In the digital world, looking forward and taking a more predictive view has moved from aspiration to reality, and so has become a necessity. With the growing prevalence of digital technologies, traditional CFO practices are being upended. Innovations in customer-facing aspects of the business, as well as on the production floor, are driving organisations

'One of the first objectives of the finance function is to make managers' life easier: helping them make the right decision and spend more time with their clients and staff.' – JEAN-JACQUES MORIN, CFO Accor Hotels



to be more responsive to customer needs and market changes, and better integrated across and within the business.

Increasingly, finance departments are embracing the digital wave. Early adopters are not just exploiting historical data but real-time data, drawing inferences using sophisticated algorithms that far exceed human analytical capabilities. Alongside the rear-view mirrors still required for good financial governance, they are building powerful 'heads-up displays', enabling them to look ahead and project informed views based on predictions, simulations and data analytics. The resulting insights shine a powerful spotlight on the future.

With the pace of change as it is, CFOs cannot afford to be left behind. The digital revolution offers a great transformation opportunity, leading to a step change in their role: empowered by digital capabilities, the CFO is poised to carry out a pivotal strategic function on top of their traditional fulfilment responsibilities, changing the way the finance function interacts with its business counterparts. As a consequence, organisations need 'exponential' CFOs who look to leverage the exponential

CFOs are poised to carry out a pivotal strategic function on top of their traditional fulfilment responsibilities, changing the way the finance function interacts with business counterparts

value of digital technologies and drive the business forward to new levels of success, not simply review and mine the past.

In this paper, we look at how traditional CFO roles and responsibilities are changing due to drivers coming from the digital wave and the broader business, and what principles, practices and tools need to be considered to operate efficiently in this new, volatile and complex environment. To understand what is driving this change, we asked an array of CFOs at our client and business partner organisations to share how digital is impacting their business and, more specifically, their finance processes.



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THE DRIVERS OF CHANGE

The need for the CFO to become more digitally driven, collaborative and strategic is substantially a result of the five digital 'shifts' previously identified in our 'Digital decision making' paper¹. These shifts are having a major impact on both business models and working practices:

- 
Intelligence everywhere. Smart analytics creates a vast and unprecedented data trove, empowering not just a few executives but everyone along the value chain. This offers the CFO the possibility to close the gap with the business and to propose more relevant, predictable analysis of key data.
- 
Rise of the machines. The proliferation of the internet of things (IoT), and sensor-based capabilities and monitors, are driving process improvements across many types and sizes of organisations. Process automation is also having an impact on services-based roles, not least accountancy and other finance activities.
- 
The workforce inside out. Broadening access to technology is generating new approaches to staffing and workforce management, catalysing a fluid workforce with higher expectations. Millennials are pushing for new ways of working in traditional functions such as finance, impacting both skills profiles and retention approaches.
- 
Value chains to the village. The world of business is becoming a global village as the digital ecosystem creates new opportunities for companies to work with suppliers and engage with customers. The consequences are new process types and formats, such as the possibility of reverse-factoring in the purchase to pay process.
- 
Evolution of trust. Just as consumers are putting increasing faith in technologies, such as sat-nav systems when driving, so too corporations are reviewing in whom they place their trust and with what tasks. Sound and transparent financial management can become a keystone of the trust relationship an organisation has with its stakeholders.

For many CFOs, the challenge is to keep up with the changes that are taking place on the business side. Frequently, customer-facing initiatives with a perceived direct impact on the top line and core production or service processes are receiving the funding, whilst the CFO's internal processes are receiving the short end of the stick when it comes to innovation and the required investments. However, in our opinion, companies should aim for a balance between innovation for external or core business purposes and the supporting of internal processes that also need to evolve. But what are the realities in the CFO team today when it comes to becoming 'digital CFOs'?



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Why be an exponential CFO? The digital opportunity

A number of BearingPoint clients and business partners have started to move into the digital world and are reporting significant benefits, not least in new business models, improved customer engagement, a narrower relationship gap with the business, and increasingly efficient internal processes. Not only are digital technologies having a deep impact on business models in general terms, they also offer specific opportunities for transformation of the CFO function. We look at these aspects below.

