

# THRIVING IN THE DIGITAL AGE:

## A Guide For Modern Finance Leaders

**Relentless digital developments have created the chance for the finance team to become true strategic leaders across the business—but they have also raised expectations and generated new challenges. In this digibook, we explore the growth of cloud, social, mobile and big data, and how smart CFOs are taking advantage. We show how to use your big data analytics and smooth procurement systems as a launchpad to holding your own in the Digital Age.**

Each chapter is illustrated by examples from successful businesses that have embraced the new ways of working as well as guidance on how to plan for and implement the changes that are right for you.

In this guide, you'll find out:

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| <p><b>I.</b> <b>Business trends for CFOs in the Digital Age</b><br/>Understanding the jargon is no longer enough</p>                                   | <p><b>IV.</b> <b>Operational Excellence</b><br/>The office is empty, but the business still works</p>  |
| <p><b>II.</b> <b>Three Rules for Cleaning Up Your Data</b><br/>Because if garbage goes in, garbage comes out</p>                                       | <p><b>V.</b> <b>Using Frictionless Procurement to Squeeze out Costs</b><br/>Slick e-procurement and lessons to learn from Amazon and Apple</p> |
| <p><b>III.</b> <b>The Three Steps Your Team Needs to Turn Information into Action</b><br/>Helping out your less mathematically literate colleagues</p> | <p><b>VI.</b> <b>The Wisdom of Crowds</b><br/>How you choose to get the news</p>   |
|  | <p><b>VII.</b> <b>Building your action plan</b><br/>Build your comprehensive list of next steps</p>  |

### Further reading

If we seem to be missing three big ticket items, it's because they're covered elsewhere in this series. Check out our three digibooks on [Reporting](#), [Forecasting](#), and [Organizational Change](#).

### Who will find this digibook useful?

This has been written with CFOs and finance VPs at international companies of all sizes in mind, but our research and case studies also include smaller businesses and public sector bodies, as well as larger multinationals, so any senior finance person will find it useful. It also has insights into the life of the CFO that other C-suite team members may find useful in understanding the challenges and changes taking place.



# BUSINESS TRENDS FOR CFOs IN THE DIGITAL AGE?



Digital developments have historically been handled within a single department. Customer service responded to the growth of social; the marketing team needed a mobile-friendly version of the website; the CIO moved computing power from on-premise into the cloud; and so on.

