C-SUITE SERIES

THE FUTURE CFO

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Distributed in
THE TIMES

Published in association with
ICAEW CHARTERED ACCOUNTANTS

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SALESPERSON

Mastering numbers to sell a company

Chief financial officers are increasingly taking a high-profile role as dealmaker and salesperson during mergers and acquisitions

GEORDIE CLARKE

When Michael Detlefsen was at the start of his career in the early-1990s, most chief financial officers (CFOs) learnt their wares in accountancy training. But as the nature of the job has changed, so too has the profile of the typical CFO.

As more companies turn to mergers and acquisitions (M&A) as a way of implementing corporate strategy and achieving growth, the modern CFO needs to be more than just a numbers person.

"CFOs have become critical to a successful M&A process, whether divestitures or investments," says Mr Detlefsen, managing director of Pomegranate Capital Advisors in Toronto, Canada. "The CFO has to be involved in all aspects of the deal and the target's business model, and needs to be able to realise the synergies between the two companies."

With M&A activity on the rise in many larger companies, they are increasingly stepping in to play the role of the corporate salesperson and dealmaker given their ability to understand how two businesses can mesh together.

Data from Thomson Reuters shows global M&A activity is soaring, with $3.3 trillion of activity in the first nine months of 2018, the strongest for the period since records began in 1980. Meanwhile, research by Willis Towers Watson shows that, between 2008 to 2018, 55 per cent of companies engaged in M&A deals worth $100 million or more saw share price growth that outperformed the market.

"With organic growth rates shrinking, you're not seeing rapid growth any more, so the only way to grow is through acquisitions," says Mr Detlefsen, adding that the CFO's role throughout the M&A process is critical to ensure its ultimate success. "Valuations are high, so the only way to make this work is to integrate synergies to get maximum value."

Indeed, a major challenge during the M&A process is to achieve successful integration both in terms of finances and personnel. However, Mr Detlefsen estimates around 80 to 85 per cent of acquisitions don't realise the numbers that were forecast. Therefore, a good CFO will begin the integration planning early in the M&A process, forming partnerships across both businesses and gaining an understanding of where synergies can be made.


FotograFaBasica / Getty Images

Kwaku Andoh, partner at international law firm Cohen & Gresser, says the CFO's role starts before the decision is made to undertake the transaction and it's their responsibility, along with the corporate M&A team, to ask the tough questions that the line of business championing the deal may have glossed over.

"Given how important acquisitions can be to a company's bottom line, it is now incumbent on any CFO to see his or her role as encompassing not just the numbers *per se*, but also forming a view of the strategic value of a potential acquisition or disposition," says Mr Andoh. "A great strategic acquisition at one price can be a dud at another price. The CFO's role includes serving as a check on the natural enthusiasm of the deal proponents."

Charles Honnywill, lead partner for divestments at EY, agrees that the CFO needs to become a company's chief salesperson.

"One of the problems CFOs have is the baggage of ownership," he says. "If selling a division of a company, you need to think of selling that division through the lens of the buyer. If they [the division] are left too much on their own to run the sales process, they may undersell the business. The big issue is, how do you surround yourself with a team of experts and number crunchers, and then find an attractive way to sell the business?"

To that end, an M&A strategy can only be successful when the right person is hired for the job. While the CEO is ultimately responsible for determining a company's strategy and guiding it towards success, they need to surround themselves with the right people to get this done, with the CFO being an important piece of the puzzle.

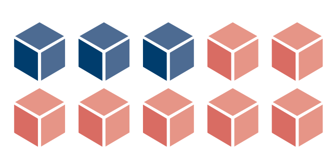
"It's fundamental to the successful running of a company that you have a CFO who can not only run the numbers, but also manage the commercial, industrial and human resources strategy of the group," says Justin Welstead, head of transactions at Eight Advisory. "A CEO who wants to deliver correctly will look for a CFO who is more than purely a numbers person."

Of course, it's not down to the CFO alone to broker a deal and integrate a company. Depending on the size of the company, there will frequently be a corporate development team involved in the process, says Iain Redford at Bristows.

"Around 20 years ago, the CFO was always the person running the deal, but there is an increasing trend for companies to have an M&A strategy for achieving their growth ambitions," says Mr Redford, adding this is particularly common in the technology, pharmaceutical and consumer goods sectors.

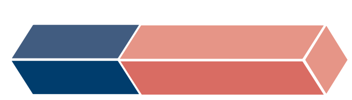
With deals growing larger, data becoming more complex and the M&A process moving faster than in the past, it is essential for CFOs to work alongside a skills head of M&A and the right corporate development experts.

"They will recognise that M&A is a big change to those involved and, around six months before, they will outline to everyone in advance what their role will be in the process," says Mr Honnywill. "The best CFOs are those who recognise that it's an unusual period and they need to make people comfortable with it, to professionalise it, and to manage it effectively." ◆



3 in 10
transactions fail to ever meet financial targets

Mercer 2018



39%
of chief financial officers report their compensation is linked to M&A deal success goals

PwC 2017

Commercial feature

For today's CFOs, it's all about agility

Finance teams need to embrace agile thinking and cloud tools, built for collaboration across the enterprise, will play a key role in that culture shift

On set at Legendary Entertainment and Warner Bros. Pictures' *Pokémon Detective Pikachu*, set to hit cinemas in May 2019

LinkedIn founder Reid Hoffman is a devoted student of the pivot: that inspired moment when an entrepreneur switches strategy. "In Silicon Valley, entrepreneurs tend to celebrate a daring pivot," wrote Mr Hoffman. "They see an opportunity. They act and they don't look back. Later on, they sound a bit like Caesar reporting to the Roman Senate: 'I came, I saw, I conquered.'"

And yet, he says: "The truth is a lot messier." Masters of the art of the pivot such as Stewart Butterfield prove Mr Hoffman's point. Mr Butterfield is famous for two brilliant pivots. He founded Flickr as a chatboard for a computer game. The ability to share photos on the chatboard impressed users, so he switched focus to that, with spectacular results.

Mr Butterfield hit gold with a second pivot, with Slack. Today Slack is a wildly popular corporate messaging service used by IBM and eBay, but it began life as a side-project to help programmers work on a game he was developing. The side-project proved successful, so he pivoted and developed it into a $7-billion venture.

However, as Mr Butterfield insists, there was never a single change of direction. Instead, his plans were repeatedly modified. At one point, he went through 15 ideas, ranked in order of merit, to see if they would work. Again and again, it's a process of updating and finessing plans that delivered results.

It's a lesson that chief finance officers (CFOs) are starting to learn. "Finance departments need to help their companies course-correct, or even change direction, whenever needed," says Rob Hull, founder of Adaptive Insights, a Workday company, whose core offering is a platform for agile business planning. "This ought to be obvious. And yet we see finance departments sticking to a quarterly or annual plan, unable to help their businesses make rapid decisions. It's obsolete thinking."

Kelly Wall, vice president of accounting at global media company Legendary Entertainment, says her team has come out of the "dark ages" of Excel, moving to a cloud planning platform. "This has changed the role of finance at Legendary. Together we collaborate with our business partners and, when we're all working from the same source of data, we can make confident decisions quickly. And that's key for the media business, where audience interest, consumption models and demographics are constantly in flux."

Yet finance departments still rely on spreadsheets. And they continue to struggle to embrace flexible thinking. Top-down planning remains the dominant model for most businesses, says Doug Henschen, vice president and principal analyst at Constellation Research. In the top-down approach, the finance team allocates resources to objectives within a financial strategy. They cascade that strategy downward into budgets and operational plans for functional teams. Then they reconvene at the end of the year to kick the whole process off again. This process no longer works in disruptive times, when companies are likely doing their best to fend off new competitors, says Mr Henschen.

"CFOs and finance teams at leading companies have embraced continuous, collaborative approaches, working with sales, marketing, human resources and key business unit leaders to revise plans and course-correct throughout the year," he explains.

Today's business climate demands a change. According to a 2018 Deloitte survey of CFOs, the pace of change in the business environment is making it inevitable for businesses to keep changing their goal post and thus 55 per cent of CFOs believe that it is a challenge to execute against their plans or strategies. It was the top risk listed by CFOs.

CFOs and their teams should be able to give the business the data and insights needed to adapt without having to wait for the next quarterly or annual review. Collaboration across the enterprise, bringing together the right expertise and data for an informed plan, is also critical for business planning.

Adaptive Insights' Mr Hull sees cloud-hosted business planning tools as an important part of change. "The cloud offers a long list of benefits for finance teams who want to be agile. A cloud planning process means everyone is using the same data. And when you end arguments about who has the right data, you can focus on strategy. You can build a comprehensive model of the business and easily test scenarios, planning on a continuous basis. And cloud-based tools encourage collaboration. It becomes an active planning process."

The benefits of these tools dwarf those of legacy systems and traditional spreadsheets. Jim Bell, CFO at P.F. Chang's, knows this first hand. With more than 300 locations of the Asia-themed restaurants worldwide, he knew he needed a new approach to business planning.

"We wanted to move planning beyond finance and out to the restaurants where the action is," he explains. Now the global business has extended budgeting, planning and forecasting to individual restaurant operators, for the first time putting every restaurant in sync with corporate finance. "This is the new mode of planning. Empowering those closest to the business with the information they need, so they can adjust personnel, expenses and so on, using real-time data. I actually don't know how companies are still managing finance with spreadsheets."

The requirement is for finance teams to enable their companies to be agile. These organisations should be able to make data-driven decisions quickly, so the business can pivot, in small or dramatic ways.

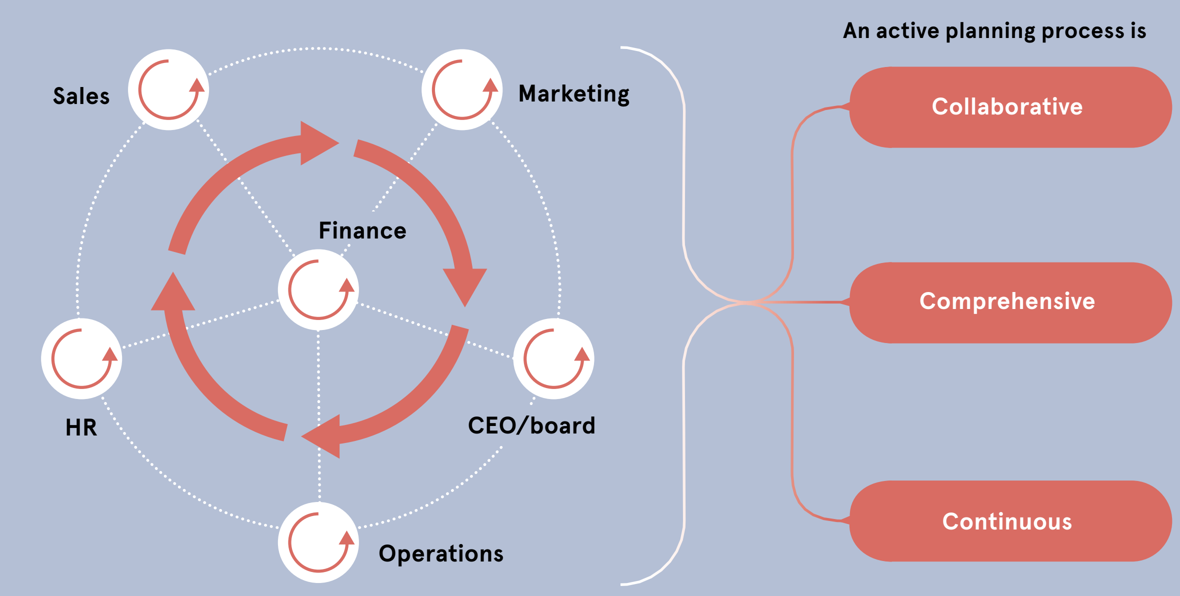
Companies such as DHL, Specsavers and Boston Scientific, among others, have moved to cloud-based planning processes. And they're not alone. "Cloud-based planning solutions are seeing double-digit annual sales gains," says Mr Henschen. "They're already the default choice for small and mid-sized companies, and now even the largest enterprises are moving to the cloud to make their planning processes nimble."

LinkedIn's Mr Hoffman talks about the "never-ending need for change". He warns: "Just when you've managed a key transition or successfully applied a counter-intuitive rule, the game board changes and you have to do it all again."

To find out what agility can mean for your business, please visit www.adaptiveinsights.com/agility

> **"Finance departments need to help their companies course-correct, or even change direction, whenever needed**

Collaborative planning drives business agility



TRUST

Rebuilding trust since the financial crash

With the many new demands placed on chief financial officers, the need to engender trust among stakeholders remains paramount

Thomas Barwick/Getty Images

CLARE GASCOIGNE

The past decade has seen a phenomenal change in the role of the chief financial officer (CFO). Whereas once the tasks revolved around control and compliance, it has become a far more strategic role, with stakeholders from the board to the shareholders to the consumer demanding more of the CFO: more data, more insights and more forecasts. Oh, and faster as well.

In such a swirl of responsibility, it is easy to lose sight of the core competency of trust, which at the very least can be seen as a soft, woolly factor.

But CFOs who fail, or are perceived to fail, to uphold the highest standards, will damage the companies they work for, according to research from consultancy Accenture. A recent strategy report found that a $30-billion retail company experiencing a material drop in trust stands to lose $4 billion in future revenue.

“The notion of trust hasn't changed,” says Ambrose Shannon, CFO and enterprise value lead for financial services at Accenture. “Stakeholders have always looked to the CFO to be the guardian of the business.”

Sadly, UK companies are experiencing a higher drop in trust compared with the global average: 61 per cent versus 54 per cent respectively, according to Accenture. More than half (54 per cent) of the 7,000 companies scored under its *Strategy Competitive Agility Index*, which quantifies the impact of trust on a company's bottom line, experienced a material drop in trust at some point during the past two and a half years.

“Following the financial crisis, trust has been more important than ever in the context of the CFO role,” says Ratika Fernandes, head of the UK CFO programme at Deloitte. “Prior to the crash, boards were looking for CFOs who had a strategic lens, with the focus largely on growth. Post-2008, CFOs with a strong technical background were in high demand.

“This has shifted in recent years, largely due to the significant socio-economic, technological and political changes, which have caused boards to look more holistically at the CFO role.”

> **It all boils down to the inherent need for stakeholders to have implicit trust in CFOs of the world's largest organisations**

Trust may seem a vague concept, but we all know untrustworthiness when we see it. And in a world of increasingly knowledgeable and demanding consumers, we are more likely to be able to spot it if it's there; the CFO is under more scrutiny than ever and has to be on top of a much broader range of topics. With even less room for error, the canny CFO uses technology to provide pinpoint accuracy on issues ranging from quarterly earnings forecasts to industry trends.

“I think the difference between winning and losing for today's companies is about the difference between fast and slow,” says Mr Shannon. “We are seeing the digitisation of the finance function and, as intelligent automation reduces your error rate and speeds up the process, CFOs are becoming strategists.

“People tend to look to CFOs for facts, but also trends. They need to employ predictive analytics and keep refining their ability to predict over time.”

In a world where employees and consumers have more choice than ever, companies need to project an image of trust both within and without. Trust matters to employees as much as to shareholders. “If companies do not nurture and build trust, they will face difficulties in engaging their staff, and attracting and retaining key talent,” according to a recent report, *Eight Executive Trends*, from executive search consultants Page Executive, which argues that one of the key roles of the CFO in a changing world is to preserve trust.

“CFOs have become champions of innovation and leaders of change, and their sense of people management is increasingly important,” the report says. “When enacting change, CFOs have responsibility for influencing their employees' mindset to win the wholehearted trust of their workforce. CFOs need to be transparent about the vision of their function to inspire trust within the business as a whole.”

Growing pressure on the CFO to make the finance function fit for the changing world means trust and transparency walk hand in hand. A key role of the CFO is to “communicate the value of the organisation to stakeholders”, according to EY's report, *The role of the CFO and finance function in a 4.0 world*.

