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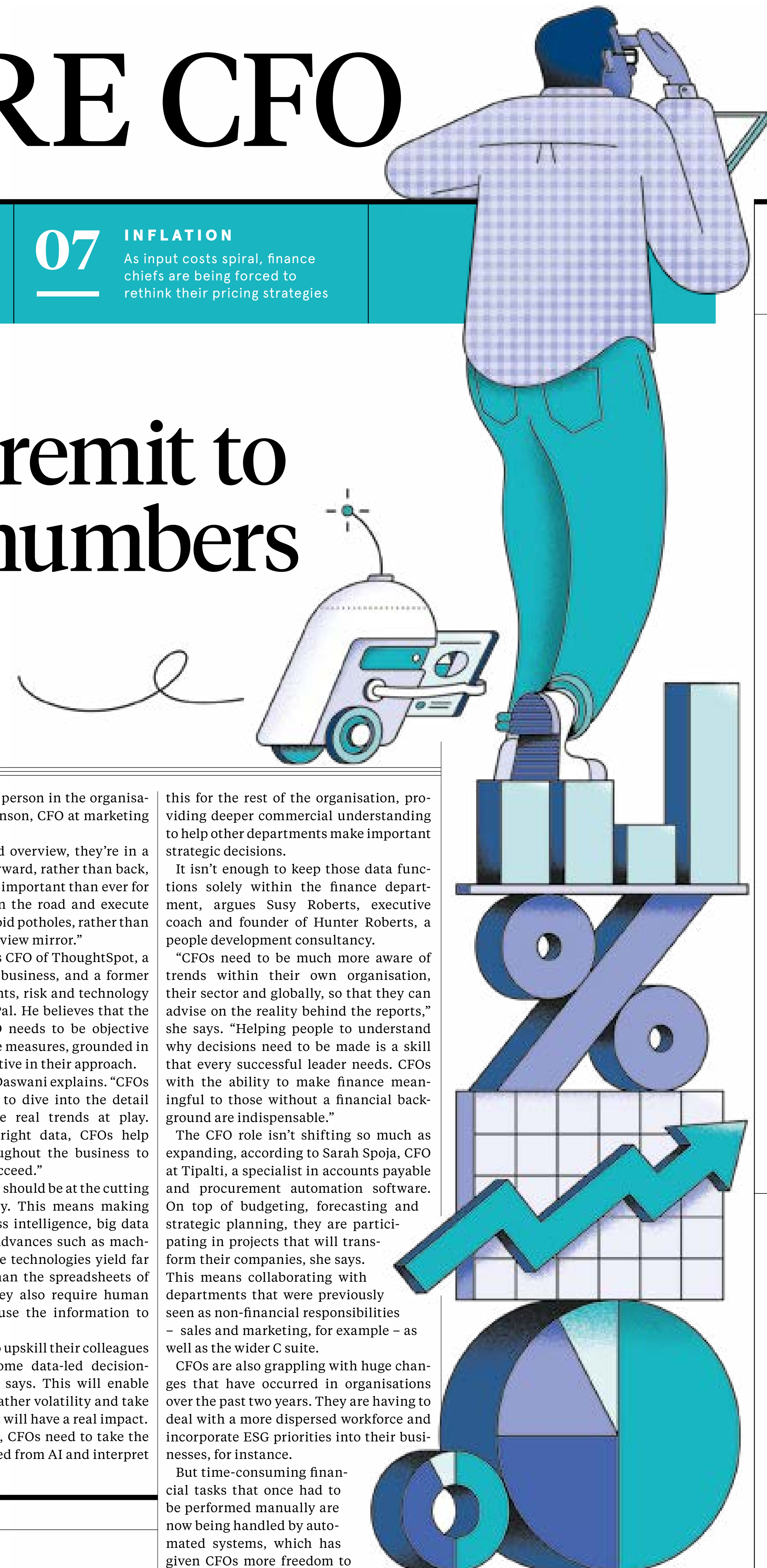
THE FUTURE CFO



STRATEGY

CFOs extend their remit to go far beyond the numbers

Several factors have combined in recent years to allow finance chiefs to enlarge their sphere of influence. So much so, in fact, that their role could be described as 'chief collaboration officer'

Marianne Curphey

Advances in IT and pandemic-driven commercial pressures have accelerated the evolution of CFOs, transforming them from financial managers into strategic masterminds.

While their role historically focused on compliance, reporting and financial management, CFOs must also serve as consultants and communicators. Using real-time data and analytics, they are providing insights into their companies' operations, influencing their strategic direction.

"The biggest change in the CFO's role over the past five years is that it's gone from tactical financial manager to strategic partner to the CEO," says Mike Beach, CFO of Chargebee, a revenue management platform. "Since the onset of the pandemic there has been an even greater focus on data. Companies are really drilling down into the different parts of their business, trying to understand the numbers and identify opportunities and efficiencies."

Handled effectively, this material can give crucial insights into not only the finances of the organisation, but also its ESG credentials, its progress on diversity and inclusion, and its long-term trajectory.

The CFO brings a detailed grasp of figures, along with an understanding of the company's strategy and the very latest information about the conditions in its markets. Such factors mean that they are well placed to act as the custodian and interpreter of the wealth of data that's generated by their organisation.

"CFOs are serving as valued advisers and consultants to the entire executive team," Beach says. "They are responsible for planning years ahead, anticipating markets and building road maps for long-term success."

Chitra Balasubramanian, CFO at software development platform CircleCI, notes that CFOs are the first to analyse the implications of a particular problem, mitigate risk and determine the best next step.

"They offer huge value in bridging teams within a business as well as communicating to external audiences," she says. "They are vital in fundraising, supporting the company and understanding how customers will react to changing business models. They go beyond the numbers and understand all aspects of their enterprise."

> **The CFO's role has gone from tactical financial manager to strategic partner to the CEO**

Gone are the days of the siloed CFO. The role is shifting from 'chief accountant' to 'chief insights officer', becoming much more operational in the process.

The CFO has a better view across the businesses "and a more holistic lens" than perhaps any other person in the organisation, says Will Johnson, CFO at marketing platform Iterable.

With such a good overview, they're in a position to look forward, rather than back, he adds. "It's more important than ever for CFOs to look down the road and execute lane changes to avoid potholes, rather than staring in the rear-view mirror."

Mohit Daswani is CFO of ThoughtSpot, a unicorn analytics business, and a former CFO of the payments, risk and technology businesses at PayPal. He believes that the new breed of CFO needs to be objective about performance measures, grounded in data and collaborative in their approach.

"Data is power," Daswani explains. "CFOs must be prepared to dive into the detail to understand the real trends at play. Armed with the right data, CFOs help stakeholders throughout the business to collaborate and succeed."

To this end, CFOs should be at the cutting edge of technology. This means making full use of business intelligence, big data analytics and AI advances such as machine learning. These technologies yield far greater insights than the spreadsheets of yesteryear, but they also require human interpretation to use the information to plan effectively.

"CFOs can help to upskill their colleagues so that they become data-led decision-makers," Daswani says. This will enable the business to weather volatility and take timely actions that will have a real impact.

In their new role, CFOs need to take the information gleaned from AI and interpret this for the rest of the organisation, providing deeper commercial understanding to help other departments make important strategic decisions.

It isn't enough to keep those data functions solely within the finance department, argues Susy Roberts, executive coach and founder of Hunter Roberts, a people development consultancy.

"CFOs need to be much more aware of trends within their own organisation, their sector and globally, so that they can advise on the reality behind the reports," she says. "Helping people to understand why decisions need to be made is a skill that every successful leader needs. CFOs with the ability to make finance meaningful to those without a financial background are indispensable."

The CFO role isn't shifting so much as expanding, according to Sarah Spoja, CFO at Tipalti, a specialist in accounts payable and procurement automation software. On top of budgeting, forecasting and strategic planning, they are participating in projects that will transform their companies, she says. This means collaborating with departments that were previously seen as non-financial responsibilities – sales and marketing, for example – as well as the wider C suite.

CFOs are also grappling with huge changes that have occurred in organisations over the past two years. They are having to deal with a more dispersed workforce and incorporate ESG priorities into their businesses, for instance.

But time-consuming financial tasks that once had to be performed manually are now being handled by automated systems, which has given CFOs more freedom to operate outside the accounting silo. As a consequence, they have been able to take more value-adding work.

"The role of technology in modernising financial processes is crucial in enabling CFOs to break out of their 'finance only' bubble," Spoja says. "This enables them to focus on high-impact initiatives and lead on wider business strategy."

The global economy is being driven by technology and digitalisation in particular, putting leaders and their teams under pressure to adapt quickly. The new breed of CFO is in a unique position to aid this process. They can become role models for adopting digital transformations and all the tools that go along with them.

"The CFO is a strong, central role. It is critical in both stabilising and accelerating the business," says Thomas Seifert, CFO at Cloudflare, a cybersecurity specialist. "Digital transformation is putting a lot of pressure on companies to change and adapt their business models – and CFOs are at the centre of this."

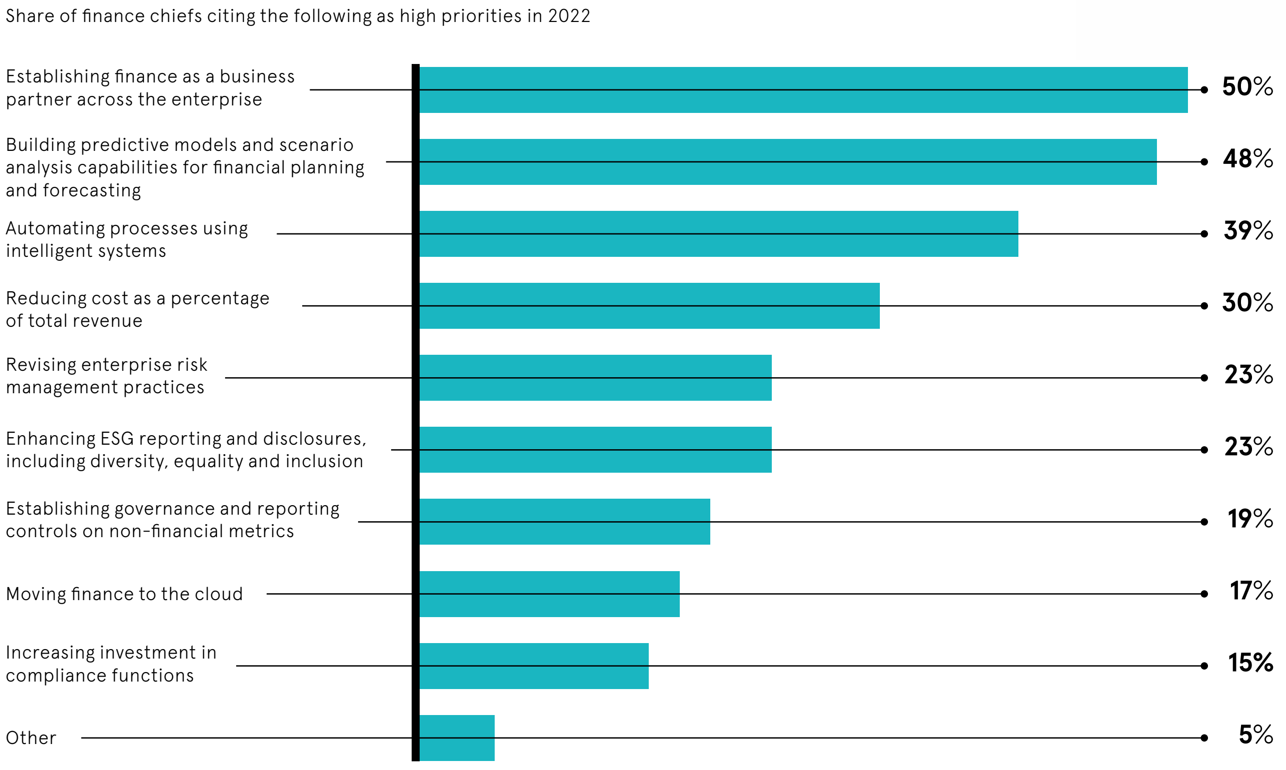
CFOs are in a unique position, he adds, because they can find a way forward by analysing data to understand corporate and industry trends. They are pivotal in product innovation, for instance, because they can report on purchasing behaviour.

