BUSINESS GUIDE

Navigating New Paths

Three Challenges CFOs Must Overcome

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This brand-new decade has already introduced a whole host of fresh challenges for CFOs. How CFOs anticipate, react and respond will dictate not only their success, but that of their organisations as well.

CFOs will likely oversee more areas of the business than ever before, including strategy, crisis and risk management—indeed many already are. Because they are the most senior financial professional in an organisation, their expertise is increasingly being called upon to evaluate strategic decisions and guide investments.

As their role evolves, CFOs will need to expand their knowledge base and skills. Amidst all this, they must ensure the business maintains a positive cash flow, whilst remaining compliant with a tangled web of complex finance and data regulations.

In short, today's CFO wears many hats: financial leader, business decision-maker and data specialist. If they aren't careful, they could risk being overwhelmed.

To help today's CFOs, NetSuite interviewed its customers and uncovered three common key challenges that CFOs in Asia-Pacific and Japan can address to support and help lead the business.

Challenge 1: Leading strategy

Changing business pressures from COVID-19 and its broader economic impacts have meant CFOs are increasingly being expected to lead strategy. Along with the CEO, they need to prepare the business to handle the unexpected and plan for a future that may change in a moment. Their remit over finance and risk management has always placed CFOs at the forefront of business-wide strategy – this makes them better equipped, now more than ever, to lead a strategy with stability and recovery at its core.

According to McKinsey, the CFO must "take a lead role in the financial and strategic aspects of crisis management… the company's primary finance focus during this period will be on implementing a "cash culture"—that is, preserving cash and deploying it dynamically". With this comes the responsibility to make financially viable, strategic investments that improve the bottom line, and communicate priorities to the wider business.

In situations of crisis and beyond, CFOs must tackle new challenges as a strategist, rather than an accountant. In 2020, 85% of CFOs anticipated a reduction in revenue this year and more than half (51%) believe it will be a decrease of up to 25%. This means any investments to manage the short term must have a long-term view, using sophisticated cost and profitability analysis. The bottom line comes back to CFO leadership, meaning managing risks must be balanced with strategic vision.

According to Kim Jeanneret of BioPak, an Australian sustainable packaging manufacturer, the CFO of the future will take a greater role in running the business. "The CFO is not just a finance role. It's a corporate services role, and it falls under the remit of being the right-hand man to the CEO and board reporting. It's about strategy, understanding how to improve processes and manage business transformation."

While leading strategy is its own unique challenge, it also presents the opportunity to develop in new areas. According to Chris Tham, CFO of eyewear retailer Bailey Nelson, there is an expectation from the board for CFOs to be able to direct strategy and, in particular, technology. "It's one of the areas we are now asked to influence," Tham said. Beyond this, CFOs can add significant value in areas like reinventing or adapting a business model in partnership with the CEO – as many have already done recently – or by acting as checks on key initiatives or investments, using data to apply rigor and structuring the approach to financing. For example, they may help a retailer assess whether to keep physical stores open or move to an online-only presence.

It bears mentioning that any investment should be chosen for its ability to continue delivering long-term workforce efficiency and productivity. Taking on this greater role as a strategic leader, one who shapes and influences business direction through finance, will see the CFO of the future apply their skills to new areas.

Challenge 2: Improving planning for resilience

Many CFOs have recently uncovered gaps in their business continuity or disaster management plans and have worked to improve them for the future. This includes turbo-charging financial planning and analysis to ensure they can more accurately model the outcomes of certain scenarios. Enhanced access to data gives finance leaders greater visibility over their business, helping them understand which KPIs are critical to track in order to steer the company to safety in times of crisis.

Being prepared for the future means taking a sophisticated approach to planning, ensuring the business is ready to respond to all plausible scenarios. Planning and budgeting activities previously done annually, aren't fit anymore with today's dynamic environment. But having learned from recent disruptions, many established 'plan-ahead' teams, which develop a strategic action plan to navigate challenges with a crises-specific lens. While not all businesses will have the scale to create a dedicated team, they can certainly adopt the principles; this includes scenario planning, collecting forward-looking information and identifying the options and actions to move the business strategically.

In atypical circumstances, effective plans must sit outside the typical quarterly timeframes. Instead, CFOs should consider plans for the immediate future (2-7 days), through to the monthly, quarter or even year(s) ahead. For example, a food & beverage manufacturer would have an immediate plan that considered day-to-day operations, factoring in social distancing measures and team operations for continuity. Its monthly and quarterly plans could incorporate scenario planning for differing levels of restrictions, or even partial closure.

This is why, according to Simon Robinson of Education Perfect (EP), an online education platform, the CFO of the future must have visibility across the whole business and have a grip on data, finance and risk to support decision making. "The role is now less about historic results, with more importance placed on future forecasts and the decisions that help determine the company's path", he said.