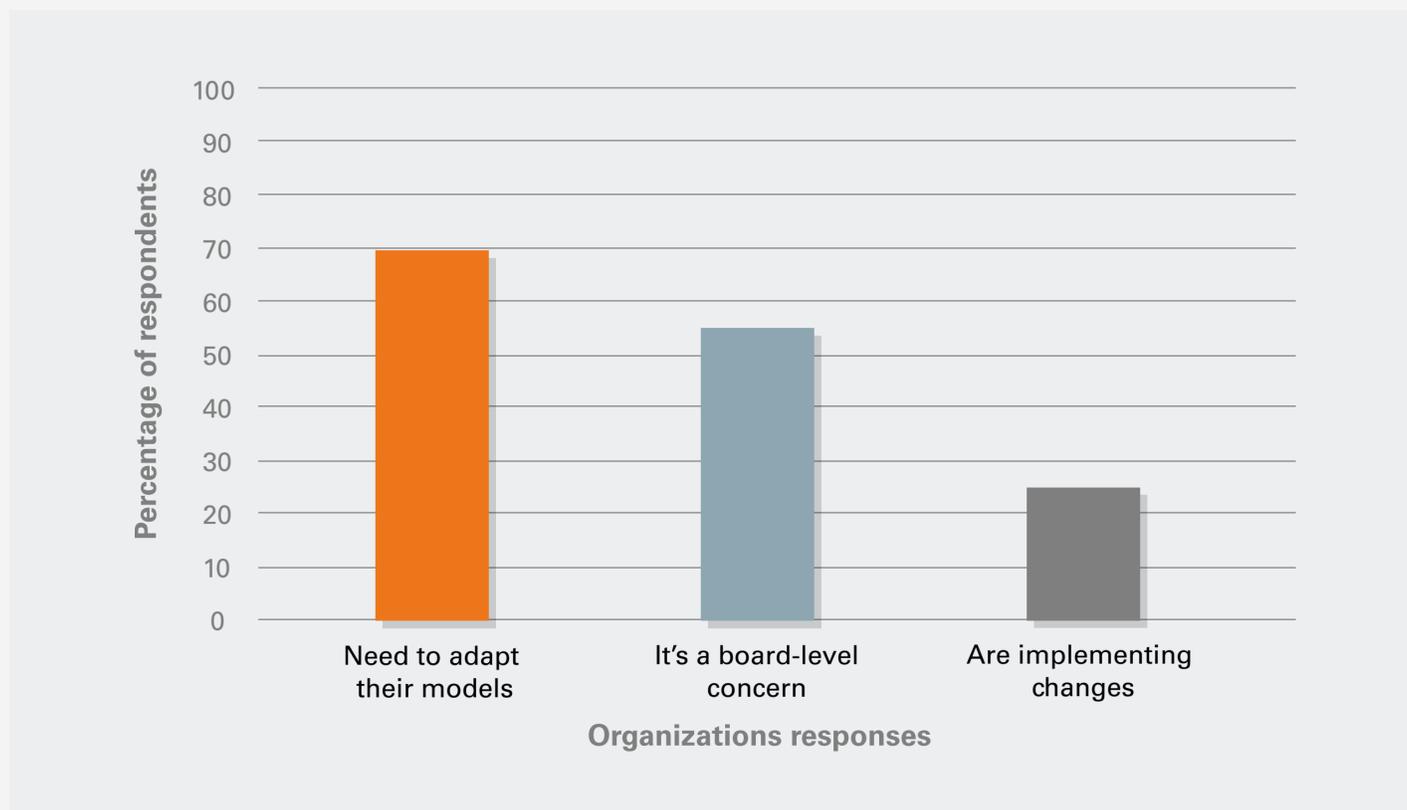
The CFO's digital role has most often been about understanding the new jargon, so that sensible decisions could be made ("You want to spend how much on 'Social media'?").

That has changed. The four areas of mobile, cloud, social and big data form one of the biggest business trends in recent times, in what Gartner calls the "Nexus of Forces". Mobile phones, powered by the cloud, socially connected and continuously generating data have fundamentally altered the way that employees and customers behave.

They are offering faster information, smarter data, leaner processes and better ways of organizing teams across the business—in other words they are rapidly and permanently altering many of the core functions of the finance team.

It's clear that a top-to-bottom digital transformation of your business is needed if you want to thrive in the next 10 years. But less than a quarter of businesses are getting on with implementing changes.

**FIGURE 1: HOW ARE ORGANIZATIONS REACTING TO DIGITAL TRANSFORMATION?<sup>1</sup>**



In the next four chapters we explore the key things that smart CFOs are putting in place to make sure their departments are leading the way, while avoiding the pitfalls that accompany any major shift in ways of doing business.

For the past five years, Gartner has asked CFOs to identify where there is room for technology improvement, and CFOs have consistently highlighted business intelligence, big data analytics, and performance management as their top areas for investment—so those are the three things we will focus on.

How well do you use organizational data to **inform** and enable the right people to make high quality **business decisions**? How **agile** are you in your **planning**? How effectively are you using the 'new nexus' to **optimize procurement** and **operations**?