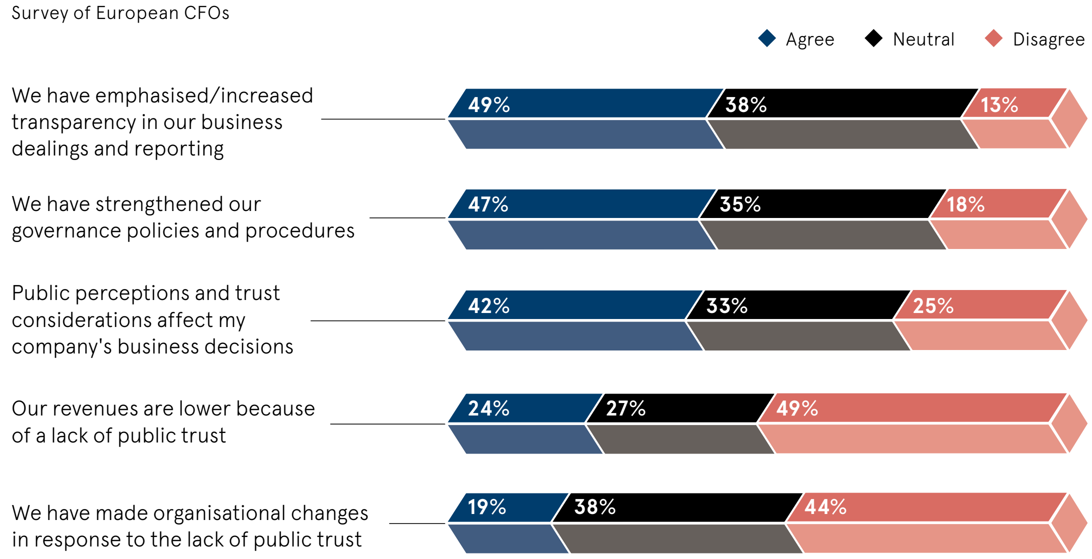
And that is no longer limited to a once-a-year publication of the annual report. Instead of the traditionally backward-looking role of the CFO, stakeholders are looking for leading indictors of performance, such as numbers of customers month on month, how they were acquired and acquisition costs per customer.

Responsibilities may extend beyond the traditional finance department. CFOs are increasingly the public face of the company performance, and need to be on top of issues such a corporate and social responsibilities or cybersecurity. A data breach could mean an organisation's trustworthiness takes a serious knock; in October, the Court of Appeal decided supermarket Morrisons was vicariously liable for a serious data breach by a disgruntled employee. A senior IT internal auditor at the company downloaded and made public personal staff data; he had been given access to the data as part of his job. The individual was convicted of fraud, but Morrisons has been held liable for trusting the individual.

Ultimately, the role of the CFO and the finance function requires the highest level of trust. Deloitte's Ms Fernandes concludes: “In my conversations with chairs and CEOs, they say when they're appointing a CFO they're looking for attributes that aren't listed on a CV, characteristics such as leadership and influencing skills, strength of character, negotiation skills, and ethical and moral values. It all boils down to the inherent need for stakeholders to have implicit trust in CFOs of the world's largest organisations.” ◆

How public concerns about business trust have affected operations

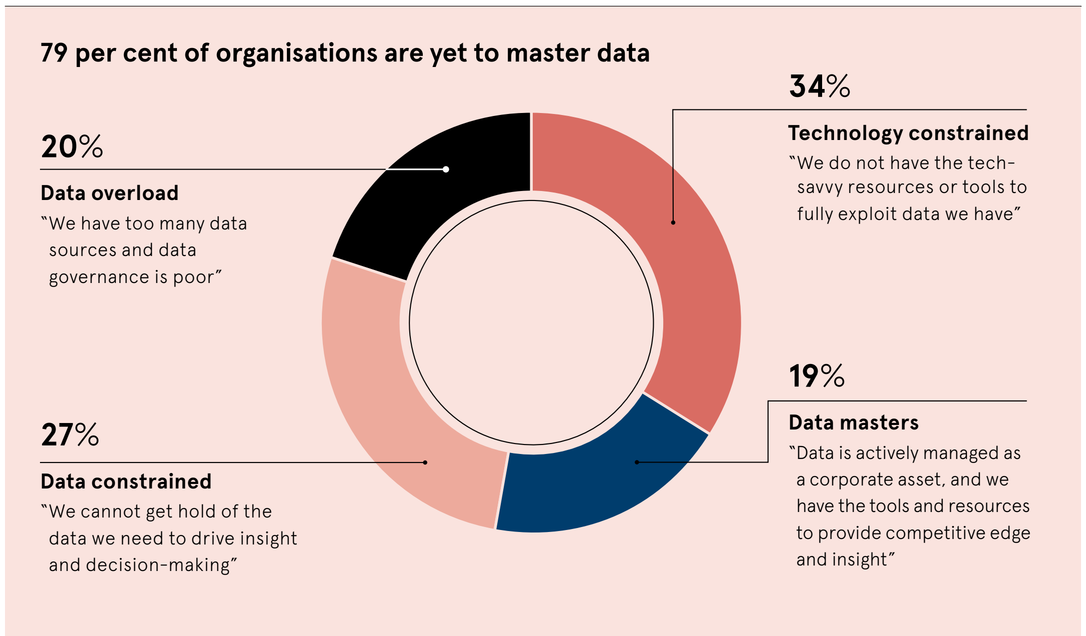
Survey of European CFOs



Percentages may not equal 100 due to rounding

TIAS 2017

Commercial feature



The future CFO: better informed, more proactive

Chief financial officers (CFOs) can now use technology to become more forward looking and strategic

As the digital revolution has increased the need for businesses to act faster and smarter to remain relevant, so the role of the CFO is changing. Rather than simply reporting what has happened to the organisation by producing figures for the last quarter or generating the annual accounts, they now need to work with the rest of the board to map out the future of the business and then to help deliver it.

"We discuss finance transformation daily with the CFOs of over 2,000 customers, which are mainly mid and large-sized organisations across a wide variety of industries, and we find that nowadays successful CFOs are requested to lead the digital transformation processes in their companies," says Dominic Policella, chief revenue officer at BOARD International, a leading global software vendor of business intelligence, analytics and customer portfolio management unification solutions, whose clients include H&M, Coca-Cola and KPMG.

"From a technology standpoint this often requires a mindset revolution; after years of analysis and reporting in Excel, they need to lead the transition to strong process automation, integration of different levels of planning, removal of information silos to create full visibility across the organisation, and data-fuelled predictive analytics to better drive the forecasting process."

> Nowadays successful CFOs are requested to lead the digital transformation processes in their companies

Most of the CFOs that BOARD speaks to are keen to accept the challenge of playing a more forward-looking, strategic role, but they need support. "The important role played by technology creates a lot of pressure for most of them because in the past they were typically technology laggards who weren't used to seeing their success heavily determined by their innovation capabilities."

Mr Policella and the team at BOARD are seeing an increasing number of CFOs adopt greater automation to gain a holistic view of the enterprise and mitigate the reporting burden. Time invested in operational activities can be released and devoted to more strategic activities. CFOs can also leverage analytics to support the overall strategy with better insights on the business.

With their unique knowledge and understanding of the financials, CFOs are perfectly positioned to take advantage of the growth of big data and artificial intelligence (AI). However, the challenge is to ensure this data is accurate and verifiable, and then to turn it into actionable information they can use to support effective decision-making and measure its results afterwards.

"To reap the real benefits of AI, organisations need to carry out preparatory unification of their processes and planning systems," says Mr Policella. "Ideally, I see a company described as a cascade of key performance indicators connected by an integrated business planning process where AI explores actuals, forecasts and plans to optimise any decision, and automatically suggest a course of action any time there is a variance on what has been planned."

Clearly this can't work outside a unified system, he points out. "Think, for example, of a suggestion that you decrease the price of a product line to increase the quantity sold and to drive profitability. You won't be capable of understanding from your planning system if you'll be able to deliver the necessary quantity on time if there's a disconnect between sales and logistics," says Mr Policella.

In increasingly competitive markets and at times of great uncertainty, making the right decisions is essential. "But data and decisions are not the same thing, and we think CFOs need to pay increasing attention to this difference," he says.

They need tools that can give them further insights, such as business intelligence and analytics capability. They need to be able to evaluate the impact of different courses of action on the bottom line, and this involves modelling capabilities and predictive analytics. They also have to be able to plan the right actions and to stay in control of what they have planned, which requires forecasting.

For more information please visit board.com

QUARTERLY REPORTING

Reporting the business of short-termism

Pressure on publicly listed companies to publish guidance on quarterly earnings is seen by some as driving harmful short-termism through an unhealthy preoccupation with near-term profits at the expense of long-term value. Here are the arguments for and against quarterly financial reporting

FIONA BOND

Critics of quarterly capitalism have long argued that such frequent reporting drives myopic management, leading to damaging consequences for companies and the economy.

But the question remains whether extending reporting timelines would persuade chief financial officers (CFOs) to concentrate more on the long term? There is little in the way of empirical evidence to suggest that quarterly reporting forces companies to eschew attractive investment opportunities.

Analysis by Goldman Sachs showed investment in research and development reached $147 billion in the first half of 2018, marking a 14 per cent increase and the highest move in a decade. If the pressure of short-termism were impacting management goals, it certainly hasn't been felt across R&D spending.

There is also little to suggest that quarterly reporting has prompted investors to focus solely on the short term. As Ben Money-Coutts, CFO at wealth manager Charles Stanley, says: "We publish a quarterly update so investors are kept abreast of our general direction of travel. This is relatively easy to do and I don't believe it drives short-termist behaviour among our investor base."

For

Indeed, many companies trade far above their current profit levels because investors trust in their long-term strategy despite short-term fluctuations. Technology giant IBM is a case in point. Despite revenues declining, investors continue to buy in to the company's vision for the future and investment in artificial intelligence. At the other end of the scale, 57 start-ups achieved a valuation of $1 billion or more in 2017 alone, despite profit figures residing far below that level.

For those investors who do have their eye on short-term gains, it is unlikely reducing reporting deadlines would see a dramatic shift in behaviour. But short-term investors should not be confused with short-term managers; many companies continue to invest heavily in future opportunities despite high stock turnover.

The bigger issue at stake is accountability. At a time when public confidence in financial markets and business is waning, any move to restrict transparency seems out of sync. Concerns have been raised that banishing quarterly reporting would mean small issues are not made clear before they snowball. The risk of presenting investors with big surprises when they do report could make drastic market moves much more likely.

Global professional services consultants EY says: "Quarterly reporting helps make the US capital markets transparent and provides investors with timely information they can use to make decisions. Frequent reporting minimises information asymmetry between management and investors, and reduces uncertainty."

Banishing quarterly reports would also leave ordinary shareholders at a disadvantage, with professional investors continuing to receive regular updates and valuable information, which the former would no longer be privy to. This reduction in communication could lead to an increase in claims of insider trading, and the resulting uncertainty and risk could cause share prices to fall. What is more, extending the reporting deadline may place CFOs under even greater pressure, with failures to meet forecasts undoubtedly more profoundly felt.

> **Frequent reporting minimises information asymmetry between management and investors, and reduces uncertainty**

Additionally, regular performance benchmarks help to decipher the value of a company and keep management accountable. To deny the market this information would not remove the need for analysts to try and value a company or work out their quarterly or six monthly earnings.

For many, simply shifting from quarterly to bi-annual reports would be more about limiting companies of the regulatory burden, rather than an effective method of addressing short-termism.

As Mr Money-Coutts concludes: "If you choose to become a quoted company whose shares can be traded daily, that is part of the bargain you enter into. There are both long-term and short-term investors out there, and that's what makes a market.

"Ultimately, it's down to the management team to set out their stall, what their strategy is, what the timeframe for implementing that strategy is, and what the near and longer-term risk/reward that comes with that strategy may look like. If they do that then investors can make up their own minds."

Thomas Lai Yin Tang/Getty Images

Spencer Platt/Staff/Getty Images

Against

The long-simmering debate for and against quarterly reporting recently came to the fore when several prominent figures, including President Donald Trump, called for the frequency of financial reporting in the United States to be scaled back to a six-monthly cycle.

Removing quarterly earnings guidance would, they argue, allow greater flexibility and reduce short-term mentality in the markets; not simply a matter for shareholders, but for the wider economy and financial stability.

Hugh Scantlebury, founder and chief executive of UK based software group Aqilla, says: "The pressure companies face in delivering quarterly reports often drives artificial behaviour and is a key factor in market short-termism. Stock is a long-term investment and quarterly reporting is at odds with that."

He makes the point that the stock market is, by its very nature, a cyclical beast; prices will fluctuate according to events such as weather and commodity prices, and this volatility tends to be more pronounced over the short term. In other words, what is reported on a quarterly basis is not always a true reflection of corporate earnings or how a company is positioned to capitalise on future growth opportunities.

Troublingly, the constant presence of quarterly forecasts and the actions it may induce could play into the hands of activist investors looking to benefit from short-term swings in the share price.

Critics also argue that the decades-old tradition no longer has a place in today's business environment. Mr Scantlebury says: "Business changes rapidly and having set behaviour of looking at quarterly figures is no longer acceptable. It is imperative that internally, finance departments are looking at the numbers in real time and are able to respond to opportunities and developments accordingly, without the restrictions of quarterly forecasts."

Along with concerns that the three-monthly race to appease the market could potentially distort management decisions, there is no question that frequent reporting is a time-consuming and expensive process. It was one of the key drivers behind the European Union's decision to remove the requirement for quarterly reporting in 2013 and it would appear it has found favour among UK-listed companies, despite market pressure.

Figures released by the Investment Association show the number of FTSE 100 companies issuing quarterly reports fell from 70 in October 2016 to 57 in August 2017. The same trend was seen among FTSE 250 companies.

> **Advances in technology and business intelligence software mean companies do not need to report quarterly to regularly and securely share information**

However, quarterly reporting remains mandatory in America, where the Chamber of Commerce and other industry experts have blamed the compliance burden of quarterly reporting as a deterrent to companies going public. According to JP Morgan, the number of quoted companies in the US has fallen by almost half over the past two decades.

There is little question that publicly listed companies owe it to their shareholders to provide regular information regarding their performance and strategic goals. The argument against quarterly reporting is not an opportunity for companies to submerge themselves, only emerging occasionally to communicate with investors.

The challenge CFOs face is ensuring they take practical steps to retain frequent communication, and avoid investor unease and potential insider trading.

Mr Scantlebury says: "Advances in technology and business intelligence software, such as the availability of dashboards, mean we are in an age where companies do not need to report quarterly to regularly and securely share information with trusted parties."

Then there are extensive disclosure requirements, including the UK Corporate Governance Code, which requires companies to report material, market-altering information at the earliest opportunity.

Mr Money-Coutts, at wealth manager Charles Stanley, points out: "As a listed company, you still have an obligation to keep the market informed of all material developments."

Importantly, many studies have shown that a company's long-term value is not solely attributed to numbers, but the measures it takes to address other key aspects of business from innovation and R&D to environmental, social and governance issues. Against this backdrop, there's a strong argument to suggest that the fixation with short-term financial results is an unwelcome distraction in the pursuit of longer-term objectives. ◆

Commercial feature

CFOs' role mitigating procurement risk in a challenging global trade environment

Business supply chains are under increasing threat from the current global geopolitical situation. Chief financial officers are ideally positioned to foster dialogue with procurement and the wider business to mitigate risk and protect long-term profitability

Chief financial officers (CFOs) are acutely aware of the fast-changing geopolitical situation, but they may not have fully considered their own crucial role in mitigating resulting procurement risks.

There are multiple emerging challenges to business stability worldwide, from rapidly shifting policies being pursued by US President Donald Trump, including tariffs on Canada, China and the European Union, to the threatened response of those who fail to abide by US sanctions on Iran.

Also, there is the election of "nativist" politicians in several other countries, the massive uncertainty around Brexit and the potential currency fluctuations, and resulting demand and supply-side economic shocks, which may result.

The rules-based, predictable globalisation that businesses have broadly been able to rely on for decades is suddenly no longer certain. Three quarters of firms are aware of the challenge and actively looking at broader risks to their supply chains, according to research by global procurement consultancy Efficio.

