

E-BOOK

CFO 3.0 – Digital Transformation Beyond Financial Management

How today's CFOs can drive tomorrow's digital and organizational transformation



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Executive Summary



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Over the past decade, technology has transformed virtually every aspect of how businesses gain insights from data, which in turn affects how we make decisions, operate, and set new ROI metrics. As businesses grow and become increasingly complex, it becomes more and more difficult for line-of-business managers to have a holistic view beyond their own domains. CFOs have the advantage to gain a cross-enterprise perspective to help drive change and shape the future of their organizations.

As a global business technology leader, at Sage we are passionate and dedicated to supporting CFOs and senior financial professionals navigate through the risks and opportunities in this digital revolution. That's why we embarked on this global study, surveying more than 1,500 CFOs and senior finance professionals around the world, including 300 in Canada, to better understand their concerns and seek insights from their feedback.

In Canada, CFOs and senior financial professionals are facing some very similar challenges to their global colleagues. The customers and colleagues I've had the chance to speak with say they're concerned about their changing roles as a result of the evolving technological landscape, as well as the need to attract and manage a new generation of talent in their industry.

While the senior financial leaders I've spoken with clearly understand how emerging technologies such as artificial intelligence and machine learning can uncover insights from data like never before, they are also concerned about new compliance requirements, the quality of data, and deployment best practices. Likewise, cybersecurity related threats are amongst their top technological concerns, but they do not always have a clear understanding of the ROI of risk mitigation technologies.

One thing is clear from our study: CFOs can no longer make decisions based on historical data. Today's and tomorrow's senior financial leaders need to be agile enough to respond to a VUCA (volatile, uncertain, complex and ambiguous) business environment. They need real-time insights to make astute decisions and deep analytics to help predict the future and plan for scenarios. To gain this level of agility, the automation of administrative tasks through AI and machine learning enabled platforms will be vital so their teams can focus on strategic decision-making.

At Sage, our mission is to help transform the way people think and work. We hope this study can inspire CFOs and senior financial professionals to rethink their perspectives on current technologies and how they can lead our collective digital transformation to embrace the new role of CFO 3.0.

Chapter One

CFO 1.0 – Managing Risk

The changing role of the CFO and Finance

Traditionally, CFOs focus on accurately reporting on their organization's financial performance using the information to forecast guidance on projected results, putting their business strategies in the context of historical trends and anticipated operational and environmental changes. We call this role CFO 1.0, with responsibilities to report, meet compliance standards and manage risks using historical data.

Considering today's business environment and the speed of the digital revolution, this traditional role has been thoroughly disrupted. According to respondents, 97% of financial professionals in Canada say their roles have significantly changed in the last five years.

This is especially true for senior financial leaders in the not-for-profit (58%), financial services (52%) and hospitality (52%) sectors who strongly believe their roles have evolved with the explosion of emerging technologies in the last five years.

The power of today's business solutions is an incredibly powerful asset for CFOs, who more than any other members of the C-suite tend to have a cross-sectional view of every department within a company. However, unlike functions such as marketing, financial reporting is highly regulated, so any new technology and data sources used by financial leaders need to stand up to closer scrutiny.

We expect that is why our data indicates that, while technology is undeniably affecting the CFO's role, financial leaders are still struggling to understand where it can have the greatest impact.



Top Ranked Challenges Identified

Though digital transformation has undeniably helped businesses across multiple sectors, the pace of advancement has not always made the transition an easy one.

As cloud-based financial management solutions evolve and AI and machine learning enabled technologies become further ingrained within business operations, many financial professionals are concerned about keeping up with the speed of such changes.

What aspects of your job do you find challenging?



This is further exacerbated by the need for financial leaders to take a metered approach to adopting new technologies due to the sensitive nature of the data and associated compliance requirements.

As a result, it's not a surprise that in this data-driven environment, financial leaders cite **adapting to the changing job role (76%); and modernizing business processes with technology (74%) as the two biggest challenges facing their profession.**



While earlier studies from Sage and IDC have indicated that the vast majority of Canadian businesses plan to implement cloud-based and analytics driven business solutions within two years, financial leaders have been more hesitant to follow suit. In fact, many CFOs say they're not yet ready to adopt some technologies.

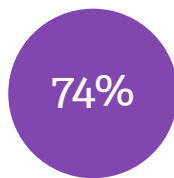
Why do you believe the business you work for is not ready for cloud-based financial management technology?



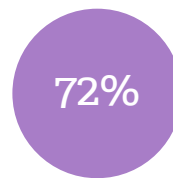
Adapting to the changing job role and modernizing business processes are the biggest challenges facing financial leaders.

Another factor that may be preventing more widespread adoption of digital tools across finance is talent. **More than half (57%) of senior financial leaders see digital-first skills as integral to the future of finance**, but are concerned with how to find and retain the right talent with those skills in the next generation of financial professionals. **69% of financial leaders cite finding, retaining and growing the right talent as major concerns.**

Finally, cybersecurity is also a frequently cited concern amongst CFOs and senior financial decision-makers when adopting new technologies.