> **Armed with the right data, CFOs help stakeholders throughout the business to collaborate and succeed**

"Controlling and reporting numbers isn't all that's important to the CFO anymore," Seifert says. "The CFO is the guardian of a company's most valuable asset: data. Data science and analytics is as important for the CFO as traditional accounting has always been to finance roles."

CFOs ARE PRIORITISING COLLABORATION ACROSS THE BUSINESS

Share of finance chiefs citing the following as high priorities in 2022



PwC, 2022

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Accessible tech empowers the CFO as a strategic business partner

To thrive in a volatile landscape, organisations need their CFOs to be trusted business advisers. But this can only happen with powerful technology that everyone can use with cognitive comfort

From stay-at-home mandates to havoc in supply chains, and rapid inflation growth to war in Europe, today's business leaders have never had to deal with so much volatility on such a global scale. Those who have adapted with the most agility and resilience share a key asset: a business-minded CFO. Beside every successful CEO is a strategic CFO who is helping to guide the business through change.

This marks a stark evolution in the role of the CFO, from back-office bean-counter to trusted business adviser and change agent. Alongside the CEO, the CFO now has the most critical role in driving sustainable growth and managing the increasingly complex risk landscape. Yet in a business environment where unprecedented problems need solving, this is not an easy task.

Traditional finance functions, which look in the rearview mirror to evaluate performance, are a thing of the past. To be successful, both in their own right and for the benefit of the wider business, CFOs must now be forward thinking, analysing real-time financial and operational data to disseminate the right insights to the right stakeholders at the optimal time. They also need to act as a conduit for collaboration by aligning departments around key objectives.

"Finance has to be ingrained as a proactive business unit, rather than a back-office support function," says Steven Lockwood, VP UKI at Vena. "Businesses need to be more agile and resilient in the face of disruption, and the CFO as a change agent, rather than a change inhibitor, must lead the way that organisations change and adapt to a dynamic environment.

"The business partnering paradox has existed for years. Who can enable different parts of the business to work together when fundamentally they're looking at different things? The CFO is best positioned to play that collaborative role, ensuring everybody is working from the same numbers and in the same direction. Therefore, it's important for the CFO to serve as a facilitator across the different business units, steering how they outrun competitors, rather than just being a hard-nosed numbers person who sits at the back listening to what's going on."

The best CFOs today are not just analytical. They have an acute commercial awareness and understanding of risk, combined with more contemporary, softer skills like self-awareness, empathy and humility. But there are several issues still holding them back from fulfilling their new strategic business partnering role.

The first is the prevailing perception of finance as more of a back-office inhibitor of change than a change agent helping the business remain relevant. This is not only an outside perception but many people within finance also have that perception of themselves. The CFO's collaborative abilities are crucial here; they must communicate the finance function's new role internally and externally.

Second, even if the CFO possesses the skills to be a trusted business adviser, there is still a skills gap in the wider finance function. The leading accounting bodies are seeking to close that gap by offering courses on how finance professionals have to be agile, technically minded, innovative and drivers of business change, as opposed to simply understanding the numbers.

Finally, CFOs require the necessary tooling and technology to successfully fulfil their new role. This is a mammoth task given that most finance functions are still dominated by archaic, manual processes. As a result, finance teams spend far more time on basic data collection and analysis than crucial forecasting, planning and other higher-value business partnering activities. A high proportion of this analysis is still being undertaken in Excel, due to the requirement for flexibility, agility and commonality across users.

To better serve as strategic business partners, CFOs are leveraging technology that connects people, departments, processes, systems and data to more effectively facilitate change across the organisation. This technology must be flexible and, crucially, accessible. Technology will only be embraced pervasively if all users can adopt it with a sufficient degree of cognitive comfort.

> **The CFO as a change agent, rather than a change inhibitor, must lead the way that organisations change and adapt to a dynamic environment**

"We all work best with something that is comfortable to use," says Lockwood. "That is why the iPhone was such a success because it was designed in a way that anyone could use with ease. You focus on solving the problem rather than how to operate the tooling. This is evident in cases where CFOs try to implement a technology that people don't like or understand or want to work with. When people don't buy in, you quickly see an emergence of shadow IT which helps no one.

"Vena overcomes this issue by powering finance-led business planning and real-time reporting with a tool whose front-end is something everybody can use with cognitive ease: spreadsheets. Spreadsheets have been around for over 50 years and they aren't disappearing in any way. Why? Because people are comfortable with using them. We know Excel and spreadsheets are still dominant through finance, which is why Excel is at the core of our platform."

Vena's Complete Planning and Analysis platform can be owned and operated by finance with minimal reliance on IT. The platform streamlines financial and operational planning, connecting disparate source systems to provide a holistic, up-to-the-minute view of business performance. It also provides accurate reporting and analytics, while automating manual processes to free up time for value-added analysis. The platform's multi-dimensional modelling capabilities power rapid scenario planning and analysis, with embedded business intelligence delivered through data visualisations and interactive dashboards. Most importantly, its intuitive interface means anyone can use it, driving rapid adoption across the business with facilitation by finance.

One organisation which has embraced the technology is Citizens Advice, a prominent national charity specialising in offering free confidential information and advice for people with benefits, debt, consumer, housing and other issues. Since using Vena, Citizens Advice has been able to significantly enhance how it manages workforce planning, which is a large proportion of many of its budgets.

"Digital and technological change is a crucial part of finance transformation, but it happens alongside processes, people and culture. The ability to take our spreadsheets and make them much more powerful in Vena has been integral to our journey," says Josh Weinberg, head of financial systems and change at Citizens Advice. "We also have to manage high levels of cross-charging and allocations at a very detailed level, which is easily supported within Vena. And we have been able to use Vena's scenario dimension to improve how we manage in-year changes to funder budgets, which as a charity is important.

"The ability to glean insight from raw data is key to strategic finance. A platform which can consistently, automatically and visually present relevant and timely data enables senior management, budget holders and their finance business partners to focus their time and skills on analysing the numbers, rather than worrying about the quality or relevance of the datasets. When it's easy to scenario plan, you are in a better place to manage whatever comes at you."

For more information, visit grow.venasolutions.com/times

CAREERS

Convertible assets: the skills of a thoroughly modern finance chief

The CFO's role is evolving fast. While technical chops remain important, a pure accounting background is no longer seen as a prerequisite for success

Karam Filfilan

If you look at the CFOs at most big companies, you'll see a group of people with similar backgrounds, usually built on solid accountancy and finance experience. But the changing nature of the role has opened the door to a wider range of people.

The challenges facing businesses in the future of work are turning the job into an increasingly strategic one. Yes, bookkeeping, financial reporting and compliance are still important, but these tasks are being delegated down the chain.

Instead, CFOs are focusing on influencing business strategy, leading teams and performing complex data analysis. The era of the pure number-cruncher is coming to an end, with finance chiefs coming from backgrounds ranging from marketing to biomedical science.

McKinsey & Co's latest global survey on the role of the CFO shows how its remit is evolving. Between 2016 and 2021, the percentage of CFOs responsible for investor relations grew from 44% to 64%. It was a similar story in post-merger integrations (32% to 43%), procurement (34% to 42%) and digital operations (9% to 31%).

In this context, it's unsurprising that the profile of CFOs at forward-looking firms is evolving. But what benefits can such experience bring?

> **It's about influencing business outcomes. That requires developing deep relationships with other departments**

Sabrina Castiglione is CFO at information security software provider Tessian. Her academic background is in chemistry. Despite having spent five years working as an actuary, she believes that a traditional accountancy background isn't the most important preparation for the role.

"A modern finance function is split into two arms. One is business as usual, looking backwards at compliance and regulation," she explains. "As a CFO, once you have a good team running that, it isn't where your time is spent. It's on the financial analysis and planning side, where you're optimising for business outcomes."

Castiglione joined Tessian in its infancy in late 2016, becoming the organisation's seventh recruit. She joined as chief of staff, expanding her role to take responsibility for finance, HR, IT and legal matters. As the business developed, her involvement in fundraising and financial modelling increased. Her role was formalised as CFO in 2018. It was only then that she took her accountancy exams.

Castiglione believes the challenges faced by startups and scaleups mean that their CFOs need to be more operationally minded than those in more established firms.

"Startups move so quickly that even quarterly plans can be ripped up," she says. "Having a CFO who is aware of the big picture is key, especially for businesses backed with venture capital, where the constraint is time, not money. It's about understanding the drivers and the blockers to making the business go faster."

> **I've lived through real step changes in our world, so I know how you need to adapt to chaos, which has been a massive plus**

As with other C-level roles, this requires CFOs to develop effective relationships throughout their organisations. Emotional intelligence is important in such work, as is the ability to understand the specific operating model of your company.

"If as CFO you are spending all your time on accounting rather than with the sales team, people team and tech team, your focus is wrong. Accounting is important, but it's about influencing business outcomes. That requires developing deep relationships with other departments," Castiglione adds.

Catherine Birkett is at the other end of the experience scale. She spent 14 years as CFO of Interoute, helping to increase the telco's revenue to £750m and managing the company's eventual acquisition by US firm GTT Communications in 2018 for £1.7bn. She is now CFO at fintech unicorn GoCardless, a specialist in recurring payments.

Like Castiglione, she believes that the changing requirements of the CFO role mean that we'll increasingly see candidates from other areas taking on the job, particularly at high-growth businesses. But she thinks it will take a little while for them to emerge in numbers.

"The modern CFO's skill set is about getting a founder or CEO to believe you're not going to inhibit growth; that you're going to support the business in growing its top line; that you 'get' the commercial side; and that you're strategic, all while still having that solid accounting basis," Birkett says. "The problem is that there aren't masses of candidates like that out there. In 10 years' time there will be, but right now they're still coming through."

Birkett is a pioneering business-minded finance chief, having been promoted at the tender age of 31 to become CFO at Interoute, focusing on strategy and business development. She'd served as the firm's head of financial planning and analysis for four years, having spent five years with KPMG in training and transaction services.

Birkett admits to lacking experience in aspects such as audit and financial control, but she says that "hiring good people" to deal with that side was crucial in overcoming her early difficulties.

"It was quite unusual to come at the role from that side at the time. In retrospect, I had nowhere near enough experience to do the job. I was thrown in at the deep end and my first job was to raise some money to stop us going bankrupt," she says.

By the time she took on her second CFO role at GoCardless in 2019, Birkett had spent 18 years with Interoute. She'd been there when the dot-com bubble burst in 2000 and when the global financial system melted down in 2007-08. Such experiences have proved invaluable to her in helping the payment provider to navigate its way through the Covid crisis.

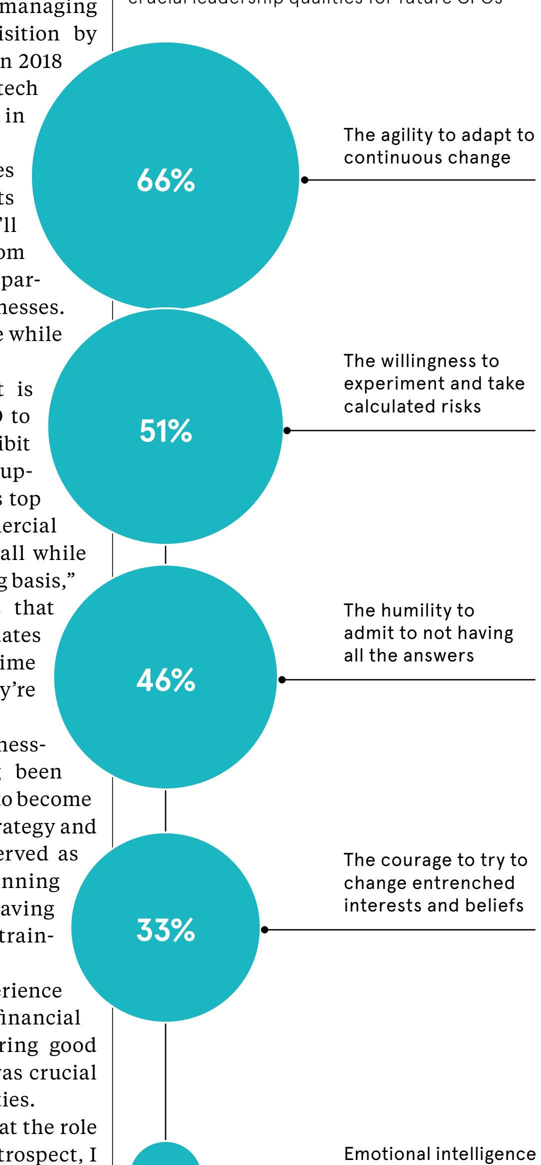
"I went from someone who at 31 was the most inexperienced member of the C suite – and continued being so for most of my time there – to coming to GoCardless and being the experienced one," she says. "I've lived through real step changes in our world, so I know how you need to adapt to chaos, which has been a massive plus to the business."

