# AT THE HELM OF DIGITAL TRANSFORMATION

## The Evolving Role of the Modern CFO


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# INTRODUCTION

## THE EVOLVING ROLE OF THE MODERN CFO

Standing at the intersection of past, present and future, a CFO's role is inevitably strategic in nature. CFOs and their teams are tasked with assimilating historic patterns with current numbers to make predictions for future growth. A lot of organizational decisions hinge on their analysis and interpretation of data.

However, the finance function is no more just a number crunching machine.

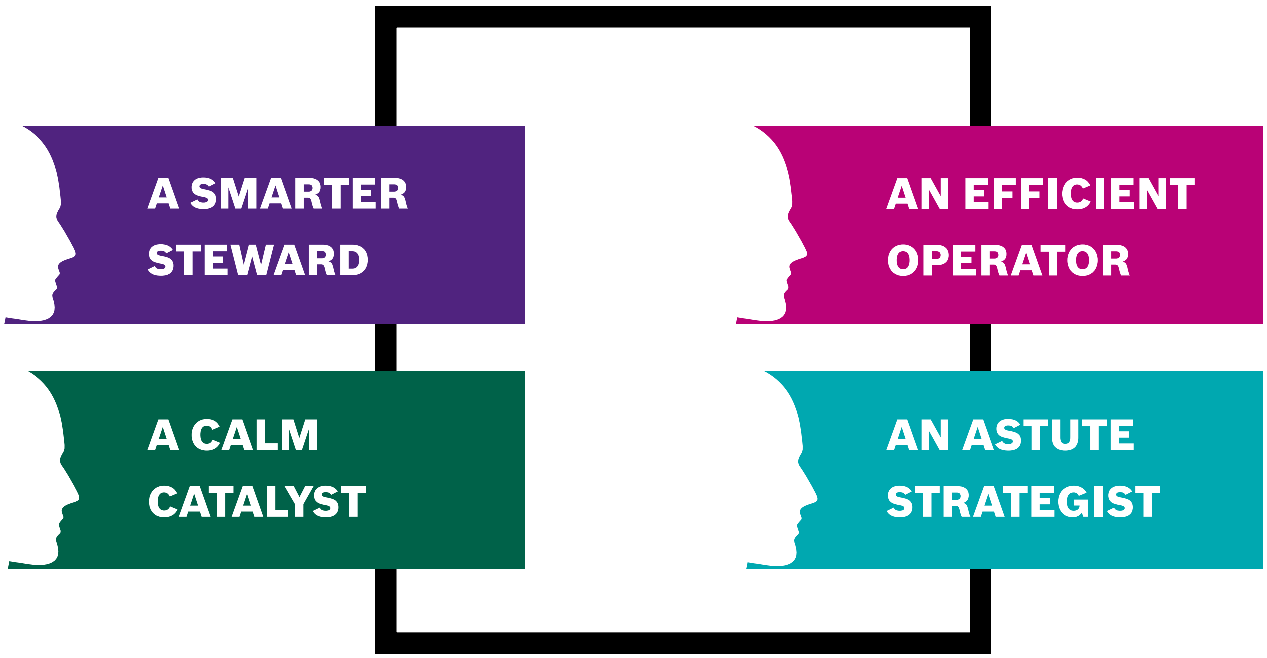
The days where a CFO could afford to be unidimensional are numbered. The speed of change has increased manifold and with every strategic move, a CFO's involvement is highly sought. The biggest of these changes are driven by technology. And so, it becomes crucial for the CFO to be at the forefront of every technological investment the organization decides to make. Digital transformation has morphed from being a buzzword to a living, breathing reality.

It is not a mere prerogative of established businesses with huge pockets. On the other hand, it is a power tool used by new and innovative business to challenge the incumbents.

Good news is, embracing digital practices reduces a lot of complexities existing in a traditional setup. However, the bad news is, there is no room for lethargy. Companies which are not responsive to change, are still far from digitizing their processes, and are not upskilling their employees are at the risk of perishing. And that is the bitter truth.

# HOW NEW-AGE TECH IS SHAPING THE FOUR FACES OF A CFO

Without a doubt, the role of technology in decision making has become more pronounced for the average CFO. Deloitte's framework, 'Four faces of the CFO[1]', is already quite popular now. The four faces viz. Steward, Operator, Strategist and Catalyst, remain the same but with an added technical layer on top of them.




## A Smarter Steward

All books and transactions have already become completely digital. With cloud connectivity, the finance function can now access real-time data from different departments in a jiffy. Tasks where traditionally a CFO would dedicate a lot of time, is made much easier with intelligent ERP systems that tie-up the entire organization under one umbrella.

Clubbed with intelligent applications which not just collate data but also derive insights from it, the CFO is much better equipped to become an anchor for all financial decision-making.