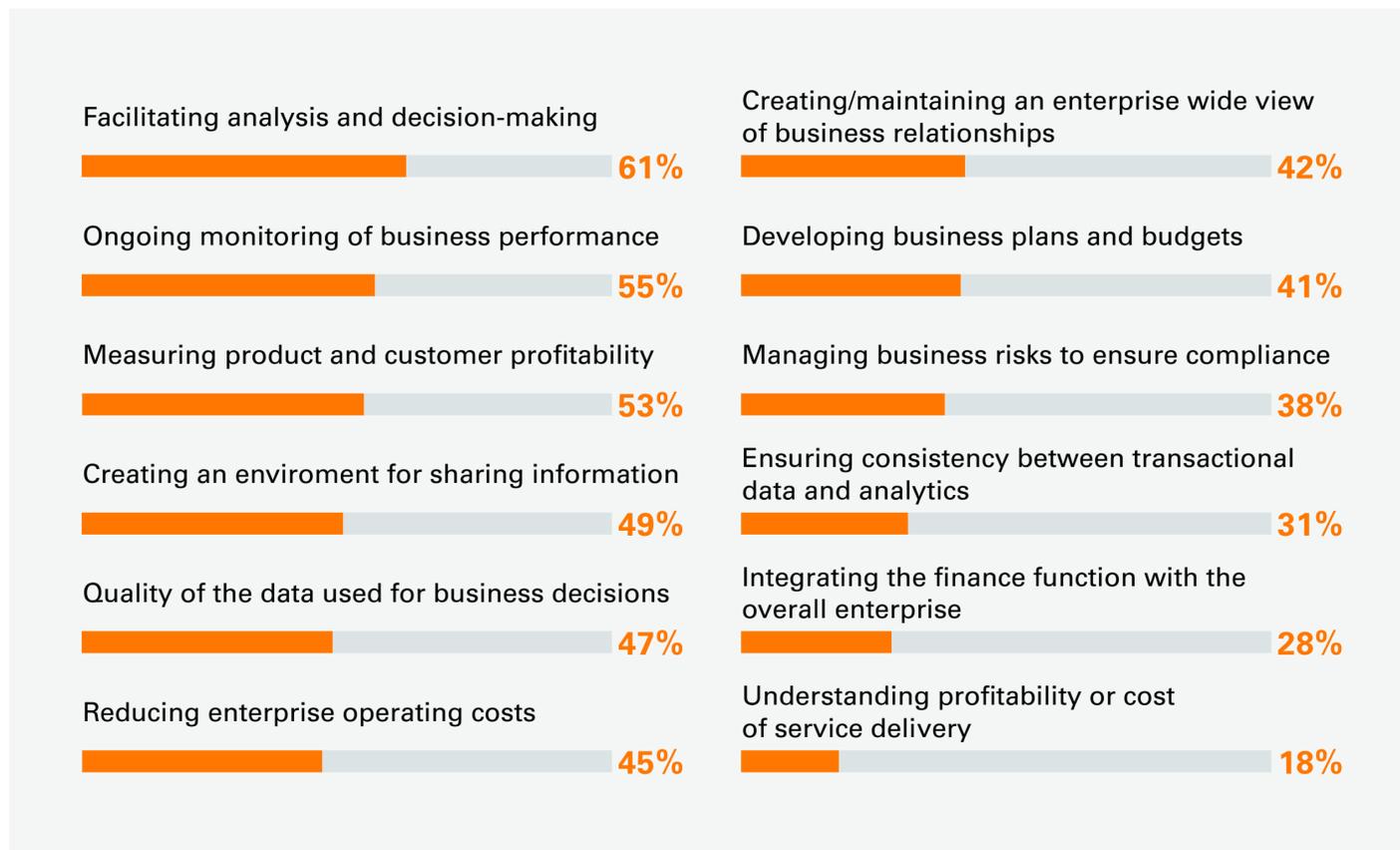
<sup>1</sup> IMD, CISCO, 'Digital Business Transformation: A conceptual framework'  
<http://www.imd.org/uupload/IMD.WebSite/DBT/Digital%20Business%20Transformation%20Framework.pdf>



# THREE RULES FOR CLEANING UP YOUR DATA

Big data: more information, from a greater variety of sources, arriving faster than ever before. It's the opportunity that CFOs are most excited about:

**FIGURE 2: CFO'S TOP PRIORITIES NEEDING TECHNOLOGICAL SUPPORT<sup>2</sup>**



## It's also the biggest challenge

Because if you put garbage in, you'll get garbage out. And in an era where an increasing proportion of your numbers are coming from outside the finance team, there will be parts of the business which enthusiastically shovel a mountain of rubbish into your shiny new big data platform.