Some 78 per cent are considering how to identify and develop new, safer sources of supply, while nearly six in ten are investigating switching to local sources for critical goods and services.

As their operating environments change, CFOs must ensure the profitability of their business is protected. This includes understanding how the supply chain will be impacted by the changing geopolitical environment.

"CFOs can be so focused on managing their budgets and achieving cost targets that they may not think they have time to look at procurement and supply chain risks. But they are often best positioned to broker discussion on this because of their clear view of, and access to, all departments," says Andrew Black, principal at Efficio.

"Once they begin to understand their supply chains, looking not only at suppliers but also at suppliers' partners, and the trade-offs the changing business environment requires, good CFOs can facilitate a healthy discussion."

Tariffs, Brexit and beyond

There is no doubt that the current global geopolitical situation poses significant operational and financial risk to businesses, and rising tariffs between nations mean supply chains will see rapid shifts in cost and availability of essential commodities and goods.

With the US imposing tariffs on $250 billion of imports from China and China retaliating with penalties on $110 billion of goods (albeit suspended for 90 days), companies must consider the potential cost of moving goods around the world.

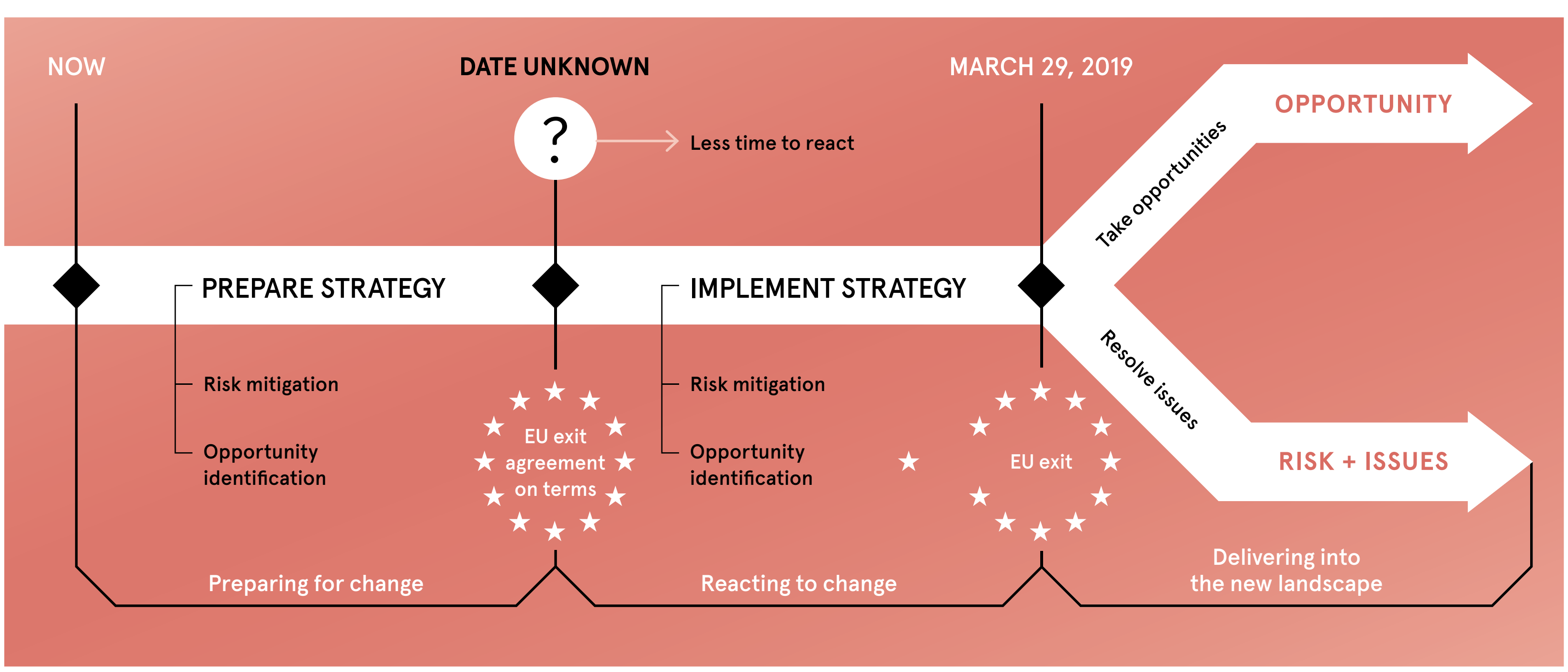
Efficio's survey shows that four in ten firms have yet to model different scenarios. "For UK CFOs this means, as an example, considering how Europe could be a beneficiary of the current trade war between the US and China, but equally how it might potentially suffer if caught up in a more protracted dispute," Mr Black says. "The question that CFOs need to answer is how best to protect the business from changes, while exploiting the opportunities they may present."

> "CFOs and their colleagues can work together to model profitability and revenue impacts likely to result from specified changes, agreeing potential responses to mitigate the dangers

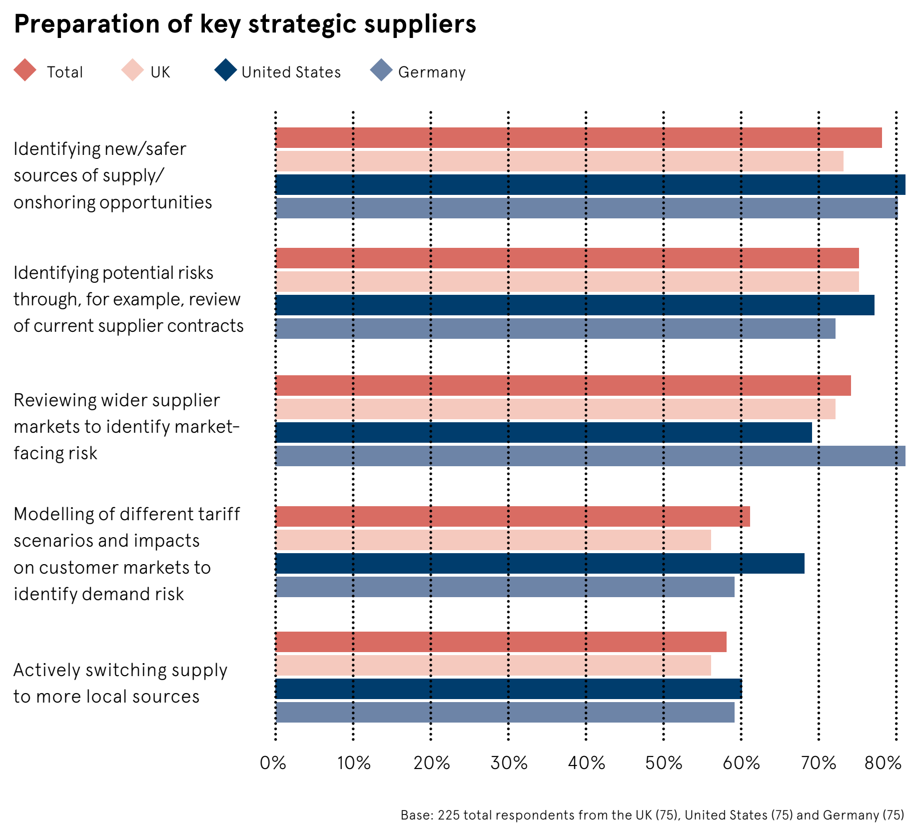
Supply chain costs face other pressures. Commodity prices, including for oil, natural gas, coal, metals and agricultural products, have been steadily rising in 2018. Meanwhile, labour costs in East Asia, from where many raw materials and completed goods originate, have tripled in the last 20 years.

Phil Woode, senior manager at Efficio, says: "There are up-and-coming potential supplier nations beyond India and China, such as Thailand and Vietnam. Companies should consider how they might drive down costs by broadening their traditional sourcing approaches."

Meanwhile, the UK and the rest of Europe face significant uncertainty over Brexit. The terms of a separation deal, if one is agreed, are far from complete. "It is particularly worrying for companies with supply chains that are heavily reliant on the European Union," says Mr Woode. "There's also the impact of a major drop-off in freedom of movement that will affect many sectors. The UK exit will have direct implications for low-margin industries, such as construction, care, agriculture, retail and distribution, resulting in further cost pressures."



Commercial feature



Currency devaluation could happen in the event of a "bad deal" or "no deal" Brexit scenario, and there are significant concerns that a devalued sterling against the euro and other currencies would wreak havoc on procurement costs. "Many companies are still playing a wait-and-see game, but they need to consider how various scenarios would impact costs, the bottom line, inventory levels and working capital, and cash flow," says Mr Woode.

Interdepartmental engagement

If businesses are to limit the risk presented by these global challenges, they must be prepared to foster comprehensive interdepartmental engagement.

"This discussion needs to involve understanding the risks, the new opportunities and how to adapt to these vast changes," says Mr Black. "For the topic of currency devaluation, as an example, there would need to be detailed planning by procurement and sales and marketing teams, alongside the CFO."

Removing silos between business areas is essential. "There is often an attitude that procurement is only there to buy, and finance exists simply to control spending costs," says Mr Woode. "Conversations can be confrontational when it's far better for departments to collaborate."

In practice, proper interdepartmental engagement offers significant risk reduction. A food company that Efficio worked with showed how to do this well, bringing together multiple teams into the discussion. The result was that everyone started working with the same key performance indicators, substantially reducing risk and improving profitability.

Andrew Black
Principal, Efficio

Phil Woode
Senior manager, Efficio

Meanwhile, a UK manufacturer worked with Efficio to create a top-down view of KPIs, ordering by priority and recognising both challenges and new opportunities - targeting earnings growth through a reduction in supply cost and offering premium delivery services.

Confidence through information

As CFOs drive engagement on these topics, they must be sure to have an all-encompassing, holistic understanding of the risks and potential effects throughout their businesses. They also need to consider how to obtain the right detailed information from their company's chief procurement officer (CPO) and other departments. The questions they ask will be essential to the quality of the answers they receive.

There are several steps they can take to do this well. In their discussions with CPOs, CFOs should ask for complete information on which products, suppliers and categories are critical to their business. Suppliers should be segmented to prioritise the highest-risk ones for a more thorough investigation. Looking at the most critical products and suppliers, CFOs must ask for a map of where commodities and goods are supplied from.

This map must be augmented with a clear risk profile for each critical product and supplier, detailing the core risks and the severity of each, bearing in mind the full geopolitical situation, including tariffs, foreign exchange, freedom of movement of people and goods, sanctions, general supply and market risks, and so on. This assessment should be multi-tier, not just level one in the supply chain, drilling down as far as possible. The expected impact should be detailed and could include cost increases or lack of goods and services.

It is also essential that the questions encourage collaboration rather than a feeling of criticism. "Asking procurement heads how they have identified costs and risks, just as with an external contractor, is vital. The questions should not be confrontational, but involving, and they should help the CPO to structure the answer," explains Mr Black. "These questions cannot be answered by finance alone or by procurement or the supply chain alone. All parties need to communicate in detail."

Using data to tackle risks

Armed with this information, CFOs and their colleagues can work together to model profitability and revenue impacts likely to result from specified changes, agreeing potential responses to mitigate the dangers. "Some of the questions they may wish to consider include whether they understand the trade-offs they face, such as whether currency devaluations will make it easier to export, but possibly raise the price of imported components," says Mr Black.

Clear mitigation strategies for each risk could include the use of alternative or domestic suppliers, new trade routes and value engineering through modification of systems based on efficiency. In addition, it may be important to consider raising prices to offset higher costs or offshoring some production.

While such approaches are well within the typical expertise of procurement officers, pressure to drive cost out has, in the worst cases, encouraged excessively slimming down essential procurement personnel who actually boost efficiency. "Lack of time and resource is a real problem given the hundreds or thousands of suppliers companies may have and the current sea change of risks taking place. This work has to have the moral and financial support of the CFO, and be collaborative work, if businesses are to measure and mitigate the dangers," adds Mr Black.

Efficio works with companies in all of these areas, offering the tools, resources and processes to analyse and deliver change in the supply chain. Its work with companies to identify and tackle risks is based on a three-strand approach. The first is to review the range of global scenarios that could affect a business. The next is to model the likely impact of each in detail. The final strand is to produce and help action a clear plan for procurement change.

CFOs are constantly presented with new risks to their supply chain. Given their position with a strong view of each business function, they must take the reins and make sure they have a full view of procurement risks, as well as a plan to tackle each danger. The only route to success is collaboration with every department. As a broker of procurement change, CFOs can be most effective in ensuring their supply future is secure and efficient, protecting long-term profitability.

Efficio is running a series of interactive workshops to discuss the risks and opportunities of Brexit for your business. Find out more about the potential impact Brexit could have on the cost and availability of goods and services across your supply chain, and discover how your peers across different industries are preparing.

For more information please visit http://bit.ly/2Q3vVma or www.efficioconsulting.com

OPINION COLUMN

'We see CFOs using their critical thinking skills to focus on a clear digital strategy that drives business performance'

Digital strategy, IT strategy, data strategy, chief digital officers, chief information officers, chief technology officers or chief data officers. Confused? I know I am. That's why we need the clarity of thinking chief financial officers (CFOs) bring to the executive team.

As one CFO told me: "People bombard me with technology investment requests. I bring it back to some basic questions. How will the technology provide value to the customer or improve operational effectiveness? How does it fit with our strategy? What's the return on investment? How long will it take to implement? What are the risks?"

So how can CFOs help their organisations come to terms with digital? In research we have undertaken at the Institute of Chartered Accountants in England and Wales (ICAEW), it is clear CFOs play a key role in developing business strategy.

They are well aware that these strategies must incorporate an understanding of how digital is driving the market and impacting competitive advantage. Clearly the underlying trend to factor in is that individuals and organisations can increasingly interpret and act on the world through digital means, be it through asking Alexa or using sensors to gather data for predictive maintenance.

However, the way this will play out varies from company to company. Therefore CFOs drive conversations across the organisation to gain a common understanding of what is important, the business impact and the actions to be taken.

Such conversations may consider the tension between maintaining technological consistency and standardisation versus responding quickly to opportunities and market needs, which often results in fragmented systems. CFOs can help to ensure an appropriate balance, where fragmentation is only introduced for very good business reasons and ongoing simplification is kept on the agenda.

For example, acquisitions or the need for new customer functionality may interfere with getting everything on to one instance of an enterprise resource planning system. But CFOs will ensure the long-term goal is maintained given the benefits in terms of process efficiency, automation, data analysis and control.

Maintaining a strategic approach requires management commitment, perseverance and discipline, all areas where CFOs can lead by example. This might include supporting a chief information officer we spoke to who said: "If you haven't fired someone for undermining the technology strategy then it is unlikely to be effective." This is clearly an extreme, but most of us have probably seen individual departments invest in technologies outside guidelines because they overestimate the specific gains for their unit and underestimate the problems for the organisation as a whole.

For example, using different robotic process automation software will reduce an organisation's ability to scale up, negotiate licence fees and reuse code. Data governance is another important area where CFOs can help ensure the necessary management structures and policies, with clearly defined data ownership responsibilities, are put in place.

Of course, CFOs cannot do all this on their own. Finding a business-savvy C-suite technology expert to work with will make life significantly easier. Moreover, CFOs also improve the chances of succeeding in the digital era by championing digital skills across the organisation. At ICAEW, we have recognised the importance of this through our Finance in a Digital World e-learning initiative.

Overall we see CFOs using their critical thinking skills to help organisations cut through the hype surrounding new technologies and focus on a clear digital strategy that drives business performance.

Rick Payne
Finance Direction Programme
Institute of Chartered Accountants in England and Wales

CYBER-RISK


Osman Rana/Unsplash

Now CFOs must counter the hackers

The case for a cyber CFO is strong as financial chiefs are immersed in a business world threatened by cybercriminals

DAVEY WINDER

It is all too easy to think of the chief financial officer (CFO) as being the C-suite accountant, albeit a very powerful and well-paid one. While the clue is in the job title and managing the company's finances is certainly the primary role, there's more to the modern CFO than just balancing the books. Sure, managing cash flows and overseeing budgetary planning remain central to the CFO role, but times are changing and CFOs must change as well.