More importantly, all the compliance requirements now include a digital component as well which includes the way you collect and process data. The CFO would have to stay on top of the changes. Needless to say, protecting the assets of the company would also involve getting familiar with data science and carving out a story to communicate the values and risks to multiple stakeholders.



1. https://www2.deloitte.com/us/en/pages/finance/articles/gx-cfo-role-responsibilities-organization-steward-operator-catalyst-strategist.html

## An Efficient Operator

Finance teams are now more interested in attending data science bootcamps than pretending to stay awake in typical finance conferences. From RPA to automate repetitive tasks to AI-based analytics for critical decision-making, creating a hybrid infrastructure of assistive tools can unburden the finance team to a large extent. The financial operations of a company including financial planning and analysis, treasury maintenance, tax filing and report preparation can all be taken care of with new-age tools created specifically for finance as a function.

An efficient CFO does not have to wait for reports that are traditionally created monthly, quarterly or annually, rather can take faster, more accurate decisions based on daily and weekly snapshots available as a result of real-time availability and transparency of data.

## A Calm Catalyst

Identifying and understanding the impact of multiple financial instruments and arriving at the right combination of investments into multiple channels is tantamount to controlling the purse strings. Moreover, last minute panic would be the worst way to assist departments in taking crucial business decisions.

Whether this year would see an increase in procurement, a change in pricing or should process improvements through digital transformation take centre stage: everything is decided by the CFO. With the absence of right technologies, CFOs guide business units based on historical analysis clubbed with intuition and guesswork. This approach is fairly outdated. To become agents of change, CFOs need to be freed from other burdensome tasks and should be well-versed with new-age tools that allow them to gain better strategic perspectives into the functioning of every department.

## An Astute Strategist

The CFOs have to ensure the alignment of finance strategy with future business goals of the organization. This alignment would mean that the CFO has to come up with financial innovations to help secure the company's monetary health. This means marrying the analysed data with the risk appetite of the company and extrapolating a probability of success, which can be communicated with the stakeholders.

While digital transformation was seen, in the beginning, just as an accelerator for existing operations. However, most organizations have now realized the importance of going digital is much more than revamping current processes. Many businesses have been successful in pivoting their entire business models towards more economically viable ways of operating, eventually resulting in higher profits and better customer acquisition rates. Going digital can open new revenue streams and unravel insights which can change the entire course of an organization's trajectory.

# MOVING FROM UNCERTAINTY TO CERTAINTY

Having your customer at the centre of product design or service design means working with data extensively: collecting data, processing it, analysing it, arriving at actionable insights and then taking economically viable decisions with a good level of certainty.

That said, nobody is buying the whole ‘all tellers are going to be replaced by bots’ and ‘everything in finance is going to be controlled by bots’ narrative. However, the technological intervention in finance is going to be extensive. Instead of ‘guessing’ what the customer wants based on past data, companies are moving towards predicting what the customer will need based on real time data, collected from the user and processed. In other words, companies, especially CFOs, are steadily progressing from uncertainty to certainty.

The role of the CFO is no longer restricted to maintaining the firm’s financial integrity. He or she is now involved in devising the internal and external strategy of the firm, based on the real time insights made available. Thanks to this change in the roles and responsibilities of the CFO, 69% leaders are now seeing traditional tasks being automated or reassigned to shared service centres.[2]



2. https://www.ey.com/en_in/consulting/is-the-future-of-finance-new-technology-or-new-people

## 01 Help Every Stakeholder Win with Automation

The CFO is entrusted with the task of communicating the value created by the company to all stakeholders, including the customers. In other words, he needs to make sure everybody wins. Augmented decision making can give him a big break here; automation can scoop up data and serve them as user friendly visualizations to customers. These predictions reinforce faith in the stakeholders while delivering on customer retention.

While basic automation may improve efficiency of menial tasks, building a predictive engine based on Machine Language and Artificial Intelligence is the real deal. Machine Language algorithms are purpose driven,  task driven data models that get more intelligent by virtue of processing a lot of transactions and observing patterns. Artificial Intelligence, on the other hand, has the added component of Abstract Thinking and powered by this, it leaps through several hoops to generate financial models, giving enough ammunition for the CFO to come up with the solutions for the customer needs of the future. The strategic move from historical to predictive decision making will be complete.

## 02 Rev up the Predictive Engine

Like every engine, the predictive engine needs some time to warm up and be driven to its optimal standards. The engine predicts trends with a desirable probability only after a set number of iterations. Bottom line, if you adopt fairly early, your AI engine will be giving you an optimal performance while that of your competitors might just be getting warmed up. Being an early adopter might not be the strong suit of CFOs because they like to observe how things work everywhere before jumping on the bandwagon. However, in the case of AI powered predictive automation and financial modelling, they might have to make an exception.