**"Nearly every company I am working with today is dealing with a morass of inconsistently defined data that sits in multiple different systems around their organization. Their challenge is harnessing that data in a common, consistent, rapid manner, and also isolating the data that is truly important"**

*David Axson*

*Managing Director, Accenture Strategy, Finance and Enterprise Performance (US)*

The increased effectiveness of CFOs in the digital age depends on the accuracy, comprehensiveness and consistency of the data they can collect: you can spend whatever you like on dashboards and data scientists, but if you can't define your inputs, your outputs won't be much use.

Only when you have a common finance language across the business—from internal business intelligence systems and external sources to the way that payrolls are organized across markets—can you expect to get one source of truth from the technology you invest in.

There are three key rules for ensuring that your data is clean:

**RULE**  
**1**

**No exceptions:** your local markets may thrive on their idiosyncrasies, but don't allow them to stretch this to include the data they report.

**RULE**  
**2**

**One chart of accounts:** if there's something that doesn't fit—change it.

**RULE**  
**3**

**Project portfolio management:** a clear framework for who is responsible for managing data consistency across all new activity.

Unfortunately, good, clean data is just table stakes—next, you need to do something with it...



# THE THREE STEPS YOUR TEAM NEEDS TO TURN INFORMATION INTO ACTION



Organizations today face an inverse problem to one they experienced in the past. Not long ago, businesses had no way of getting hold of the information they valued most. Now, there's overload.

## **We're data-rich but insight-poor**

You can now track business performance in real time. You know your sales today in every location and how that compares with last month, last quarter, and last year. You have more real time data than ever before about costs, profitability and (in particular) your customers.

## **Has this actually had a material impact on the way you do business?**

In a 2012 Accenture survey, it emerged that only a *quarter* of executives used data to make decisions. The rest relied on instinct, intuition or past performance.

Your priority is finding ways to make information actionable—and not just in the finance team, but in even the most mathematically illiterate parts of the wider organization.

## **Step 1. Increase your data analysis capacity**

Big data has given you a haystack. Now you need people who can find you the needle. Your hundreds of new live metrics are only useful if you can find real correlations between these metrics and business value. The finance team needs the skills of data scientists to find these correlations.

This doesn't necessarily mean increasing headcount, but it does mean that when hiring for any role in finance, you should be looking to add a specific set of skills.

A well-intentioned hiring policy will only get you so far—work with HR to build a specific scorecard for your finance team in each part of the world, so that you can check that they are acquiring the right capabilities.

### Step 2. Learn to speak the language of other departments

Just as urgently, the finance team need to become experts at communicating their conclusions.

The finance team's priority has always been to communicate to experts—investors, board members and the C-Suite. But nowadays, the finance team are producing information that's relevant in real time decision-making for specific teams. That means data needs to be delivered in an actionable way.

It requires a completely different language to explain data to call center managers and sales directors, but as the digital age broadens the finance team's remit, line of business need you to send them timely, actionable information just as much as the CEO does.