Responsibility for financial risk management is increasingly expanding into the more strategic realm of cyber-risk management and regulatory compliance responsibility is embracing more than just ensuring that accounting checkboxes are ticked.

With most organisations now in a state of perpetual change, driven by the need for true digital transformation that profoundly touches upon every aspect of the business, the C-suite has high expectations of what the CFO must deliver. To meet those expectations, should we now be defining the chief executive's *de facto* second in command as the cyber CFO?

The CFO needs to not only manage the basic finance function, but identify areas for growth and operational excellence across all domains. "One of these areas is being an ecosystem protector," says Colby Moosman, CFO of biometric identity verification company Jumio. "As we become more tethered to the internet, more of our business and more of our customers are becoming part of a digital ecosystem, which is under constant threat from cybercriminals, malware, fraudsters and social engineering."

With the light from the European Union General Data Protection Regulation (GDPR) shining into the darkest corporate corners and illuminating the potential for fines that will impact the bottom line, Mr Moosman insists it's now "incumbent on the CFO to protect the privacy and the data captured on users".

Ning Wang, CFO of hacker-powered security testing company HackerOne, agrees that the evolving regulatory and audit environment GDPR brings to the organisation means that all CFOs must be familiar with ensuring compliance across all business units. At HackerOne, for example, GDPR-related training is now part of employee onboarding.

"We regularly educate our staff on how to handle personal data to increase awareness and sensitivity," says Ms Wang, as that helps the company to stay compliant. "The CFO role in relation to cyber-risk and compliance becomes more operational in that regard, rather than siloed in financials."

This is an important acknowledgement and one that is central to the case for a cyber CFO moving forward. You might think this could lead to there being some worried CFOs who are concerned their career could be careering off the rails, with this shift towards an entirely new skillset to add to their CVs.

But that's not the impression you get talking to those who are actively walking the walk. "It's truly an exciting time to be a CFO," says Steve Vintz, CFO with cyber-exposure experts Tenable, who argues they simply need to understand their exposure to cyber-risk and the financial costs associated with it.

"I don't pretend to understand the technology to the same degree as a chief information officer (CIO) or chief information security officer (CISO), but I insist on being an active member of the security team to evaluate our cybersecurity posture and most critical assets, and understand our exposure."

> "I insist on being an active member of the security team to evaluate our cybersecurity posture and most critical assets, and understand our exposure

43%

of businesses in the UK have reported cyber breaches or attacks in the past 12 months

27%

have formal policy or policies covering cybersecurity risks

Department for Digital, Culture, Media and Sport 2018

34%

of chief financial officers are satisfied with the effectiveness of their company's cybersecurity strategies

KPMG 2018

Wait a minute, so should cybersecurity be the CFO's job in future? No, the responsibility for cybersecurity must still fall under the security team, which includes the CISO, CIO and the myriad other roles involved with protecting the organisation from cyberattacks.

"But CFOs need to know what questions to ask their security team, what to look for and understand the additional disclosure requirements that are now part of the financial statements," says Guy Melamed, CFO and chief operating officer at data security company Varonis Systems.

The argument is that CFOs, CIOs and CISOs share many of the same goals to protect their organisation from cyberattacks and other threats, and if CFOs are aware of the cyber-risk they can, according to Mr Melamed, "do what they do probably hundreds of time a day: a cost-benefit analysis to ensure the right decisions are made to reduce risk and to ensure resources are allocated properly".

Sharing goals is one thing, sharing responsibility another in a relationship, which all too often appears to be defined by squabbles over resources as budgets are squeezed. Yet that relationship is key if the business is to succeed. Which means, as James Armstrong, CFO at digital transformation specialists 6point6, points out: "The CFO and CIO/CISO need to be 100 per cent in tune." Indeed, the CFO has a duty of care to hold the CIO/CISO to account and understand cyber-risk and its potential impact on the business.

However, when executives consider fraud or cyberattack, many think only in terms of direct financial loss. The forward-thinking future CFO must take account of the longer-term impacts. "Having a plan in place that is led by a potential cyber CFO well in advance of any breach will mitigate reputational and legal impacts," Jim Gee, national head of forensic services at risk advisory firm Crowe, concludes. ◆

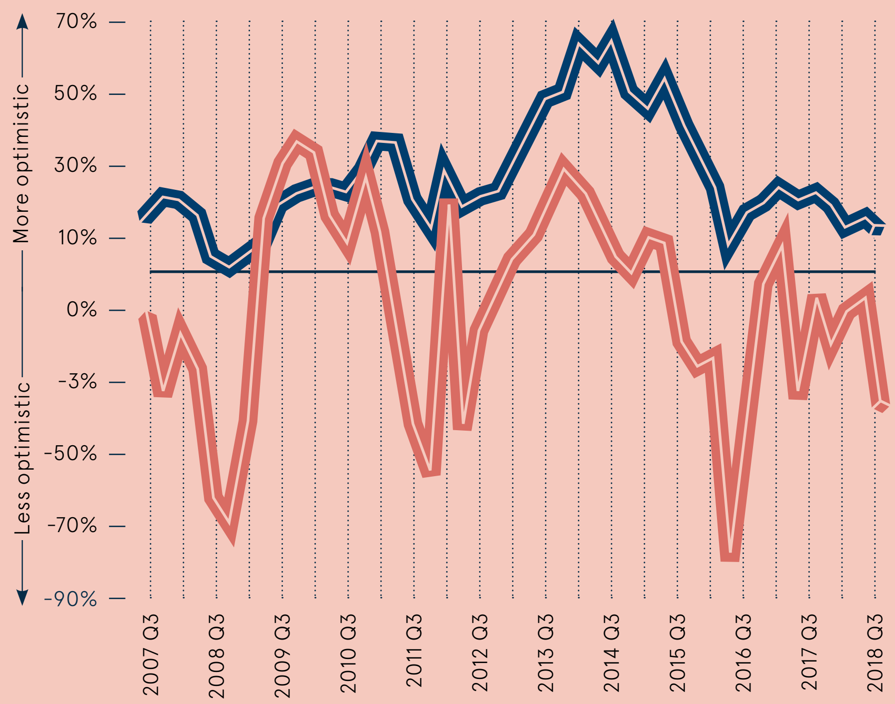
CFO OUTLOOK 2019

As CFOs draw closer to 2019, they harbour a cautious outlook amid global economic uncertainty for the New Year. Key priorities that feature top of mind include turning their attention to recruitment challenges, technological investment and limiting business risk

Risk appetite and business optimism remains low

Percentage of CFOs who think it's a good time to take on greater balance-sheet risk and net percentage who are more optimistic about their companies' financial prospects than three months ago

■ Corporate risk appetite ■ Business optimism

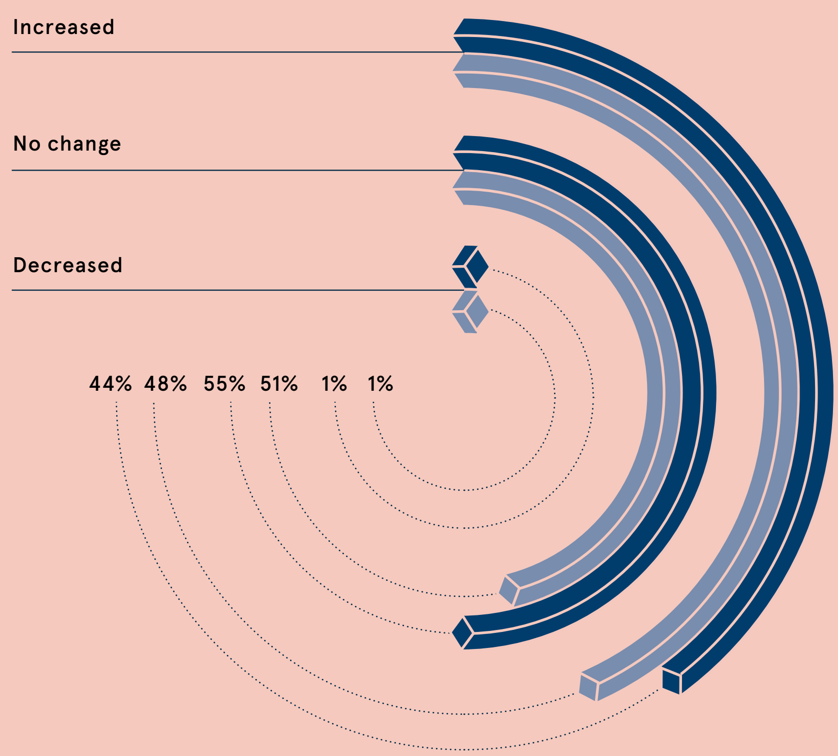


Deloitte 2018

Recruitment difficulties

Percentage of CFOs reporting how recruitment difficulties or skills shortages experienced by their businesses have changed over the past three months

■ 2018 Q2 ■ 2018 Q3

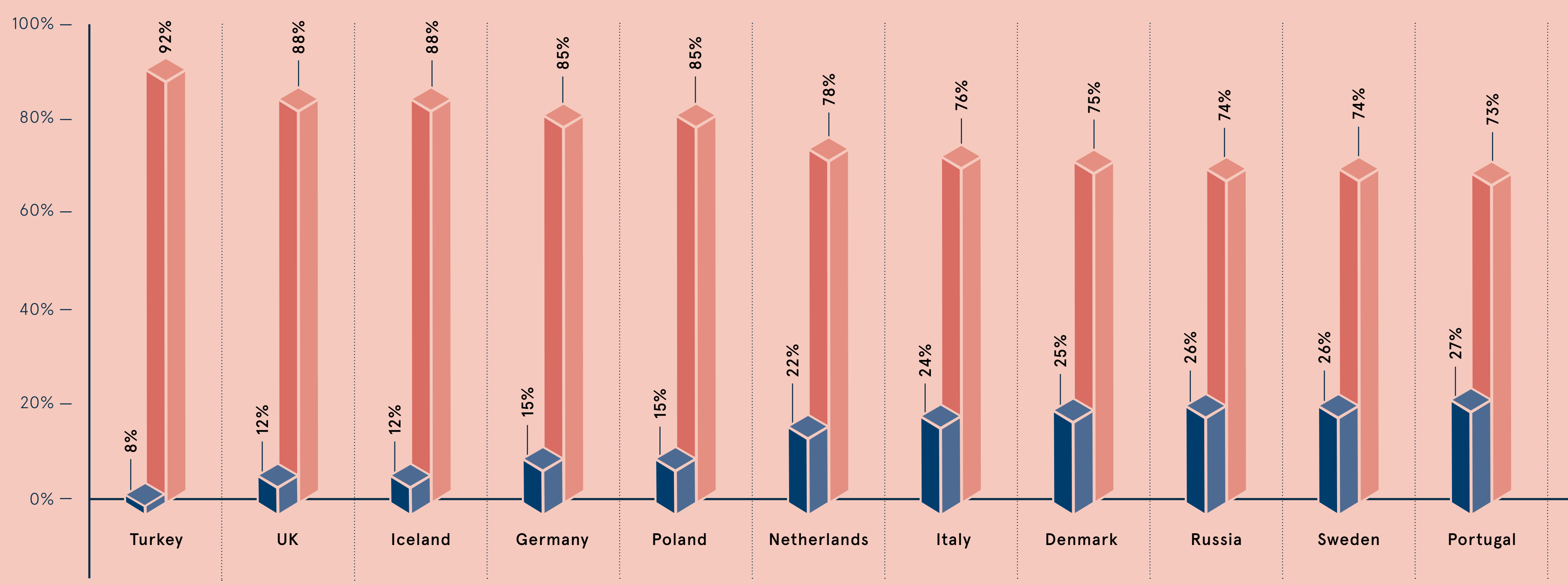


Deloitte 2018

Risk appetite: UK CFOs are more risk averse than European peers

CFO opinion on whether it is a good time to be taking greater risk on to balance sheets

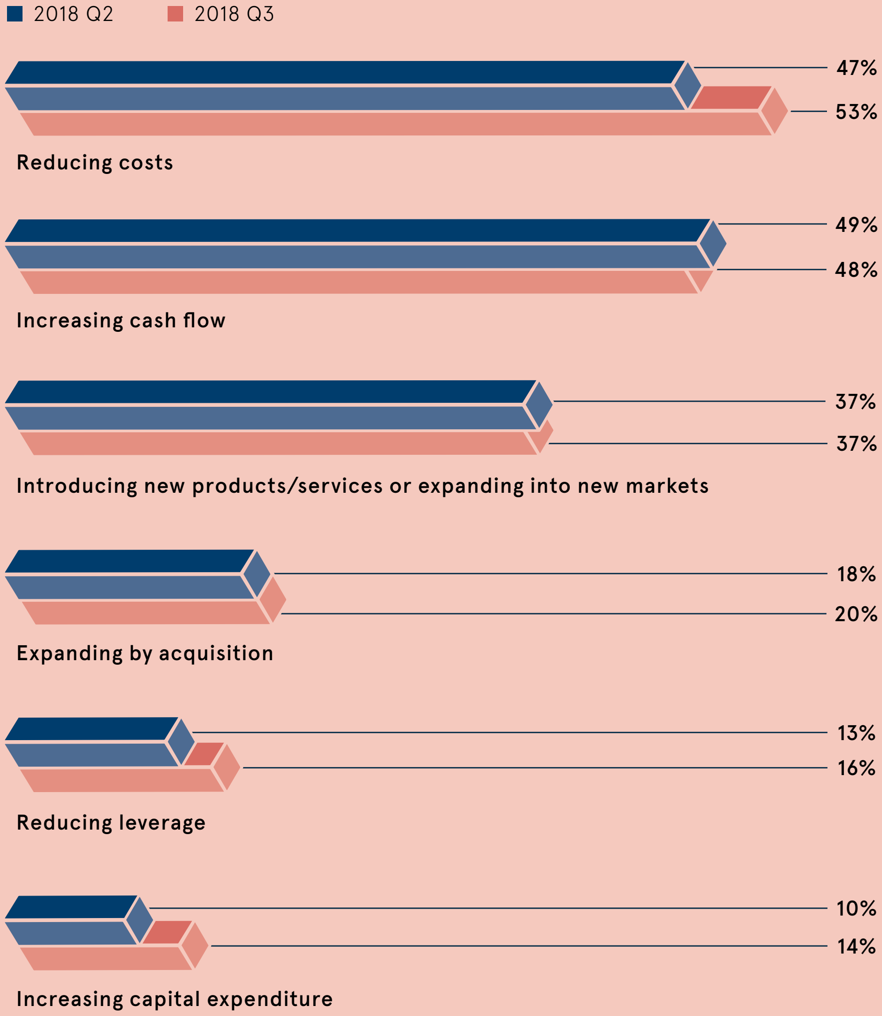
■ International ■ UK-facing



Deloitte 2018

Corporate priorities in the next 12 months

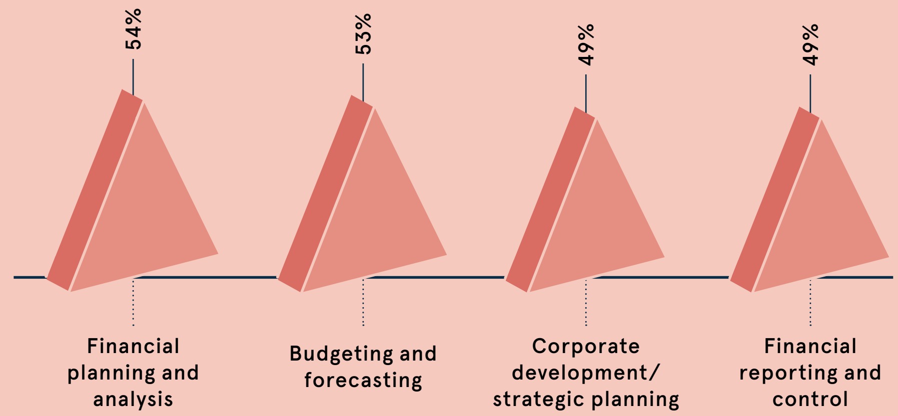
Percentage of CFOs who rated each of the following as a strong priority for their business in the next 12 months