See data risks, including fraud and cyber threats, as one of the biggest challenges facing the profession.



Say fear of a security breach is the leading reason why they have not yet moved to the cloud.



Overcoming Misconceptions

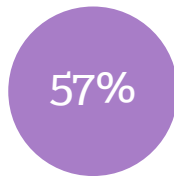
While some of these obstacles are real, such as talent and cybersecurity, others are perceived. In fact, several of the bigger obstacles for CFOs to adopt new technology come from misconceptions around technology, its value and the risks involved.



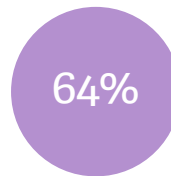
See ROI in investing in cybersecurity solutions.



Believe that cloud technology is only for millennials.



See digital-first skills as integral to the future of finance.



Considered learning new skills or systems one of the biggest reasons to not implement cloud-based services.

To overcome the biggest challenges and drive digitalization, CFOs need to reassess the benefits as well as the potential risks that enterprise technologies bring.

Chapter Two

CFO 2.0 – Driving Digitalization

The Evolving CFO

Today's CFOs are leveraging technology to capture and analyze data and performance metrics in real-time. The result is a more agile and strategic CFO that can respond more quickly to both opportunities and obstacles. We call this the technology-savvy CFO 2.0.

The key to getting to that position is by understanding the **three fundamental elements of a data strategy: legitimacy of the data, the "explainability" of the models, and the governance against bias.** By implementing the right systems and predictive models, CFOs will become an ever more important partner to the CEO in steering the company towards the future.

This trend is reflected by financial leaders' role to play in digital transformation. **Almost three quarters of financial leaders (70%) now have a hand in driving digital transformation.**



Breaking Down the Siloes

When technologies like analytics and cloud-based financial management solutions were phased in, many businesses might not have sufficiently considered the technologies' impact on their organization's operations and culture as a whole. As a result, a patchwork of systems and solutions were not integrated, creating data siloes across business units and departments. As a result, businesses struggled to uncover actionable insights across the entire business.

To eliminate siloes and utilize data to its maximum potential, businesses need to move towards integrated platforms. Doing so means that previously isolated data sources such as operational and customer data, could now move freely and be applied to new modelling algorithms to uncover new and actionable insights.

Having a cross-enterprise view of the business, CFOs understand the bigger-picture business needs and strategy. The perspective allows CFOs to play a vital role in determining a data strategy to ensure the quality of the data, mitigate biases, and meet regulatory requirements.

Understanding the Value of Technology

As technology opens new doors for CFOs to drive strategy and growth, it is important that they, in turn, help educate and inform their teams and colleagues about the benefits of today's cloud-based technologies such as analytics and automation tools, as well as the value of a data-driven strategy. This is especially important as **50% of financial professionals are concerned about the chasm between benefits and reality of cloud and analytics technologies.**

This concern warrants a re-examination of the organization's decision-making culture. CFOs have the power and influence to advocate for a decision-making culture based on an analytics-first and evidence-



Are concerned about the chasm between benefits and reality of cloud and analytics technologies.



According to financial leaders, the top three areas where emerging technology can have the biggest impact are:

- 77% Better efficiency and accuracy
- 75% Forecasting and strategic financial planning
- 74% Cyber security risk mitigation

Additionally, CFOs and finance professionals that have a stronger involvement in their organization's data strategy and technology are better positioned to drive value across the business and are better prepared for the next wave of disruption.

Chapter Three

CFO 3.0 – Riding the Tech Wave

Looking to the Future

As automation of financial processes becomes more reliable and prevalent, CFOs will be able to focus their attention on making strategic decisions and predictions and no longer be bogged down by the day-to-day management duties. The role and expectations of a CFO 3.0 will quickly become reality.

Continuous accounting, trust, and insight will provide businesses with the ability to capture business activities in real-time, perform continuous reconciliation, and make adjustments such as accruals throughout the month. This will help reduce the workload at the end of the reporting period.



Cloud-based financial management platforms can help mitigate risks, meet regulatory compliance, and ensure corporate governance.

The new focus will be to determine which business problems to solve. Once they've decided which problem to tackle, they can then decide which data sets to use, how to explain the analytics models, and set governance against bias. CFOs have an opportunity to shape these fundamental elements of their companies' data strategy.

This challenge is a new reality for CFOs as predictive analytics technologies continue to evolve. Financial leaders will be expected to use predictive analytics to plan for the future and adjust business strategies.

