

# CFOs at the Forefront of Crisis and in Position to Impact the Future

In a year marked with abrupt change and uncertainty, CFOs and finance leaders dealt with challenges and proved their ability to lead during significant disruption. Inspired by their performance, finance leaders are taking on a broader view of the enterprise to flourish in a post-COVID-19 era.




The year 2020 will be remembered by finance professionals as one marked by great challenges, but also by resilience and accelerated change. The global impact of the COVID-19 pandemic and the resulting economic disruption, presented CFOs and finance leaders with business issues not seen in generations, forcing them to demonstrate greater resolve and strategic leadership than ever before.

Considering these events, FTI surveyed more than 325 CFOs and finance executives to uncover the tremendous efforts that finance leaders demonstrated through adversity, and to provide a look at what's still to come. The insights from the survey

provide guidance to better position CFOs and finance leaders for continued success amidst uncertainty. Topics discussed cut across areas such as scenario-planning and improving accuracy of forecasts; reducing enterprise costs; developing agile operating models; transitioning to remote and virtual workforces; deploying automation; and much more.

What's clear is that the implications from COVID-19 and economic instability have heightened the importance of Finance's role to drive change across the enterprise. Survey respondents indicated that key priorities and initiatives for 2021 are as follows:

## CFOs' key priorities and initiatives for 2021

 <b>Manage Business Volatility</b>	 <b>Adapt and Develop Capabilities</b>	 <b>Prepare for the Rebound</b>
<ul style="list-style-type: none"> <li>— Improve planning, scenario modeling and forecasting</li> <li>— Optimize cash flow and working capital</li> <li>— Manage enterprise costs</li> <li>— Identify and manage risks</li> <li>— Deliver real-time information to make faster business decisions</li> </ul>	<ul style="list-style-type: none"> <li>— Attract new talent and develop capabilities</li> <li>— Enable a remote workforce and plan for corporate real estate, technology and talent impacts</li> <li>— Eliminate/automate manual processes</li> <li>— Enhance data management and security</li> <li>— Improve accounting processes and internal controls</li> </ul>	<ul style="list-style-type: none"> <li>— Improve capital structure, and strengthen balance sheet</li> <li>— Redefine operating model and expand use of external partners</li> <li>— Develop analytic capabilities</li> <li>— Implement new technologies</li> <li>— Undertake M&amp;A/strategic alternatives</li> </ul>

# LOOKING AHEAD

The survey revealed five key insights that CFOs can draw upon to navigate current and future challenges and drive value in 2021.

## 1. The CFO’s role has quickly elevated

The pandemic focused a spotlight on the CFO’s ability to lead the organization. The most successful CFOs drove scenario and contingency planning, took swift cost reduction actions to ensure economic viability, and maintained liquidity by improving working capital and tapping capital markets as necessary.

**What it means:** CFOs who operated as a “business partner” to their organizations have taken on a broader, change-agent role that creates value across the enterprise, through

leadership in business strategy, operational decision-making, and company-wide initiatives.

CFOs can and should do more to drive enterprise strategy by capitalizing on the inherent strength of the finance function to manage key initiatives, provide analytical insights and free up resources for higher-value activities. One way to do this is to continue to leverage and invest in processes and technology that enables accurate, real-time planning, reporting and analysis. Because of the uncertainty

# 32%

of CFOs said they have ascended to the role of an enterprise value creator and organizational leader – a key member of the senior management team, instrumental in driving growth and/or profitability