New business models are impacting business speed

Whilst historical precedent tells how technology has impacted business processes over time, the current wave of digital technologies is having a more profound effect on broader business models, especially with respect to how an organisation engages with its customers and the resulting revenue streams. In particular, many new business models have emerged using the platform of digital technologies now available. Such trends are also altering products and service offerings, and therefore supplier relationships. Anja Krusel, VP of Group Controlling at the Borealis Group, says: 'For example, self-driving cars may require more plastic so there will be a need for new business models in the automotive

'We need higher flexibility when it comes to tools and sources of information. We look at business intelligence, big data, and trend analysis for enhanced business insight.' – ANJA KRUSEL, VP of Group Controlling, Borealis



value-chain.' (See our recent BearingPoint Institute paper on the connected car ecosystem for more².)

Technology may not always be certain, which explains why many CFOs have favoured a more conservative approach, monitoring technology innovation and its impacts before leaping into the unknown. As digital technologies alter the market landscape, leadership teams and particularly CFOs now face the prospect of their competition transforming overnight, so they can no longer afford to sit on their hands. Rather, their reaction times to new markets and environments needs better support from higher quality, more accessible information.

Many CFOs are responding to this by becoming more digital themselves: 'We already need higher flexibility. We look at business intelligence, big data, and trend analysis for business,' continues Anja Krusel.

Customer experience has a financial impact

Frequently, new business models involve closer, deeper relationships with customers. As a result, customer experience is becoming a standout

area of interest for finance. This is firstly because customer experience attracts strong digital spending, due to being perceived as a key competitive differentiator. CFOs provide a crucial role in such initiatives: they can inform operational management with analytics-driven insights, and ask challenging questions to ensure proposals are good for business. As Stefan Britz, CFO of Allianz Managed Operations and Services (AMOS), notes, 'A key priority of my organisation is helping Allianz globally to enhance the customer experience by supporting global business transformation projects on behalf of the business as a whole.'

Even more significant, customer experience is becoming a source of value creation. It is well-known, for example, that customer satisfaction can drive brand loyalty and encourage personal recommendations. This insight spurred AccorHotels to find ways to release staff from tasks taking them away from their customers. As Jean-Jacques Morin, Chief Financial Officer at Accor Hotels, explains 'AccorHotels business priority is to make each of our guest feel a unique experience, in the hotel and in every other digital touch points. When it comes to managing our business, from



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the hotel up to the corporate, one of the first objectives of the finance function is to make managers' life easier: helping them make the right decisions and spend more time with their clients and staff.' To do this, the company digitalised their monthly rolling forecast. 'We leveraged Anaplan cloud solution to provide a scalable, adaptive and user friendly process to Hotel General Managers and Business Analysts. Our objectives are to improve forecast accuracy, accelerate decision making processes and save time in back office activities.'

Hence, more and more resources are being devoted to enhancing the customer experience. From a financial standpoint, it is key to appreciate the economics underpinning such business decisions, through ROI (for projects) or customer segment (or channel) profitability. In other words, as businesses move closer to their customers, new forms of profitability analysis will be required to ensure this effort yields additional business value.

Another aspect of this is the changing nature of customer feedback mechanisms. In the past, feedback was dealt with in a closed environment between customer and support desk (with the CFO making available appropriate transaction information). Today, however, customers feel increasingly empowered to voice opinions about products and services on social media.

'We are laying the ground work by updating our ERP system'
 – MARCUS RAUSCH, CFO SOMMER Antriebs- und Funktechnik GmbH



Firms must protect their brand by managing this risk, alongside a focus on improving quality service and delivery – involving the CFO where necessary. 'The role of the CFO these days must be much closer to the business, frequently even with direct interactions with the customer, to check up on how happy he is with the company interaction experience and to jointly define solutions,' says Oliver Deleker, former CFO of Amatheon Agri and current Head of Finance at Nordzucker.

Customer experience may even help shape a firm's overall direction – not least where products become better integrated with corporate systems, for example delivering diagnostic information. 'The question Krauss Maffei addressed with customers was how to efficiently integrate our machines into the customer shop-floor set up,' says Christian Bernert, former CFO of leading manufacturer Krauss Maffei. 'The amount of data that machines produce is ever-increasing. A unique benefit Krauss Maffei offers to customers is developing additional value from interpreting the data and from integrating solutions into the customer set-up.' This example highlights

the increasing connectivity, feedback mechanisms and interdependencies of machine-generated data and the value created for customers through better 'customer experience', which in this case takes place on the shop floor of modern production facilities.