CFOs can get things started by designing the workflow with developers. He or she has to experiment by automating a part of procurement and other processes, to see how things take shape. The biggest resource is time and the best results can be reached by engaging cross functional teams with the CFO at the helm collaborating to ensure the goals are reached within the deadline.

## 03 Focus on Internal Adoption

Transparency is key when it comes to change management. Automation is often looked at by employees as the agent that would usurp their jobs and leave them unemployed. This fear has to be addressed with transparency. The CFO and the finance department should organize programmes explaining how the augmented workforce is going to function, how employees should upskill themselves, how long it would take for all the requisite changes to be implemented and other relevant queries. This will not only create awareness in employees but also do so for the clients. After all, it is the employees who share the changes with your clients. In a nutshell, communication is key to internal adoption.

## 04 Ease the Learning Curve

The introduction of powerful tools in everyday work can be overwhelming for the average employee. And that's why any organization should have a comprehensive mechanism to make the transition from skilled manpower to augmented workforce really smooth. The very success of the digital transformation depends on how the entire firm comes together as a multi-functional unit to check all the boxes and achieve the productivity that is intended. Once this happens and employees become perceptive to the new technology, the desired bottom-line will be a matter of time. Technology should not come as a threat to the existing workforce but as an assistant which makes their jobs easier. Only then will the company have a truly augmented workforce. Also, while choosing the new technologies, look at how easily integratable is it in your work culture and what are the services provided by the vendor to ensure your employees won't have to go through numerous complexities.

## 05 Create a thriving innovative ecosystem

The very purpose of introducing predictive automation in decision making is to create an innovative ecosystem all around. The vision should be intact while all the roads to get there should improve. Employees can make decisions backed up by analyzed data. They can put forward their suggestions with more confidence. Colleagues in the Finance department can feed off each other's work and the company will be all the better for it. Before long, the following advantages will be evident :

1. Quick and transparent communication with cloud-based tools facilitate better collaboration.
2. Faster processing with digital channels improving customer experience.
3. Eliminating manual interventions reduce errors and result in faster resolutions.
4. Capital flows are freed up to reduce capital consumption

A CFO can either drive the change or be driven by it. The former is always the better option. The sweet spot of timing between lagging behind and jumping the gun on tech adoption is now!

# CUSTOMER CENTRICITY: THE DIFFERENTIATOR

As customer preferences change, the way enterprises build relationships need to change as well. With AI and predictive automation, you can bring the same sophisticated algorithms you use for supply chain and logistics to improve customer experience as well. Ultimately, it is good customer experience that is going to ensure customer loyalty and customer retention, which in turn will decide a company's financial health.Simply put, by managing customer experience, you can manage the company's profitability. If your competitors are not delivering value, their customers will come to you and you should be ready.

## All under one roof

Now, most firms have never had all the technical infrastructure under one roof: CRM software, customer databases, the ability to mine data on customer behavior, and advanced analytics to drive the right kind of traffic. Often, such requirements necessitates interactions with multiple vendors managing different functions with different technological expertise. With cloud connectivity and integration of AI and ML , all tools can be integrated to pro, all these tools can be integrated without redundant complexities to provide a seamless customer experience.

## A Smarter Steward

Taking the customer's past behaviour into account and by mining real-time data, predictive automation can anticipate what the customer might need even before the customers decide, they need it. With the help of probability scores, advanced analytics can help you engage with the right customers with the precise content that would elicit a positive response.

## Enhanced Customer Experience

For every industry touched by technology, the top differentiating factor is Customer Experience. While customers have had a reputation to be fickle minded, they seem to have turned the page and reached a place where they are ready to pay a premium for a better customer experience. There is no other way to say it: adapt now or lose your customer. The same goes for your competitors and that's what makes this a level playing field.

Customer data is gold and businesses are increasingly using this data to decide the products or services that have the potential to work well as identifying the line of offerings which could use better design and delivery. Today, you can circle on the pain points of your customers and spend time, money and efforts to fix them without waiting for the quarterly reports to come out. In other words, by owning the customer experience you get the lion's share of profits and can beat your competition fair and square in the process.


# THE FUTURE OF FINANCE

As pointed out by a Mckinsey study, “Transformations are hard and digital ones are harder”. And hence, there might always be chances of friction before the team gets comfortable with a new tool, application or software.

The future of finance depends on the power of technology to make processes as smooth and uncomplicated as possible.  The job doesn’t stop with the automation of repetitive, cumbersome tasks. You have to go the extra mile and integrate data collected from all verticals and visualize the big picture with the help of AI powered predictive analytics.

For making the augmented workforce a well-oiled machinery, it is necessary to forge strong partnerships with tech providers who can unburden finance teams from mundane chores and repetitive tasks. Here are some noteworthy trends that are shaping the future of finance:

## A Perceptive User Interface

Often, after implementing an ERP system, organizations struggle with a complicated user interface and the fact that only the employees extensively trained in operating this system can perform complex tasks. This restricts ERP usage to a select few and hence limits the overall impact that ERP can have on any organization.