Does Birkett think that future finance chiefs will move even further away from the figures, focusing more on organisational design and operational management? Not with big data on the horizon.

"For a CFO of any business, the strategic side is super-important," she says. "But the ability to deal with data will become massively important too, so I think a numerical background will always be needed."

AGILITY IS A CFO'S MOST IMPORTANT LEADERSHIP QUALITY

Share of CFOs citing the following as the most crucial leadership qualities for future CFOs



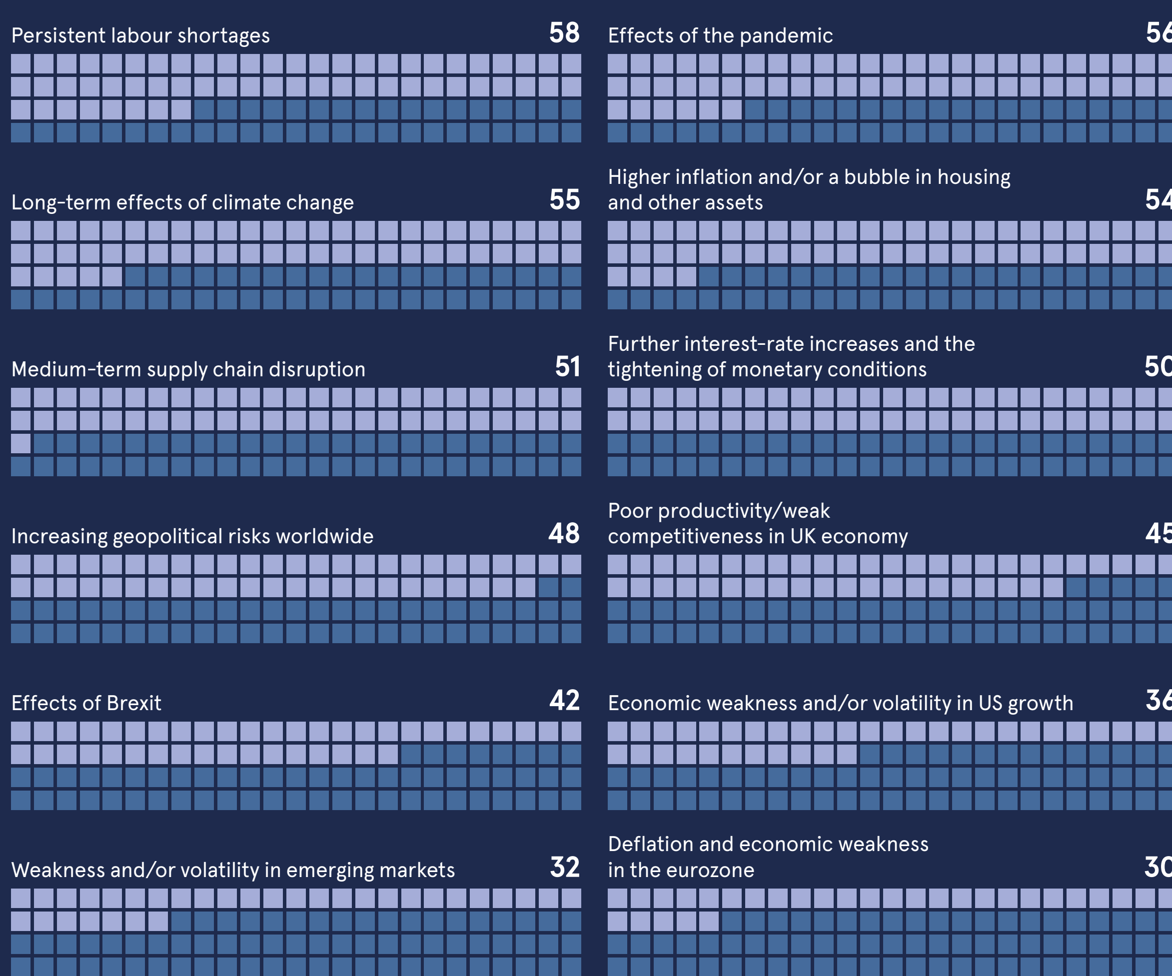
EY, 2021

CFO HOPES AND FEARS

The past two years have been a particularly turbulent period for business. The pandemic has disrupted the economy and shifted how we work, possibly forever, while Brexit uncertainties also continue to affect UK plc. Many finance chiefs have had to focus on keeping their companies afloat during the turmoil, but how are they feeling now as the new challenges of 2022 start to present themselves? Fears about rapid staff turnover top the list, but there are signs that optimism is growing on both sides of the Atlantic.

WHAT ARE CFOs MOST WORRIED ABOUT?

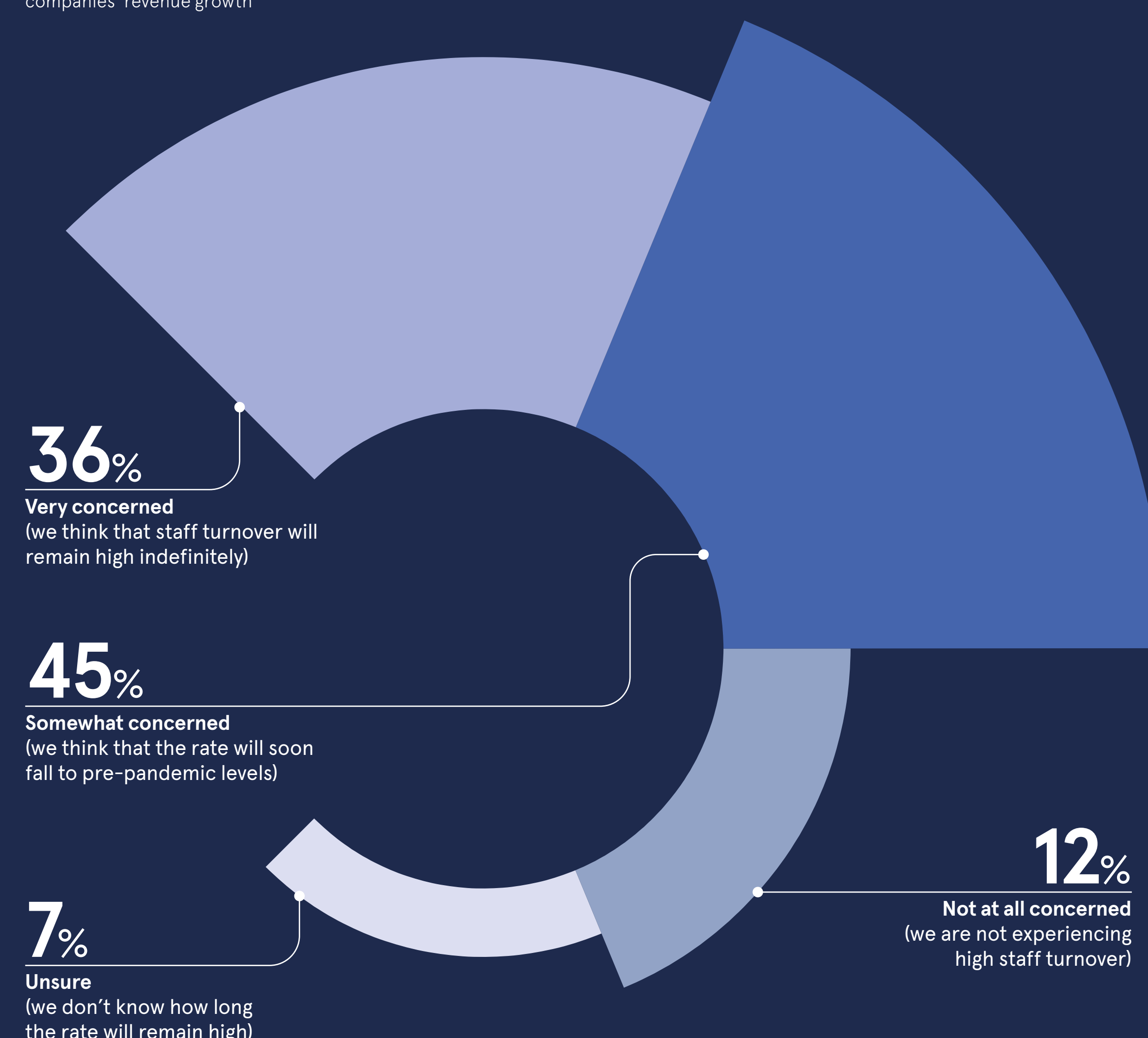
Weighted-average ratings on a scale of 0 to 100, where 100 stands for the highest possible risk to business, as judged by UK CFOs



Deloitte, 2022

EMPLOYEE CHURN IS A KEY CONCERN FOR CFOs IN THE US

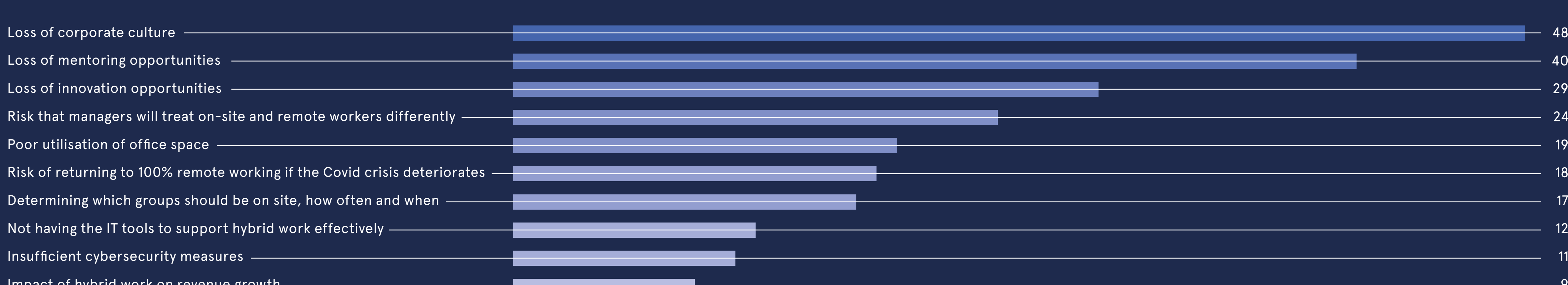
Percentage of US finance chiefs who say they are concerned about the impact of high staff turnover and labour shortages on their companies' revenue growth



