



MORE THAN JUST FINANCE: HOW DIGITAL DISRUPTION IS REDEFINING THE CFO ROLE



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Gone are the days when the CFO dealt solely with financial planning, record-keeping and reporting. With the sheer pace and impact of digital disruption, CFOs can no longer simply report on business performance, but need to define how their organisations can best manage risks and opportunities that are driven by the rapid change in technology. A key responsibility of CFOs for 2016/17 will be to work with their businesses to forecast accurately the “as a service” cost of technology as well as establish a framework for governance and management of technology investment.

The visibility that CFOs have into their organisations’ financial performance as part of the C-Suite gives them a unique vantage point to fulfil this responsibility. The recent 2016 IDC Ecosystem study for Australia indicated

that there is a stronger engagement from the C-Suite in the prioritisation and application of technology as a business enabler. CFOs will also need to adopt new skills if they are to successfully navigate digital disruption’s swift and always-shifting currents.

In particular, CFOs must build up their competency in three main disciplines: risk strategy, customer experience and technology. Our discussions with CFOs from different industries in Australia suggest that these three disciplines can make or break financial performance amidst digital disruption, regardless of industry, size, or current market share. Mastery of these disciplines will determine how effective a CFO is at countering tomorrow’s disruptive forces—and turning them into opportunities—with the information available to them today.

The insights in this whitepaper are based on discussions with Australian CFOs from organisations ranging from decades-old industrial businesses to disruptive Software-as-a-Service start-ups. Despite their varied backgrounds, all participants agreed that the CFO's ability to adapt to and embrace digital disruption—to adopt the skills and make the decisions needed to effectively deal with and address its impact—play a critical role in whether an organisation survives, thrives, or fails in today's business environment.

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FORECASTING RISKS CAUSED BY DISRUPTION

There is no doubt that the impact of digital disruption poses great risks to businesses of all sizes and in all industries. The questions that need to be asked are: What type of innovation will disrupt a specific industry, to what extent, and within what time frame? Answering those questions is something that CFOs, with their depth of awareness into financial performance and how it is impacted as new innovations emerge, are uniquely placed to do.

An effective risk strategy demands that CFOs analyse not just financial metrics, but also an ever-growing volume and variety of operational data from all parts of the organisation. CFOs must acknowledge that this information is a business asset and take steps to quantify its value, whether through statistical methodologies or by applying analytics technology to data from across the organisational value chain. The CFO may not yet need to be a data scientist—but having access to the skill set of one will prove increasingly useful.

The combination of financial metrics and operational data, if properly managed and analysed, can make it far easier to react in an agile way when risks emerge. “We can trawl through current and historical sales data to help us identify the easiest way to recoup money lost if projects aren’t delivered on time, and we can do this far more quickly and efficiently due to the business insights available,” said one CFO.

[Risk-takers or circuit-breakers?](#)

Full visibility of organisational data also allows the CFO to fully understand the potential consequences of any decisions made by the leadership team. Many of the CFOs interviewed agreed that, given the speed at which disruption can destroy a business’ competitive advantage, today’s CFOs have a responsibility to act as a “circuit-breaker” on initiatives that may leave their margins and market share overexposed.

“We need to bring a voice of reason and authority to the table,” said one CFO.

“Resources are not infinite, and we need to make the right investments for the business—not for the sake of bureaucracy, but to ensure sustainability of the business.”

This also allows CFOs to potentially identify alternate opportunities to achieve business objectives, via channels or offerings not immediately obvious to the rest of the management team. Advocating and taking advantage of these opportunities—which may themselves prove disruptive to competitors and entire industries—requires the CFO to at times act as a calculated risk-taker. Some CFOs increasingly find themselves applying the same techniques used by disruptive start-ups—such as bootstrapping and Minimal Viable Product—in order to pursue innovative approaches while minimising resource consumption and risk exposure.

“We are often the ones who have to say ‘No’ to the business,” said another participant, “but we also need to be creative thinkers. If there is something the business wants to achieve, how can we do so with the resources we have available?”

The area where the risks of disruption are greatest—and have the most impact on long-term growth—is also the area which most CFOs have traditionally had the least involvement: customer experience.



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MAKING CUSTOMERS MORE THAN JUST A NUMBER

Digital disruption only occurs when a new technology makes it much simpler, faster, or cheaper for a customer, be it a consumer or a business, to obtain or create the value that they require. In other words, digital disruption is all about serving customers, not about the technology. And for CFOs, understanding the customer experience is rapidly becoming a critical priority in how they manage risk and steer C-Suite decisions.

The risks of underperforming on customer experience were patently clear to all CFO participants in this report. Many cited the banking sector's struggle to adapt to the influx of fintech (financial technology) start-ups using cloud and mobile to quickly capture significant market share. Fintech companies have had a significant disruptive effect on traditional banks, not because they use mobile apps or analytics-based product recommendations, but because these technologies give customers a far more personal and efficient experience in fulfilling their financial requirements.

“When you're applying for a loan (with a traditional bank), you're hit with about five or six impersonal questions, then treated as a number from there,” said one CFO. “The big banks had been unassailable for so long that they became complacent about what their customers wanted—for banking to be a simple experience where each individual feels rewarded. Digital technology simply allowed fintech companies to fill that unmet need.”