### LEADING FINANCE ORGANIZATIONS ARE MOVING UP THE MATURITY CURVE BY LEVERAGING BEST PRACTICES AND TECHNOLOGIES

	What is delivered	Activity	Business Outcomes	Delivery Platform (Illustrative)			
Maturity ↑	<p>Real-time collaborative planning optimizing “What can we do?” improving business decisions</p> <p>Fully-integrated processes linking finance to enterprise-wide business functions</p> <p>Dynamic, real time reporting providing insight into critical decisions</p>	<p><b>Enterprise Performance Management</b></p> <ul style="list-style-type: none"> <li>– EPM Process &amp; System Design</li> <li>– Implementation Roadmap Development</li> <li>– Technology &amp; System Implementer Selection</li> </ul>	<ul style="list-style-type: none"> <li>– Driver-based Planning</li> <li>– Touchless Forecasting</li> <li>– Cloud Based</li> <li>– Enterprise Workflow</li> </ul>	<ul style="list-style-type: none"> <li>– OneStream</li> <li>– Adaptive (Workday)</li> <li>– Anaplan</li> <li>– Oracle</li> <li>– SAP</li> </ul>			
	<p>Accurate, timely intelligence to inform decisions and actions</p>				<p><b>Performance Reporting &amp; Analytics</b></p> <ul style="list-style-type: none"> <li>– Performance Management</li> <li>– Event-driven Analytics</li> <li>– Dashboarding</li> </ul>	<ul style="list-style-type: none"> <li>– KPI Design</li> <li>– Predictive Analytics</li> <li>– Profitability Analysis</li> <li>– Automation</li> </ul>	<ul style="list-style-type: none"> <li>– Tableau</li> <li>– Power BI</li> <li>– Qlik</li> <li>– Snowflake</li> <li>– Alteryx</li> </ul>
	<p>Drill-down capabilities into underlying data</p> <p>Integrated Controls establishing effective financial processes</p>				<p><b>Financial Planning &amp; Analysis</b></p> <ul style="list-style-type: none"> <li>– Planning, Forecasting &amp; Budgeting</li> <li>– Modeling &amp; Decision Support</li> </ul>	<ul style="list-style-type: none"> <li>– Finance Forecasting</li> <li>– Cash Flow Forecasting</li> <li>– Financial Reporting</li> </ul>	<ul style="list-style-type: none"> <li>– Excel</li> <li>– SharePoint</li> </ul>
	<p>Reporting</p> <p>Alignment of management’s desired view into business results for the BoD, C-Suite and operational personnel</p>	<p><b>Analysis</b></p> <p>Analytics providing visibility into operating results and a path to improve performances</p>	<p><b>Accountability</b></p>	<p><b>Predictive</b></p>	<p><b>Transparency</b></p>		
		<p><b>Agility</b></p>	<p><b>Integrated</b></p>	<p><b>Prescriptive</b></p>			

Business Value →

in the current business climate, a significant way to create value is through business intelligence and scenario analysis for forecasting sales and managing costs.

While many CFOs focused on process on process effectiveness, cost

reduction and improved accuracy in the finance function, others took a broader approach by implementing automation and utilizing captive shared services organizations (SSO), global business services (GBS), and business process outsourcing (BPO)

to handle routine finance activities so they could focus on initiatives that were more strategic and of greater value to the enterprise.

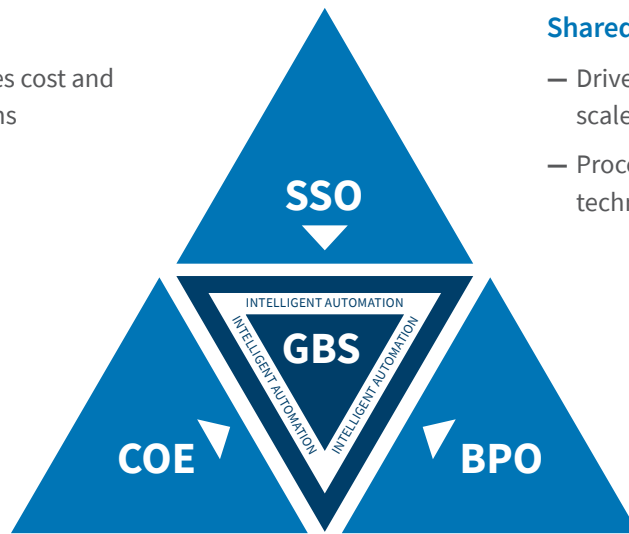
**OPERATING MODEL CONFIGURATION OPTIONS**

