CRITICALEYE
The peer to peer Board Community

The Evolution of the CFO

How is the role of the chief financial officer changing? **Dawn Murden** finds out what CFOs are doing to become strategic business partners

Chief Financial Officers (CFOs) have a big job on their hands. Increased regulation, competition and access to real-time data mean they are expected to be proactive strategic partners. Criticaleye spoke to a number of CFOs about how they are using financial insight to drive the business forward.

"The role of the CFO has changed significantly and they have become much more influential when it comes to business strategy and planning," says **Andrew Minton**, Managing Director at Criticaleye. "Digital technology is enabling the CFO to transform their function from being expense and accounting focused, to one centred on predictive analytics and collaboration with other functions."

In Criticaleye's Eye to Eye video series, in association with Accenture, we asked a number of CFOs from large corporates how digital technology is transforming the finance function and how they see their role evolving. Here's what they had to say:

Stephen Daintith
Group Finance Director
DMGT

Our technology development spend was around £15 million over the five years to 2010, in contrast over the next five years we will have capitalised and spent in excess of £300 million.

There has been an enormous acceleration to keep up with competition, develop our products and to innovate stronger and harder than ever before.

That puts challenges and responsibilities on the CFO to ensure we're always spending the money wisely, getting involved in the debate, understanding what it is we're building and what the payback looks like, as with any sort of investment appraisal.

There's another topic that's come up – which is brand new for me and will be for many CFOs – and that's the notion of measuring your technology debt.

This is the understanding of your IT systems across an organisation and the cost of replacing or upgrading them. It isn't recorded on your balance sheet, but is a contingent liability.

What's also interesting is how we're evaluating acquisitions. The technology assets they bring to DMGT is high up there on the list of reasons why we would acquire; it's not just about the products or revenue streams. Technology is affecting us and it's a case of CFOs having to learn fast.

One CTO gave me some good advice and said: 'Ask more simple questions: ask why, how and what? And don't accept our answers.'

Technology is a space where jargon can be used, so ask the common sense questions and flesh out real issues.

> *"There has been an enormous acceleration to keep up with competition, develop our products and to innovate stronger"*

Patrick Lewis
Group Finance Director
John Lewis Partnership

I would pick three different lenses where I get the most value from technological improvement.

The first [is about] our customers and making sure that we're investing in the right place based on our digital understanding... That helps me with capital allocation and getting the best returns, so that we can provide the greatest service.

From an employee perspective, over the last five years we've managed to drive interaction with our partners... in a way that reduces the amount of time they have to spend on administration.

This, in turn, increases the amount of time they provide adding value to the business [thus] enabling them to earn more. That's very important, as a co-owned business my goals are slightly different from the CFO of a standard Plc.

Last but not least, the digital understanding right across our P&L helps us drive productivity. So, [to take an] example... the process by which we interact with our suppliers to pay them... used to be a very manual process, with different [procedures] right across the business.

We have [now] put in [place] a number of systems that have standardised that, [allowing] us to manage the process all the way through our [supply] chain.

> *“From an employee perspective, over the last five years we've managed to drive interaction with our partners”*

Simon Dingemans
CFO
GlaxoSmithKline

Enhanced digital capabilities across the company are transforming the way in which finance can engage with the business. In a traditional model of finance systems and finance IT, it would have been about controls and governance; it clearly still needs to be about those things, but you now include a much more comprehensive, capable analytics platform.

This allows you to engage with the business in a much more real-time environment. I think that is really the challenge: how do you think about the speed at which you need to make those decisions? You can invest exponential amounts in trying to accelerate that speed and, at some point, the trade-off and the value in that is questionable.

How you use data is also increasingly important. Many CFOs have invested in new systems and more standardisation, and GSK would be no exception. What you want to do is allow the whole business – not just the finance people – to see that data, understand it, interpret it quickly and in a practical way.

Stephen Jones
Former CFO
Santander UK

There's a huge opportunity for the CFO to be able to drive their immediate business requirements in a manner that is better integrated across the firm.

Many of the requirements for a CFO… relates to ensuring that data is available in a manner that addresses accounting, capital, liquidity and other regulatory reporting requirements. [However], if you think beyond those narrow requirements it's the same data that is driving credit risk, market risk, operational risk and could be driving customer relationship management.

I think the role of the CFO in relation to data overlaps very strongly, particularly with the roles of the Chief Risk Officer (CRO), Chief Technology Officer (CTO) and, to an extent, the Chief Marketing Officer.

Being digitally savvy and able to think about data in a manner [that] is based around golden, bullet-proof sources, [as well as] creating digital architecture which is being updated all the time with the latest requirements, are incredibly important skills.

CFOs need to become better at commissioning and executing data-related projects. The standoff I often see between the CFO and the CTO is [when] the CTO says: 'You asked me to do this so I did it.' Probably what the CFO asked [was] the wrong thing because they didn't understand [the wider outcome]; they weren't thinking beyond their own narrow scope.

CFOs need to be lateral [and] understand the potential of technology.

Julie Brown
CFO
Smith & Nephew

There has been a big change in the role of the CFO. Previously, say ten years ago, the CFO would be a traditional accountant; they would know reporting, accounting standards and what you may call the finance specialisms, [such as] tax and treasury, extremely well.

The CFO of today is much more focused on business strategy and performance… The profile of [those] being sought after for CFO positions are now business orientated and commercial. When you think about the future… with macro-economic issues and [the fact that it's harder to grow] in established markets, there's an increased focus on cost, efficiency and resource allocation.

The CFO is ideally suited [to partner with the CEO in order to grow the company] because of their lens on the business and the numbers. [They can help an organisation to look] at the levers by which performance can be improved; I think that's going to continue to become more important.

Getting top-line growth… requires someone that understands the business, looks at the granularity of the numbers and the return on investment in different parts of the business. [They need to] help the CEO channel investment towards the areas that are [ultimately] going to generate the greatest return.

Watch the latest Eye to Eye: The CFO as Architect of Business Value video series
or why not read more from Accenture on how digital is killing the finance function as we know it.