Closing the gap with the business

With the business and competitive landscape becoming increasingly dynamic, CFOs are engaging ever more closely with their lines of business. CFOs are serving their companies well if they constantly enforce the best possible decisions in accordance with the overall enterprise strategy regarding new products or services, business acquisitions and other initiatives that allocate company resources. This analysis is even more aligned to the onset of digital: where technologies are not leveraged sufficiently, the CFO can work with business to explore ways to implement first pilots.

Marcus Rausch, CFO, SOMMER Antriebs- und Funktechnik GmbH, a mid-sized company for door operators and



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transmitters, prioritises faster and more transparent processes above all else. He says: 'Transparency is key, and digital will help to push transparency further; for example, by providing fully integrated planning systems that provide the option to simulate in real time.'

In addition, CFOs are finding the need to redefine the business-partner role in new ways, to integrate business support in addressing the digital drivers of change, such as data from the IoT sensors in machinery or generating business insights from unstructured big data drawn from business and external sources, as the Krauss Maffei example shows.

Internal process efficiency

Finally, many opportunities exist to address internal finance processes more efficiently using digital technology. Automation, rules engines and robotics are digital innovations that can work alongside, rather than replace, traditional ERP technologies such as SAP and Oracle. This leads to:

- Immediate availability of data and dramatically reduced times spent on compiling data and reports
- Opportunities to spend more time on data analysis and to derive business insights from the data
- Faster action and management decisions based on this data, assuming it's well-deployed

'The CFO processes need to become enablers to push more information back to the customer and business in real time.' – CLEMENS G. HADTSTEIN, CFO MGA Metro Group Advertising GmbH



Major software vendors are also moving fast in this direction, for example, SAP simple finance ERP based on HANA real time capabilities. Of course, technology deployment is not sufficient to improve business by itself. Appropriate processes are key to unlocking organisational efficiency – and the CFO's judgement of what to change is a vital input. 'At MGA Metro Group Advertising, the CFO team is a change agent for commercial processes and systems. We are in charge of pushing process orientation further, of stronger automation and integration of planning, simulation and delivery processes and systems,' says Clemens G Hadtstein, CFO of MGA Metro Group Advertising GmbH. 'The billing process is critical. We aim to provide real-time information on advertising budget spends to our customers on a monthly basis.'

Supercharging the finance role

What skills and capabilities does the exponential CFO need to deliver to significantly improve performance? We should first note that a sound basis in core CFO responsibilities does not go

away. 'It is important to keep an eye on the mundane, day-to-day topics such as master data management, digitising customer data and becoming paperless,' cautions Stefan Britz, CFO of AMOS. The CFO still needs to run a highly efficient finance function by:

- Setting up service centres for non-automatable, transactional activities
- Establishing reporting factories that focus the retained controller organisation on value-add analysis
- Harmonising ERP systems using templates, guided by a process model and process orientation
- Assuring data quality in monthly closing by aligning processes, charts of accounts and master data

In addition, the exponential CFO needs to bring a number of additional roles to the table – business partner, financial storyteller, change agent, shareholder guardian, learner and facilitator, and digital mentor. We look at these in Figure 1.

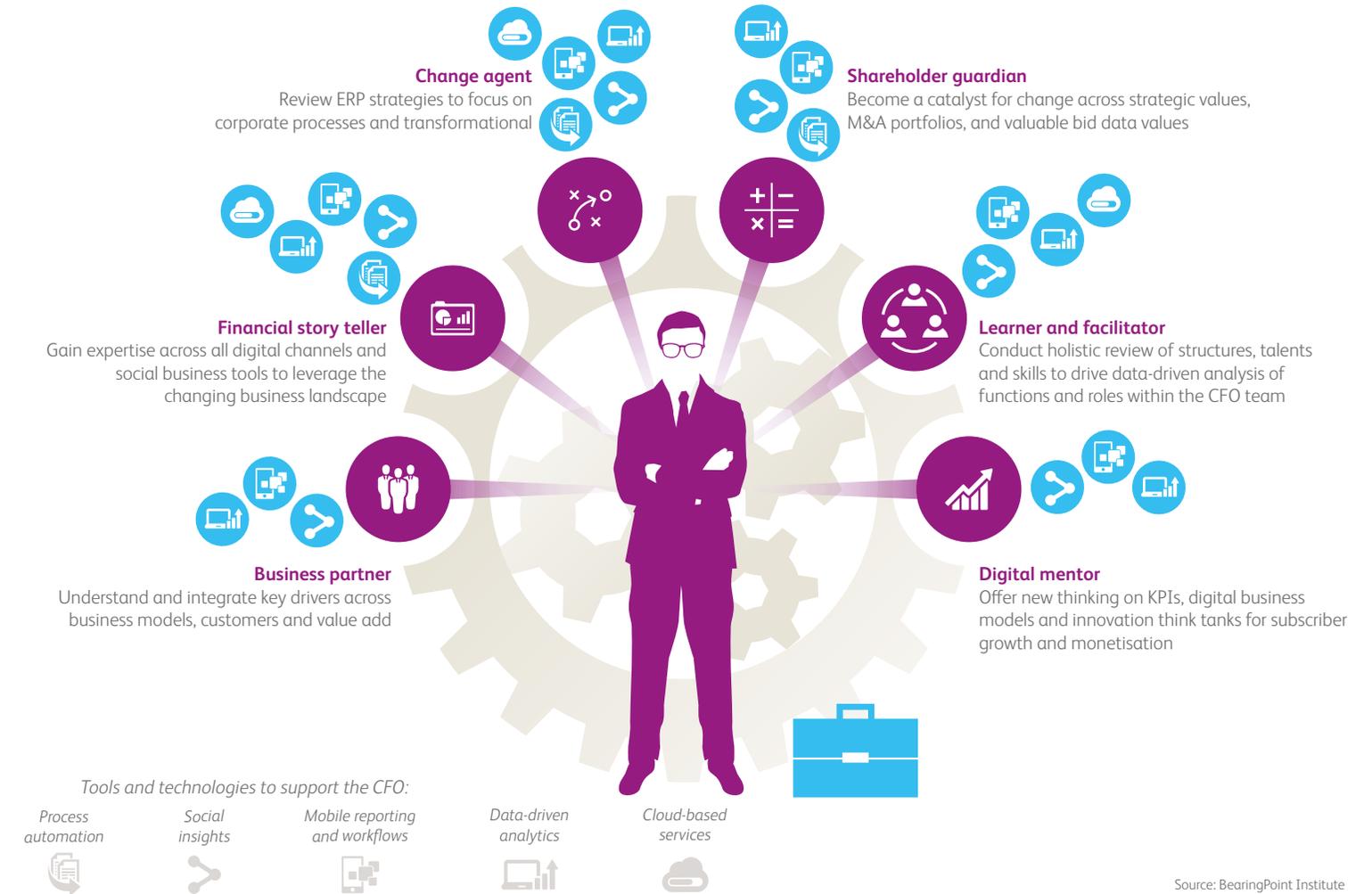


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Figure 1: Which tools apply to the multiple roles of the exponential CFO?

As businesses develop software platforms into more dynamic applications across communications, finance and HR, the modern exponential CFO must utilise new toolsets and technologies to provide greater stability and processing power



Source: BearingPoint Institute



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What tools and technologies exist to support these new roles? Traditional ERP has not missed out on innovation, incorporating in-memory computing to integrate data from more dynamic, customer-facing business applications, and supporting operational ERP functions, such as order processing or manufacturing as well as finance and HR. In addition, our clients tell us they are extending from traditional platforms to a new generation of tools to support the new roles of the exponential CFO:

Tools help with process automation

Many clients are exploring automated closing scheduling, reconciliation support and documentation of internal controls using products such as Runbook, Redwood's RoboClose or Blackline. These integrate with ERP systems and offer desktop or mobile support for automating the processing of ERP transactions, driven by rules engines, alert and delegation functions, and integrated team messaging.

Having support documents, approvals and commentary in one place can enable process automation of greater than 70%¹. In larger scale, shared-service centre contexts, these tools can create additional process efficiencies and provide the leverage needed in these organisations.

Having support documents, approvals and commentary in one place can enable process automation of greater than¹

70%

Social tools offer insights from social media and increase efficiency

Tools such as Google Analytics and Adobe Omniture enable real-time insights to be derived from Twitter, Facebook and other social media sites. These feeds can be integrated with in-house systems, offering a direct view of non-financial KPIs based on consumer behaviour – for example, retail activity during sports tournaments.

Internally, social collaboration tools like Microsoft's SharePoint, IBM's Connections and Cisco's Spark help to channel project- or subject-related communications away from email and onto specific platforms to inform all relevant participants. For internal and external reporting, specialised tools (such as Wdesk from Workiva or Amana's Smart Notes) integrate text and financial information in documents to support collaboration in integrated environments, supported by workflows, approval monitoring and in- and outbound interfaces.

Mobile tools support reporting and workflow management

Mobile platforms and apps offer CFOs and business managers a tablet- or smartphone-based window onto the financial aspects of the business, accessible from anywhere. Roambi and Densio are examples of apps created for the CFO team with mobile in mind. Many tools for specific approval processes support the increasingly mobile and flexible work/lifestyle balance. One of our clients' CFOs has obliterated the need for paper documents in his busy meeting agenda by using Microsoft's SharePoint and OneNote: he gets updates on relevant documents on his tablet in real time.

Illustrating several benefits of adopting digital principles, mobile apps can be set up relatively quickly, they are purpose-oriented and support a single reporting need. Users can experiment, provide feedback and so improve apps in time.



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Analytical tools generate data-driven business insights

New-breed analytics tools are better geared to the digital environment; for example, integrating social and in-house feeds to derive new business insights. These may be available in-house or as cloud-based services. For internal purposes, the cloud offers a potentially less complex, more maintainable alternative to traditional ERP or reporting infrastructures.

It is important to differentiate between 'born-in-the cloud' players – applications that have to be specifically written for cloud delivery – versus other cloud variants: for example, cloud-enabled, on-premise ERP systems. The resulting variety of pure or hybrid offerings promise to drive down IT costs through the adoption of highly scalable, standardised, best-practice processes.

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Cloud-based services enable realisation of new revenue sources

In addition, a number of customer-facing, cloud-based services are of particular interest, not least in payments and billing, as they may lead to new revenue sources. BearingPoint customers have already been making inroads in this area. For example:

- By providing highly granular billing options for digital services, one client could create more flexible, individualised offers resulting in a better customer experience.
- A media company is extending services to provide digital subscriptions, generating recurring revenue and pay-per-usage premium content. Indeed, traditional payment methods such as invoice and direct debit should be replaced by payment schemes that support mobile payment options.
- Another customer is exploring cloud-based options to provide premium content through existing digital customer channels.

'Financial departments cannot simply produce numbers without providing the meaningful analysis with high value add relating to them. Now, thanks to digital, this added value is much easier and faster to build. CFO must transform digital into growth accelerator.'

– MATHILDE BLUTEAU, CFO of Microsoft France





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9 DIGITAL PRINCIPLES FOR THE CFO

Changes in roles and responsibilities are accompanied by changes in some more fundamental principles, which form the basis of how CFOs do business. Some of these principles have become second nature due to the pervasive presence of, say, devices in our daily lives, but others represent new ideas that require evaluation before adoption on a larger scale. Just as new methods and approaches drive innovation, the CFO will benefit from discussing and integrating the following principles into the financial function.

Principles	Considerations for the CFO
1 Platform-based	Consider new platform-based business opportunities to grow your business leveraging existing or creating new digital platforms (such as Amazon, salesforce.com, BT, GE Digital). Tackle specific issues with best of breed solution, with a step-by-step and modular approach (example: Concur for expenses, Coupa for P2P, Anaplan or Tidemark for planning).
2 Real-time or right-time	Using technology advances such as in-memory computing, Hadoop, etc. to prepare decisions based on currently available information in real time.
3 Integrated	Overcome insular legacy systems and adopt integrated finance systems to collaborate and share information in real time.
4 Data-based and forward-looking	Tap new sources for business insight by integrating structured and unstructured data into new forms of business analysis, frequently making predictions about the future.
5 Consider the user-experience	Just like on the sales side, finance back-office processes involving customers or business partners should offer the same high-quality user experience (for example, invoicing or customer inquiries).
6 Client-centric	Clients are both external and internal. The CFO team adopting a clear role as a business partner focuses on the business as the internal client and adds value to the enterprise.
7 Errors are acceptable	Adopting the philosophy of the start-up scene may help drive faster and still pretty good decisions concerning investments. There needs to be a careful balance on reporting sound and dependable financial data and preparing business decisions.
8 Automated processes and process orientation	Options to automate and to use workflows, rules engines and robotics are virtually unlimited. This is also true for the finance function (see examples below). Organising the enterprise with a process rather than a functional (silo) orientation will support process automation.
9 Agile project and implementation approach	The premise of agile project and delivery approaches, such as Scrum, is that you get tangible results earlier and you have more intense cooperation between business – the product owner – and the development team. Gradually, these techniques are being adopted by the mainstream. Large software vendors such as SAP are switching from classical waterfall-based methods to agile methods.



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Exponential finance can also benefit from digital

As our client testimonials illustrate, digital is heavily influencing business execution with the consequences being felt increasingly within the finance department. Of course, every company is at a different point in its journey to adopt relevant aspects of digital; for example, to leverage

the advantages of new platform-based digital models to generate higher customer traction and better customer engagement.

We know from research, as well as speaking to our customers, that the impact of the digital CFO is still at an early stage, compared to other parts of the company such as marketing. This presents an opportunity for CFOs who aspire to grow their role within organisations that are seeking to become more digitally enabled.

'For me, good governance and good implementation support are key ingredients to make digitalisation a success.'

– STEFAN BRITZ, CFO of Allianz Managed Operations and Services, (AMOS)



THE CHALLENGES FACED BY TODAY'S CFO

Processes and organisation

- Functional silos are the norm; there is no or little process-orientation
- No end-to-end processes that focus on customer needs

Management and decision support

- Retrospective reporting and explaining the past are still dominant
- With little data-driven or analytics-driven decision support capabilities, decisions are made in traditional ways
- Strong disconnect between data and systems

New value drivers and valuation criteria are not yet on the radar

- Due to evolving digital business models and competition from start-ups, new ways to manage the business are needed; however, frequently, the value drivers and KPIs to manage this change are not yet fully defined
- Stock markets are changing valuation criteria, frequently favouring entities with little or no assets

Systems

- Multiple legacy ERP and budgeting systems are frequently not harmonised or on current release levels
- Poor data quality, resulting from disjointed systems and a lack of governance
- Low levels of integration with customer-facing business applications



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To facilitate this, digital technologies can also be adopted within finance, to update internal processes to make them 'ready for digital business'. Evolving the CFO function requires thinking about business aspects first, guided by the benefits digital technologies can now bring.

To this end, we recommend the following sequence when planning:

- Assess maturity levels to derive recommendations for critical areas and skills to get the CFO domain ready for, and using, digital technologies
- Start with strategy and seek a dialogue with the business to identify which business intelligence or support they need from your CFO team

- Identify new requirements for the CFO process model and organisation, based on this strategy dialogue
- Fill in the gaps – some organisations will need additional work to create a foundation and get the basics right
- Identify new KPIs and revise performance management to fit with new business models, new dynamism in the competitive landscape, and new drivers of value
- Leverage data – from IoT sources and elsewhere – in conjunction with analytical tools to extend the range of business insights offered by specialised teams in the CFO domain

Finally, note that enhanced processes powered by technology and, importantly, people are areas in which you might want to plan specific activities to realise your new 'exponential' CFO capabilities. Ultimately, digital technologies exist to help decision-makers – in this case financial decision-makers – to do their jobs. Given that missing the digital opportunity is not an option, our advice is to put a programme in place as soon as possible, whilst keeping a clear view of the complexities involved. ●



KEY TAKEAWAYS

- The CFO's role will become more strategic and less purely financial
- The CFO's team will need a broad set of analytical and business decision support skills
- Digital technology enables CFOs to be more strategic than ever before
- The key area of business decision support is an area for improvement in many CFO teams – today, previous decisions are not always fed into current decisions as evidence
- The CFO is now more business-oriented than ever
- Businesses will do well to use this new mindset as an asset



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