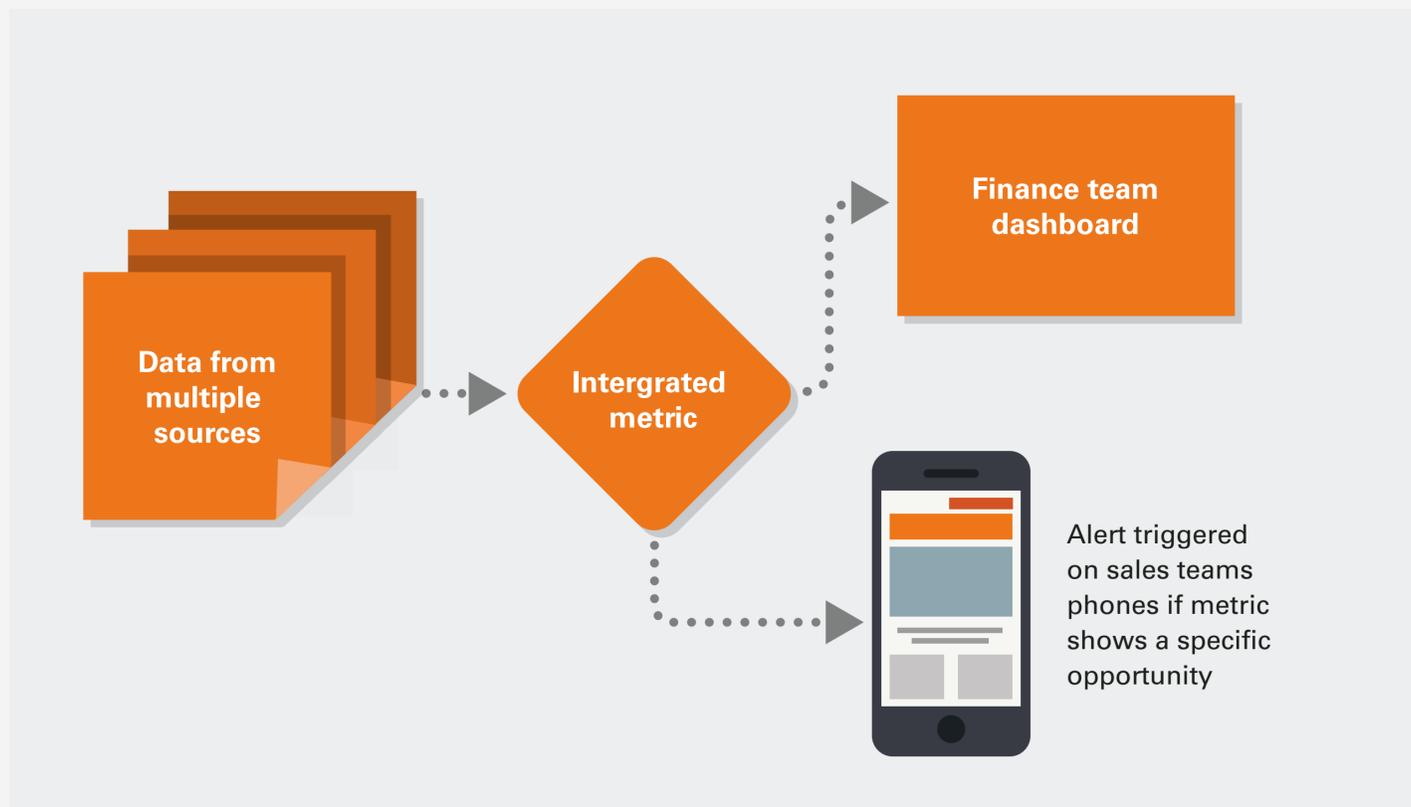
To do this, you need to appoint a Finance Business Partner. They will push out strategic insights into the wider organization. Importantly, they will lead in framing other departments' strategies in a data-oriented, value-driven approach. The importance of this in pushing transformation beyond the finance function to the rest of the business cannot be underestimated—typically, Finance commits around 15% of its resources to finance business partnership initiatives.<sup>3</sup>

### Step 3. Use narrative triggers to build actions

If you send a pivot table to a sales director, she'll never look at it. So adding narrative explanation is key. The output of your data process needs to be a recommendation, not just a forecast.

The best way to do this is with triggers—a specific change in conditions should automatically send a real time alert to any stakeholder in the business who will find it relevant.

