



THE EVOLVING ROLE OF FINANCE

How finance can lead digital transformation

Digital disruption is transforming the way we work. From staff on-the-ground to C-level executives, nearly every function in the modern workplace is drastically different from what it was 10 years ago—and perhaps no position has evolved more than that of the CFO.

The role of the CFO—and finance—has fundamentally changed in this age of digital transformation. Leading finance executives have become more strategically focused, more value-focused, and more future-focused. In turn, the evolution of the CFO role has created a blueprint for a smarter, more forward-looking finance organization focused on putting top talent in key roles while better equipping them for the challenges of the new digital economy. By understanding its new role and embracing technological advancement, finance now has a greater opportunity than ever before to serve as a change agent across the modern enterprise.

Digital disruption across the enterprise

In the current hypercompetitive business environment, it's not enough to automate business processes to increase productivity. To succeed, companies must differentiate themselves from their competitors. But with the **growth of digitally savvy customers** who expect more from every transaction, it's becoming increasingly difficult to differentiate on product functionality alone. Customers are demanding a more individuated approach and the bar continues to be reset at higher and higher levels. To meet this demand, and remain competitive, companies must move from a transaction-based model to more value-based interactions. This means putting the customer experience first.

Increasingly, companies are turning to enterprise software to help them stand out in global markets by differentiating in new and often unexpected ways. CIO.com **defines digital transformation** as "the acceleration of business activities, processes, competencies, and models to fully leverage the changes and opportunities of digital technologies and their impact in a strategic and prioritized way." But more than just acceleration, digital transformation is about the need for businesses to outpace digital disruption and stay competitive in a rapidly evolving business environment.

New technologies are reshaping the landscape and many have clearly demonstrated the power to radically improve enterprise performance. By serving as a strategic partner to the business, **finance can help drive transformational enhancements** in innovation, customer experience, efficiency, and productivity. Determined finance organizations and the CFO can help lead enterprise-wide digital transformation by embracing technological advancement and their ever-evolving role.

The evolving role of finance

According to **EY research**, which surveyed almost 800 CFOs and finance leaders across 32 countries, the findings on the evolving role of the modern CFO were clear. Nearly 70% of respondents said they see the finance leader role fundamentally changing, as traditional finance tasks are automated or managed in shared services centers.

Paul Hamerman, former vice president and principal analyst at **Forrester Research**, agrees with this sentiment. He says:

"With real-time in-memory systems, robotics process automation, and a whole host of technology, we can engineer those processes—such as financial closing—to be continuous. Combining the system of record with analytics can help show what's happening right now, while the inclusion of planning systems and predictive solutions can detail what the business will face in the future."

To realize the full potential of business transformation, finance organizations must embrace the growing demand for digital workplaces, flexible cloud deployments, and cross-functional, inter-departmental collaboration. A bold digital strategy should enable finance professionals to seamlessly share information and make connected, data-driven decisions.

CFOs clearly recognize the urgency and importance of embracing digital transformation. Most CFOs know that unless action is taken to define a bold reporting strategy and vision for advancing the traditional reporting process, then their teams will fall behind the pace of technology and ability to manage increasing data.

Technology will help finance professionals dig deeper into the **ever-increasing amounts of data** created and will continue to help teams find latent trends, providing CFOs and their business partners with actionable insights linked to business-critical information and risks. Digging deep into data empowers reporting teams to extract forward-looking insights from large, fast-changing, disparate data sets, which closes the expectation gap between what boards now seek from corporate reporting and what CFOs can deliver.

How finance can help lead the enterprise

As CFOs focus on adapting to their evolving roles, they also must recognize that this pivot point is taking place amidst an era of fiscal challenge and organizational transformation. Digital transformation has brought the CFO role to center stage as senior leadership teams drive forward transformation within a dynamic financial environment. This shift has required finance practitioners to develop skills that are not traditionally associated with finance professions—including business planning, risk management, negotiations, relationship management, and strategic thinking.