**Global Business Services**

- Hybrid approach that optimizes cost and quality by leveraging all options

**Center of Excellence**

- Improve capability via economies of skill



**Shared Services**

- Drive down cost via economics of scale, labor arbitrage
- Process automation leveraging technologies

**Business Process Outsourcing/Automation**

- Enables focus on core business while delivering quality
- Leverage s where provider offers leading technology

**Key Questions for CFOs**

**Creating enterprise value**

- Do you have a prominent role in guiding business strategy, making operational decisions (pricing, sales force effectiveness, labor, etc.) and driving enterprise value across the organization?
- Are you leveraging the latest finance digital technologies (e.g., cloud services, predictive analytics, intelligent automation) to improve data quality and deliver timely, accurate, and relevant information?
- How effective are you in identifying areas and leading efforts to reduce/optimize enterprise costs?
- Can you effectively identify and manage financial risks (e.g., credit, liquidity, foreign exchange) in the organization?

## 2. Remote working proved successful causing CFOs to revisit workforce models

In response to COVID-19 shutdowns, finance functions were adept in moving to both remote and virtual workforces. Survey respondents indicated that over 70 percent of their physical finance teams will remain remote; however, teams are likely to move to a hybrid model in the future as desire for interpersonal connections and an in-office presence increases.

In fact, enabling a remote workforce was the CFO’s most immediate priority in response to COVID-19, followed by managing cash flow and performing enterprise cost analysis.

**What it means:** Going forward, CFOs will have to carefully consider real estate needs, new office interaction models, compensation adjustments, employee mental health and a scalable engagement model. CFOs who have already seen high performance with a remote workforce will need to optimize the remote

experience to maintain or improve performance, and they’ll need to anticipate how the new operating models will impact corporate real estate, technology and human resources requirements.

Within Finance, leveraging the lessons learned during the pandemic will be instrumental to developing a scalable and sustainable model. For example, respondents suggested that knowing what activities could be carried out remotely was beneficial to maintaining productivity while planning for a future workforce model. To this end, finance leaders must consider the need for collaborative workspace and automated finance processes, and manage the interplay between remote teams, technology and talent needs.

Finance leaders will also need to strengthen their soft skills and identify ways to help address workplace mental health issues, especially as

changes in employee interaction persist and leaders seek to recruit and retain top talent. One CFO respondent suggests deploying learning and development programs across teams, as well as using technology to help maintain personal connections and enable communication and training when needed.

The impact of remote work models on real estate footprints will be top of mind as CFOs seek to answer questions about office locations, square footage and use of existing office space. Many organizations are employing “purpose-built” interaction models, redefining their offices as a gathering spot for effective, in-person collaboration. Turnkey real estate solution providers are expanding and are worthy options to consider as long-term leases are capitalized and rentals are expensed, resulting in CFOs assessing strategic partnerships to outsource office space and interaction model options.

CFOs may also need to explore location-based adjustments to compensation and other strategies to address the growing popularity of remote working arrangements, particularly when employees flee high-cost cities.

COVID-19 Related Priorities	Rank (%)
Enabling a remote workforce	1 (52.2%)
Managing cash flow daily or weekly	2 (49.7%)
Enterprise cost analysis	3 (39.8%)

*Additionally, 61% of respondents stated that transitioning to and enabling their remote workforces was either critical or a high priority in the next 12 to 18 months*

### Key Questions for CFOs

**Transitioning finance to a remote workforce**

- Are you an attractive employer in the competition for scarce labor in a safe and flexible work environment?
- How do you maintain culture, collaboration, and development in your working environment?
- Which physical in-office roles can and will be transitioned to remote or virtual workers?
- What are your future real estate and collaborative workspace needs?