PwC, 2021

THE BIGGEST THREATS TO THE SUCCESS OF HYBRID WORKING

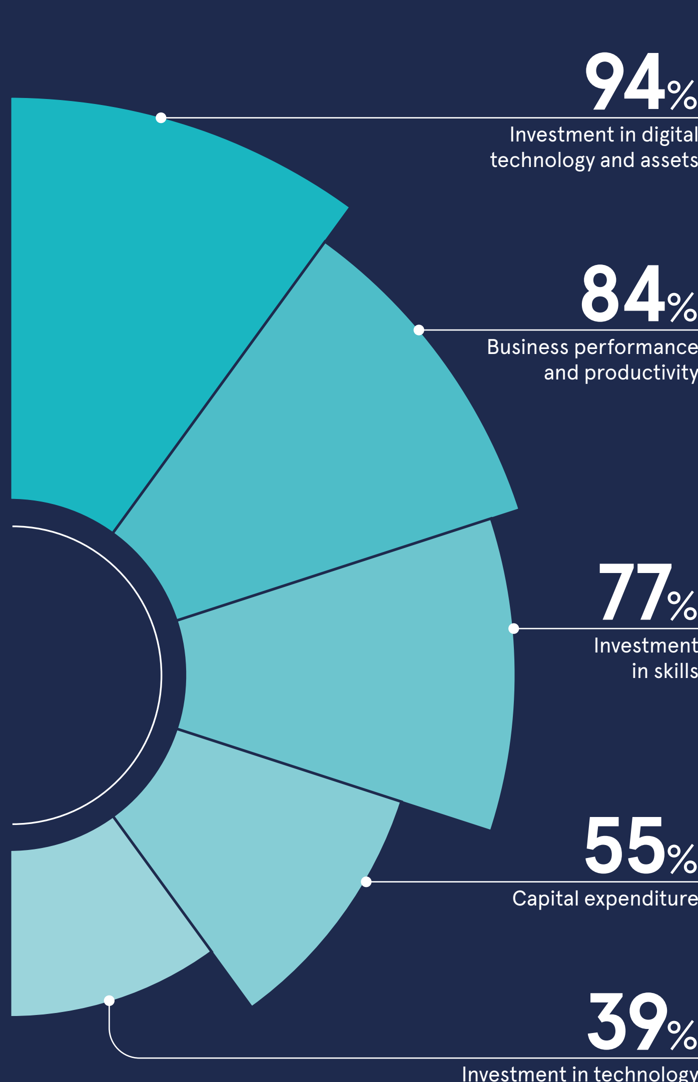
Percentage of finance chiefs from Fortune 1000 and private companies in the US who say the following are the main challenges



PwC, 2021

PRODUCTIVITY AND INVESTMENT ARE ON THE RISE

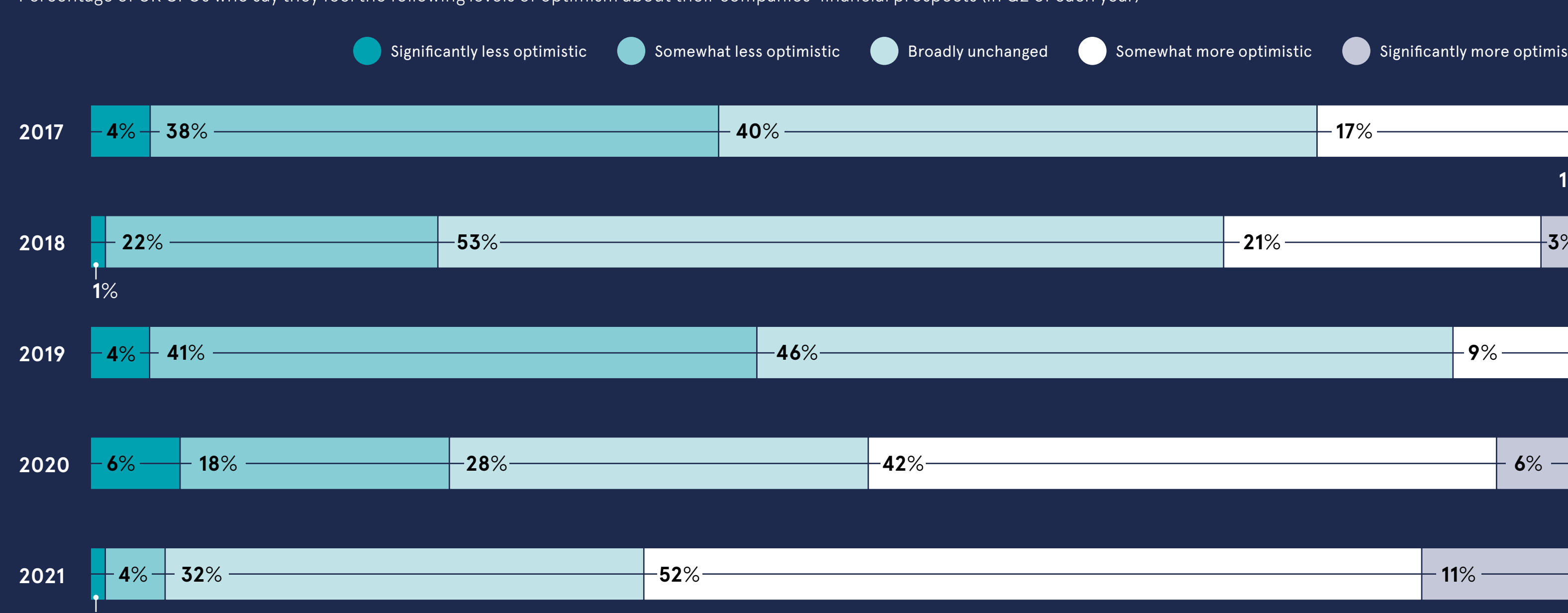
Percentage of UK CFOs who expect the following to increase, relative to the pre-pandemic trend, over the next three years



Deloitte, 2022

OPTIMISM AMONG CFOs IS GROWING

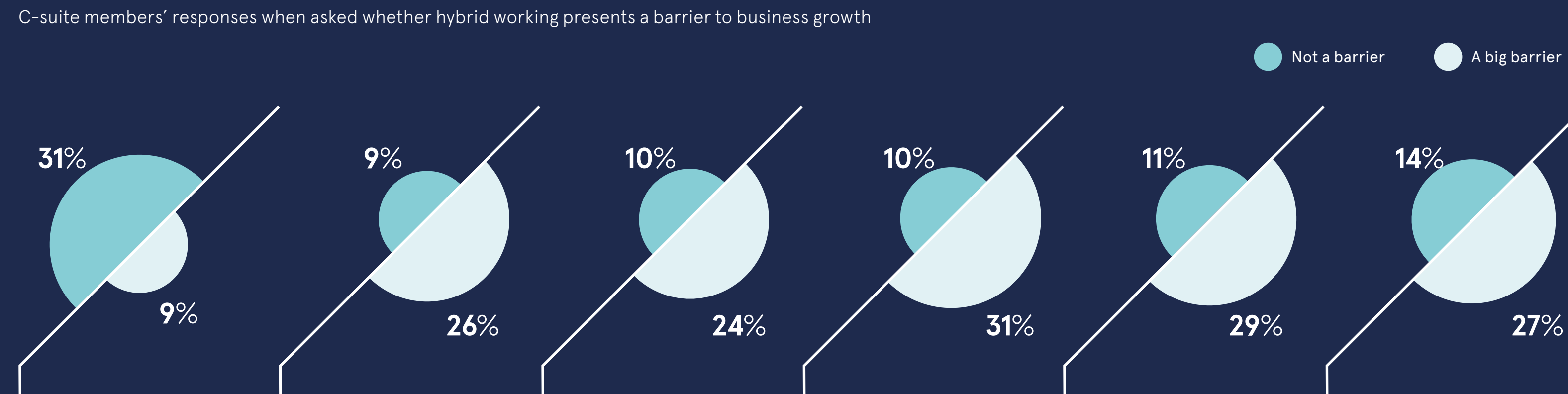
Percentage of UK CFOs who say they feel the following levels of optimism about their companies' financial prospects (in Q2 of each year)



Deloitte, 2021

CFOS ARE LESS WORRIED THAN THEIR C-LEVEL COLLEAGUES ABOUT HYBRID WORKING'S COMMERCIAL IMPACT

C-suite members' responses when asked whether hybrid working presents a barrier to business growth



PwC, 2021

Commercial feature

Q&A

CFO Playbook - How to avoid becoming another finance transformation horror story!

Matt Benaron, director at VantagePoint, shares his practical steps on how your organisation can avoid becoming another finance transformation horror story in 2022

Q Why do many organisations end up in these finance transformation horror stories?

A From our experience there are always a few common ingredients.

The first is a lack of alignment with business ambitions. It comes back to the way traditional finance was perceived as being a back-office function. This can lead to technology and transformation initiatives not being linked to business objectives and failing to add value to the wider business.

The second is the "band aid approach" - the habit of consistently buying tech solutions that solve one small pain point. This results in a series of systems linked together in a haphazard fashion. Data integration becomes a problem and most people revert back to their old spreadsheet-based processes.

The third is poor communication. Finance folks aren't the greatest sales people and this can be challenging when it comes to rallying the business behind change initiatives. The 'why' and 'how' are not relayed in a compelling manner that allows wider stakeholders to understand the difference between "this new budgeting and forecasting system will allow us to move away from Excel" and "this new budgeting and forecasting system will allow us to spend 60% more time on value-add work such as scenario modelling".

Finally, the day-to-day life of the finance function can be incredibly hectic. A new change programme is often the last thing you want to balance with business as usual which can cause delays.

Q How should finance try to align more closely with business ambitions?

A Finance must break away from its former back-office perception. This is done by consulting each business function and understanding where finance can add value.

The transformation initiatives that you embark upon can be easily linked to finance supporting your growth ambitions. It often helps to start with a tagline to bring focus. One of our clients said: "I'm going on the M&A warpath over the next three years; give us a finance function to support this". This allowed teams to focus on a goal and design the processes and systems needed to reach it.

Q Technology and systems are a hot topic at the moment. How do we avoid the 'band-aid' approach and get it right?

A Buy strategic platform solutions. There are so many solutions on the market now that can handle a multitude of cases and don't cost the earth. Moving past the constraints of only looking at two to three large technology vendors allows us to have many fantastic options. Free online resources can guide you through this buying process or you can leverage an external partner.

When it comes to finance supporting business ambitions, think about how much easier it is to derive insights from a simplified, connected tech landscape than the complex web of legacy systems and spreadsheets.

Finally; think about what the business will need two to three years from now. One of the biggest mistakes is having an "it'll do for now" mindset. The time, energy and expense it takes to "rip and replace" after two years is never worth it. If you see the business outgrowing the technology within five years there's probably a better option out there.

Q How do we begin to get everyone on board with change?

A Finance needs to think like a marketing department. If we look at the type of large-scale change finance is involved in, such as totally overhauling an ERP or changing the way investors will consume reports around key metrics, if the messaging around the why and how this is happening doesn't land, it makes it difficult to keep people on board.

The first step is to aim for small incremental deliverables rather than a "big reveal". At VantagePoint we leverage agile methodologies which allow us to regularly play back our results to stakeholders. This might not be for everyone but, due to extended timelines, we find the more traditional consulting approach can lead to a lack of engagement from the team. We've all heard the tales of multi-million pound projects getting abandoned. Avoid being another horror story by incrementally delivering value and staying true to business ambitions.

Q How do organisations avoid the trap of "starting after next year end" and begin to make changes, when people are busy?

A Much of this mentality comes from a time when installing any system or embarking on a transformation project with a consulting firm was viewed in years rather than months and weeks. It's understandable but no longer the case. Today we can make great strides in a short time by deploying cloud-based technology and working in an agile fashion.

With the amount of information available at your fingertips there is so much you can do for free without the need for massive external spend. We try to think about our work in blocks. A frequent question is; "what can we do in 8-12 weeks that will provide tangible value and take us one step closer to our goal of being IPO-ready?"

Looking at balancing your everyday work and trying to make these incremental changes can be difficult and this is where you can lean on external support. We don't want to pull the finance team of a growing acquisitive business completely away from their day to day. Instead, think about a partner that can allow you to spend 80% of your time on business as usual and allocate 20% to giving quality input to your chosen consultancy.

Q What made you start VantagePoint and how do you help organisations avoid these nightmares?

A We started VantagePoint to provide an alternative to traditional consulting and technology options available to CFOs. It's our belief that areas of the market need a different approach that can take them from ideation all the way through to actually managing successful technology implementations.

It's impossible to avoid every finance transformation horror story out there but here are some steps to take away:

Firstly, get finance aligned with business ambitions and clearly communicate how this will take the business closer to its goals.