The modern CFO must recognize that they should approach strategy formulation and performance monitoring in an integrated way. This means going beyond management and regulatory reporting to offer value-added decision support that aligns operational strategy with business execution. As strategic partners to their businesses, finance teams should leverage software solutions to strategize, plan, analyze, optimize, and close and disclose financial results in a scalable framework.

According to **McKinsey & Company**, only two out of three CFOs say their companies have the capabilities for agile decision-making, scenario planning, and decentralized decision-making—which are all required to remain competitive. Analysts agree that better partnerships (ranging from other leaders in an organization, like the CEO and board of directors, to external stakeholders like investors and opinion leaders), as well as softer skills like strong communication, will be required to successfully align finance with the business. This comes as organizations around the world work to become more nimble and innovative, with a new focus on adapting to increasing customer demands of the digital age. It is crucial that finance uses this knowledge to optimize processes and develop strategies that create value not only for the business, but also for the customer—and the customers' customer.

Most analysts also agree that technology will play a pivotal role in increasing the speed and efficiency of finance-related tasks while also facilitating insights that drive better decision-making across the organization.

Despite advances in technology and a new class of digital disruptors like robotics and **artificial intelligence**, finance professionals will still need to participate—albeit in new ways—to collaborate with their business partners, drive revenue outcomes, and manage risk.

CFOs are on high alert as they now reimagine their roles and how finance can help in response to digital disruption, increasing volumes of data, and greater stakeholder scrutiny. We are at a crossroads where the CFO can seize upon this opportunity to define technology's place within the office of finance. Indeed, digital disruption gives finance a unique opportunity to simultaneously improve both productivity and quality across the business.

One of the most important things that CFOs can do is to gain a deeper understanding of the role technology plays in future investments and how data can help their organization make informed decisions about organizational investments. Technology is no longer a support function. It is integral to corporate-wide policy and strategic direction. Finance must utilize technology and work in partnership with IT to better understand drivers of the business to provide value-added decision support.

Blueprint for smarter finance

The advancement of disruptive technology is about creating a blueprint for a smarter, more agile and forward-looking finance organization. The goal is to design a future operating model that focuses the best people on key priorities while better equipping them for new digital economy.

Digital business requires a new set of attributes and skills that allow practitioners to operate successfully in a continuously changing world, one that includes more frequent complex decision making, continuous problem solving, rapid pattern recognition, and exception handling.

To ensure that digital transformation strategies succeed requires a zealous focus on talent and that organizations leverage cross-functional teams with technology at the core. Technology is now critical to all functional areas of the enterprise, including supply chain logistics, sales, marketing, HR, and finance.

The rise of digital business is changing how firms hire and retain talent, and finance is now critical to that transition. The burgeoning digital market is not meeting the demand for professionals experienced in information security, artificial intelligence, and the Internet of Things.

Data literacy is the new must-have skill for successful digital transformation. Artificial intelligence can help augment human labor and enable organizations to be smarter in hiring.

However, only **about 10% of companies today are using AI** in their recruitment and talent management processes.

As technologies evolve and new tools enter the workplace, however, contending with volatility and uncertainty will be the new normal for the CFO. There can be no doubt that technology—and engaging the proper people to leverage the benefits of technology—will play a key role in transforming the finance function in the coming years.

Transform toward stewardship

At the end of the day, the CFO and finance function must transition from custodians of corporate assets and financial data to core business stewards, tasked with helping the business measure and focus on the right indicators of performance across the enterprise. Intellectual curiosity and the ability to ask the right commercial and operational questions will be fundamental attributes of tomorrow's great financial business partners. The end result of this paradigm shift in financial operations and the role of the CFO is a sustained digital investment that will drive significant increases in customer satisfaction and engagement.

Unless action is taken to define a bold reporting strategy and vision for advancing the traditional reporting process, finance leaders and their teams will fall behind the pace of technology and struggle through disruption. But opportunities abound for finance to shepherd organizations through digital transformation; and for the CFO of tomorrow to be increasingly involved in business strategy and decision support as a key influencer in the C-suite to drive profit and growth.

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