

Managing the Finance Function: Effectively Run a Modern Finance Department



Money may or may not make the world go 'round, but the finance function certainly drives the wheels of enterprise.

From collecting payments to paying the bills to managing cash flow, managing the finance function effectively is essential to the continued success—and existence!—of businesses the world over.

But in an economy defined by both new opportunities such as digital transformation as well as major disruptors like climate change and the COVID-19 pandemic, chief financial officers (CFOs) and financial managers find themselves, and their departments, playing a much more strategic role in that success.

The CFO's role is evolving, and to ensure they can execute their duties effectively, they need to be ready to understand and leverage new technologies and provide the leadership their teams need to support their organizations and help the finance function become a source of savings, value, and strategic insight.

Why Managing the Finance Function Effectively Matters

In the past, the role of the CFO was usually constrained to reviewing and organizing financial statements, reports, and other information to present to the rest of the C-suite, the board, and the organization as a whole.

But in the decades following the advent of digital transformation as an essential component of both operational efficiency and competitive advantage, the role of the CFO is rapidly evolving to address the changing role of finance itself.

Modern finance departments are increasingly focused on more than just better budgeting, maintaining liquidity, or generating a return on investment (ROI). In fact, they're recalibrating their expectations for what form such a return will take.

Cost savings remain a high priority, but finance teams are also quite keen on generating value from intelligent investments, proactive cash flow management, and linking performance management with financial management.

Sitting at the heart of their organizations, finance staff are finding ways to use new technologies to optimize business processes and drive value across the board.

As effective financial management ascends in strategic importance, CFOs find themselves moving into a much more collaborative relationship with both the chief executive officer (CEO) and the rest of senior management to guide their organizations' strategic as well as financial futures.

In a 2018 survey conducted by Accenture, 81% of CFOs surveyed said identifying and targeting areas of new value across their entire organizations was one of their primary responsibilities.

More than three-quarters (77%) said it was within their purview to drive operational transformation for their businesses, and 78% said finance staff were more effective than those in other business units at guiding their organizations to adopt emerging and evolving technologies successfully.

At the same time, 92% of financial managers with aspirations toward becoming CFO said they would invest a "significant" amount of time on value creation

across their organizations if and when they became CFOs themselves.

A full 66% said the finance function should empower the other organizations, while 78% believed the finance function, under the leadership of the CFO, would define and champion new operational paradigms.

Looking forward, it is clear today's CFOs, along with their finance teams and the financial leaders of tomorrow, are laying the groundwork for a future where finance not only powers operational success, but provides strategic guidance and lasting value for organizations it serves.

The finance function touches literally every area of your business. From procuring essential raw materials, finished goods, and services to intelligent budgeting to securing the sources of funds supporting strategic objectives like capital investment, every other business function relies on a well-optimized finance department to succeed.

Essential Strategies for Managing the Finance Function

Finance executives looking to lead their teams into the brave new world of strategic value creation can do so more easily by following a few essential management strategies.

1. Understand Your Own Changing Role

Today's CFOs need new skills and new tools to guide their finance departments into the digital future. A successful CFO is able to integrate their financial goals with their organization's overall business strategy.

They collect, organize, and analyze financial data and then use it to help drive organizational improvements through process optimization, performance management, and pursuing opportunities to cut costs while increasing value.

They prioritize collaboration and communication.

They work hand-in-glove with the CEO and other senior management to champion positive transformation, and combine stewardship with strategy to develop and

implement the policies and internal controls that will:

- Provide business intelligence leading decision makers to better business decisions.
- Ensure their companies' access to working capital.
- Help staff leverage core competencies more effectively—not just in finance, but across all your business units.
- Secure and preserve competitive advantage through sustained value creation and continuous improvement.

Many CFOs are also making additional investment in their own education and skills by pursuing their MBAs and obtaining a range of additional business certifications to help them coordinate and collaborate more effectively with other members of senior management and team members from across their own organizations.

In adjusting your own sails (so to speak), you can better guide your fleet to rich waters teeming with opportunities for growth, strategic development, and greater competitive advantage.

2. Evaluate Your Current Capabilities and Needs

Charting your course to a more successful and value-driven finance function requires a clear knowledge of where you are, what you're already doing right, and what you need to change in order to move forward.

