t[m]c TECHNOLOGY MANAGEMENT CONCEPTS

CFOs in the spotlight

7 emerging trends that are changing the role of CFOs

Microsoft Dynamics 365

Empowering finance

The role of finance is undergoing a major evolution. In today's business environment, finance organizations are becoming even more elevated as corporations increasingly rely on the financial and strategic prowess of their financial leaders. Today, finance professionals are facing an array of new risks, responsibilities, and challenges, from managing a globally diversified business to mitigating new technology risks. They are responsible for reporting on the past, managing the present, and creating the future. The role of finance has become very important throughout the organization, and its influence only appears to be growing.

As finance professionals look to manage the new risks and challenges that have evolved with their role, many are leveraging new technology to help them thrive in this modern environment. With the tools available in Microsoft Dynamics 365, finance leaders drive corporate performance with real-time access to organizational and market data, better assess and manage risk with increased visibility with a single, integrated view into their organization, and grow their business with greater agility and efficiency. In this new era of finance, Microsoft is empowering finance leaders to transforming their organizations by increasing the speed of doing business, driving success today and into the future.

Emerging trends

The world is changing. Business is changing. A new generation of employee is forcing organizations to rethink how work is done, the rise of big data is providing business leaders with access to more information than ever before, and globalization has opened new opportunities as well as new risks for businesses.

As business has changed, so has the role of finance. Over half a century ago, finance leaders have gone from bean counters to the boardroom; the responsibilities of finance leaders have evolved to encompass everything from business strategy to operations to IT risk management. The role of finance now permeates all areas of business as its influence continues to grow.

The following will explore seven emerging trends in finance that will help empower finance professionals to drive performance, better assess and manage risk, and drive corporate strategy and growth for their business.

- 1 -

Evolving CFO role

- Executive summary -

The role of the CFO continues to evolve to include IT management, operations, and business strategy responsibilities.

- Highlights -

- Technology was identified by business executives as the most important external force shaping businesses.
- Only 35% of Fortune 500 and S&P 500 companies still have Chief Operating Officers, a decrease of 37% from 2000.
- 75% of CFOs reported spending 50% or more of their time on strategic aspects of their business.

- 1 -

Evolving CFO role

- CFO as the IT Leader -

One of the most discussed changes in the CFO role over the past decade has been taking on the management of technology.

This change has been the result of two major factors. The first is simply the growth of technology in all aspects of the corporate world. In a 2015 study by IBM, technology was identified by business executives as the most important external force shaping businesses.

Technology is everywhere throughout modern businesses, and while CFOs may not be able to code a website or set up a database, like technology, CFOs have also become ubiquitous throughout the organization.

Because CFOs have such a deep understanding of all the organization's operational units, they are a natural fit to oversee the technology that integrates these units.

Also, as a result of growing technology demands in the workplace, technology has become both a major expense and capital asset. Because of the financial demands, technology has created, it is important that CFOs have a comprehensive view of these large financial line items.