Secondly, make strategic decisions around both partners and technology to avoid many common pitfalls. Having 10 different consulting partners and seven different cheap solutions will eventually become unmanageable.

Finally, start today. Finance transformation doesn't have to be big and scary. Taking that first step will always be worthwhile no matter how small.

For more information please visit vantagepoint.consulting

VANTAGE POINT

SUSTAINABILITY

The future's green for CFOs

Issues of finance and sustainability are becoming increasingly intertwined, as investors demand ESG metrics alongside accounting data. How are finance chiefs dealing with this expanded remit?

Clare Gascoigne

Sustainability has entered the business mainstream. It's become an issue that affects how all companies operate and is a strategic priority for the C suite. As a result, CFOs are increasingly dealing with sustainability metrics that were once the preserve of the marketing and investor relations departments.

This is not necessarily an easy transition, reports Dafydd Llewellyn, EMEA general manager at insightsoftware, a provider of financial planning and reporting systems.

"It would make sense for sustainability metrics to be aligned with corporate health metrics and discussed using similar financial language," he says. "But this remains a challenge, given the lack of globally recognised [sustainability] reporting standards."

Unlike financial reporting standards, honed over decades by globally recognised forums such as the International Financial Reporting Standards (IFRS) Foundation, sustainability metrics are often poorly understood by investors. Different firms may prioritise different environmental, social and governance (ESG) goals, or pick and choose between different measures – shouting about reductions in electricity usage but staying silent on what's occurring in their supply chains, for instance.

But, as investors ask more awkward questions about sustainability, CFOs are starting to apply their skills to ESG metrics. The IFRS Foundation has created the International Sustainability Standards Board to develop a global baseline of disclosure standards that meet investors' needs. The Financial Stability Board has set up the Task Force on Climate-Related Financial Disclosures. And the United Nations has brought together a CFO task force for its sustainable development goals, arguing that, "as stewards of trillions of dollars in corporate investments, CFOs are uniquely positioned to reshape the future of corporate finance and investment as a catalyst for growth, value creation and social impact".

> Risk has always been fundamental to the CFO's role – and there's a widespread recognition that the greatest risk is our changing planet

All of these developments mean that sustainability issues have become a key consideration for the finance function.

"Sustainability work requires alignment with financial priorities such as ESG reporting, investor relations, capital management, carbon accounting, impact measurement, corporate development and even product development, says Debbie Clifford, CFO at design software company Autodesk. "Sustainability is evolving from a cost centre into a value driver. It isn't yet influencing top-line growth, but, as the regulatory pressures and costs of carbon emissions rise, we think it soon will be."

47% of business leaders have created KPIs and sourced data enabling sustainability value creation to be tracked and managed

44% cite an inability to define/prioritise ESG issues for disclosure as a barrier to measuring/reporting ESG performance

26% of CFOs agree that they have reliable data to underpin each key performance indicator on ESG

2.6x higher shareholder returns were achieved by firms with high ESG performance relative to those with a medium performance from 2013 to 2020

Accenture, 2022

It's certainly a factor to be reckoned with for companies seeking significant investment. Thai Union is one of the world's largest seafood companies, with brands including John West, Parmentier and King Oscar. Having raised more than £600m last year via sustainability-linked bonds and other loans, the firm is aiming to tie three-quarters of its long-term financing to its overall environmental performance, as well as specific metrics such as emissions and supply chain traceability.

"Risk has always been fundamental to the CFO's role – and there's a widespread recognition among the business community and our investors that the greatest risk is our changing planet," says Thai Union's group CFO, Ludovic Garnier. "If we fail to halt and then reverse nature loss, a lot of the resources and services we rely on for business continuity will become increasingly scarce and unstable."

ESG considerations are increasingly becoming an integral element of corporate culture, according to Stephen White, CFO of Field, a startup in the renewables infrastructure sector.

"The way we act on a day-to-day basis at Field is naturally aligned to the ESG agenda – it's kind of taken for granted in the decisions we make," he says. "But, frankly, I think that ESG reporting is a lot harder than reporting, say, profit and loss."

For example, Field has commissioned a life-cycle assessment of lithium-ion batteries to establish their carbon footprint and where their components come from.

"It's the most prevalent battery technology available and yet, unbelievable as this sounds, no one has done that assessment," White says.

This highlights how difficult it can be for companies to report effectively on sustainability. But one radical solution could involve embedding sustainability metrics within the finance function. Spanish renewables company Acciona moved sustainability from its marketing department to finance last year, creating the integrated role of chief financial and sustainability officer.

The incumbent, José Ángel Tejero, says: "Sustainability was our hallmark but it was starting to be perceived by stakeholders as a 'commodity'."

Moving responsibility for it to the finance department gave equal weight to sustainability and financial disclosures.

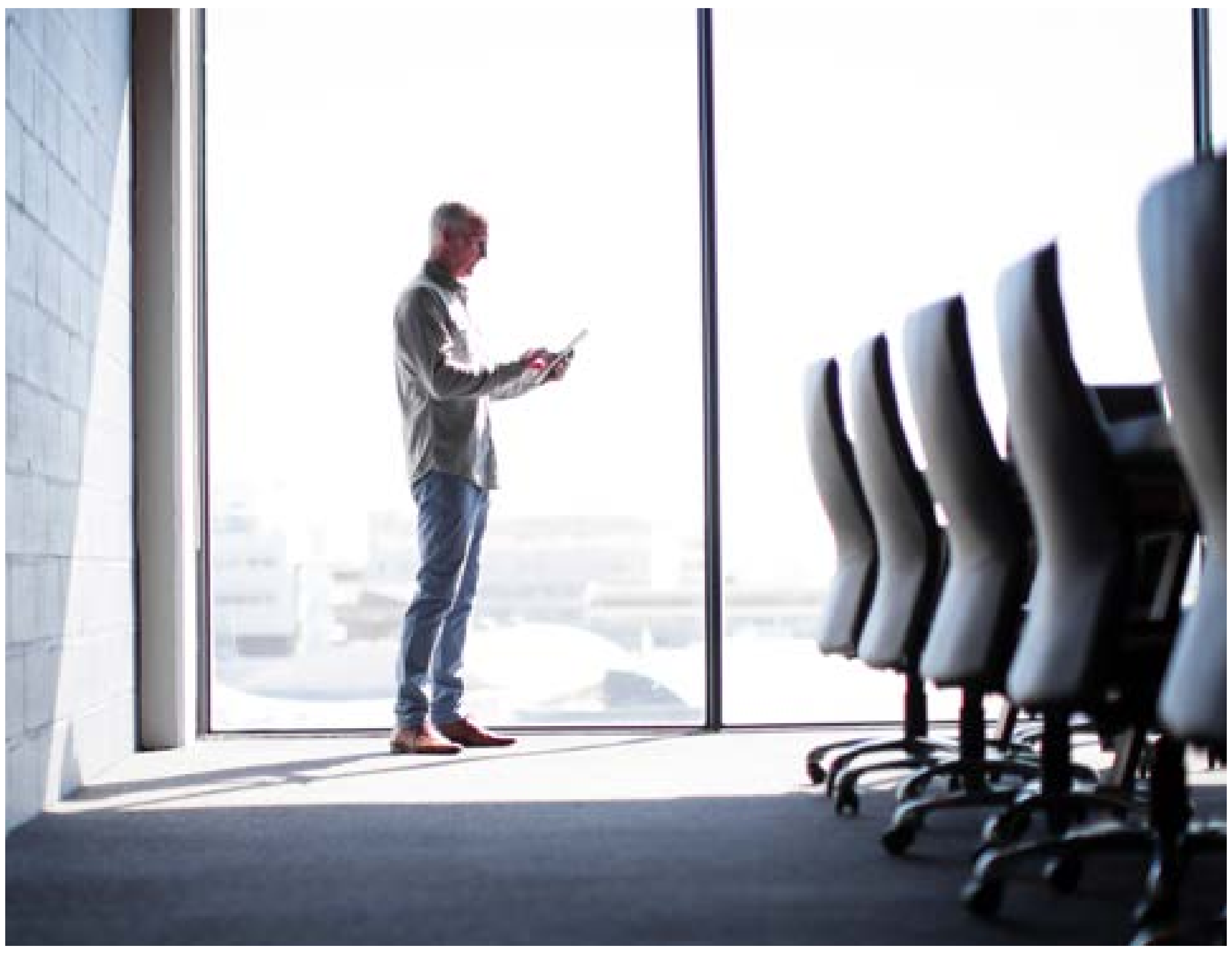
"This entails reporting on our ESG performance with the same thoroughness and discipline that is the norm in the case of financial indicators," Tejero says. "The key performance indicators in our ESG scorecard include the ESG impact with respect to Ebitda, investment, carbon emissions, water and energy use, and our alignment with the EU taxonomy for sustainable activities. The integration of finance and sustainability lends coherence and discipline to our business purpose."

> The integration of finance and sustainability lends coherence and discipline to our business purpose

The more that sustainability metrics affect finance KPIs, the more crucial it is that CFOs develop a good grasp of how to measure and report on ESG. Sustainability metrics can provide business opportunities, attract and retain long-term investors and so offer a competitive advantage.

Garnier says: "The interest we've seen in our shift to sustainability-linked financing at Thai Union shows that investors know that climate, nature and social issues have a significant impact on business performance. If we hit our sustainability targets, we gain a more favourable interest rate. If we miss, we're financially accountable via the opposite process. Our 'blue finance' deals have been oversubscribed more than two times over. Investors wouldn't be showing that level of interest unless they knew that getting our sustainability strategy right directly affects our performance and the security of their long-term returns."

Sustainability is becoming as much a part of corporate culture as it is a part of the society in which we all live. Given that sustainability is such a big and complex concern, the finance function cannot be held solely responsible for dealing with it. Nonetheless, it is clear that ESG metrics will become an ever more significant part of the CFO's remit in the future.



LEADERSHIP

Unnatural selection: do finance chiefs make great business leaders?

A study covering large US plcs has concluded that former CFOs are significantly less likely than candidates drawn from other roles to prove successful as CEOs

Chris Stokel-Walker

There once was a time when the route to the top of an organisation was a well-trodden one. To assume the role of CEO, a candidate would need to work their way through the ranks of their business to become deputy chief executive and then take over when their boss stepped down. The only significant alternative to this approach occurred when a firm opted to parachute in an experienced CEO from another company.

But that time was long ago. Over the past two decades, 85% of serving CEOs in the S&P 500 have either achieved promotions from one of three C-suite roles – CFO, COO or divisional CEO – or leapfrogged straight into the top job from a position one level below them, according to *The Last Mile to the Top*, a 2021 research report by management consultancy Spencer Stuart.

Of all the CEOs appointed to the US's biggest plcs in 2020, 10% previously served as a CFO – double the proportion who'd taken this route at the turn of the millennium.

This trend indicates a growing belief among finance chiefs that their roles are as good a preparation for the top job as any other, if not better. Indeed, a recent survey of CFOs by accounting software company Sage found that 77% of respondents were harbouring ambitions to become CEOs.

The main reason for this trend is clear, says Andrew Kakabadse, professor of governance and leadership at Henley Business School: over the past 25 to 30 years, the function most crucial to ensuring the effective operation of a business has changed from product delivery to finance.

"Cost consciousness and control of the organisation's costs, as a stepping stone to profit, has become a key issue," he explains.

Mark Freebairn is partner and head of the board and financial management practices at executive recruiter Odgers Berndtson. He believes that the career path from CFO to CEO is becoming increasingly popular because "the CFO is the only other person in the company with same commercial bandwidth and breadth of vision across the whole business. The CFO is also the only person who has the same level of investor and board relationships as that maintained by the CEO."

The Sage survey supports Freebairn's view: 95% of the CFOs it polled said that they were deeply involved in nearly every aspect of their firms' operations.