Deloitte 2018

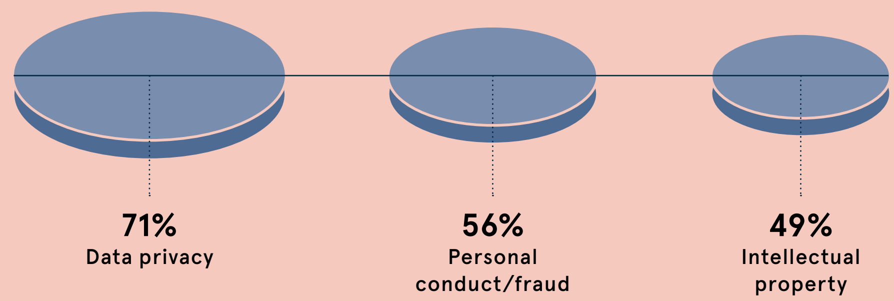
Automatable processes in the next one to five years

Percentage of CFOs who believe the following will be automated



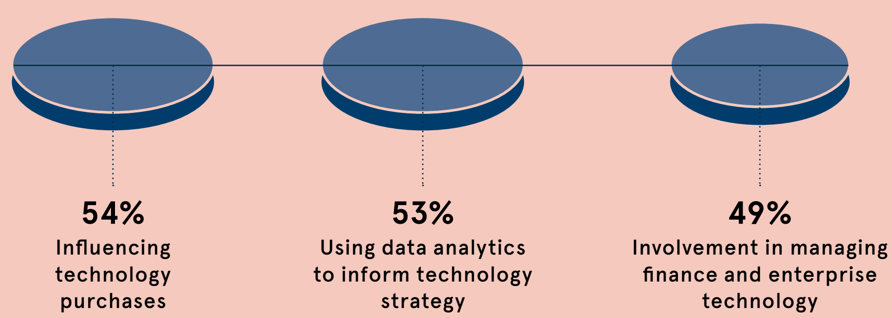
New technology investments in the finance function

Percentage of CFOs planning to make the following investments



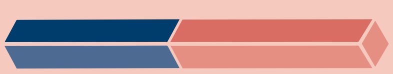
CFO's technology responsibilities

Percentage of CFOs who are responsible for the following



Grant Thornton 2018

43%



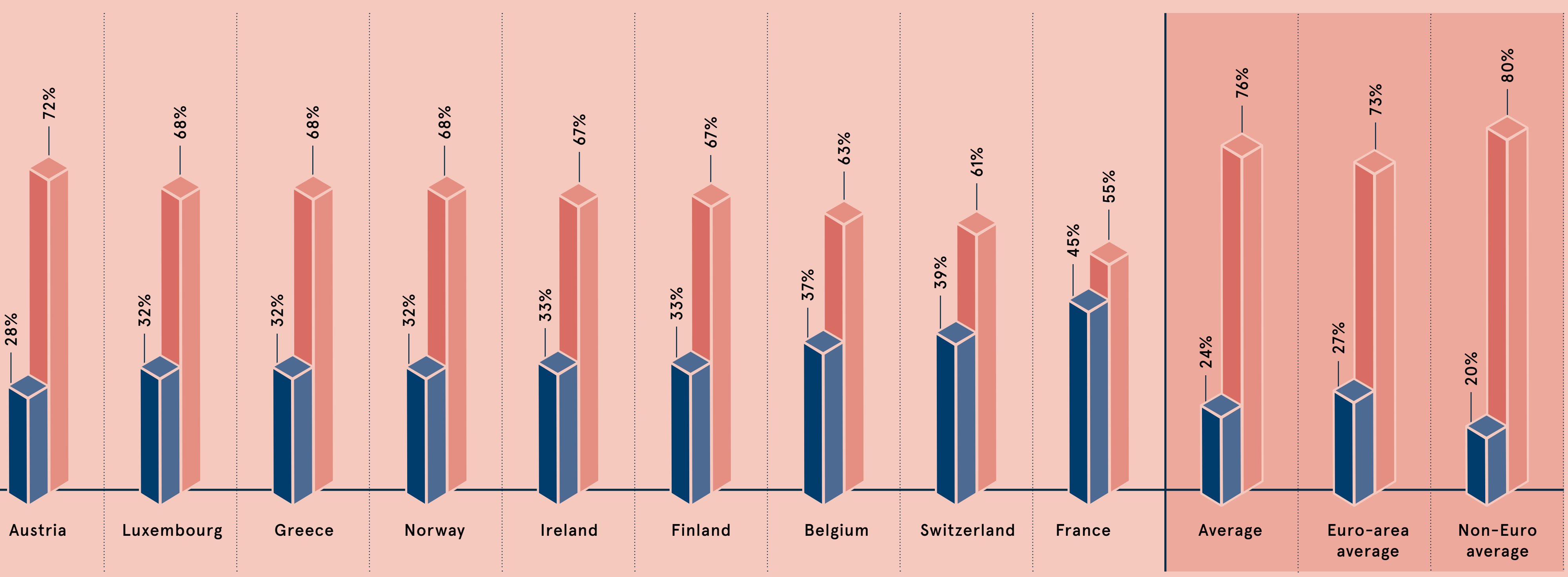
say their company uses increased automation to a large extent to address shortages of skilled labour

Grant Thornton 2018

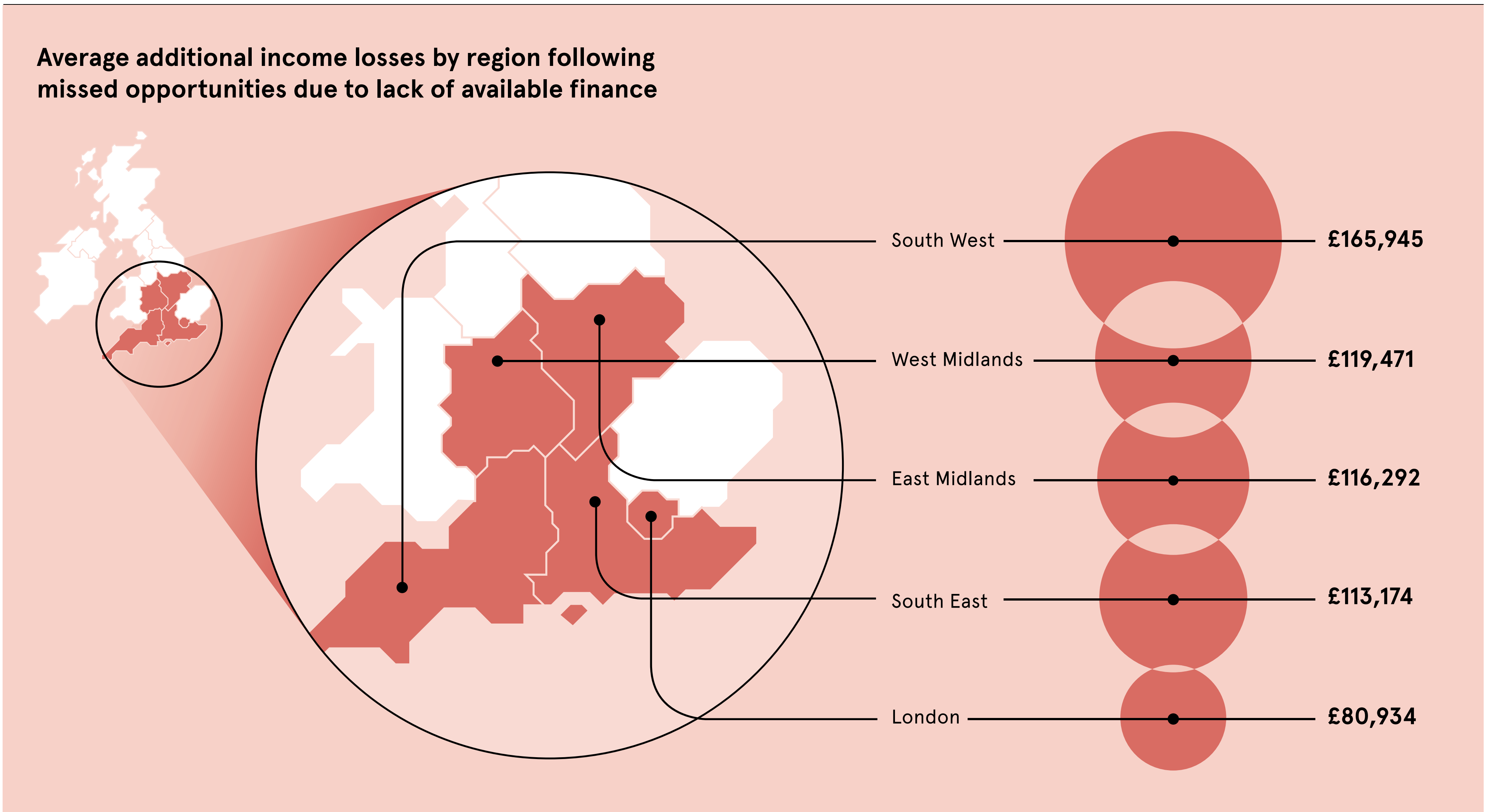
82%

say leading-edge technology is essential to business transformation

Teradata 2017



Commercial feature



Fast track to finance and business growth

Ross McFarlane, commercial director of invoice finance at Aldermore Bank, says it's time to change the conversation on alternative funding

Cash is the lifeblood of any business. We all know it, but you can never overstate the fact that without it, businesses' ambitions and growth aspirations can quickly become frustrated. More seriously, if your cash remains tied up in unpaid invoices, then ultimately your business may not survive.

Add to this the fact that traditional high street bank lending to small and medium-sized enterprises (SMEs) has become restricted in recent years, you can understand why many businesses now see invoice finance as a valuable alternative source of finance to support their growth aspirations.

The sad truth, which we highlighted in our recent *Future Attitudes* report, is that almost a quarter of SMEs miss out on business opportunities due to lack of funding.

And that comes at a cost to the average SME of nearly £80,000[1] of new business opportunities lost while mid-sized firms – those with between 50 and 249 staff – are the worst hit with 42 per cent reporting how they have been significantly impacted by not having access to the funding they need.

In fact, in cash terms it equates to an average impact of £110,960[2] of new business opportunities lost over the last year for those companies, but the true cost is in the lost opportunities for jobs, new products and services, and wealth creation to the UK economy.

At Aldermore, we recognise these funding challenges and we want to change the conversation and focus on how invoice finance can play a crucial role in enabling businesses to grow.

Fast access to funding

What if we could help these companies gain a fast track access to finance?

Ambitious businesses looking to secure larger contracts with bigger firms are understandably wary of the larger capital outlay they may need just to service those contracts.

Add into the mix that they may have no choice but to agree to payment terms of 60 or 90 days and you can see a business owner's ambitions may well be frustrated before they have even closed the deal.

We see invoice finance as a practical way of enabling businesses to embrace new opportunities as they happen.

The facility can be tailored to meet the particular requirements of the business, allowing it to unlock the cash tied up in unpaid invoices to release funding for progression or growth. Typically, we can provide access of up to 90 per cent of unpaid invoices straightaway.

Take a typical UK haulage firm as an example. Its standard payment terms for customers may well be 30 days net although many customers will insist on 60 days. Added to that wage costs and overheads, such as fuel and rent, and the owners may need to spend more than £100,000 before they see the first payments coming in.

Simply making those payments on time can be an enormous strain on day-to-day cash flow. With invoice finance you could see funds released to your business on the same day you present your invoice.

Not only that, it can give you the confidence to take on those bigger contracts and more importantly focus on growing your business.

That's exactly the kind of ambitious forward-thinking we're looking to support. In fact, rather than something to keep quiet about, we'd like more businesses to take advantage of what is an extremely effective form of finance, one that provides companies with access to money against the value of their invoices before they've been paid.

This is reflective of our *Future Attitudes* report, which revealed that too many growth opportunities are being missed due to lack of funding.

How we can help

At Aldermore, we want to help you propel your company forward by providing the right funding facility and business support you need to help achieve your goals and ambitions.

By understanding our client's business plans, we can provide a bespoke facility which enables them to spread these major costs over a number of weeks. From finding the right solution to helping understand the opportunities and hurdles ahead, we will provide tailored advice and expert insight every step of the way, along with a facility that can evolve as your business does.

23%

of UK small and medium-sized enterprises have missed at least one new business opportunity in the past 12 months due to a lack of available funding

Our expert and dedicated relationship managers will discuss your aspirations and provide you the necessary support and funding you need to ensure your business continues to operate smoothly.

Invoice finance is increasingly seen as an important part of that funding mix for many SMEs and a flexible solution to secure growth.

We are seeing this sea change every day from clients that no longer view invoice finance as a taboo topic, or as a negative sign that a business has cash-flow troubles, but instead they are waking up to its possibilities as a flexible solution to secure growth.

Perhaps you have seen it, too?

Find out more about invoice finance and our complete business finance solutions that could help take your business to the next level at www.aldermore.co.uk/businessfinance or call us on 0330 127 2252

1 & 2 Research conducted by Opinium Research between February 20 and 26, 2018 with a nationally representative sample size of 1,004 senior decision-makers in SMEs

Aldermore

COLLABORATION

Colleagues dodge clash of C-suite titans

No longer the marketing boss's long-term nemesis, the financial chief is forming an alliance to benefit business

NICK EASEN

Rewind a bit in corporate history; those who held the strings to the company purse and those who liked to raid it, particularly marketing, were not best bosom buddies. Prone to conflict over budgets, the chief financial officer (CFO) always demanded numbers, while the chief marketing officer (CMO) perennially pushed wishy-washy, discretionary spend, which evaporated in exchange for a sniff of business goodwill.

"The pressure has been building for years, but we're now seeing unprecedented urgency from business leaders to finally get a clear answer on marketing's value," explains Mark Stouse, chief executive of Proof Analytics.

This is why 21st-century marketing is increasingly about metrics. Reams of data, sophisticated analytics and digital tools are all combined, along with the rise of ecommerce. In the process, marketing has become more of a science than an art. Campaigns are more measurable, the CFO-CMO drama is now less a *Clash of the Titans* and more *Love Actually*.

"Today, if chief marketing officers don't stand for revenue, they stand for nothing," explains Thomas Barta, CMO expert and co-author of *The 12 Powers of a Marketing Leader*. A few years back an EY survey highlighted that this relationship was evolving. The majority of 650-plus CFOs polled said their collaboration with the CMO and the marketing department was on the rise.

With the cost-discipline lens firmly aimed at marketing campaigns, there are still questions on whether there's been a shift to a value-driven mindset. Certainly, there's been greater outlay from finance bosses on more quantifiable projects.

"The big growth in marketing spend is on digital activities with measurable short-term results; that's great unless it leads to short-termism. Longer-term marketing strategies will always be more of an art than a science," says Patrick Barwise, emeritus professor of management and marketing at the London Business School and co-author with Mr Barta.

"Most CFOs understand that some things are easier to quantify than others, but they do like evidence and logic. A CMO who wants to invest in long-term brand-building should explain the underlying thinking to the CFO, not just assume that he or she won't understand. But the evidence will need to be convincing."

> **Static, mono-dimensional roles create friction, while silos kill progress within organisations**

The key message for marketing is that if you want budget support, then finance is the common language you need to speak. If CMOs can be more data driven when it comes to proving return on investment (RoI), and CFOs can provide forecasting and insight into the best way to spend marketing budgets, the partnership is more likely to flourish.

"It's a two-way street. This isn't necessarily plain sailing as it means fluid and regular communication between both departments. This involves identifying and bridging any cultural gaps so they are both aligned," says Chris Coe, partner at Talentmark.

However, these two business functions still lack a common toolkit and key performance indicators. The gap could also be widening with the introduction of more complex digital marketing tools that finance teams are not familiar with.