- 1 -

Evolving CFO role

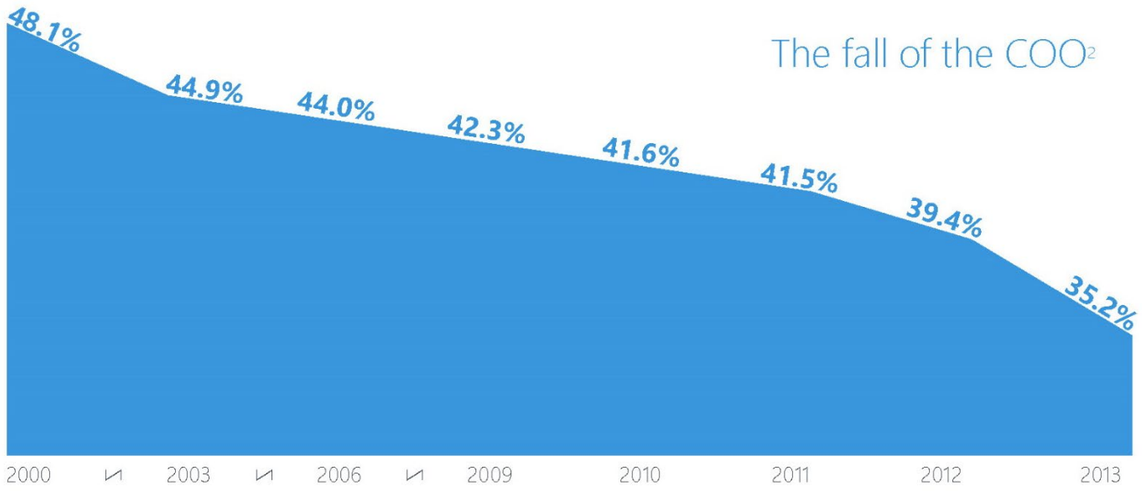
- The decline of the COO -

The reason CFOs have taken on a larger role in IT is the decline of the COO. In many organizations, as the COO role has been removed, their duties have been divided between the CEO and the CFO.

The second reason CFOs have taken on a larger role in IT is the decline of the COO. In many organizations, since the COO role have been removed, their duties have been divided between the CEO and the CFO.

*According to Crist | Kolder Associates, **only 33% of Fortune 500 and S&P 500 companies still have Chief Operating Officers**, a decrease of 45% from 2000.*

This is, in part, due to the fact that so many CEOs of major corporations came from the COO role, as is the case at 40% of Fortune 500 and S&P 500 companies.



- 2 -

Changing workforce

- Executive summary -

The workforce is changing. Millennials have different values and working styles than many older employees, and new technology is enabling a more mobile workforce.

- Highlights -

- Millennials will make up roughly 44% of the U.S. workforce by 2025.
- More than 71% of office employees work remotely at times.
- 39% of finance executives felt they were “barely able” or “unable” to procure the talent needed to successfully run their organization.

27%

Percent of Millennials who are self-employed

45%

Percent of Millennials who said they would choose workplace flexibility over pay

- 2 -

Changing workforce

- The Rise of the Millennial workforce-

Millennials are already having a huge impact on today's work environment, and their influence is on the rise.

The offspring of the Boomer generation now make up the largest generation in American history, with over 75 million individuals born between 1977 and 1998 in the U.S. According to data from the Bureau of Labor Statistics, Millennials will make up roughly 44% of the U.S. workforce by 2025.

Millennials are extremely well educated, tech savvy, entrepreneurial and diverse. Easy transportation and digital connectivity has made Millennials the first global generation. In fact, they're the world's most diverse and globally minded generation in American history.

Hispanics, Blacks, and Asians make up well over a third of the Millennial population, and in 2012, Millennials accounted for 29% of Americans who traveled abroad.

Not only do they want to explore the world, Millennials want to make it better. Seventy-nine percent of Millennials said they want to work for a company who positively impacts society, with 44% stating they'd actively pursue such companies.

- 3 -

Greater visibility

- Executive summary -

As new technology improves data collection and accuracy, advanced analytics technologies are making big data more accessible, giving finance professionals greater visibility into their organizations.

- Highlights -

- 41% of finance professionals cited inconsistency in measurement methodology as their biggest obstacle to analytics success.
- New technology, from smaller sensors to more ubiquitous internet access, now provides finance professionals access to faster, more reliable data.
- New analytics tools help finance professionals with detection, classification, probability, and optimization.

- 3 -

Greater visibility

- CFOs get greater visibility -

As finance professionals adjust into more strategic business leadership roles, the importance of having objective data to analyze is increasingly important.

Big data has delivered big promises, but one of the most significant challenges for big data has been managing the volume and speed. A 2015 study by IBM reported that 2.5 quintillion bytes of data are created every day, so much that 90% of all data in the world has been created in the last 2 years.

Without the tools to better leverage their data, its users have remained relatively niche, but with more intelligent and powerful cloud computing, big data is finally moving into new areas, helping finance leaders to close books faster, deliver more accurate reporting, and build more intelligent business strategies.

- 4 -

New growing pains

- Executive summary -

As they grow their business, many finance professionals must manage new challenges, from managing business growth in a complex economic environment to managing businesses that are more global than ever.

- Highlights -

- Since 2010, there has been a major shift in corporate acquisition types, from absorption deals to transformational deals.
- IP theft cost U.S. businesses more than $300 billion in 2013, with China accounting for roughly 80% of all IP theft from US-headquartered companies.
- 87% of global consumers consider corporate social responsibility (CSR) when making a purchase decision.

- 4 -

New growing pains

- Challenges in managing growth -

As many businesses have enjoyed growth, this success has not come without its challenges.