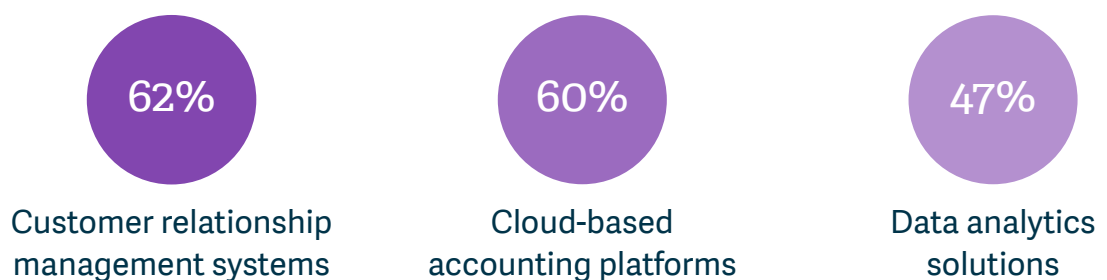
The Right Tool for the Right Job

By embracing the data-driven strategies and riding the tech wave, CFOs and senior finance professionals can automate the more routine aspects of their job functions to add value across the business. With the sheer volume of solutions available, it can be challenging to determine which solutions will derive the greatest value at the departmental, business unit and organizational levels.

Having a clear understanding of business priorities and how technology can address them, will help businesses overcome the perceived challenges and be better prepared for the future.

While digital tools can be applied to every facet of business functions, it pays to choose strategically. CFOs should pay attention to which cloud-based financial management platforms can help them better mitigate risks, meet regulatory compliance, and abide by their corporate governance. They should also determine which workflows can be automated so that their teams can focus on higher strategic priorities.

The top 3 technologies with the highest ROI according to CFOs are:



A Helping Hand

The automation of routine, tactical tasks has become a new reality for many companies. In fact, **most financial leaders (90%) have already begun automating processes to drive efficiencies, and even more (93%), say that automation has positively improved productivity.**

Conversely, these same leaders also feel they need to take a staggered approach to automating additional processes. While the benefits to automation from a productivity standpoint is evident, **88% of CFOs still feel their workforce isn't ready for additional automation.**

The top 3 common concerns are:

Often the common concerns include:

- The time required for organizations to completely integrate new digital tools and workflows into their operations
- How a technology works within the wider infrastructure, its potential risks or drawbacks
- The potential impact on the workflow and workforce culture

For example, as AI and Machine Learning related technologies advance in leaps and bounds, CFOs can steer their companies to embrace a data-driven culture for decision-making to gain a competitive edge. However, despite **the vast majority of finance professionals (91%) believing AI will be a benefit to the workplace** in the long run, many also express high levels of concern and skepticism.

93%

Say that automation has positively improved productivity.

85%

Are concerned that they don't have the skills to be able to operate AI powered machines to their optimal capacity.

90%

Of financial leaders have already begun automating processes to drive efficiencies.

81%

Of respondents are concerned that AI will take over their jobs.

88%

Still feel their workforce isn't ready for additional automation.

80%

Of respondents are worried about the general ethics related to AI.

In Conclusion

Today's economy is driven by data

How businesses decide to engage customers, develop products, solutions, and plan for the future, greatly depend on their appetite for change and desire to embrace advanced automation. Machine learning models will play a big role in this shift, delivering timely insights to inform such decisions, elevating the CFO role from 2.0 to 3.0 as the position evolves from being a real-time analysts to a true visionary for the future.

CFOs need to gain cross-enterprise and cross-industry perspectives, starting with insights from predictive analytics to navigate through VUCA environments. To do so, they need to empower themselves and their teams by gaining new skillsets to lead and operate a data-driven organization.

CFOs who actively shape their organization's data strategy can better derive insights from the data and their systems, and in turn make the most of the technologies designed to support the finance function and the business. Today's CFOs are uniquely positioned within their organizations to deliver value and strategic growth - by taking a cross-enterprise view and playing an active role in steering their organizations towards the future.

Methodology

Our process.

Methodology

- Interviewed 300 respondents
- 10-minute online quantitative survey

Respondents

- Senior in-house financial decision makers across Canada
- Respondents were divided into the following regions:
 - Atlantic Region
 - Central Canada
 - The Prairies Provinces
 - West Coast
 - The North

Fieldwork dates

- Interviews ran from October 11 - 28, 2019

Audience

- Senior in-house financial decision makers, whose title can include:
 - CFO
 - Finance Director
 - Accountant
 - Controller
- Business size 20-499 employees:
 - Small — 20-99 employees, revenue between CAD \$5M to CAD \$50M (MIN N=250 / MAX N=265)
 - Mid-Market — 100-499 employees, revenue more than CAD \$50M (MIN N=35 / MAX N=50)
- Services industry in general, with strong focus on six broad verticals:
 - Tier 1 Focus (in alphabetical order, not order of importance)
 - *Non-profit*
 - *Software/SaaS*
 - *Technical Professional Services*
 - Tier 2 Focus
 - *Financial Services*
 - *Franchise*
 - *Hospitality*

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