"Some organisations have addressed the challenge by asking those in senior roles to help marketing and finance teams communicate; for instance, by creating a senior director in marketing finance. While other companies, particular in consumer-facing sectors, have created marketing excellence teams, which bring together those in marketing, finance and data science," says Michael Haupt, digital finance consulting leader at Deloitte.

It's also why the US CMO Council is calling on industry to develop more financial impact analytics to prove once and for all the discipline's contribution to a business in real money terms.

"This will lead to greater precision, predictability and RoI. Most notably, we need to know how marketing contributes to revenue, margin, account profitability and deal value," explains Donovan Neale-May, executive director at the CMO Council.

Potentially, a different approach could also be needed. "Too many CMOs are trying to prove returns to their CFO, instead of working with the CFO to make the marketing case," says Mr Barta. Those finance bosses who work hand in glove with marketing gurus have the potential to generate better results, but only if there is a relationship recalibration.

"When CFOs and CMOs leave the rigid attachment associated with their specific role and become business partners, then you have a successful relationship. When the CFO and CMO can find a common goal in achieving success then they both win," says Barbara Cichello, global director of marketing at LiveArea.

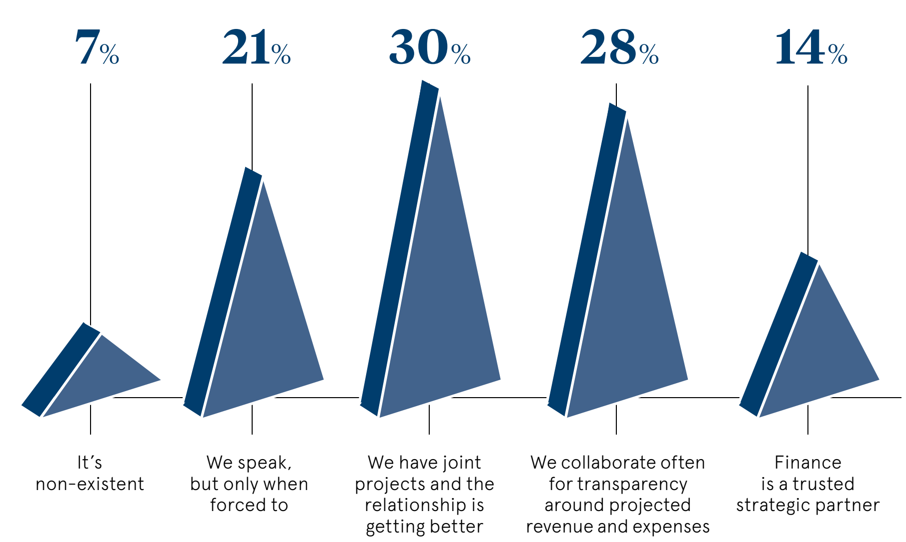
"The future will see the redefinition of these titles. Static, mono-dimensional roles create friction, while silos kill progress within organisations. You need individuals who have an interest in understanding other disciplines. The CFO who really understands marketing will be the best ally of the CMO and the CMO who comprehends the business will find no friction with their CFO."

It doesn't help that marketing is one of the most expensive investments CFOs shell out on, yet it can be the most important in a company's growth. There's now increasing recognition that both short-term sales and marketing, as well as longer-term brand value, depend on a customers' total experience of the company and its products.

"This recognition creates the need for better collaboration between disciplines, including marketing and finance; it's called the value creation zone, or V zone, the overlap between the customers' needs and the company's needs. Long-term success comes from maximising this," says Professor Barwise. Maybe it's time CFOs focused on the V zone. CMOs will be happier. ◆

Marketing-finance connection

How CMOs view marketing's relationship with finance



Allocadia 2017

WOMEN

Still slow progress for women in finance

Despite some progress, there remains much to be done to achieve more women on company boards as finance directors

MICHELLE PERRY

This year the number of women on FTSE 100 boards exceeded 30 per cent for the first time. Although this is a leap from the woeful 12.5 per cent of female board members in 2011, progress has now flatlined and in some cases declined. The number of women in finance at the top table is also slipping despite the same number of men and women training and qualifying as accountants in the UK.

The most recent data suggests that many boards, predominately led by men, are still not adjusting company culture to encourage women to pursue executive careers. They are instead paying lip service to the government's target of having 33 per cent of female board representation by 2020 by appointing one woman as a non-executive director. The real bellwether of change, however, is the number of women holding executive board positions.

Anna Manz, chief financial officer (CFO) of FTSE 100 chemicals company Johnson Matthey, says: "I'm disappointed to see the data. It takes years of effort to create the career pathways and ways of working that ultimately support female CFOs, but what it requires is supporting women to be successful at every stage in the company."

There are currently just ten female CFOs in the FTSE 100, of whom Ms Manz is one. That's just four more than in 2010. Among the FTSE 250, the number of women in executive directorships has fallen from 38 to 30, according to the *Female FTSE Board Report 2018*, which has been studying female representation on FTSE boards since 1999. Of the 30 female executives in the FTSE 250, 19 hold CFO positions, the report published by the Cranfield School of Management shows.

Professor Sue Vinnicombe of Cranfield University, one of the report's authors, says: "Finance is the one area where loads of women go into it and get qualified, which is a real pathway to the top. But the numbers [of female CFOs] are not increasing."

The *2018 Hampton-Alexander Review*, a government-sponsored analysis of gender balance in UK boardrooms, says if current progress continues at a similar rate, the FTSE 100 will hit its target, but elsewhere a step change is needed.

So, what is holding back progress? The review suggests a number of reasons could be delaying progress, such as investor concerns that women lack City experience, too narrowly drawn recruitment briefs, search firm's bias or inexperienced senior independent directors, who support the chairperson.

Anna Manz, chief financial officer at Johnson Matthey, is just one of ten female CFOs in the FTSE 100

Francesca Lagerberg, global leader of network capabilities at Grant Thornton International, which publishes *Women in business: beyond policy to progress*, says that unless companies truly embed gender diversity policies into a business's culture then little will change.

"There's a range of things coming into play. There are not enough women coming into the funnel. It also suggests some systemic issues: a lack of encouragement or the absence of role models. Behavioural change is hard, but it's important to recognise that it's not a done deal," says Ms Lagerberg.

Setting clear goals and measuring progress, making diversity and inclusion targets part of directors' pay, showing evidence of commercial gains through gender diversity and investing in unconscious bias training are some of the policies that Grant Thornton's report highlights as ways companies can ensure gender balance at the top.

Most industry sectors' average among the FTSE 350 is now above 20 per cent of female board representation with some sectors, such as pharmaceuticals, chemicals and media, above 30 per cent. The worst performing sector, consisting of only two companies, was metals and mining with 18.8 per cent of women on boards.

Research by Professor Don Webber at Swansea University found that male-dominated business cultures, which failed to provide enough encouragement or support for women while they have and raise children, was a major reason for the lack of female CFOs among FTSE 350.

"Our accounting women suggested two significant reasons for dropping out of the executive pipeline. The first was an unaccommodating business culture. The other that there was no appropriate flexible or part-time work available that enabled [women] to balance the demands of work and family. In contrast, the women who were supported by their employer and partner to work part-time resumed a high-level, full-time career once their children were older," says Professor Webber.

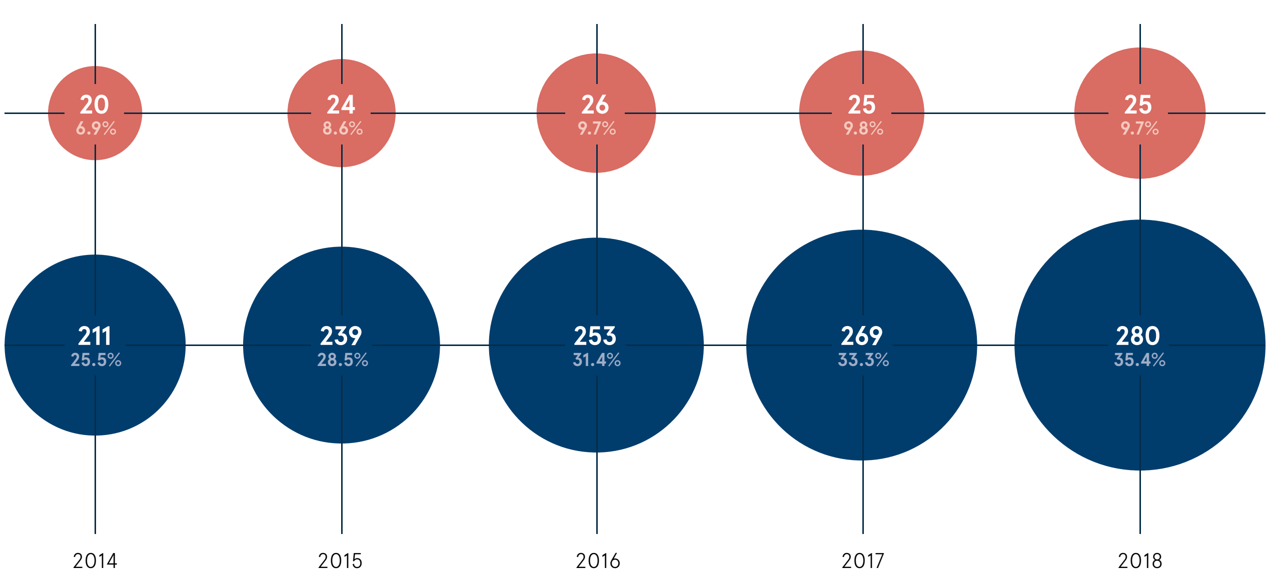
> "There's been really good work done on the obvious things, but now we are into the hard yard

Ms Manz, a mother of three, says: "There's been really good work done on the obvious things, but now we are into the hard yard. I think the one thing boards need to do is not just worry about executive level. That's what they are accountable for, but actually you have to go two levels below that to create and embed the change."

Studies show that boards need to dispel the sentiment that the drive to encourage more women on board is political correctness. They need to see it as a commercial gain. To achieve this will require understanding business processes from recruitment and promotion to mentoring, and then measuring them. This way executives can see what is changing and why. And only with such data can change be effected. Female CFOs will be critical to this drive for data as figures, after all, are their bread and butter. ◆

Women on the FTSE 100

◆ Female executive directorships ◆ Female non-executive directorships



Aviva/Cranfield University 2018

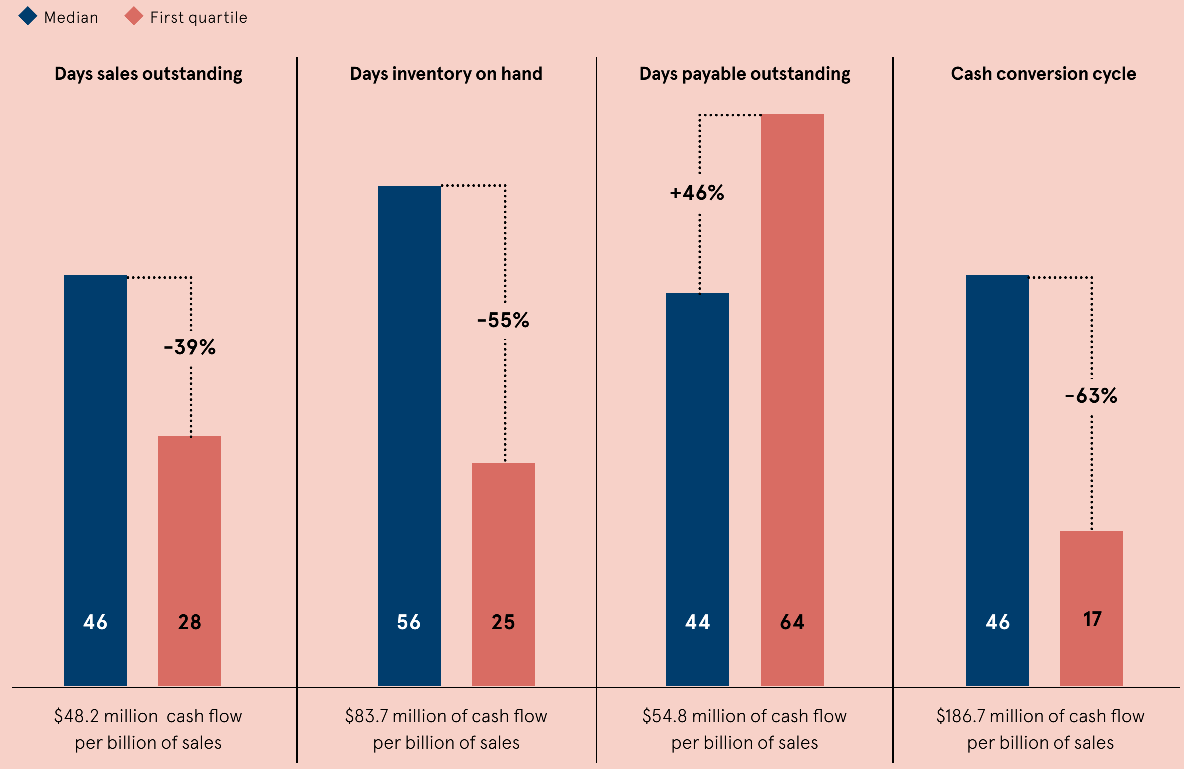
Commercial feature

New treasury tools enable CFOs to support growth

Cloud-based treasury management systems provide a real-time and holistic view of finance

Free cash-flow benefits of reducing the cash conversion cycle

Comparing average and top-performing finance organisations



1st quartile performance - Lowest DIO/DSO or highest DPO in top 25 per cent of companies

Median performance - Median DIO, DSO or DPO in all companies

Hackett-REL Working Capital Survey 2017

Chief financial officers (CFOs) face an increasingly volatile business environment reshaped by disruptive technologies and new global competitors. But tools and techniques are emerging that can help them stay competitive by managing liquidity more effectively. With support from their treasury teams, these new technologies can help CFOs free up significant extra cash to enhance growth opportunities.

CFO's new role in treasury

To help deploy financial resources effectively, CFOs need an unencumbered view of the company's monetary assets. New, cloud-based treasury management systems (TMS) enable them to see through legal entities, bank account structures and geographical barriers to get a real-time view of the financial position.

This technology gives them a clearer sight of future liquidity, enabling them to contribute more effectively to business decisions such as transformative investments or renegotiating vendor terms. It can also help them fund growth opportunities by condensing the cash-flow cycle to release more cash and minimise borrowing, and by optimising internal cash generation. The technology can also provide a holistic view of the company's risk exposure.

Simon Shorthose
Managing director
UK and Ireland

Accelerating cash conversion

CFOs can use new technologies to view the whole financial supply chain and enable transactions such as reverse factoring. This is where a bank or finance company intermediates between the company and its supplier. It commits to pay the company's invoices at an accelerated rate to benefit from early-payment discounts, charging the buyer a reduced interest rate.

It creates a triple win as the original company can preserve its working capital by extending days payable outstanding (DPO), but not have to pay early. The finance company earns a fee, and the supplier maximises its working capital by being paid faster.

A TMS can enable such strategies by connecting buyers and sellers of receivables directly, and facilitating the application and exchange of early payments or calculations of dynamic discounting.

Such strategies release significant free cash flow, which CFOs can use to help generate growth or profit.

The 2017 Hackett-REL Working Capital Management study revealed a growing gap between organisations that excel in automating and optimising working capital management, compared with those doing an average job.

By using more best practices and automation, top-quartile finance teams have 39 per cent lower days sales outstanding (DSO) than the median, and they generate $48 million of incremental cash flow per $1 billion of sales. Top-quartile companies also extend DPO by 65 per cent to yield an additional $187 million in cash flow per $1 billion in sales compared with median performers.

Streamlining liquidity management

Many large companies have hundreds of bank accounts around the world. Typically, each bank requires treasury to log in through a different portal or interface. This makes building the cash position slow and disjointed, and denies the CFO real-time access to the company's liquidity status.

Cloud-based TMS streamlines this process by connecting to multiple banks automatically and delivering the CFO daily or real-time cash information. This holistic view helps them use funds most efficiently, invest excess cash to maximise return, free up cash to pay down debt, and fund operations and growth.