Many of these growing pains have fallen on the shoulders of finance professionals from managing business growth in a complex economic environment to managing businesses that are more global than ever before.

On top of this, they need to manage customer trends and preferences that are evolving with the growing economic power of the Millennial generation.

Managing a global workforce

In today's global work environment, more companies are opening offices abroad in search of new talent, resources, and lower labor costs, but with all the benefits comes new risks, perhaps the most prominent of which is IP theft.

IP theft cost U.S. businesses more than $300 billion in 2013, according to The National Bureau of Asian Research, with China accounting for roughly 80% of all IP theft from US-headquartered companies.

- 5 -

Emerging risks

- Executive summary -

With new responsibilities comes new risks for financial professionals, including new IT security risks, risks of globalization, and risks pertaining to changing workforce demographics.

- Highlights -

- The estimated cost of a data breach in 2015 was $3.8 million.
- Virtually all of the world's largest retailers, from Walmart to Tesco to Carrefour, have had to pull out of foreign markets after attempting to establish a local presence.
- 41% of CFOs reported that employees who are unprepared for retirement make it difficult to control workforce costs.

- 5 -

Emerging risks

- CFO as a risk manager -

With the laundry list of new capabilities and responsibilities comes a list of new risks. Perhaps foremost on that list are legal regulations.

From the anti-monopoly laws of the 1950s to the Sarbanes-Oxley Act of 2002, finance professionals have had to adapt to a variety of new regulations throughout time. While some of these have merely altered processes, many have changed the way CFOs lead their businesses altogether. Even within the last few years, new standards and regulations are stirring the pot again, as organizations like COSO and FASB are trying to update to reflect the modern world.

Finance leaders are also facing an expansive new set of risks that come with technology—the most serious of which are perhaps external security risks. From Target to Home Depot, even companies with large and sophisticated security measures in place are still at risk from being targeted by hackers. While data breaches of consumer information can certainly damage a business's reputation, the possibility of leaking confidential financial information and business plans could be detrimental to a business and a finance leader's career.

- 6 -

Evolving regulations

- Executive summary -

New regulations are changing how businesses approach finance.

- Highlights -

- Regulation compliance cost American businesses $1.86 trillion in 2013.
- At any given time, roughly 20% of public firms are deliberately misrepresenting economic performance by an average of 10% of earnings per share.

- 6 -

Evolving regulations

- Regulations continue to change -

Evolving regulations have proven to be a large challenge for finance professionals, creating political uncertainty, compliance issues, skill gaps, and legal woes.

Additionally, they can also create a large financial burden for businesses. A 2014 study by CEI found that regulation compliance cost American businesses $1.86 trillion in 2013, more than the world's 10th largest economy. From Revenue Recognition, to internal controls to managing local laws as businesses move abroad, finance leaders are tasked with managing these changes.

Revenue Recognition is shaking up finance departments

These new rules, created by the FASB and IASB, are attempting to simplify and clarify the rules by which revenue is reported by breaking it down into a five-step model.

The steps are largely focused around defining a contract and identifying the point at which goods are exchanged. While meant to be easier, these new simplified rules are complicating things for some businesses, particularly for businesses with complex contracts and for emerging business models.

- 7 -

CFOs in the spotlight

- Executive summary -

CFOs and finance organizations have been thrown into the spotlight due to a rise in power, the growth of institutionalized investors, and a handful of high-profile scandals that shook up the business work in the early 2000s.

- Highlights -

- Due to the growth of the CFO role and of institutionalized investing, many CFOs have been forced into the public spotlight.

- Top performing companies were able to release their earnings an average of 15 days after their annual consolidation financial statements, compared to a mean of 25 days.

- 7 -

CFOs in the spotlight

- The new public role of the CFO -

Before the mid-1980s, managing a company's investors was relatively easy for CFOs. Shareholders were generally an easily defined group with clear motivations and expectations.

But with the growth of sophisticated private equity firms in the mid-1980s—coupled with a transformation of share registers—CFOs now had to deal with institutionalized investors, which comprised the majority of shareholders at large firms by the mid-1990s. While the CFO's influence had been growing internally for decades, this shift in stakeholders pushed many CFOs into the public spotlight for the first time.