This means continuously adapting and using data to shift planning quickly. "Companies have had to make significant decisions quickly, and the CFO needs to be able to actively contribute to these. In many businesses, past performance is no longer an indicator of the future, and the CFO and their team need a forward-looking view and overall understanding of the business and operating environment to predict and shape future performance", Robinson said.

Education Perfect was able to use this predictive data approach to track and plan following the offering of a free version of its platform to help teachers and students globally transition to remote learning. When this offer ended, it could use the data insights to convert free customers to a paid model and plan for continuity, particularly for the back-end infrastructure needed.

72% of CFOs report that they will focus on improving the flexibility of budgeting and forecasting in 2022. With the right data foundations in place, this process can be made more accessible and give quick insights into the state of the business. According to Mike Hirschowitz, CFO of fast-casual Mexican restaurant chain, Guzman y Gomez, this data and information is essential to planning for the complexity of a franchised and corporate restaurant business.

"Having access to regular, reliable, timely and relevant information is absolutely critical to the way that we operate the business," said Hirschowitz. "To respond to the big challenges around an evolving world, we need to plan for long-term change and make sure that we operate in a way that is seamless and connected to this world."

Planning can never guarantee an outcome. But with the right processes in place, it can help CFOs best prepare their business for short- and long-term challenges, help build resilience and support business continuity in the face of adversity. Technology is central to this.

Challenge 3: Investing in technology wisely

Despite tightening budgets in many areas of the business, like operating expenditure and recruitment, one area that remains a consistent focus for CFOs is technology. 68% of CFOs from a recent PwC survey said that their companies planned to invest in digital transformation, while 58% were prioritising automation. In fact, many view these solutions as being essential to their success in managing major obstacles.

More than half (52%) of CFOs cited technology investments as crisis-driven developments that will improve their companies in the long-run. According to McKinsey, the initiatives that were once out of reach, like real-time forecasts and data insights, are now critical. CFOs "should take a leadership position in advocating for the use of digitisation across the organisation" even once immediate crises have passed.

According to a recent Gartner report, CFOs are the critical enablers of these enteprise ambitions, with 69% saying that digitalisation initiatives are accelerating. 77% of CFOs said that they will fund a new project from CIOs if they present a strong ROI. CFOs must determine which investments are worth their returns – and which may inhibit business profitability. How will they make that call?

In the first instance, they should work on sharpening their IT knowledge to be able to understand the opportunity, scalability and long-run sustainability of a technology solution. 74% of finance leaders understand that technology is having a profound impact on the role of the CFO, with 96% seeing shifts in the data and technology functions.
To properly communicate these findings to their peers, CFOs need to not only better understand data but become 'data storytellers'. This means improving their visualisation capabilities, using real-time data and centralised charts, and can be aided by a cloud ERP that provides a unified data repository for businesses.

Understanding how to make the most of technology has been key to the success of Kim Jeanneret, CFO of BioPak. As a business with technology and finance tightly integrated, this access to data is what has kept them ahead of the game. The business is now able to identify issues quickly as all steps of the supply chain, distribution and customer engagement are consolidated via a single cloud ERP platform.

"As a CFO, you have to stay on top of what's going on in your business and stay on top of technology for your role," Jeanneret said. "It's essential to have a system that automates for you to take away manual labour. The CFO is about working with people, making decisions and connecting with your team – the ERP system needs to do the back-end chugging for you."

For Simon Robinson, CFO of Education Perfect, investing in technology ensured the business had the stable foundation it needed to adapt quickly to the changes to the education sector from the global pandemic and safeguard business continuity. It was able to quickly scale up capacity to deploy its free software model, building off its existing solutions with ease to handle hundreds of thousands of new users.

"Technology has been the enabler of these changes. Systems, such as NetSuite, allow me as CFO to review consolidated results in real time from anywhere," Robinson said. "This helps minimise the amount of time spent preparing and analysing past financial performance, and more time working in all areas of the business to help optimise future results."

In both evaluating technology and data storytelling, CFOs will have to work closely with executive management to ensure smart investment in technologies that deliver efficiency and visibility. By selecting the right technology CFOs can build real partnerships, as opposed to simply introducing software with a few useful features.

Conclusion

Taking on learning initiatives, adopting more efficient processes and readying themselves for future changes will help CFOs ready their companies for the decade to come. The greater resilience that's established now, the more CFOs will be able to tackle the path ahead.

To prepare for any scenario, CFOs must also work collaboratively across the whole business. A unified approach, both of systems and people, is needed to properly understand what they are experiencing as well as how to respond. CFOs need to not only have visibility over strategy, but play a leading role in driving the business forward, based on accurate data and the right foundations.

With the right approach, tools and solutions, CFOs can steer their business through challenges and develop in their new roles as strategic changemakers leading their businesses. Whatever the next ten years may bring, the right approach will help CFOs guide their businesses, navigate through risks, uncover new opportunities and move ahead.

No matter the shape or size of business, investing in right technology is going to be fundamental for CFOs. NetSuite's integrated suite of cloud-based solutions allows for more effective and efficient operations, increasing visibility and agility when striving for success.

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