Ask yourself:

- What is the finance function's greatest current strength in supporting organizational goals, profitability, and competitive advantage? Its greatest weakness?
- Which core capabilities does finance offer your organization?
- What is finance's current role in your ongoing business strategy? How is that role changing in light of global business disruptions, new threats to business continuity, and the need to develop operational paradigms and business strategies for the new normal?
- How much influence does the finance function currently have in organizational decision making?
- What changes have you already made to shift finance into a role as a

value center and strategic leader?

- What changes are necessary to help finance shift further toward value creation and organizational support in the short term (e.g., the next two years)? What challenges are associated with making these changes, what resources and business processes will be required to make them happen, and how can your finance team succeed in effecting these changes?

The answers to these questions can help you identify and address the challenges and opportunities you'll likely face in guiding the finance department to a more strategic and important role in your organization.

3. Enthusiastically Embrace Digital Transformation

Tackling the opportunities and disruptors that define doing business in the modern era requires access to technologies and tools capable of transforming big data into actionable insights, optimized business processes, and profitability.

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Consequently, it makes excellent business sense to invest in technologies such as robotic process automation, advanced data analytics, and centralized data management, all of which leverage artificial intelligence to produce very real insights for improving everything from risk management to auditing to capital budgeting.

Top-down support for digital transformation takes various forms, but as CFO you can help get your finance function where it needs to be by:

- Prioritizing change management to educate your organization, secure buy-in from stakeholders at all levels, and encourage senior management to provide support for digital transformation initiatives.
- Investing in a comprehensive, cloud-based procure-to-pay solution such as PLANERGY. This supports digital transformation and the shift toward

strategic value by:

- Automating high-volume, repetitive tasks to improve speed and accuracy while eliminating human error.
- Eliminating manual workflows and their associated deficiencies and risks.
- Integrating iterative continuous improvement into all your workflows.
- Consolidating your software environment and data management.
 - Eliminating format conflicts.
 - Improving collaboration and communication.
 - Providing total visibility into your data and role-appropriate access to it in real time from any device.
 - Furnishing intuitive data analysis tools and dashboards that simplify forecasting, budgeting, reporting, and modeling.
- Using data analytics and metrics (including key performance indicators, or KPIs) to monitor compliance, performance, and efficiency as well as reveal new opportunities for supply chain optimization, asset allocation, strategic development, transforming key suppliers into trusted business partners, etc.
- Taking a more proactive role in risk management. Analytics and process automation are natural complements to identifying and reducing risk (for example, P2P automation and guided buying significantly reduce risk in the procurement and AP functions by virtually eliminating invoice fraud and maverick spend).

Given that 64% of CFOs responding to a 2016 survey by McKinsey and Company said they oversaw the risk management function, digital transformation is a golden opportunity for finance to provide immediate and demonstrable value by leveraging tech tools in managing risk for their organizations.

A reliable, purpose-built automation and analytics solution powered by AI is the first step to optimizing your finance function.

In turn, it can connect your financial plans to your organizational goals and drive digital transformation—along with major gains in efficiency, productivity, and profitability—across your entire business.

Support New Capabilities for Finance

As you guide the finance department toward new roles and capabilities, it's important to provide support as well as instruction. Consider empowering your finance staff with ongoing education in financial management and skills training.

Financial planning and forecasting will likely consume a larger amount of your team's time and talents as automation frees them to focus on more strategically valuable tasks.

The insights they glean from your company's financial performance data will not only improve your balance sheet but guide new business strategies and important investment decisions, so be sure they have the tools and skills they need to leverage analytics effectively.

The need for education and training isn't limited to finance, of course, and shouldn't be, given the broader, more strategic role finance will continue to embrace in years to come.

Tomorrow's finance managers will need to be well versed in a wide range of areas across business units and have skills in human resources, conflict resolution, and business strategy as well as financial acumen.

Consider helping your team obtain further education and skills from various sources, including:

- Creative problem solving.
- General management.
- Project management.
- Interpersonal communication, collaboration, and conflict resolution.
- Information technology and fintech.

The more education, training, and experience your financial team has, the better equipped they will be to follow your lead in generating value and strategic guidance for your company.

Effective Financial Management Today Drives Tomorrow's Success

Just as the CFO sets the course for finance, a properly managed and optimized finance function has the potential to drive your business to new heights of success.

Take the time to evaluate your capabilities, invest in your own growth and skills as a CFO, and leverage emerging technologies and techniques as you lead your finance team into the future.

The gains you'll make in efficiency, financial performance, and competitive advantage will help your finance function become a strategic and value-centered powerhouse for your business today—and prepare it to drive your company to even greater success in the years to come.

What's your goal today?

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