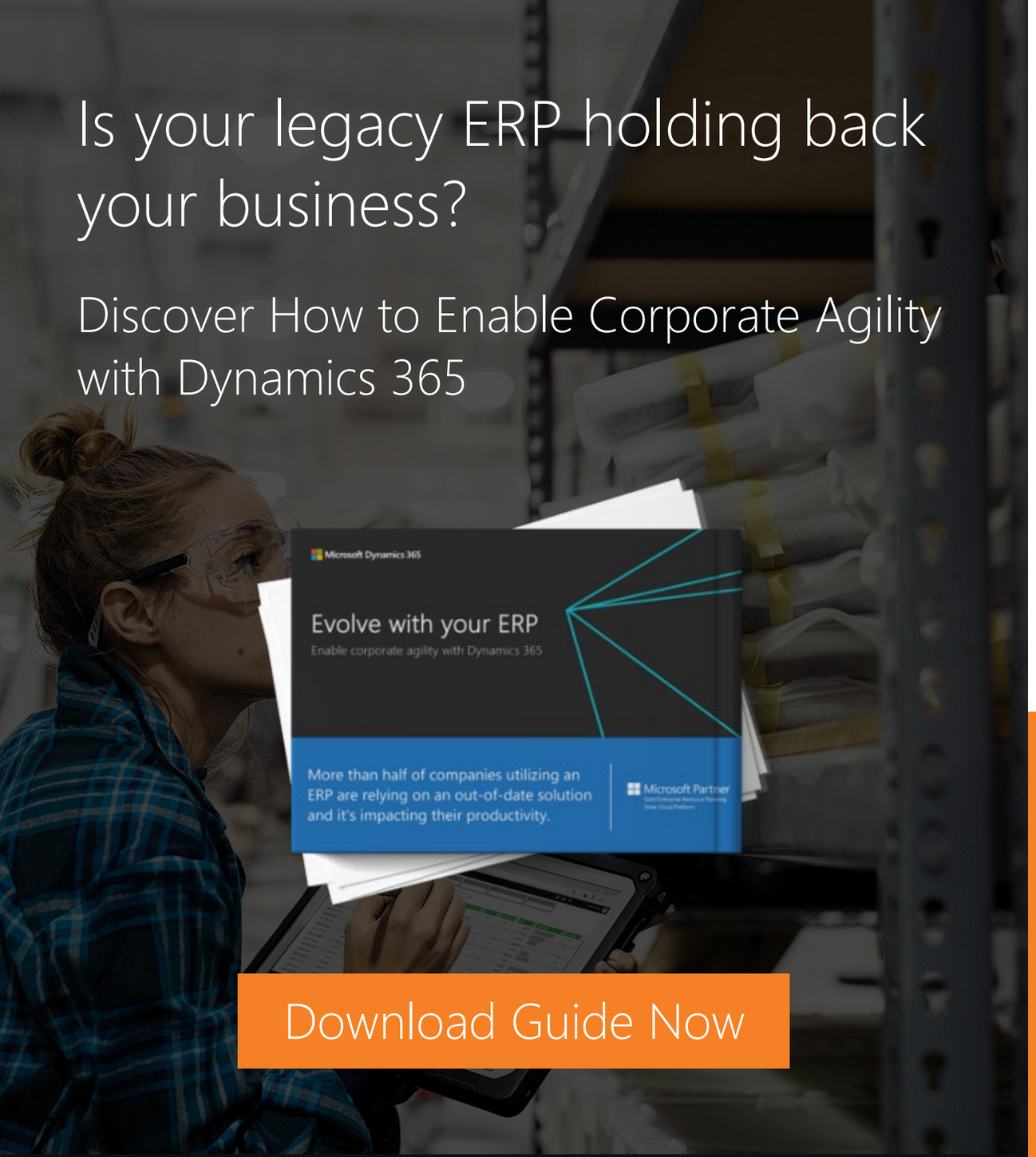
Institutional investors

Since the growth of institutionalized investing in the mid-1980s, CFOs have played an important role in managing these relationships, and as the demands from Wall Street increase, so will the need for CFOs to directly engage with investors.

Today's CFOs should plan on spending at least 20% of their time in investor relations. Of the emerging roles of the CFO, this new public persona is often one of the largest challenges for many of today's finance leaders, who are often known more for their discretion than their yearning for the spotlight.

Is your legacy ERP holding back your business?

Discover How to Enable Corporate Agility with Dynamics 365



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