**FIGURE 3:** BUILDING AN EFFICIENT PROCESS TO TURN INFORMATION INTO ACTION



**Dan Knutson, EVP and CFO at agricultural giant Land O'Lakes combines 20 different data sources—from weather to crop yields—into a single business intelligence system that's delivered to salespeople on iPads. As a result of centralizing their data, "we're able to provide insights that enable us to push higher margin products and drive sales" he says.**

<sup>3</sup> CIMA, 'Mastering Finance Business Partnering'  
[http://www.cimaglobal.com/Documents/Thought\\_leadership\\_docs/KPMG%20CIMA%20business%20partnering%20white%20paper%20280111.pdf](http://www.cimaglobal.com/Documents/Thought_leadership_docs/KPMG%20CIMA%20business%20partnering%20white%20paper%20280111.pdf)

# IV.

# OPERATIONAL EXCELLENCE

The core function of mobile is efficient peer-to-peer communication. For your kids, that means sharing emojis on WhatsApp. For the CFO, that means smarter, leaner ways to collaborate with the finance team, and with the business as a whole.

The processes and structures that govern project management today are legacies of a pre-digital era, designed to distribute instructions down and filter information up. The new drivers of fast, efficient, effective business processes are different: they are about making information visible and actionable in real time.

## **Step 1. Build systems that support flexible workers**

Look around the office next time you're there, and you'll probably see that about 60% of the desks are empty. Your team are traveling, or working from home, or off in your video-conferencing suite, having a call with one of the local regions.

That means you need to think 'mobile first' in all the core tools and processes you're building.

It's not just about increasing efficiency: it makes for a happier, more flexible workforce, who can see their kids and get the quarterly forecast finished.

**The California Academy of Sciences found that upgrading to mobile access paid for itself in no time. Says Controller Kristin Klingvall: "We have about 140 non-financial managers who need access to project reports, to keep tabs on how much they have spent against budget on their exhibits, their animals and any other projects they are involved in. Now you can just dial in from home and have real-time access to project information. It makes all our lives a lot easier."**

## **Step 2. A single source of project truth**

Too often, new digital tools and processes get accreted onto old ways of doing things.

How many of your shiny new dashboards are working alongside error-prone spreadsheets that still exist because one particular business function demands them?

At the basic level, you have to give your Operations and Project Management teams the information they need to make good day-to-day decisions. That means a standardized, centralized single source of project truth that they can access, interact with and respond to.

## **Step 3. Speed 'right-time' decision making by simplifying metrics**

Nobody can keep more than three or four goals in their head at the same time. If your employees have more metrics than that to cope with, they will discount whichever is hardest to achieve, meaning that their fast decisions will frequently be wrong ones.

That doesn't mean you should not collect or act on large numbers of metrics—but it does mean that in terms of managing the performance of departments, simplicity is key.

**"Data governance should definitely be on every CFO's agenda. I simplified our chart of accounts down from 8,500 to 500, streamlining processes, and cleaning up the master data to ensure that our transformation project would be successful."**

*Colm O'Higgins, CFO, SITA*

*World-leading specialist in air transport communications and IT solutions*



# USING FRICTIONLESS PROCUREMENT TO SQUEEZE OUT COSTS

Despite efforts to rationalize purchasing, the typical US business is able to manage only two-thirds of its expenditure through vendor contracts. One dollar in three is maverick spend<sup>4</sup>.

How can it be that in an era of instant digital communication, we can only properly control two thirds of the money that goes out?

The answer lies in a basic truth about human behavior: every additional step in any process leads to people giving up on it. Consider the 'cashback' business model. The manufacturer or retailer offers a discount but only after the customer fills in a form. There are whole digital businesses founded on the fact that a very significant portion of people don't get round to doing this, and that the retailer then turns that discount into profit.

If people can't be bothered to fill out a form for a direct cash reward, imagine how few of them are going to bother with your procurement process—especially in an era when companies like Apple and Amazon have made so much of their personal purchasing behavior a one-touch process.