### 3. Automation proved its value and the digital workforce continues to grow

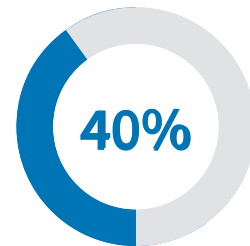
While most CFOs have started to adopt automation, the survey results suggest that it has not reached its full potential in Finance. Nearly 80 percent of respondents indicated that at least 5 percent of their finance team was composed of a digital workforce through automation. However, less than one-third of the respondents indicated that one in five members of their finance teams was digital, suggesting automation has more room to grow.

Finance organizations are adopting robotic process automation (RPA) and broader intelligent automation technologies, but at uneven rates. This is partly due to the lack of a “burning platform,” since RPA is still relatively new. However, the pandemic may have forced CFOs to reevaluate the pace of adoption in order to curb costs and bridge productivity gaps, 40 percent of survey respondents indicated that automating manual processes is a top priority and 89 percent expressed an urgent need to reevaluate transformation and improvement initiatives involving RPA and emerging technologies.

**What it means:** CFOs should encourage the adoption of RPA and broader intelligent automation solutions across the enterprise by serving as a value creator within Finance and demonstrating the benefits of these solutions in other areas. Accelerated adoption of the digital workforce will be critical to managing margin pressures that are likely to persist in the coming years. Leading CFOs are establishing “automation centers of excellence” and implementing complementary technologies beyond RPA, such as cognitive automation and machine learning. At minimum, CFOs should have an automation strategy that considers the short-term, but truly delivers value across the enterprise in the long-term.



Nearly 80 percent of respondents indicated that at least 5 percent of their finance team was composed of a digital workforce through automation<sup>1</sup>



40 percent of survey respondents indicated that automating manual processes is a top priority

*“For the current year, we are close to finalizing three RPA projects and I am very excited that our organization is funding more. We will prove out the benefit in Accounting and hopefully expand the use of bots in other parts of the organization.”*

*– Survey Respondent*

## Key Questions for CFOs

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### Transitioning finance to a digital workforce

- Is Finance heavily dependent on Excel and/or manual clerical transaction processing?
- How many digital full-time employees do you have today, and what is the potential to expand?
- Has RPA delivered the business value promised to your organization?
- Can you translate the successes of automation in Finance to other parts of the business?

1 Automation can be characterized as Robotic Process Automation (RPA), automation via software-enabled planning and reporting (e.g. Anaplan, OneStream), automated account reconciliation (e.g. Blackline, Oracle FCCS), and dashboard automation/BI.

#### 4. Finance operating models are being redefined with expanded use of BPO

CFOs will change the delivery of the finance function’s services in the next 12-18 months. The underlying motivation is driven by increased focus on reducing the cost of Finance without undermining the function’s strategic objectives. In addition, CFOs are recognizing that BPO providers are growing front- and back-office capabilities and offering economic incentives, such as variable, volume-based pricing, that further allow them to manage through volatility.

**What it means:** A growing number of CFOs recognize the value of executing finance processes within a centralized model. Now, CFOs are partnering with BPO providers to source labor, expertise and automation in order to bolster enterprise value. Bucking recent trends, CFOs are increasingly turning to BPO providers to also support non-transactional processes. Some CFOs are using BPOs to assist with higher-value processes, such as

financial and profitability analyses, and with budgeting and forecasting using analytics.

With cost containment still a dominant concern for CFOs, almost one-third of the surveyed executives say they plan to increase use of either captive shared services, business process outsourcing, global business services or a hybrid model over the next 12 to 18 months. These delivery models are well established and widely employed by CFOs, and companies that haven’t adopted some form of centralized services for their finance functions may be forgoing enterprise value creation. CFOs should look for opportunities to expand the GBS/BPO scope to include higher-value and analytical processes. As the virtual workforce has been operationalized within these models, CFOs need to decide if it is more cost-effective to build intelligent automation into internal processes or acquire it as part of a BPO solution.