The logic of promoting a CFO to the top job may be clear, then, but the jury is out on whether it's necessarily the best appointment a firm can make. Spencer Stuart's S&P 500 study found that former CFOs were 24% less likely than former COOs to have led their companies into the top quartile of performance as measured by shareholder return – and 41% less likely than leaders who'd leapfrogged them into the CEO role.

> It's not the case that all CEOs are adventurous and all CFOs are conservative. CFOs often take calculated risks

This chastening finding is a clear sign that competence in managing a firm's finances doesn't necessarily transfer to running the whole organisation. As Kakabadse, who advises businesses on succession planning, stresses, the move up from CFO to CEO is still "a massive jump".

Yet the most visionary CFOs-turned-CEOs know that the data is not always to be trusted. Freebairn argues that "the only perceived conflict was that CFOs were always seen to be risk-mitigating, which led to the lazy stereotype that they couldn't grow a business. This has since been disproved several times over."

Doug Baird, founder and CEO of the New Street Consulting Group, believes that a CFO is most likely to become an effective leader "when financial issues are at the heart of the business's strategy, such as when a turnaround is needed".

He cites Peloton, which has struggled badly in recent months. Its appointment of Barry McCarthy, a former CFO at Netflix and Spotify, to the role of CEO in February was a smart decision under these circumstances. With his experience, "McCarthy clearly grasps the subscription model", Baird says. "Peloton needs someone with significant financial acumen to steer the business back to full health and make its investors feel comfortable."

Another sensible choice, according to Baird, has been the appointment of Xavier Rossinyol as CEO of Swiss travel retailer Dufry. He's due to take up the job in June, having previously worked for the group as CFO and, latterly, a regional COO. Rossinyol had left Dufry in 2015 to become CEO of airline caterer Gategroup.

"He knows the business, having worked there previously. He has already been a CEO in its sector, so he brings vision and commercial skills back to Dufry," Baird says.

The capital markets are less convinced by Rossinyol's credentials, though: Dufry's share price fell when news of his appointment broke in February.

Baird says: "To find the perfect fit, we must look beyond someone's CV and assess what they have achieved, as well as their natural character. It's simply not the case that all CEOs are adventurous and all CFOs are conservative. CFOs often take calculated risks."

While he accepts that it's unwise to generalise, Anthony Chadwick, founder of the Alpha Vet International group of companies, believes that the traits that often make CFOs successful are unlikely to work in their favour when they become business leaders in most situations. Last year he stepped aside as CEO of one of his firms, The Webinar Vet, to focus on developing newer units in the group, and appointed the COO, Kathryn Bell, as his replacement.

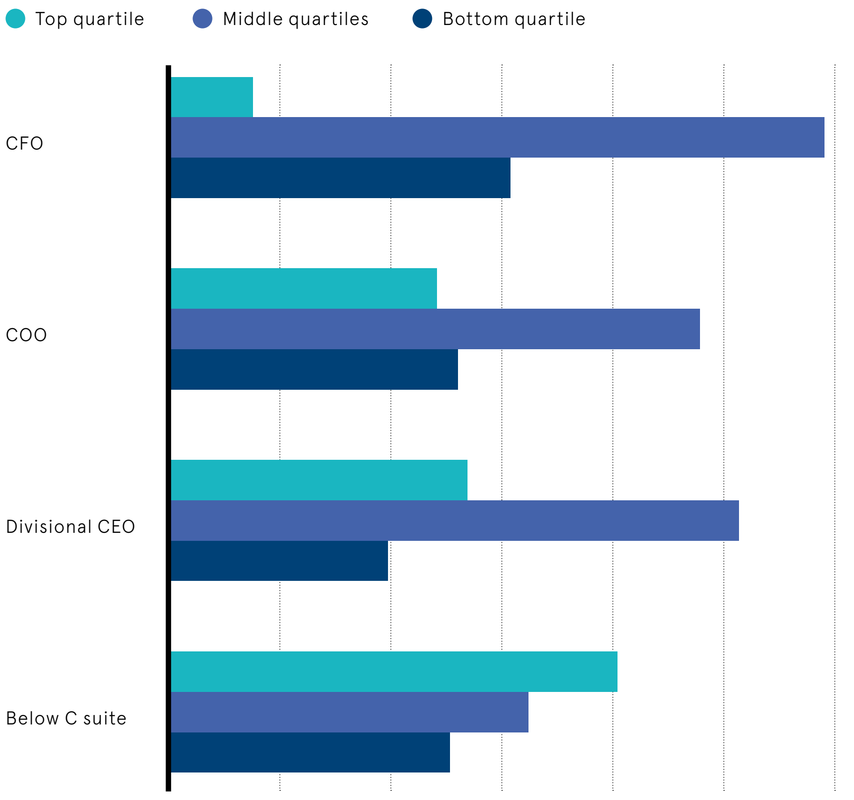
"My own feeling is that, while CFOs can be ideal candidates for some companies, they are often conservative," Chadwick says. "Detail is their strong point and, given their accountancy background, they prefer to save money, not spend it."

Such tendencies make them a better fit for a larger, well-established business, whereas they might struggle in faster-moving firms that must frequently adapt to disruption in their sector, he suggests.

"These younger businesses often need to be more agile and have a high profile in their industry," Chadwick says. "CEOs must increasingly be the voice of their company – to comment on hot topics and bring a larger employee base along with them as the business develops. This requires strong communication skills and personal empathy. CFOs will often struggle in these areas."

HOW ARE FORMER CFOs PERFORMING AS BUSINESS LEADERS? Spencer Stuart, 2021

Market-adjusted shareholder returns of S&P 500 firms, by their CEOs' previous roles



The digital revolution transforming finance

The pandemic radically transformed the way that organisations, especially finance teams, work. **Richard Kerr,** who recently joined software company Advanced as CFO, shares his experiences and reveals his insights into the digital revolution of finance

Q What's the biggest shift you've seen in the use of technology by the finance function over the past two years?

A Arguably the biggest shift is the move to new ways of working around forecasting, budgeting and processing VAT returns. By automating the manual processes, my team has been able to focus on higher-value work, in turn, significantly reducing the amount of manual work required. With that uninterrupted focus, enhanced data analytics and instant reporting, we can make faster decisions about business operations with the confidence that our data is accurate.

Q How has your company embraced hybrid working?

A We want our employees to make hybrid working work for them. Some colleagues will want to be in the office full time, while others will want to blend working from home with commuting. To support the transition, we are launching a 'Connected Working' programme to encourage team members to return to the office on a more regular basis. We are also empowering our teams to tell us which days they want to be in the office. Several activities have been planned, including live training sessions and team collaboration events to support our employees as we operate in what will be a hybrid working environment in the future.

Q What effect has hybrid working had on productivity and how do you maintain engagement and communications?

A Adopting a cloud accounting software system has helped to bridge the physical gap between colleagues, enabling them to work together more productively on the same server, access the information they need and share documents instantly. I'm able to see the outcome of their work wherever they are based.

To maintain collaboration and engagement, you need a framework for scheduling appraisals, feedback sessions and team meetings. For those operating a permanent remote-working policy, it's important to schedule face-to-face meetings with staff throughout the year to boost engagement and social interaction.

Q Advanced's annual business trends survey found that 70% of senior finance professionals have limitations in their current technology that hold them back when working remotely. How does this impact the finance team and the business?

A Using outdated technology makes it challenging for any finance team to meet these new demands while remaining productive and efficient. The right technology significantly enhances the integral role of the finance function and, importantly, enables the CFO to act as the CEO's sounding board. This strengthens the relationship between the two and the overall performance of the finance team, enabling them to provide intelligence and analysis that improves business decision-making. Technology can also increase automation and reduce manual processes, enabling CFOs to reduce the costs of the finance function.

> The right technology significantly enhances the integral role of the finance function and, importantly, enables the CFO to act as the CEO's sounding board

76%

of finance professionals have increased the amount of software and number of apps they use for their job during the pandemic.

42%

of finance professionals believe their current technology hinders their productivity at work.

77%

of finance professionals don't have a good user experience when using software at work.

56%

of the apps finance teams use do not support mobile working.

26%

of the technology used by finance teams supports team collaboration.

Advanced, 2021

Q What advice do you have for organisations wanting to digitally transform their finance function?

A Successful implementation of digital transformation relies on good communication. A CFO needs to invest the time to listen to the team, address their concerns, questions and opinions, and explain the benefits of the changes to them and to their work. Building trust in this way reassures employees and helps to secure their buy-in for digital transformation.

Q What are the risks for those not prioritising digital adoption?

A The pandemic has massively accelerated the speed of digital adoption by businesses, so the most obvious risk is falling behind the competition. With capabilities around automation, data analytics and instant reporting, digital finance solutions increase the speed, accuracy and efficiency of the finance team's work. They make it easier to comply with changes to legislation, as many software solutions are regularly updated with compliance in mind, and offer more protection against malicious security threats. Digital prioritisation is essential for business.

Q What successful digital transformation projects has your business undertaken?

A With the global shift to remote and hybrid working, we had to find more effective ways of communicating and collaborating with colleagues, which included the adoption of Microsoft Teams as our instant messaging service. This enables us to stay connected and conduct virtual meetings via video chat.

We are also adopting some of the new digital systems we provide to others. For example, by rolling out our Cloud HR system to the wider business, managers have access to all HR functionality on any device, anywhere – from booking annual leave and logging sickness, to developing a personal development plan and booking training.

We've made our new MyWorkplace platform available internally, allowing all staff to create their own unique virtual work environment with access to specialised functionality that can assist with their typical daily tasks. This also serves to boost productivity.

Q Many UK businesses have struggled to retain top talent. What is your talent retention strategy?

A Talent acquisition is a major challenge for every organisation. However, with the 'great resignation', retaining talent, particularly in finance, isn't just about losing staff to competitors, but also losing them to other life choices, such as career breaks and self-employment.

To retain valuable talent you need to understand people's motives for wanting to leave and ensure you offer a working environment that reflects their needs and meets their expectations. Like every business, during the pandemic we had to be agile and make changes that helped our teams feel engaged, fulfilled and able to produce their best work wherever they were based.

Q How crucial are the best technologies to talent retention?

A Technology can have a huge impact on your ability to attract and retain top talent, with certain expectations around digital tools, particularly among Gen Z employees. Without the right technology, people can become disillusioned and more inclined to head for the door. Providing teams with regular opportunities to master new technology gives them the chance to develop and to have a stronger sense of loyalty to a company that is invested in them and their career.

For more information please visit oneadvanced.com

INTERVIEW

‘The shift has had a massive impact’

The CFO of Cimpress, **Sean Quinn**, has led a remote-first strategy that’s resulted in an annual cost saving of $9m for the Irish-domiciled US company. He explains how finance chiefs can become effective advocates for remote working

MaryLou Costa

Sean Quinn, CFO and executive vice-president at Cimpress, enjoys what he describes as a “truly holistic view” of his firm’s operations. With his oversight of HR, legal, communications, real estate and procurement across the business, he was the ideal choice to lead the company’s remote-first strategy.

Given that this strategy had since generated an annual cost saving of $9m (£6.8m), other CFOs in a similar position might be motivated to follow his lead.

Cimpress, the owner of Vistaprint, chose to go remote-first in October 2020, after finding that its pandemic-enforced move to remote working earlier in the year had had a positive effect on both the productivity and wellbeing of the affected staff. The transition had covered 1,600 office workers – 20% of Cimpress’s total workforce.

It was decided that Quinn’s broad remit would help to reinforce the remote-first strategy across the whole company, ensuring that many teams were united behind the move and that crucial decisions could be made more quickly. And a transformation of this scale ultimately involves significant financial choices – not least how to spend the money saved – making the CFO the most appropriate person to be driving the initiative at strategic level.

“The CFO is well placed to lead the decision framework and set the right tone to enable the organisation to push forward faster into the future of work,” says Quinn, who is based in Boston, Massachusetts.

But he adds that it’s important not to see a seven-digit cost saving as the end game. Rather, the whole endeavour needs to be contextualised as a chance to rethink and redesign how work works. Then the CFO can reallocate capital to where it can benefit the business and its people the most.