Minimising external debt sources is especially important in the current environment of rising interest rates.

Enhancing forecast accuracy

TMS integrates easily with enterprise resource planning (ERP) systems. This, combined with full visibility of cash and liquidity, enables faster and more accurate cash-forecasting. These systems replace traditional methods of collecting projections through various emailed spreadsheets, as users access them directly via a browser.

> New, cloud-based treasury management systems enable CFOs to see through legal entities, bank account structures and geographical barriers to get a real-time view of the financial position

Also, TMS links directly to the ERP's accounts payable and accounts receivable functions enabling users to see upcoming inflows and outflows, and helping management allocate resources more effectively.

Hackett's 2018 benchmarking data identified world-class finance organisations, defined by output measures such as cost as a percentage of revenue and cycle time. It found that these world-class companies are six times more likely to produce accurate one-month cash forecasts than their peers. This is, in large part, because they have more automatic processes.

The accuracy of forecasts is set to keep increasing as new technologies emerge, including artificial intelligence and cognitive computing, which can sift massive amounts of data, detect patterns and run predictive models. These will enable CFOs to have richer conversations with other executives about how to accelerate growth.

The Hackett Group's 2018 Key Issues study discovered that broad-based adoption of advanced analytics is expected to rise by more than eight times in the next two to three years. This reflects the availability of big data and dedicated modelling solutions that integrate easily with on-premises and cloud platforms.

Wider view of risk

CFOs typically rely on their treasury team's risk management skills to construct a risk management framework and execute it, from identification to measurement and mitigation.

But CFOs need to look beyond traditional financial risks. For example, larger organisations with more mature risk management programmes consider geo-political and compliance risks as financial risks.

CFOs are therefore working more closely than ever with their global treasury teams, which have the tools to collect risk information across functional silos via cloud solutions, and to centralise the risk data collection and management process.

With the help of TMS, treasury teams can provide the CFO with a more holistic view of risk through enhanced integration with bank systems and operational applications.

Meeting wider goals

CFOs are no longer simply financial custodians, they contribute to all major strategic decisions, including how to cut costs, and select and fund growth opportunities, while also managing risk.

To deliver on this expanded mandate, CFOs must shorten the cash conversion cycle by using technologies and supply chain financing techniques to decrease DSO and extend DPO. They must gain complete, real-time visibility into global cash with a single, automated solution that delivers timely, accurate updates.

CFOs must use complete cash visibility to optimise liquidity management, reduce external borrowing, maximise investment returns and sharpen forecasting.

Finally, they must create a holistic view of risk to protect the company in achieving its goals sustainably.

For more information please visit www.kyriba.com

FUNDING

Stumbling blocks to high growth

High-growth businesses can run into financial trouble when confronted by tight-fisted banks or reluctant investors. Here are seven traumatic tales from the front line

CHARLES ORTON-JONES

01

PROBLEM

Bank axed overdrafts

The financial crisis could be brutal to high-growth businesses. "I owned 28 global salons, franchised through Toni & Guy," recalls entrepreneur Phil Smith. "I received a letter to say overdrafts were being removed on each of the 28 salon accounts and I had seven days to pay them all off. I felt sick and couldn't catch my breath. I realise now it was probably some form of panic attack. I gathered myself and the following day managed to convince the bank to extend the deadline to 28 days and in this time raised a loan against my house, which was injected into the business. The business was not in any distress and the overdraft recall was a reaction from the bank; a sign of the times. The loan was paid off within 12 months, which meant the business was trading without the need of overdrafts." Mr Smith eventually sold the franchise to focus on his hair range, Phil Smith Be Gorgeous, found in 700 Sainsbury's stores.

LESSON

House equity is an effective last resort

02

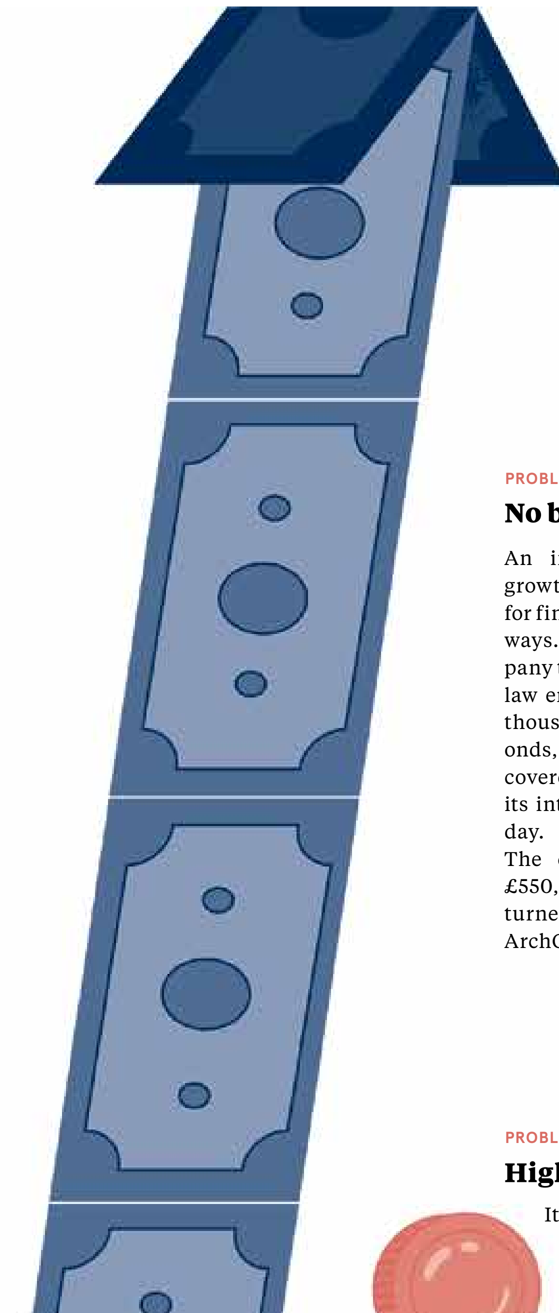
PROBLEM

Too big for seed, too small for loans

Sunstone is a great British exporter in the making. It manufactures solar-powered CCTV and telecoms kit, ideal for oil pipelines in Kazakhstan to solar drone-charging stations for the engineering sector. But it found itself in the classic twilight zone of funding. "The company has an active revenue stream and employs 21 people across our offices, manufacturing and R&D centres," says chief financial officer Aaron David. "We are also developing two new, innovative products – a mobile, solar power station and a smaller, portable version of our existing product for the construction and highways infrastructure market – both of which have active customers waiting on delivery. And yet: "We needed finance to grow, but found our capital requirements too high for seed and startup investment," he says. "Conversely, we also fell below the threshold of stringent banking and venture capital funding criteria. To scale up we turned to crowdfunding. Using Crowdcube, we raised more than £590,000 against an initial target of £500,000. The round, which ran for just over five weeks, saw more than 430 investors back the company."

LESSON

Crowdfunding can bridge the funding gap



03

PROBLEM

All funding denied

Martin Port was boxed in. "We'd burned through our seed-funding, we were at limit of our trade credit facilities and we had a £25,000 overdraft facility that the bank was unwilling to extend." His company BigChange seemed an unlikely candidate for funding trouble. It makes software to manage mobile workers, with clients such as P&O Ferries and Sheffield City Council. Business was good, but cash flow was strained, hence the bank refusal.

Without funding the business would stall. "We needed cash to pay the wages of the people that coded our software and installed our technology, and we still needed to buy the devices that mobile workers used to access our services up front."

Solace came from an unlikely source. "No bank manager was willing to help us then, when we really needed it. HMRC on the other hand was amazing. Without their understanding and help things would have been different. We were able to defer PAYE and VAT payments throughout 2015, and we were able to pay them in full by the end of the tax year."

LESSON

Despite the reputation, HMRC can help

04

PROBLEM

Growth outstrips understanding

Laybuy is a meteor. It's a "buy now, pay later" service from New Zealand. In just 18 months Laybuy has signed up 200,000 people and done deals with 2,750 stores. Gary Rohloff, who co-founded Laybuy with his son, recalls how this fast growth almost damaged the company. "When we first launched, our initial plan was to have signed 200 retailers by June 2019," he says. "In fact, we had already achieved this within three months and that blew our forecasts out the window. This meant we had to return to the drawing board in terms of our funding lines. We had to do this, not from an operational growth perspective, but rather to support our debtor ledger that had far surpassed our original expectations. Banks really struggled with the fact that we were offering unsecured consumer credit and just couldn't get their heads around our exponential growth rate. And, like a lot of other small, fast-growing companies, we had no choice but to offer up more personal assets to secure it. Once we made that commitment, the banks were willing to get on board."

LESSON

When growth is explosive, brace for turbulence

05

PROBLEM

No bank loans pre-profit

An important lesson for high-growth companies is that security for finance can be found in creative ways. When SeeQuestor, a company that provides software to help law enforcement agencies analyse thousands of hours of video in seconds, needed extra cash, it discovered banks wouldn't help. But its intellectual property saved the day. SeeQuestor was pre-profit. The company had an expected £550,000 in R&D tax credit. So it turned to specialist finance house ArchOver for a secured loan. The deal saw £400,000 advanced to SeeQuestor. This covered running costs while the company talked to venture capital investors for a larger deal. Chief executive and founder Henry Hyde-Thomson says: "We were in the middle of raising an equity round and were turned away by our bank. Securing a loan against our R&D tax credit through ArchOver meant we could answer our immediate cash-flow needs. This in turn gave us more time to present to potential investors and to secure further funding to fuel our ambitious plans for growth."

LESSON

R&D tax credits can be used for security

06

PROBLEM

High tech but high risk

It's a sad truth that truly innovative companies scare investors. Eagle Genomics is a classic case. It has an artificial intelligence platform which helps researchers in the life sciences sector. It works with the likes of Microsoft, Unilever and Proctor & Gamble digitising R&D. Staff count is soaring, from 26 to 46. But getting started was hard. With such novel tech, Eagle Genomics was unable to prove a commercial return. Fortunately, it turned to UK Innovation & Science Seed Fund (UKI2S), a government-backed national seed fund set up to help the UK build innovative businesses. It was more than cash. The halo effect of UKI2S backing attracted millions in other grant funding.

LESSON

Government grants can fill the tech gap

07

PROBLEM

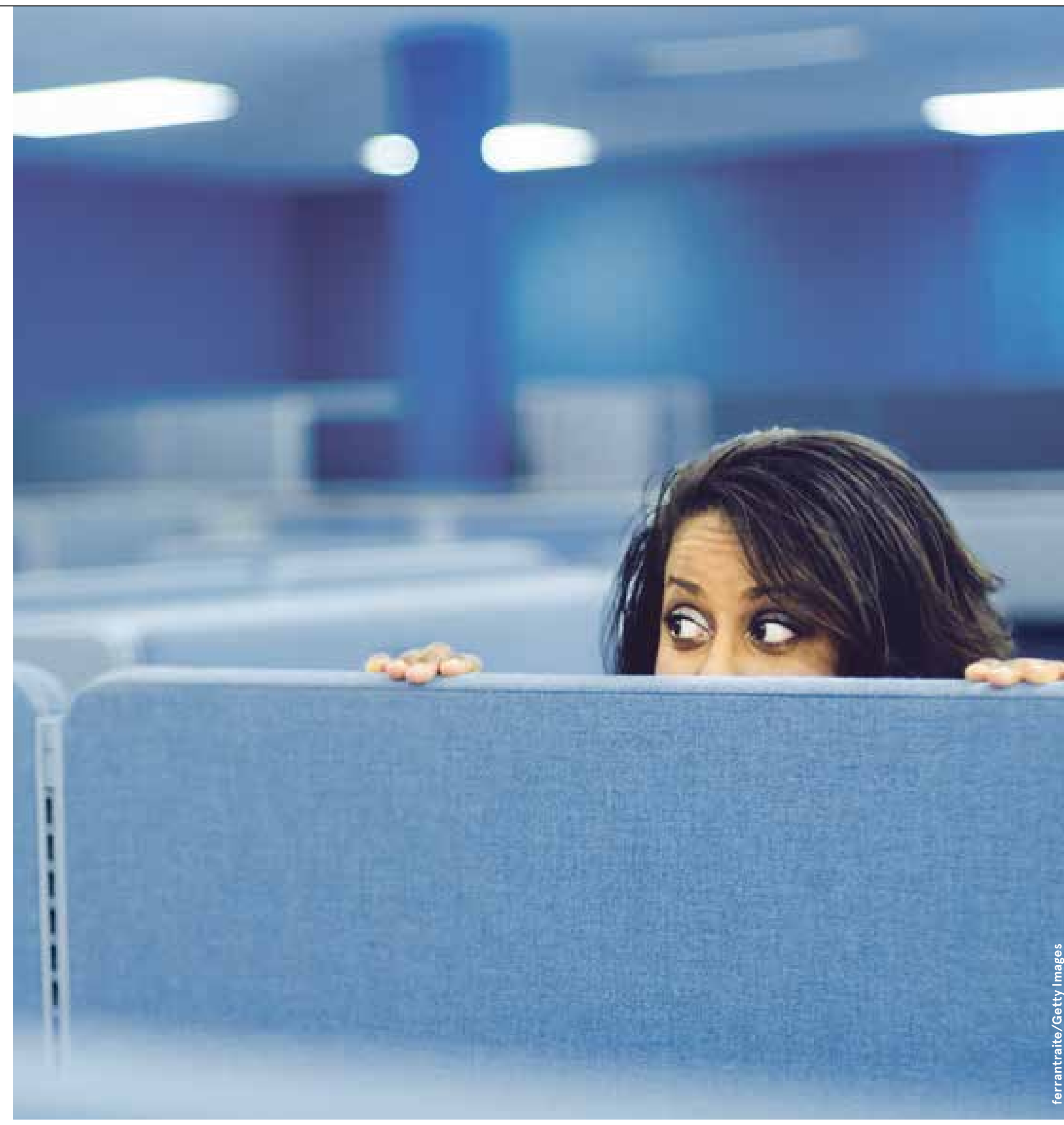
Investor panic

Charlie Pool knows the investment scene well. Before starting his company, he worked in the City for Cazenove and then for JP Morgan investing across the stock market, project finance and derivatives. His startup Stowga seemed to be a hit with investors. The concept makes instant sense. Stowga is a marketplace for buying and selling warehouse space and logistics. "We had requests from investors that meant we were heavily subscribed as we went into the final due diligence process," says Mr Pool. At the final moment, drama struck. "All of a sudden our lead investor said they were no longer going to lead and only put in a quarter of what they said they were going to," he says. "This was partly due to issues with our traction and partly to do with their fund. This, of course, spooked the other investors and we effectively had to start all over again. As a startup you are living on the edge and it was a scary time as we were only left with four months to raise the money." In the end, investors were found and Stowga is thriving.

LESSON

Never rely on anything until the money is in the bank ◆

CHURN



ferrantraite/Getty Images

Risks of popping up above parapet

The higher profile required of modern chief financial officers may mean they are vulnerable in a volatile business climate

DAN MATTHEWS

Chief financial officers (CFOs) have a reputation for loyalty, dependability and steadfast service. But fast changes to business strategy, technology and the commercial landscape might just be throwing all that up in the air. Are we witnessing the rise of the flighty CFO?

Bean-counting has been on the decline for a decade or more. Automation technology and other labour-saving forms of financial software, together with a more agile, chaotic even, business environment, means CFOs need to do much more than just add up.

"Roll back the clock as recently as ten or even five years and the finance function was reactive, but that has changed. Today, CFOs sit at the heart of the business with a clear and influential voice," explains Paul Twine, head of financial services at Carmichael Fisher, an executive search firm.

"It is now about more than how companies perform or overcome the challenges of maximising tightening budgets, but being the custodian of the CEO agenda. Theirs is a role that has become broader and more strategic, and as a result what is expected of modern CFOs is very different."

Depending on the business, a CFO might have a major role to play in risk management, human resources, marketing, corporate social responsibility, corporate governance and compliance matters, to name only a few. But with such a quick shift in responsibilities, are they feeling the pressure?