#### Common BPO Myths



“We’re too small”



“We already have automation”



“We use shared services”



“A BPO won’t know our processes as well as we do”

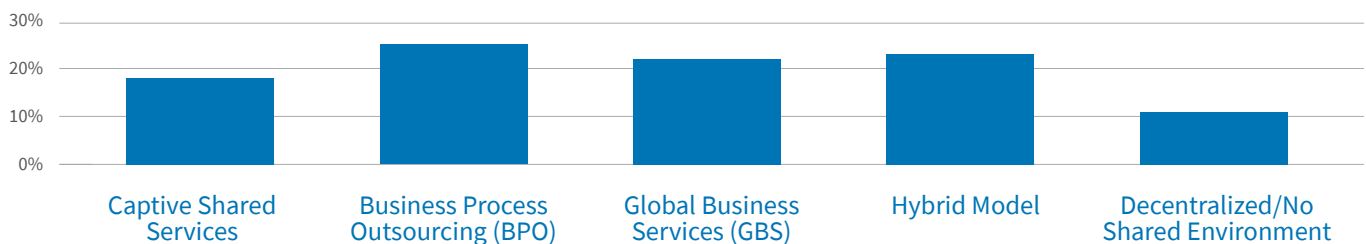


“It will cost more”



“We can’t get the same level of talent as we get internally”

#### HOW DOES THE FINANCE FUNCTION DELIVER MOST OF ITS SERVICES TODAY?



#### Key Questions for CFOs

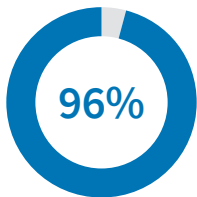
Seeking to mature finance operating models

- Is your organization decentralized and executing manual processes in high cost locations?
- Does your finance operating model optimize the balance of internal capabilities, partners and automation?
- Have you incorporated intelligent automation solutions into your BPO arrangement?
- What is the business case to enhance the finance operating model to be multi-functional, to leverage BPO and to further automate?

## 5. CFOs will continue to lead the way

The CFO and finance function’s ability to provide predictive insights in an ambiguous market will continue to position the CFO as an enterprise leader.

Having guided their companies through the COVID-19 crisis, CFOs are well-positioned to lead the way as enterprise value creators. To be successful, the CFO must utilize analytic insights to make enterprise-wide decisions that impact cost, working capital, liquidity, risk and capital markets. This pivot from a finance and accounting professional to the enterprise value creator role has been driven in part by adoption of digital innovation and technology that helps provide visibility in volatile



96% of respondents Agree that the CFO and the finance function play a prominent role in guiding business strategy, making operational decisions, and driving enterprise value across the organization.

business climates. There is also broad recognition – as supported by 89 percent of the survey respondents – that the CFO and finance function have the talent and skills to drive enterprise value for the organization. It is simply a matter of whether the CFO can harness the talent and skill with precision to deliver results.

**What it means::** In many organizations, the CFO has effectively acted as the enterprise lead through COVID-19, according to survey respondents. This favorable attitude toward CFOs is attributable to their ability to deliver accurate real-time planning, reporting and data analysis and quickly initiate efforts to reduce and/or optimize enterprise costs.

With CFOs successfully sustaining their businesses through the economic effects of COVID-19 shutdowns, 64 percent of survey respondents believe that CFOs will be asked to drive transformation initiatives that will continue to deliver cost savings. Improving planning, scenario modeling and forecasting will no doubt be a high priority for the CFO over the next 12 to 18 months.

95%

Agree or strongly agree that the CFO and Finance function performs accurate, real-time planning, reporting and data analysis

92%

Agree or strongly agree that the CFO and Finance function drives value by leading efforts to reduce/optimize enterprise costs

### Key Questions for CFOs

#### Moving into the role of enterprise value creator

- Does your organizational scope include strategic planning, global business services (including Finance and other functions), and enterprise cost management?
- Does Finance own the enterprise performance process and rely on driver-based modeling across the planning cycle – long-range planning, rolling forecasts, budgeting, reporting/KPIs?
- Can you deliver real-time information to make timely business decisions and enable predictive forecasts with accuracy?
- Does Finance have the right talent, capabilities and training programs to be enterprise leaders?