> **The CFO is well placed to lead the decision framework and set the right tone to enable the organisation to push forward faster into the future of work**

“The shift has had a massive impact on engagement, productivity, recruitment and retention,” Quinn says. “This will ultimately be a key ingredient in our delivery of business outcomes. So being able to look at opportunities for cost savings – in our real-estate footprint, for instance – and then thinking through where that capital can be more efficiently redeployed for the benefit of our team members becomes a great opportunity.”

Reinvestment decisions have resulted in the establishment of a remote working stipend to enable people to purchase the necessary home office equipment; the creation of a dedicated eight-person ‘remote-first success’ team; and the formation of a personalised remote onboarding process to cover new recruits’ first 100 days in the job.

Such measures have been complemented by extra learning and development opportunities, valued at $5,250 per head each year. Employee benefits have also been enhanced. New features include ‘recharge Fridays’ (in essence, afternoons off on that day) and a regular allowance to spend with any small business.

“Managing teams in a remote environment is different, so we need to ensure that we’re providing the right resources for that,” Quinn adds.

A slide deck explaining the remote-first culture in detail has been sent to all staff. This sets out the logistics of the change, covering elements ranging from asynchronous working to non-linear work days.

“If we form good habits with respect to documenting information in a place that’s communal, it means that everyone can see it, they can learn from it and they can add to it,” Quinn says.

Nearly 60% of the company’s remote workers have abandoned the traditional 9-to-5 schedule, with Cimpress encouraging them to design their day around their personal commitments and preferences. While there are some extreme examples of night owls and early birds, Quinn reports that people mostly take pockets of time out for themselves during the day, such as a break for a Peloton workout – for which the company provides a subsidised subscription – or to attend to their domestic responsibilities.

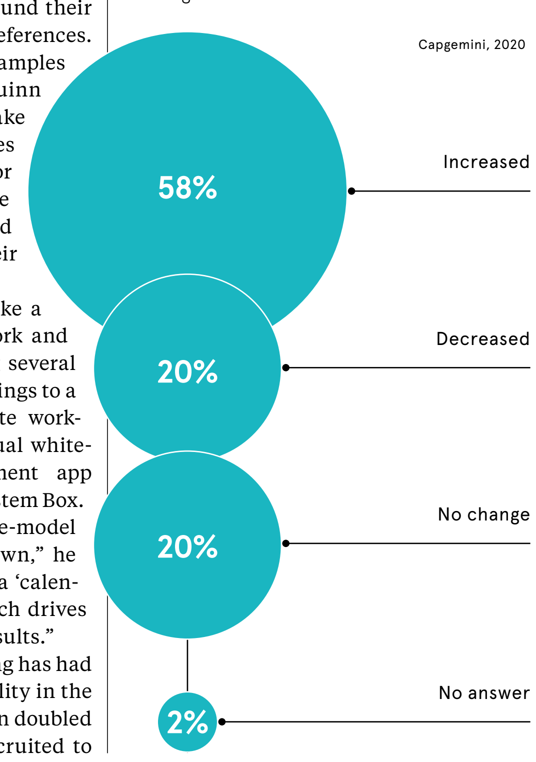
The company is aiming to make a balance of 90% focused solo work and 10% meetings the default, using several IT tools to help people keep meetings to a minimum. These include remote workspace platform Confluence, virtual whiteboard Miro, project management app Trello and cloud management system Box.

“We’ve had to ensure that we role-model this from the executive level down,” he says. Meetings were so much of a ‘calendar suck’, so I think this approach drives much more powerful business results.”

The transition to remote working has had a marked impact on gender equality in the business. Cimpress has more than doubled the number of women it has recruited to key leadership positions. There has also been a marked improvement in female representation in senior tech roles. And the number of women leaving the business has fallen by one-third year on year.

REMOTE WORKING HAS GENERALLY WORKED OUT WELL FOR FINANCE

Reported changes in productivity resulting from the adoption of remote working in finance teams worldwide



Only one employee so far has cited the firm’s remote-first transition as their reason for quitting. And, taking advantage of their ability to work from anywhere, 10% of Cimpress’s remote-first workforce in the US have moved to another state.

The firm has retained a small number of office spaces, reinventing them for scheduled learning and collaboration sessions. Employees who want to work there more regularly have the option to do so, and those who live in areas where Cimpress didn’t have an office before the pandemic are being offered coworking memberships.

Quinn admits that he had little appreciation for remote working before the Covid crisis. But now he is one of its biggest advocates, not least because of the extra time it has given him with his family.

“My son recently asked me to take him to sharpen his skates before hockey practice, which was at 5pm. If we’d still been in an office, I’d have gotten home at 7pm, so there’s no way I’d have been able to do that,” he says. “And, whenever my CEO asks if I’m around for a catch-up, it’s totally acceptable for me to say: ‘I’m out with my son from 5 to 5.30pm, so let’s talk after that.’ There’s not even a question about it.”

Commercial feature

The future of financial operations management

With the economic outlook appearing increasingly uncertain, CFOs need to shift away from manual processes to more automation to free up their time for strategic planning

In a volatile economic landscape rocked by an almost constant stream of global conflicts and uncertainties, business continuity and resilience have shot to the top of the CFO agenda. The ability to be agile in the face of disruption is now business critical and the most pressing concern for CFOs over the next five years is ensuring the balance sheet is robust enough to survive future financial downturns, according to research conducted by BlackLine last year.

CFOs and the overall finance and accounting (F&A) function have a critical role to play in providing consultancy, analysis, planning and due diligence to ensure sound business decision-making. Their efforts will largely be futile, however, if they continue to be bogged down by archaic manual processes and financial data scattered across disparate systems.

Many organisations have automated processes such as accounts payable, but manual processes are still prevalent in accounts receivable. Applying customer payments to customer accounts quickly and accurately is the cornerstone of this department, however manual processes lead to delays in unlocking crucial cash flow.

The money owed by customers is one of the largest assets on any balance sheet, with PwC estimating the amount of working capital tied up in this way at a mammoth €1.2tn (£1tn) globally. Strong cash flow is central to every company’s sustainability and resilience, and releasing cash from receivables is the quickest and cheapest way to more working capital. Yet organisations continue to be held hostage by their own accounts receivable processes.

Elsewhere, the myriad of old, open and unsettled intercompany transactions is F&A’s biggest distraction, forcing it to focus on governance rather than guidance and analysis. A study by Deloitte found that intercompany transactions for multinationals can dwarf their external sales by a factor of 10 - and sometimes more. Intercompany transactions represent the lion’s share of the global economy – some 70% of international trade, according to the Organisation for Economic Co-operation and Development.

> **Continuing to fire-fight these issues is unsustainable as businesses look to be more agile and resilient**

“With an average enterprise seeing thousands of intercompany transactions across different units, geographies and time zones, the finance team’s time is dominated by disputes and digging up information to reconcile counterparty data,” says Marc Huffman, CEO of BlackLine, whose cloud-based solutions automate and streamline key F&A processes.

“As they also typically need to access multiple ERP systems, data is not standardised. Continuing to fire-fight these issues is unsustainable as businesses look to be more agile and resilient. Meanwhile the intercompany supply chain just gets longer and more complex. Although accounts receivable and intercompany activities are usually segregated in most organisations, the outcomes of these processes are symbiotic – unleashing balance sheet, net income and cash potential.”

Automation is the key to streamlining processes for both accounts receivable and intercompany financial management. BlackLine’s financial operations management platform integrates, orchestrates and automates F&A processes to fully support this function. It delivers intelligence and financial insights to the business by uncovering risks through analysis, while optimising controls and eliminating manual processes to generate ongoing, incremental value through continuous improvement.

Replacing manual, spreadsheet-driven processes not only allows businesses to gain unprecedented visibility and valuable intelligence, ensure accountability, foster collaboration and improve decision-making, it also frees the finance team to focus on strategic and value-adding work.

"Accounts receivable automation unlocks cash flow while enabling organisations to save money, be paid earlier and access powerful intelligence to inform strategic decision-making," says Huffman. "Automating intercompany accounting processes, meanwhile, boosts efficiency, reducing days-to-close by an average of 60% while accelerating access to cash and avoiding intercompany balance write-offs that impact earnings and investor confidence.

“Switching to BlackLine can help some companies reduce manual processing by as much as 85%, reduce unapplied cash by up to 99% and process 80% of payments without the need for remittances, freeing up vital resources and enabling the redeployment of employees. That makes it an investment that will typically pay for itself within a year - and in some cases just 12 weeks. These kinds of gains are central to achieving real business resilience.”

For more information, visit blackline.com

BLACKLINE

PRICING

CFOs grapple with pricing dilemmas as inflation takes hold

Reviewing prices has become a top priority for many finance chiefs as costs rocket. It will take considerable judgement to strike the right balance

Alec Marsh

For Alistair Hughes, co-owner and MD of Savoir Beds, the price of birch plywood has become a hot topic. From June to September 2021, he watched the cost of this material – used by his firm to make headboards – increase from £54.70 to £98.50 a sheet as the UK's post-lockdown economic recovery fuelled a spike in prices. The war between Russia and Ukraine has since added to the inflation, given that much of the world's wood is sourced from the former.

Hughes decided to make a bulk order of plywood to protect the firm's margins from any further hikes. His usual supplier, which had originally quoted £98.50, then warned him that he could be looking at a further 40% increase.

"They're thinking that the price will be at least £137 a sheet, but we didn't have a price, which was a pretty crazy situation," he says. Fortunately, Hughes decided to increase Savoir Beds' prices by 10% at his annual pricing review last October.

He made this choice in the knowledge it might reduce sales volumes. But there are limited alternatives for a high-end manufacturer such as Savoir Beds. Hughes can't switch the birch in his headboards for a lower-quality alternative any more than he can compromise on the materials for his handmade box-sprung mattresses.

The dilemma facing Savoir Beds will be familiar to companies across the UK, as finance chiefs confront the realities of rising input costs and squeezed profit margins. Do you swallow the cost increases or put up your own prices? If you do the latter, do you pass on some or all of the increase to customers? Or do you substitute things in your service or product for cheaper alternatives?

CFOs in many firms are therefore finding themselves at the centre of key discussions about price variation.

"The dialogue between finance, the supply chain, marketing and sales is enormously important," says Michael Haupt, a partner at Deloitte Consulting and author of *The Contemporary CFO*.

CFOs will be looking at securing prices now, as well as examining all aspects of working capital management. They'll also be considering what adjustments, if any, can be made to their supply chains. Many will need to make calls on which of their firms' customers and suppliers are potential credit risks too. Most crucially, CFOs must recognise that navigating their business through this period of uncertainty is their responsibility, according to Haupt.

"The times when CFOs were looking only at the financials are long gone," he says. "In most companies, they are not only the second strongest in the organisation, but a key decision-maker. One of their main emerging roles is not just to take enterprise-wide responsibility, but almost to be the glue of the company – an integrator, a change agent in these times."

By virtue of their role, CFOs have "a very strong network in all parts of the business… It's almost the only function that could quickly coordinate the response," Haupt adds. And they must get on top of urgent data-related tasks "like the analytics – how you run that pricing model, how do you do things such as scenario planning – understanding what's going to happen to our inventory if I change our prices, say."

This is something that only CFOs can deliver. But then they need to communicate it, taking "customers and stakeholders and investors along with you", he says.

Sir Andrew Likierman is professor of management practice in accounting at London Business School and a former CFO and government finance chief. He believes that effective CFOs are able to make a clear-sighted assessment of the situation.

"CFOs really earn their stripes when they can differentiate between what's going on now and other shocks we've had," he says, pointing to the differing impacts of Covid, Brexit and the financial crisis of 2007-08.

> CFOs really earn their stripes when they can differentiate between what's going on now and other shocks we've had

This approach will help to inform the response – for example, whether it's appropriate to increase the price of a product or reduce its size in the hope that consumers don't howl in protest en masse.

"What differentiates a high-quality CFO from someone who simply deals with the numbers is that they can engage in this discussion as a full part of the team," says Likierman, who adds that simply producing data isn't enough. It's important to understand how the people making the decisions need to look at the numbers.