## Three rules for the modern CFO:

### **RULE** Get purchasing under control through self-service

**1** Why self-service? Because employees find it too tedious to use the company's processes otherwise.

(And why can't you just order them to follow the process? Because people are people, and they will *always* take short-cuts.)

Providing self-service procurement systems can make a massive difference, so long as you are offering a consumer-like user experience: making a purchase from a contracted supplier should be as easy as buying an app for your iPhone—and the process should be just as mobile-friendly.

**SITA is a world-leading specialist in air transport communications and IT solutions. CFO Colm O'Higgins centralized its P2P process into a single global finance center (GFC) in Prague. "We now have visibility and control of 100 percent of our spend," he says. "If you want to open a new supplier, that supplier opening is performed in our GFC after it has been vetted by the purchasing organization. The integrity of the data around the supplier credentials goes through the GFC as well. And that works today in 195 countries."**

### **RULE** Improve productivity through 'touchless' processes

**2** The entire turnaround from request to PO issuance needs to be as fast and frictionless as that first step—whether it's an approved supplier or a request to add a new one. A system with a reliable 24-hour turnaround will be hugely more appealing to employees—and thus much more successful at getting maverick spend under control.

Your system needs to route employee requisitions to their managers for one-click approval and send on to your procurement department for formal PO creation and issuance without any further friction for the original requester.

**RULE****3****Reduce costs through spend analytics at a centralized cost center**

The final step is to make sure that as more spend gets properly routed through your central systems, there's someone ready and waiting to analyze it and negotiate some spectacular cost savings. So long as someone is looking properly at what's coming in, it doesn't take long to realize the discounts you can negotiate.

**"Our procurement solution has given us a whole other level of visibility that we never knew we had. Where we may think we spend US\$10,000 a year on a cleaning solution, once you really do the analysis, you realize you're spending US\$2 million a year on cleaning in all these plants, when you add it up. You can now negotiate a countrywide contract and drive some real cost savings out of that."**

*Dan Knutson  
EVP and CFO, Land O'Lakes*

**VI.**

# THE WISDOM OF CROWDS: FROM INFREQUENT REPORTING TO CONTINUOUS SHARING

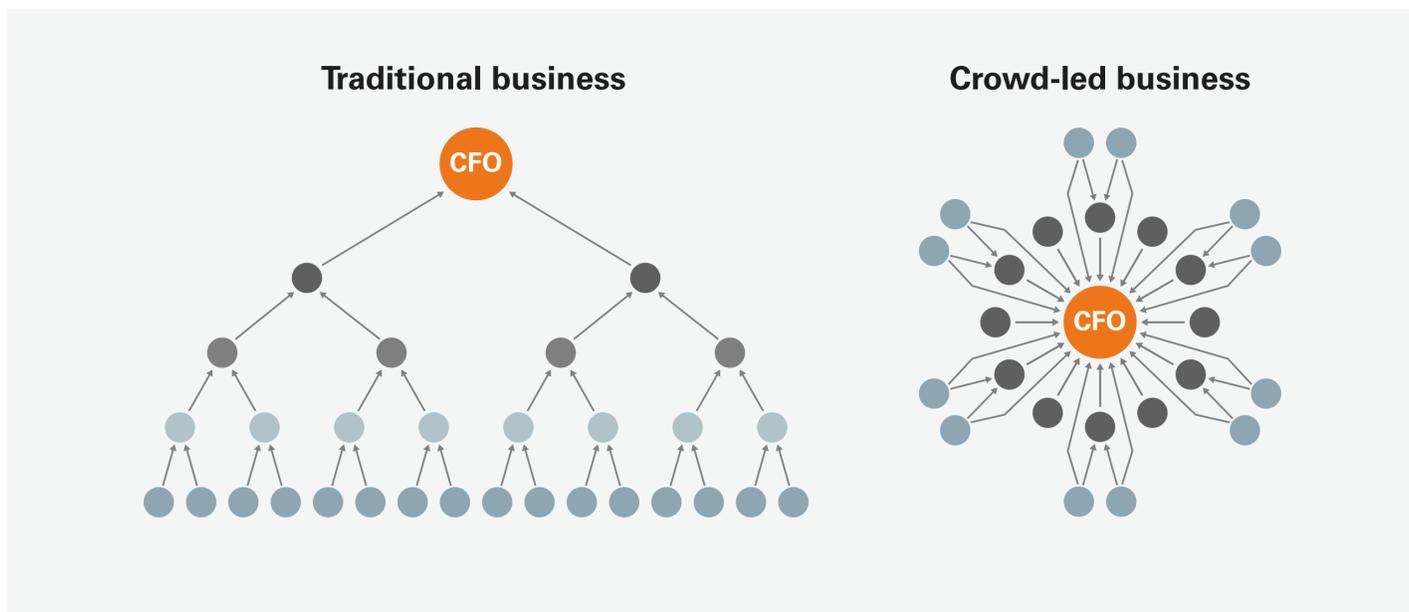
## Would you rather hear news first-hand? Or filtered through many intermediaries?