Ian Smith, financial director at technology business Invu, says CFOs are more exposed in the new environment and, therefore, more likely to be forced into job moves. "Broadly, the need to be continuously learning is not only impacting all job roles but all businesses. The life cycle of business models is shortening and those that do not adapt to change fail fast," he says.

"As a business leader, seen by many stakeholders as responsible for maintaining stability, the position of a CFO is more exposed to this disruption and consequently likely to be an early casualty if this results in financial surprises."

But others are less convinced that new responsibilities lead to career upheaval. For Mr Twine, the fate of CFOs is usually linked to that of their chief executives. The relationship is like that of a head coach at a football club to his or her first team manager; the fortunes of one dictate those of the other.

> **"If left unchecked, the increased responsibilities and mounting pressures CFOs face could lead to individuals being stretched too far, causing issues for the business**

If a CFO remains in place after a chief executive leaves, however, their position is less certain. That's because an incoming boss usually demands change; CFOs who can't adapt or strike up a good working relationship with the boss can easily fall victim to the new regime.

Another exception to the stability rule, according to Mr Smith, is the old guard of senior finance professionals who are unwilling or unable to move with the times. Those who stick rigidly to the narrow definitions of accountancy and financial management don't survive.

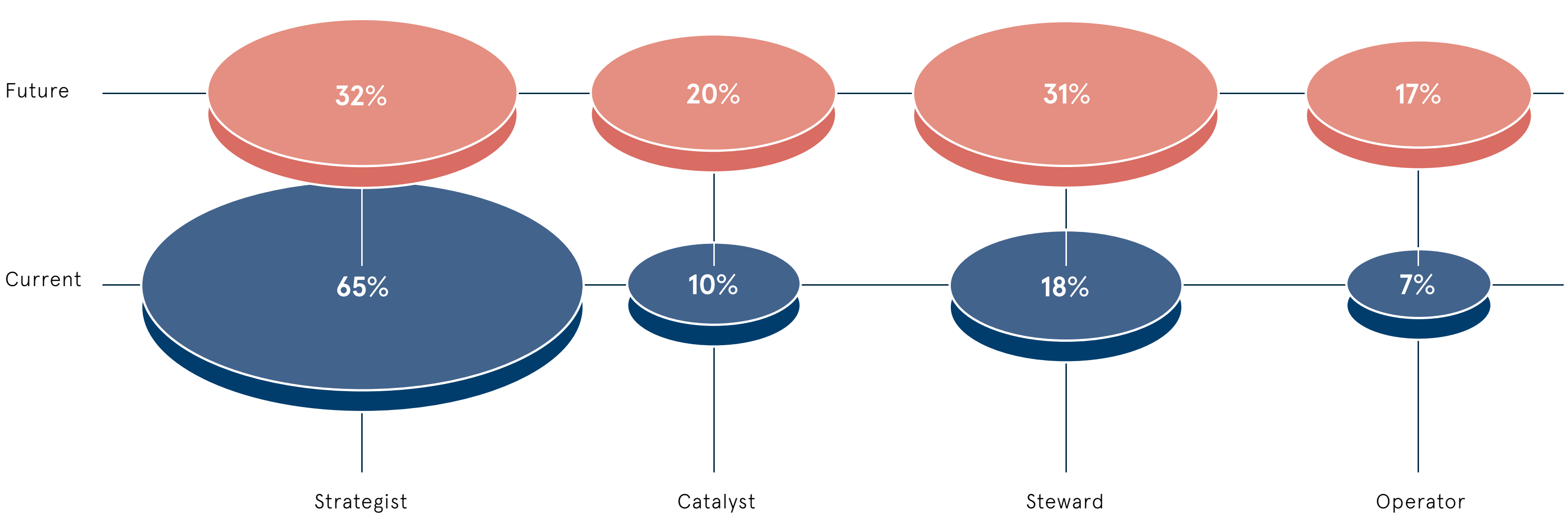
But there is room for conflict at the other end of the scale too. The ideal new-breed CFO is one who can challenge decisions and influence operations in multiples parts of an organisation, often beyond the safe territory of their core strengths.

This leaves them open to accusations of trouble-making, says Gianluca Bisceglie, founder of automation fintech Visyond. "The CFO is required to challenge the company's plans, but some management teams won't welcome this," he says.

"The CFO can be painted as the villain because they promote change. This has created a 'turnover mindset'

Current and future priorities of CFOs

Global cross-industry survey of CFOs



Deloitte 2018

in some CFOs and a greater openness to move around employers."

Despite the evolution of their job role, a CFO's main priority is the same as it always has been. Securing the financial health of a business, delivering reports, overseeing cash flow and providing financial advice to the chief executive are all still essential parts of the remit. Focusing overly on non-core activities is another risk to the profession, says Mr Smith.

"Automation of many of the mundane data-entry tasks is reducing the exposure to errors, and the systems and processes are more consistent and reliable. Moving internal control out of finance to the relevant operating departments is further reducing risk.

"However, there is a risk the CFO forgets the 'F' in the role and this can lead to catastrophe. The responsibilities are additional and not a replacement of the fundamental requirement to ensure the business has enough cash to function."

Tim Vine, head of European trade credit at Dun & Bradstreet, argues CFOs need more tools at their disposal if management teams are to get the best out of them. Research from the data business shows 56 per cent of financial directors say their employees don't have access to the tools and technologies that could help them succeed.

"If left unchecked, the increased responsibilities and mounting pressures CFOs face could lead to individuals being stretched too far, causing issues for the business," says Mr Vine. "Ensuring finance teams have access to the right data and insight will be crucial to support decision-making and strategic direction.

"Embracing automation can also help manage the widening breadth of responsibilities. If businesses want their CFOs and finance teams to take on a more strategic role, then they need to invest in the right skills and tools to enable strategic decision-making, and set them up for success."

Simon Lyons, chief commercial officer at banking app Slide, says the market for interim or temporary CFOs has been a beneficiary of the new environment. Companies employ these finance professionals for short periods, enabling them to get in, trim processes, drive up efficiencies, repoint a strategy with cold precision and get out.

He says: "We have created a super generation of CFOs who are multi-faceted business professionals. You could argue that a good CFO is an entrepreneur's best friend; the person who can mould a business strategy to satisfy shareholders, investors and owners all in one go."

So far, despite the turbulence caused by the recent boom in agile businesses, CFOs are hanging on to their reputation for reliability. But organisations must support the role and the people fulfilling it if they want to continue reaping the benefits. ◆

Olena Yakobchuk/Shutterstock

Insight

Finance chiefs at the sharp end

CFOs shift position for different reasons, but often the move is forced upon them, like during 2016 when challenging economic conditions and changing consumer preferences led to a string of CFO redundancies in the global retail sector.

Nordstrom, Kohl's and Whole Foods Market all dispensed with their top finance executives, while research by Korn/Ferry International revealed that about a fifth of shop chains in the United States appointed new finance chiefs in 2015 compared with around 15 per cent across industry.

In the UK, seismic changes in politics, the economy and technology could trigger a similar phenomenon. Deloitte's latest quarterly CFO survey shows concern about the long-term impact of Brexit at a record high, with finance experts expecting slower business investment and recruitment.

"Indeed, CFOs are more negative about the effects of Brexit today than at any time since the EU referendum," says Ian Stewart, chief economist at Deloitte.

A slew of major UK retail closures in 2018 could well continue in the New Year. At the very least, CFOs in the sector will be under pressure to find innovative solutions to the curse of the shrinking high street. Whether this leads to an increase in CFO job turnover remains to be seen.

BUSINESS INTELLIGENCE

Strategies are revamped in data explosion

Big data has meant chief financial officers are investing in smart software which can increase their effectiveness and standing with the board

TIM COOPER

The explosion of data in companies has left many chief financial officers (CFOs) struggling to manage the information. The result has been a surge in finance chiefs implementing business intelligence and analytics tools to help them address the issue. But these tools bring many challenges and opportunities that are forcing CFOs to redefine their data strategies, skills and mindset.

Gartner forecasts global revenue in the business intelligence and analytics software market to grow from $18.3 billion in 2017 to $22.8 billion in 2020. Most of this (79 per cent) comes from CFOs as finance is the department that most often invests in analytics, according to Deloitte Touche Tohmatsu.

David Anderson, UK strategy and operation finance leader at Deloitte, says: "The exponential growth in analytics technologies is hitting finance and they are struggling to make sense of it, forcing CFOs to change their data strategies. We don't expect them to become technologists, but they do need to be more tech savvy, adaptable and risk loving; a completely different mindset and profile of individual."

But Johanna Robinson, managing vice president of finance research at Gartner, says business intelligence and analytics will enhance CFOs' positions in their companies if they can harness the tools effectively.

"Smarter business intelligence tools and analytics can improve profits by supporting better operational decisions, more accurate investment evaluations, and faster identification of emerging risks and opportunities," she says.

"These tools also create opportunities for finance to provide more specialist decision support. To achieve this, they will shift strategies from standard data-cleansing towards so-called master data management (MDM)," says Ms Robinson.

This is an approach that defines and manages critical data to provide a single point of reference. It also makes the data more "analytics friendly", she says.

Many CFOs are yet to realise these benefits as they face a range of obstacles. One of the biggest is upgrading multiple outdated and inflexible data structures.

Nadim Ahmad, transformation director at British Land reporting to the CFO, leads a project to update the organisation's business intelligence and data analysis systems and strategy.

"CFOs should lead on business intelligence and analytics as they are already attuned to managing and reporting large data sets," says Mr Ahmad. "Economic uncertainty increases pressure on CFOs to provide faster and more meaningful data. They will have to invest and innovate to do this, and they will need technical help.

"My role is to transform inefficiencies, lack of standardisation, and [disjointed] systems and data to create a much simpler, easier and more efficient business model. That will drive profitability and growth through quicker access to data, with decisions made in real time."

This will involve implementing new software systems and updating existing ones. For example, British Land is moving away from a single enterprise resource planning (ERP) solution, the common approach in the 1990s and 2000s, towards more bespoke software solutions.

Mr Ahmad's first task has been to establish the number of systems and data entry points, and the quality of the data, people and processes involved, then to look at how the data moves, and how easy it is to extract, standardise and enhance.

"These will all determine how good your business intelligence can be," he says. "British Land has multiple systems and data sets, some outdated, which makes it hard to implement current technologies. But there are ways to address this. We are using MDM, which means improving data governance and handling, and improving validation, extraction, cleansing and standardisation processes. Also, there are smart business intelligence tools that can sit over existing architecture and pull out data for reports. You don't have to use the source."

Improving infrastructure will make it easier to attach more sophisticated technologies such as artificial intelligence (AI), machine-learning, and predictive and prescriptive analytics tools. These will enable executives to make real-time decisions, and model what will happen and how the organisation should act much more rapidly, says Mr Ahmad.

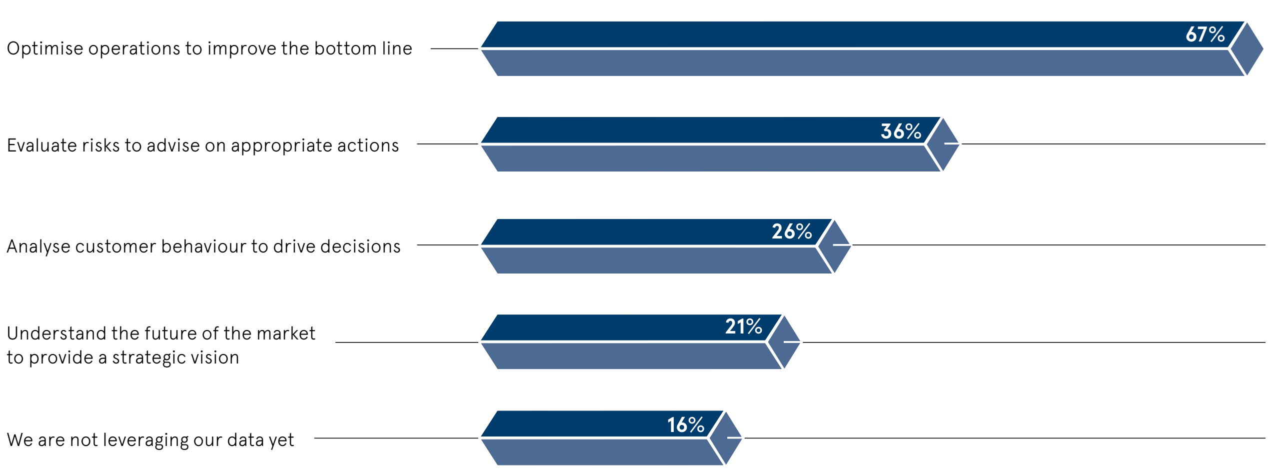
Italian multinational energy company Enel is on a similar journey. It started its data transformation three years ago with a full migration to the cloud using virtual data storage "lakes", one for each division plus another linking all the lakes. CFO Alberto de Paoli says this created the framework for more sophisticated tools and Enel plans to spend a further €5.4 billion on digitisation over the next three years.

Mr de Paoli says his focus is less on developing the technology, more on helping the company become data driven by changing culture and leading by example.

"The CFO, HR manager and ICT manager share this transformation objective," he says. "One obstacle is that [each department thinks they own] their specific data set. My first step was to make my

Current and future priorities of CFOs

Global cross-industry survey of CFOs



Korn Ferry 2018

> Smarter business intelligence tools and analytics can improve profits by supporting better operational decisions, more accurate investment evaluations, and faster identification of emerging risks and opportunities

financialdataavailabletoeveryonein the company.

"Another obstacle is identifying where an algorithm can make more accurate measurements and decisions than experienced managers, and convincing people to trust that.

"To help, we have hired many specialists in analytics. For example, we are launching a digitised report, which analyses over 1,000 financial control objectives each month, all available via voice recognition.

"We don't impose this technology on divisions. Instead we show how beneficial it can be, trying to create a 'wow' and a 'me too' reaction."

Katy Dinnis, CFO of Palladium, an Australian group that helps clients in 90 countries link commercial goals with social impact, says the data explosion has added complexity for CFOs, but it also gives them better insight into new markets and opportunities. More real-time data gives them more opportunity to drive strategy throughout the organisation.

Developing data networks that enhance decision-making is one area where Palladium helps its clients, from data collection to warehousing, forecasting and modelling, so it uses these strategies internally.

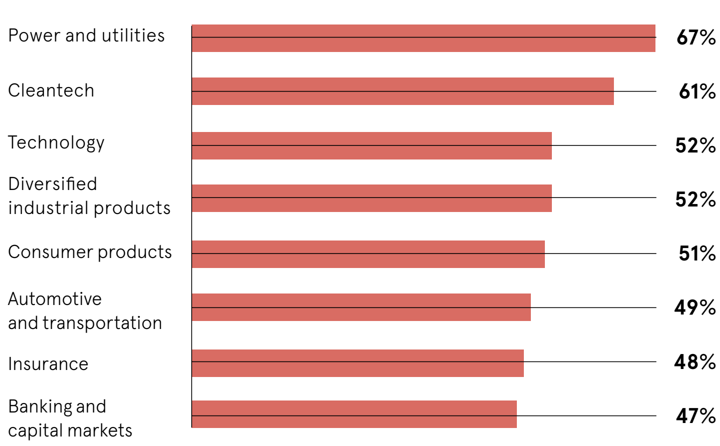
But Ms Dinnis says the biggest challenge is that Palladium operates a decentralised structure of in-country data systems with one accounting system across the world.

"My strategy has had to adapt because many of those 90 countries are emerging economies where data isn't necessarily digitised," she says. "Global data collection is one challenge, opening that data across our complex systems poses another. Bedding down our global ERP system has been a priority. The next phase is to build user-friendly business intelligence reporting, ensuring consistent data, which allows the organisation to build on our decentralised structure."

This will be a tough test for the finance team. But Ms Dinnis believes that, as business intelligence and advanced analytics tools evolve, they can achieve it. ◆

CFO adoption of analytics

Percentages of CFOs from the following sectors who spend more time today than five years ago providing data analysis and insight to support the business



Forbes Insights/EY 2017