"CFOs will have to put those numbers into some kind of context," he says. "They must move from providing data to providing information."

But it's about even more than being a good communicator: the CFO must have a strategic eye on the business, Likierman argues. "It's just not someone who hammers out the numbers, sits back and waits for somebody else to make a decision."

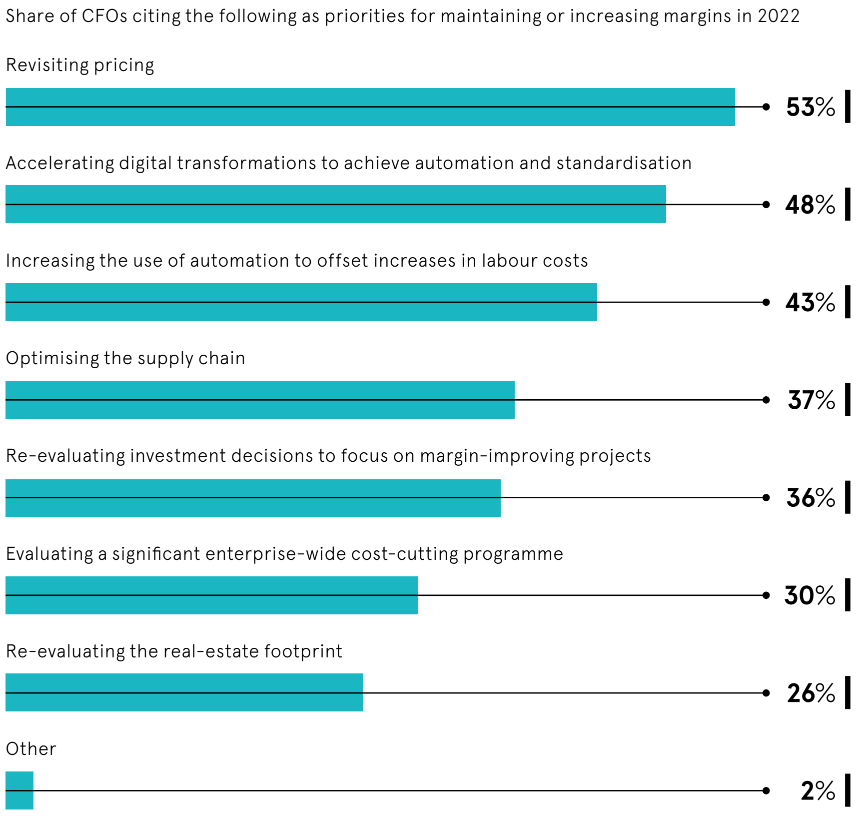
So what are CFOs to do? Ultimately, it's down to the needs of their company, the market it operates in and the view it takes of the inflationary period: is it permanent or will things settle back down? If so, when? Haupt's view is that no one really knows, "so the best strategy you can have is being prepared for various scenarios".

Hughes, meanwhile, has all but made his bed. He won't be waiting until the next scheduled pricing review in October to make a move. He's considering the possibility of another 10% rise as early as June.

"If it's less than 5% that's required, I wouldn't do it. We could manage. But, as it creeps above that, things become unmanageable, because your margins aren't so high. Making a bit less money is one thing; losing money is quite another."

THE PRICE IS RIGHT?

Share of CFOs citing the following as priorities for maintaining or increasing margins in 2022



PwC, 2022

Commercial feature

xP&A–the new frontier in advanced financial planning

The relatively new trend of extended planning and analytics (xP&A) is transforming financial planning by giving firms much greater insight into their operations. inlumi consulting director **Susan Gittings**, executive principal **Omer Cander** and chief executive **Ashley Chapman** discuss the increasingly important role that finance functions play in shaping organisational strategy

Q There's a lot of talk about xP&A in the world of finance, but how exactly does it work?

SG I think of extended planning and analytics (xP&A) as the next evolution of integrated planning, a concept most companies are familiar with. It uses the latest generation of performance management technology to obtain deeper insights into a company's operations, supporting senior leadership and individual departments to improve decision-making.

Using xP&A, firms can break down silos and combine greater volumes of data across their business than previously possible. The data is linked, cleaned and made useful for reporting purposes using the latest advances in machine learning and big data analytics.

OC The ultimate goal is to help businesses achieve strategic objectives – faster growth, greater efficiency and effectiveness. Firms are often surprised by the richness of operational insights that can be achieved using xP&A and the trends uncovered. Never before have companies been offered such a clear, unified view of their operational and financial reporting.

AC xP&A is transforming the role of the CFO, whose remit extends beyond reporting, control and compliance. They're becoming intentionally vital to the creative and strategic direction of the business.

Q How far along are CFOs in embracing xP&A?

SG xP&A is absolutely a growing trend. They may not necessarily be using the term, but through conversations with CFOs across all industries we know they are looking at increasing efficiencies in their planning processes and improving access to data-driven insights. They want to plan effectively and efficiently to improve profitability and rapidly adapt to unexpected world events.

CEOs and CFOs need to make bold decisions to remain competitive; to do that, they need the facts and the data. We often hear comments along the lines of 'I need connected visibility of what is happening across the organisation' and 'I need to know how our decisions affect the bottom line'. These are the exact areas where xP&A helps.

AC Resilience, responsiveness, and predictive and actionable insights are goals made possible by modern finance technology platforms and a will to change how work is done. This is on the CFO agenda.

Q What are the barriers to adoption and how does inlumi help?

SG There is a misconception that implementing xP&A is a massive, 'big-bang' change. With a clear roadmap, a modular approach can be taken to deploy gradually and iteratively. There are two important ingredients for success: first, the vision and ability to integrate and connect data across the business with highly scalable technology. Second, executive sponsorship and leadership to drive change and adoption.

OC inlumi is not a technology provider per se, instead we help organisations identify the most effective solutions and support their implementation across the business. One of the challenges is encouraging senior leaders beyond the CFO's office to take ownership of data quality so it can be funnelled into a single, streamlined system to drive user buy-in. That means bridging departments as varied as sales, distribution, engineering and marketing. Here, our extensive experience delivering technology-enabled change programmes helps as we ensure collective C-Suite sponsorship and adoption within the business.

Q Is the cost to change a concern?

SG Traditionally, the business case for planning solution investment has been a challenge as it's difficult to quantify real returns. xP&A is different. It highlights operational inefficiencies and opportunities – think productivity blackspots or areas of waste – ultimately saving money and improving margins in the near to medium term. The business case is clear. What's harder is quantifying the longer-term profit gains that come from smarter decision-making and increased responsiveness. The more foresight you have on your operations, the easier it is to enhance profitability.

Q How has xP&A helped your clients?

OC We are currently helping a global car safety manufacturer with its xP&A journey as it seeks greater insights on its operations and financial planning. As a B2B business, achieving efficiencies and stopping waste is vital to improving margins. The manufacturer needs to understand the profitability of its business at a very granular level, from the components and materials it uses through to the plants its operates from globally.

inlumi has helped the company gain that understanding so it can make smarter operational choices. As you can imagine, the moment you start asking questions about the location of plants or sourcing of raw materials, you begin to collaborate with departments beyond the CFO's office. Part of our job has been to help drive that cross-departmental collaboration and break down silos, so strategic decisions can be made based on the facts uncovered in the data.

73%

of finance functions have responded to the data boom by promoting greater use of corporate-approved performance data from a centralised, finance-governed source

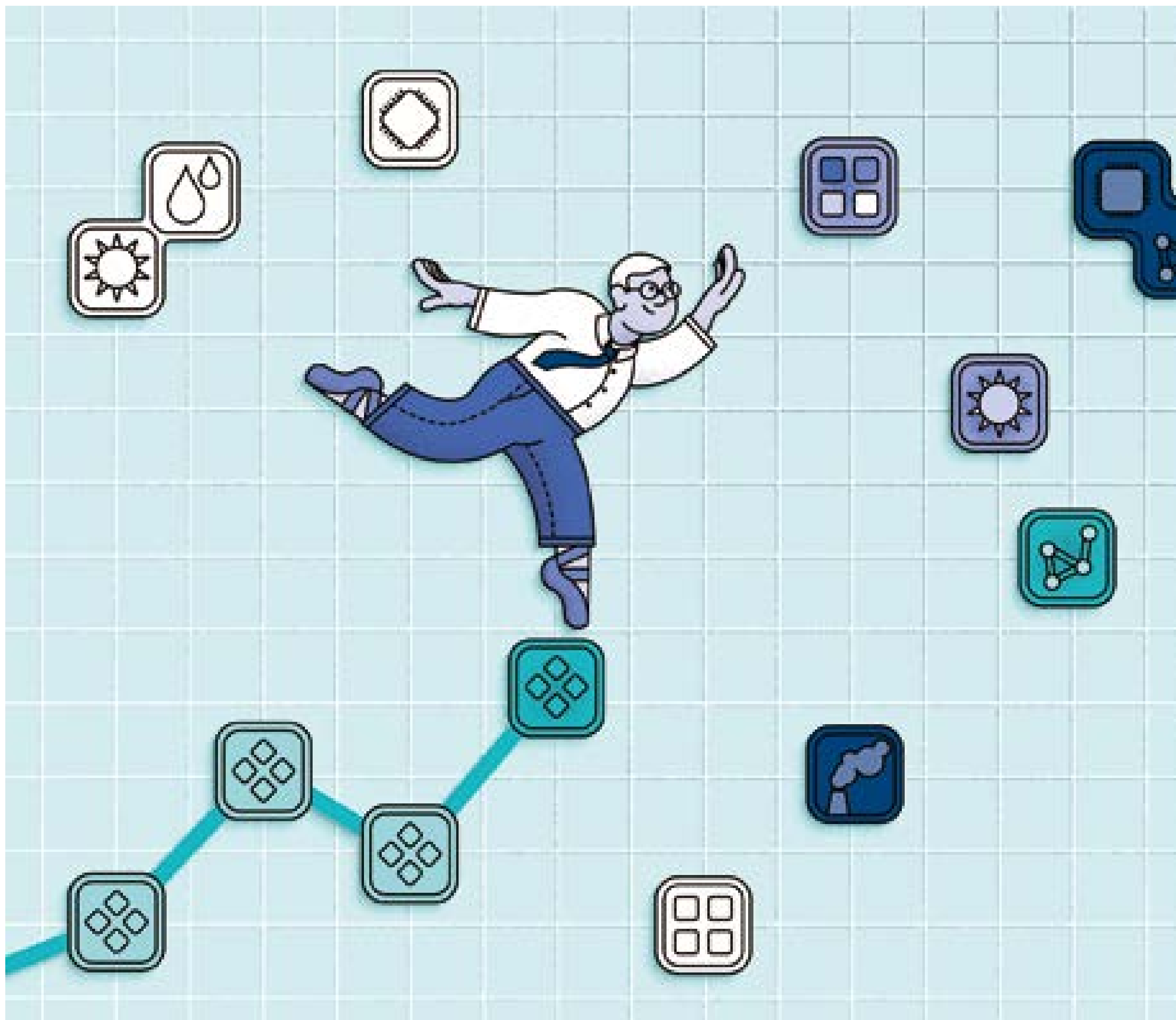
Gartner

Q What role do you expect xP&A to play in business in the coming decade?

SG There is an undeniable demand from executives to be able to make strategic decisions based on reliable, up-to-date enterprise data. This means that organisations are starting to reassess their legacy reporting solutions and are looking at next-generation platform technologies. I see the uptake of xP&A only gaining momentum, especially as organisations realise the possibilities and the power of the finance platform technology.

OC We're at the start of this journey but I expect more companies to adopt xP&A as time goes on. Ultimately, it's about improving return on investment by unlocking data at the heart of a business. That feeds back into the wider organisation, driving growth and improving resiliency.

AC Organisations will continue to connect and improve their planning processes – xP&A is the next stage of that journey. The goal is to be more agile, efficient and strategic in an increasingly competitive business landscape.



EXPANSION

SWOT team – the ins and outs of exploring novel markets abroad

Turbulent times are a trigger for some firms to seek out new territories. