

DIGITIZING THE CFO

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A nagging question keeps popping up in finance circles. If a chief financial officer spends a typical workday strategizing like a CEO, managing digital systems like a CIO, studying operations like a COO, and developing talent like a CHRO, then why does the C-suite need a CFO?

On one hand, as financial executives' roles continue to evolve from traditional money-cruncher to strategic planner, they must embrace new software platforms, cloud-based tools and tech skills in order to remain relevant in the 21st century.

"CFOs recognize the need for change and accept that traditional roles may soon become obsolete," according to a global survey of current and future finance leaders by Accenture. 78% of respondents believe "the change must be rapid and drastic."¹

On the other hand, a note of caution is warranted. Refocusing the finance function from managing money to managing data creates not just professional opportunities but also professional risk. You can't be everything to everybody.

A few within the profession have even suggested that the executive position of CFO itself is becoming obsolete, resembling little more than a redundant imitation of the COO, as Coupa Software's Todd Ford argued a few years back.²

Others hold that CFOs will always have important decision-making responsibilities, and better data simply "removes the clouds of doubt," including Sridhar Subramanian, the former CFO at Capillary Technologies who now provides CFO services for startups.³

How can the "digitized CFO" stay relevant in the new, data-driven corporate environment? By embracing the digital future and adapting it with laser-like focus to the needs of the finance function.

IMPROVE COLLABORATION

Finance chiefs don't always play well with other kids in the boardroom. Only about one out of three "enjoy a seamless collaboration with key C-suite peers," according to an international survey of senior financial executives by Workday.⁴ The traditionally solitary nature of the job and its role as budget gatekeeper often puts them in a quasi-adversarial relationship with the rest of the organization.

Collaboration with information technology departments is especially problematic. Workday reports that finance's relations with IT are often "characterized by tension and disagreement," and they don't even "speak the same language," also according to Workday.

This is critical, because exciting opportunities exist for joint ventures between the two departments. For instance, imagine how a CFO/CIO/CHRO leadership triad might work together to integrate robotics, artificial intelligence, crowdsourcing and the gig economy into new workforce models, as discussed in Deloitte's 2018 Global Human Capital Trends report.⁵

Make IT your ally, not your rival. Don't "just say no" to their expensive budget requests for new systems purchases. Become an active and supportive participant in IT's planning and budgeting process and ask them to do the same for finance. Leverage your knowledge of dollars and cents with their knowledge of bits and bytes to create new, cost-effective digital systems.

MAINTAIN FOCUS

While collaborating with your executive counterparts remains vital, so does maintaining your central focus as the governor and manager of financial data. Consider this: Two out of three finance leaders want to train executives in other departments to do their own self-reporting, financial planning, budgeting and forecasting — instead of relying upon the finance department — according to Accenture.¹ The remaining third prefer to either keep those functions in the finance department or split it fifty-fifty.

That minority viewpoint is well worth considering. What happens when a production line manager — who is essentially trained in the nuts and bolts of nuts and bolts — needs to analyze the cost of money, after-market maintenance options, lease agreements and insurance coverage?

“Answering these questions requires an understanding of financing and capital, and being able to advise on resource deployment,” says Deloitte.⁶ Such an understanding is the natural reserve of the finance department.

Add to this the trend toward grooming data specialists who have little or no accounting background for CFO roles. Now you have a two-way blurring of the lines of knowledge and responsibility. If everybody is a finance specialist, then nobody is.

The finance department should oversee and guide any self-service processes. Become a “data storyteller,” providing context and analysis for raw information. 81% of Accenture’s survey respondents believe that “data storytelling is an essential skill for today’s finance professionals.”¹

STAY ON THE GROUND FLOOR

If deciding how to best develop new data strategies is a complex task, it’s not for a lack of opportunities. Plenty of room still exists for improvement in financial data management.

- By 2025, “Finance goes real time,” according to Deloitte. Periodic reporting will give way to on-demand reporting, where there is no “close” and forecasting can be performed instantly.⁶
- Only 34% of finance tasks are automated, while the potential exists to automate 60% to 80% of “backward-looking accounting activity,” according to Accenture.¹
- Only 35% of finance leaders make “extensive use of advanced analytics in key finance areas such as planning, budgeting, and forecasting,” according to Workday.⁴
- 64% “are concerned about being out of sync with the rest of their company when it comes to driving enterprise-wide efficiency by adopting digital technologies,” also according to Accenture.¹

AND DON'T SLOW DOWN

For seasoned finance leaders who have spent their careers concentrating on past-focused financial reporting, the professional challenge is to modernize their traditional way of thinking. Only 35% of traditionalists “identify the pace of technology change as a key risk,” according to Workday.

Among younger finance professionals who grew up in a world of phone apps and databases, that figure rises to 52%. The “next generation” of CFOs see the #1 challenge as changing “an organizational culture that is focused on intuition rather than data-based decision-making.”⁴

As is often true with generational differences of opinion, the truth lies somewhere in between. While the use of big data represents the future of finance, a well-rounded CFO should treat digital innovations as a means to an end, not the end itself. In other words, read the data sheets but focus on the money.

To discuss these topics in more detail, please contact your PNC Relationship Manager or visit pnc.com/ideas.

¹ “The CFO Reimagined: from driving value to building the digital enterprise” by Accenture, 2018. Available at: accenture.com/us-en/insights/consulting/cfo-research-overview

² “The CFO is Dying. Long Live the CFO” by Todd Ford, Venturebeat, January 10, 2016. Available at: venturebeat.com/2016/01/10/the-cfo-is-dying-long-live-the-coo/

³ “Will AI replace CFO’s? One CFO Answers” by Prateeka Kamath, Fyle, February 18, 2018. Available at: fylehq.com/blog/will-ai-replace-cfos

⁴ “Finance Redefined: Workday Global Finance Leader Survey” by Workday, Inc. 2018. Available at: workday.com/en-us/forms/reports/finance-redefined-workday-global-fins-leader-survey.html

⁵ “The Rise of the Social Enterprise” by Deloitte Development LLC, 2018. Available at: deloitte.com/content/dam/insights/us/articles/HCTrends2018/2018-HCTrends_Rise-of-the-social-enterprise.pdf

⁶ “Crunch Time V: Finance 2025” by Deloitte Development LLC, 2018. Available at: deloitte.com/content/dam/Deloitte/us/Documents/finance-transformation/us-ft-crunch-time-V-finance-2025.pdf

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