Historically, CFOs relied on hierarchical networks for information about what'd been happening in their markets. They had to put up with a time lag and a risk that data may have been corrupted in the process. Over the last two decades, the arrival of ERP systems has been steadily simplifying the process for quantitative information. But the all-important narrative data frequently crosses far too many desktops on its way to the top

But now the Digital Age allows unmediated contact direct from the market—instantly and in 'pure' form.

The process of manually keying data from spreadsheet to spreadsheet, and then putting it into a PowerPoint presentation is starting to look as dated as typing it out and putting it into the internal post.

**FIGURE 4:** HOW INFORMATION REACHES THE CFO



As a CFO, you can harness this ‘wisdom of crowds’ in your business planning—and you’ve got to if you’re going to keep up with competitors who are already doing so.

Today’s agile businesses involve staff right across the organization—from HR and Operations to Marketing and Sales—in building their financial plans.

Why? Because it’s front-line staff who have the detailed understanding of what’s actually happening in the markets where they operate.

Incorporate their knowledge real-time into your business model. Their input will multiply the power and accuracy of your output.

To allow line-of-business managers to input their data and intelligence, it’s got to be simple (just as with the procurement process). Quick surveys, one click inputs, and automating wherever possible will ensure that people are willing to provide you with the information you need.

### **Make sure it’s scalable**

To harness the wisdom of crowds, you’ll be empowering a large volume of users across many lines of business. And they’ll be generating masses of data.

So ensure that your business planning system is scalable—that is, that it can cope with rapid growth in data inputs. Because once you see the power of what crowd-sourcing can offer, you’ll want to apply it even more widely. Again this is not (only) about technology. There is no value in having the wisdom of crowds unless you have the processes in place to respond rapidly.



# BUILDING YOUR ACTION PLAN

Use this checklist to build your action plan

WHICH OF THE FOLLOWING DO YOU NEED TO DO?

## 1. Clean up your data

- Ban any exceptions from standardized reporting processes
- Keep one chart of accounts
- Create a clear framework for who is responsible for managing data consistency across all new activity

## 2. Turn information into action

- Increase your data analysis capacity
- Learn to speak the language of other departments
- Use Finance Business Partners to push transformation beyond the Finance function

## 3. Operational Excellence

- Build systems that support flexible workers
- Create a single source of project truth
- Speed right-time decision-making by simplifying metrics

## 4. Use frictionless procurement to squeeze out costs

- Get purchasing under control through self-service
- Improve productivity through 'touchless' services
- Use a centralized cost center to reduce costs through spend analytics

## 5. Learn from the wisdom of crowds

- Use simple input systems to access line-of-business managers' data and intelligence
- Broaden the audience of your planning to include Sales & Marketing
- Ensure that your planning is scalable