[Sustaining customer experience with data](#)

Even companies with a history of successfully embracing disruption must remain focused on the customer experience in order to maintain sustainable revenues and margins. “We deliver a wholly digital product, but that has to change in step with our customer needs—by, for example, providing a professional printing service for users directly from our website,” said one CFO of a Software-as-a-Service company. “My strategy as CFO is to focus on making decisions that will nurture those customer relationships on a long-term basis.”

The direct impact of customer experience on market share and financial performance is prompting some CFOs to include this as a core part of their risk management strategy. CFOs are in fact well-placed to track the current quality of customer experience, based on a mixture of financial metrics (like sales growth and churn) and operational data from digital channels.

“Today, almost all purchases in our industry come from phones, so we really need mobile-targeted marketing that’s simple, attractive, and adaptable,” said one CFO. “However, the data from these channels also gives us huge insight into who buys what at different times, allowing us to more efficiently target our marketing dollars. We’re then able to minimise our investment risk while also maximising our engagement with customers.”

These insights, however, can only be generated when each customer transaction can be captured and analysed from end to end. For this to happen, CFOs need direct influence over—and increasingly in-depth knowledge of—the technology systems that govern their businesses’ financial processes.



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CFOs – THE NEW DIGITAL DISRUPTORS?

Technology falls at the intersection of risk strategy and customer experience for today's CFO. Enterprise Resource Planning (ERP) software collects, stores, and analyses much of the operational data that informs current and future risk predictions, including how disruptions past and present are impacting the business' bottom line. Customer Relationship Management (CRM) software not only tracks organisational performance when it comes to customer experience, but keeps the records of customer engagements that can be used to consistently personalise service and minimise attrition. The performance of these technologies directly correlates to the organisation's ability to attract, retain, and minimise risks of subpar service for customers.

“Service levels for our critical products, like ATMs and point-of-sale systems, always have to be at 99 percent,” said one participant. “This means we need real-time data—it's at the core of what we do. The data from our systems allows us to track failure rates and repair ATMs before they break down, meaning much higher productivity for our field personnel, minimal disruptions to our customers' operations, and satisfaction amongst their consumer base.”

Back-end technology: in need of disruption

Legacy technology infrastructure, however, is not always able to provide the depth and immediacy of data that CFOs require. One participant cited legacy ERP systems as the cause behind their business dropping from a market-leading position to fourth spot. For some, legacy software can create roadblocks when seeking greater depth and specificity of information about process efficiencies or customer segments—particularly when attempting to gain local-market insight from global systems. For others, it can hamper efforts to move customers into more efficient and personalised channels—and minimise the risks of having those customers wooed by nimbler competitors in the process.

“Our customers still stick with paper forms and phone orders—they're just happy to do paperwork,” said one participant. “We're still using quite an old system to manage online transactions, but are currently looking at cloud-based replacements. It would be easy to be as complacent as our customers with the *status quo*, but all it takes is one Software-as-a-Service provider to offer our customers a more seamless experience and absorb our share of market.”

Cloud-based ERP and CRM systems have one particular advantage for CFOs: they generate business visibility that can scale across all a company's operations in all locations. This can often deliver significant economies of scale to multimarket operations within extremely short timeframes.

“We have offices in five or six locations overseas, and each was running its own individual system—so even though we were screaming customer-centric, we didn't really know our customers,” said one CFO of their organisation's previous technology model. “The most important changes were to our ERP and CRM—allowing us to capture the necessary information about customers, store it in a way that made it available to all front-line staff, and build sustainable customer relationships off the back of that.”

Some CFOs are adopting cloud-based ERP and CRM systems for a different reason—to enable them to act as disruptors in their own right. “We're developing applications that allow engineers to identify jobs to be done, head to the site, and fix the issues once the price is agreed on,” said one participant, of their organisation's local digitisation strategy. “That sort of innovation requires ERP and CRM software to be flexible and accessible enough to quickly cater to new use cases, something the cloud lends itself to well.”

CFOs have increasingly deep insight into customer behaviours, their correlations to core financial performance, and the risks which organisational responses to these behaviours may bring. The most effective amongst their ranks are embracing technologies, like cloud-based ERP, CRM, and data analytics, that give them a full picture from beginning to end of transactions spanning all organisational operations. Those who combine analytical rigour with the right technology may well be the leaders of the next wave of digital disruption.



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TURNING DISRUPTION INTO PROFIT

Today's businesses recognise that digital disruption is not limited to technology or marketing—it affects the very fundamentals of an organisation's finance and its ability to remain profitable. Though they may not be technologists or customer service experts, CFOs understand those fundamentals like no other member of the C-Suite, making them unique in their ability to calculate, quantify, and advise upon the current and future impacts of digital disruption.

To do so in an accurate and sustainable manner, CFOs must adopt new roles within the C-Suite, acting as strategists and advisors in everything from risk mitigation to technology adoption. Introducing new skill sets to the organisation, such as data science and user experience, is essential; so is partnering with technology and digital service providers who can supplement the CFO's financial expertise. Digital disruption means financial performance is now intrinsically tied to technology, and how quickly organisations can use digital innovations to adapt to ever-changing market risks and customer needs.

CFOs who can take up a decision-making role in their technology strategy—implementing cloud-based ERP and CRM systems that deliver whole-of-business data in an agile, real-time manner—will find themselves better able to predict, respond to, and even lead the next wave of disruption.

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