

The Role Of A Modern CFO: Changing With The Times



Just as the procurement function was once viewed solely as a cost reduction center rather than a source of value creation, the role of chief financial officer (CFO) was once, for many, limited to number cruncher or budget gatekeeper.

But as the marketplace evolved, embracing both globalization and ever-growing dependence on digital transformation as competitive necessities, so, too has the procurement function, accounting best practices, and the role of the CFO.

Embracing this evolution is essential for any CFO looking to make the leap from traditional paradigms to the value-driven, strategic role that will help them guide their organizations into the future.

The Evolving Role of CFOs

In a traditional business environment, the chief financial officer's job description included overseeing tasks that remain relevant and essential to the finance function today:

- Bookkeeping
- Financial Asset Management

- Tracking Cash Flow
- Financial Reporting
- Financial Compliance
- Financial Planning
- Investor Relations
- Risk Management

Despite its complexity and depth, this role was relatively narrow in focus with regard to subject matter expertise, technological mastery in accounting, and the workflows involved in effectively managing these processes.

Finance was, for many years, regarded as a necessary function designed to support other business units and cut costs where possible, rather than an integral part of an organization's overall strategic planning and success.

But the role of the CFO has changed considerably in recent years, evolving as so many other areas of business have evolved to reflect the global embrace of emerging technologies like big data analytics, artificial intelligence/machine learning, and business process management driven by automation and optimization.

Today's CFO is still expected to possess the skills necessary to manage and lead the finance and teams in executing their traditional (and critical) tasks.

However, like the Chief Executive Officers (CEOs) and other members of senior management that make up the C-Suite, the modern CFO needs to add a few additional arrows to their quiver in order to hit the mark for optimal performance within, and value to, their organizations.

In fact, CFOs may need to work even harder than their peers in senior management to adapt to these changes. A 2018 survey by McKinsey found a pronounced discrepancy between the ways in which CFOs are bringing value and innovation to their organizations and the ways in which other members of the C-Suite perceive them to be doing so.

This discrepancy is more than a little ironic, as CFOs are the executives most likely to create immediate and valuable transformation when embracing emerging technologies that digitize and automate.

With the ascendancy of Big Data, CFOs have more financial information available to them than ever before—all of it connected to the data streaming in and out of their organizations.

The CFO's role now requires the ability to transform this data into actionable insights driving strategic planning and decision making for their organizations as a whole.

The finance team remains their primary management responsibility, but CFOs are themselves expected to play a key role in the upper management team as well, connecting financial data to provide essential context for the decisions that will affect the company's operations, strategic planning, and competitive strength.

Today's CFOs are, in effect, Chief Operating Officer (COOs), working closely with the CEO to:

- Analyze and utilize financial data to help their organizations optimize process management, make intelligent operational decisions, and reduce costs while increasing value retention and creation.
- Become a champion of, and catalyst for, positive transformation within their organizations.
- Contextualize financial goals and planning within the overall strategic initiatives of the total organization.

...in a world where digital transformation and data management drive not just business development but entire economies, CFOs need access to, and control over, clear and complete financial data that can be readily collected, organized, and analyzed to produce accurate, strategically valuable insights.

An Expanded Skillset for Today's CFO

Historically, CFOs had two primary roles within their job description: stewardship (accurate and complete bookkeeping, financial reporting, and risk management) and operations (maximizing the efficacy and efficiency of the finance function).

Those roles remain critically important, but modern CFOs also need to develop skills in three new areas: strategy, controls, and positive change.

Stewardship

CFOs will mostly likely always provide top-level guidance in protecting the company's assets, ensuring financial compliance, reducing risk exposure, and engaging with investors.

Their role as overseer for the company's bookkeeping and financial reporting will take on new importance as financial data is combined with other data streams and used to produce useful insights that drive not just budgetary decisions, but the strategies that support the company's growth as a whole.

Operations

Running a tight ship will remain an important part of the CFO's job description. Financial planning and analysis (FP&A), treasury and tax concerns, and general financial services will all be enhanced, however, by the modern CFO's deeper understanding of, and implementation of, emerging technologies that take operational accuracy and efficiency to new heights via continuous improvement.

CFOs will take things even farther with data analysis tools that can reveal new opportunities for operational and commercial innovation as well as financial security and strength.

Strategy

CFOs will become strategic partners with the other members of senior management, guiding both financial and organizational initiatives.

As strategists, CFOs will bring financial initiatives and planning into sync with those from other business units, and create a cohesive whole that drives innovation and growth for their organizations.

They will also provide essential context and support for long-term investments, and develop new ways of providing complete and transparent financial insights for investors and other stakeholders.

Controls

A firm grasp of the ever-expanding legal and regulatory requirements companies

must meet, as well as a well-developed understanding of potential business disruptions inherent to the global marketplace, will be an essential skill for tomorrow's CFO.

The controls they develop will support not only financial stewardship, but provide models for risk reduction and compliance in other areas of the business.

Positive Change

In taking an expanded and more proactive role toward their organizations' overall goals and initiatives, CFOs can become catalysts for business improvements by directing the company's financial activities toward more effective procurement, strategic investments in new technologies and operational innovations, and enhancements designed to streamline the company's existing operational, promotional, and commercial processes.

They can also support reputational goals and relationship management by championing new processes (e.g., reducing the company's environmental footprint or investing in tools to employ a more diverse workforce) that support the company's goals for corporate citizenship and consumer engagement.

A New Path for CFOs

Tomorrow's CFO will travel a different career path than their predecessors did. To develop the skillset necessary to their new roles, these new financial leaders/strategic partners will:

- Expand their focus—and their perspective—through study of, and exposure to, international markets.
- Develop a more catholic approach to their personal development in both financial roles (particularly by expanding their exposure to operations, sales, and marketing functions) and their overall strategic and subject matter expertise. Some may even work for a time outside of the finance function to familiarize themselves with every area of their industry and organization.
- Invest in leadership and team-building initiatives for themselves and for all team members within the finance function. They will emphasize communication, collaboration, and innovation in building strong

relationships: within the finance function, with other internal stakeholders across business units, and with suppliers and investors.

- Embrace digital transformation as a virtue and demonstrate strong support for the cultural and operational changes necessary to achieve it, particularly as it pertains to digitization, automation, and analytics.
- Provides leadership in shifting finance and procurement away from cost reduction alone and toward proactive value creation and retention.
- Learn to recognize and invest in talent that understands digital and automation technologies, and the importance of new business models built on collaboration, communication, and flexibility.
- Develop new processes for maximum transparency, clarity, and accuracy in conveying financial information to other business units.
- Develop new initiatives to improve financial literacy and awareness of the organization's financial health throughout all teams.

Essential Technologies for the Modern CFO

Education, training, and leadership skills are all crucial to a CFO's successful execution of their role.

But in a world where digital transformation and data management drive not just business development but entire economies, CFOs need access to, and control over, clear and complete financial data that can be readily collected, organized, and analyzed to produce accurate, strategically valuable insights.

As such, investing in digital technologies such as process automation, machine learning, and deep data analytics can help. For example, choosing a comprehensive, cloud-based procure-to-pay solution such as PLANERGY:

- Produces immediate value and cost reductions through elimination of paper-based, manual workflows.
- Connects procurement to accounts payable for simplified process and data management.
- Allows for end-to-end transparency for every dollar spent.
- Creates a closed spend environment that eliminates rogue spend and invoice fraud.

- Provides leveled, mobile-friendly, and on-demand access to all financial information for fast, accurate, and complete FP&A as well as versatile reporting and auditing options.
- Reveals opportunities for cost savings and value creation through process optimization, elimination of redundancies, and transferring staff away from low-value, repetitive tasks to high-value tasks that require human insight and skills.
- Provides a foundation for digital transformation and the introduction of greater value and innovation through optimized strategic sourcing, contract management, and supplier relationship management.

It makes good sense for CFOs to embrace and champion technologies like these, because their organizations' data is what will guide the decisions made, opportunities pursued, and relationships nurtured in pursuit of their goals for growth, innovation, profitability, and competitive advantage.

Working with senior management to implement the digital infrastructure necessary to effectively collect and manage financial data is the best investment a CFO can make in ensuring their teams have the tools, technology, and training required to compete effectively.

A New Kind of CFO for a New Kind of Market

Keeping the books straight, complying with legal and regulatory practices, and protecting their company's assets will always be all in a day's work for CFOs.

But by expanding their skillsets, investing in technology and training, and focusing on positive change as well as strategic support for their organizations, tomorrow's financial leaders will be well equipped to guide their organizations to success in a global marketplace.

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