The aim of an intelligent ERP system is to provide an enhanced user experience that is more assistive and conversational in nature. A conversational AI assistant helps simplify user input by making use of natural language processing. The time taken in learning the system significantly reduces and the extent of users who can now leverage information easily and smoothly increases. With available options for customization and data security impositions, an intelligent ERP enables personalized access in context of the work activities.

Moreover, combining the power of predictive analytics, the advanced user interface can help assess outcomes in different simulated environments and recommend the next-best action to take.

The assistive and conversational format takes user-annoyance out of the picture and instead converts it to user-delight by making apparently tedious tasks easier and speedier. Intelligent ERP helps your organization become agile in its true sense and provides the flexibility and assistance to react faster to change. By triggering intuitive automated operations, innovative business processes, and smarter insights, intelligent ERP is becoming the backbone of digital transformation for businesses.

## Digital Transformation with Technology as an Operational Expense

Many CFOs viewed IT expenditure as a burden till recently. Upto 80% of the IT expenses had to be upfront giving the data scientists and other brains in the IT department very little space to innovate. And without innovation, solutions rarely come about. More importantly, AI based predictive automation needs room to be responsive which means it is an ongoing activity which may need funds pumped in from time to time. In other words, IT spending is an Operational Expenditure. Digital transformation can happen only if Technology expenses are listed under OpEx as opposed to CapEx. Of course, this would mean the CFO has to plan a budget every quarter for IT expenses.

## Not only Data Driven but also Context Driven

With AI in the picture, data is moved to the cloud. This definitive step could help third parties with a ‘plug n play’ model. AI brings in data from every technology to learn from and adapt quickly. What’s more, AI then starts learning quickly and changes start becoming exponential, leaving competitors far behind in its wake. A side benefit is that whatever decision is made is not only data driven but also context driven which means there is very less possibility of duplication. Customization of processes to adapt to different data sets becomes second nature.

## Trouble Tickets? Automation to the rescue!

Many Fortune 500 firms have realized the potential of Automation and are seeing trouble tickets going down by upto 40%. As if this were not enough, automation has improved customer experience, the ace up the winner's sleeve, by a whopping 95%.

There is more good news: automation is evolving. Intelligent ERP systems can now leverage Machine Learning capabilities and integrate pattern recognition into automation which helps the latter transcend the responsibility of making processes incrementally efficient. Say hello to disruptive innovation in Process Automation. Managers are in for a treat with intelligent automation making relevant recommendations and making them better decision makers.

## Moving from Reactive to Proactive Data Security

Intelligent data security is not just putting out fires but preventing a fire before it happens. Thanks to the data gathered from multiple streams under different labels: geography based data, behavior based data, psychographic data, etc., AI can predict a security threat before it occurs and takes proactive preventive measures. The term 'self healing system' is associated with AI based predictive engines of late.

## New Revenue Streams: The strongest case yet

Perhaps the strongest case for digital transformation is that new revenue streams are opening up, from unexpected quarters (no pun intended!). If you work with AI for a given time, integrating data from multiple automated processes, you will observe that simple tweaks to existing operations could reveal potential revenue streams you had not thought of before. For instance, you can migrate to subscription-based models after deployment of automated ERP solutions as you realize the increased profit margins as opposed to traditional channels. By gaining deeper insights into consumer needs, any organization will be able to unlock new revenue generation models having a tremendous, positive impact on the bottom line.

The largest companies are betting on investments in Tech infrastructure to help their managers make data-driven decisions and they have never been happier. AI-based predictive automation and analytics have improved customer experience, uncovered multiple revenue growth opportunities, and improved data security. The cumulative effect is certainly transformational: with the deep learning capabilities of AI, you might even discover a blue ocean in your industry!

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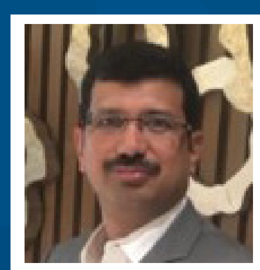

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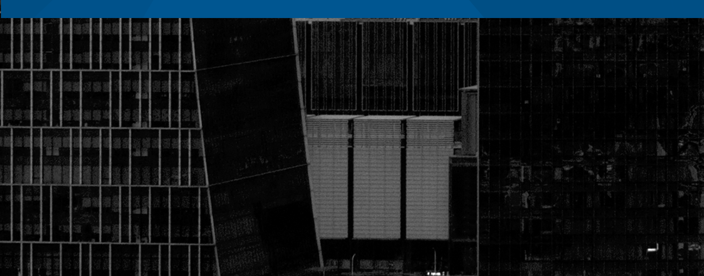

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