## OUR EXPERTS' VIEW

Challenging times necessitate that CFOs develop or refresh finance strategies to ensure there is vision and capability to proactively address business-cycle volatility, lead enterprise performance management and create value across the enterprise. The COVID-19 pandemic accelerated the progression of the CFO's role, and now many CFOs and finance leaders are successfully exercising their mandate to drive both finance and enterprise value. A deeper look at this progression is below:

Role of Finance	Foundational	Intermediate	Advanced	Business Partner	Enterprise Value Creator
	Focuses on past financials	Focuses on Finance efficiency	Enables value to company	Trusted advisor to business	Leader and creates value
	← Finance →		← Enterprise →		
Uses Information to...	Provide accurate, reliable financials	Lower the cost of Finance and be more efficient	Manage working capital, inventory and planning	Provide insights into risks and return	Optimize business decision-making
Representative Value Add	<ul style="list-style-type: none"> <li>– Stable, Auditable Financial Statements</li> <li>– Regulatory Compliance</li> <li>– “Bulletproof” Balance Sheet</li> <li>– Management / Investor Confidence</li> <li>– Transactional Finance Excellence</li> </ul>	<ul style="list-style-type: none"> <li>– Understanding of Unit Cost of Finance</li> <li>– Optimized Cost of Finance &amp; Span of Control</li> <li>– Efficiency From Standardization, Centralization and/or Automation</li> <li>– Eliminated Non-Value-Add Activities</li> </ul>	<ul style="list-style-type: none"> <li>– Faster/Better Insight Into Lines of Business and Operational KPIs</li> <li>– Optimized Processes (AR/AP, Tax, Treasury, Inventory)</li> <li>– Integrated Planning</li> <li>– Analytics-Backed Reporting to Management</li> </ul>	<ul style="list-style-type: none"> <li>– Risk-Weighted Investment Decisions</li> <li>– Driver-Based Planning</li> <li>– Predictive Business Drivers</li> <li>– Risk-Adjusted Return on Capital (RAROC)</li> </ul>	<ul style="list-style-type: none"> <li>– Event-Based Predictive Modeling</li> <li>– Integrated Enterprise Performance Management</li> <li>– Enterprise Cost Management</li> <li>– Scenario-Modeling</li> <li>– Expertise on Enterprise</li> <li>– Accelerated Decision-Making</li> </ul>
What is Being Delivered to the Organizations	<b>STABILITY</b>	<b>EFFICIENCY</b>	<b>EFFECTIVENESS</b>	<b>RETURN</b>	<b>VALUE</b>

There are high expectations for the CFO to drive performance while protecting the business from risks. Finance’s imperative is to deliver insights, steer strategy and

operational decisions by facilitating effective partnerships in the business. In a post-pandemic world, there will be no substitute for solid planning and leadership, and Finance’s

role in driving change across the enterprise will be critical to thriving in future disruptions and shaping the organization for success.



## ABOUT THE SURVEY

FTI Consulting collaborated with CFO Research of Argyle Advisory & Research Services to conduct the online survey, polling 325 CFOs and other senior finance executives in August 2020 with a mix of multiple-choice and open-response questions to better understand how CFOs and the finance function drive enterprise value. Most

(55%) of the respondents were CFOs or directors of finance; the other survey respondents included CEOs (7%), vice presidents of finance (14%), senior or executive vice presidents of finance (9%) and controllers (6%). The survey respondents represented companies with \$100 million or more in annual revenues, with 34% in the \$100 million

to \$500 million range, 27% in the \$500 million to \$1 billion range, 26% in the \$1 billion to \$5 billion range and 12% in the \$5 billion -plus category. Companies represented a full spectrum of industry sectors, including financial services/real estate, auto/industrial/manufacturing, healthcare, technology and retail/consumer.

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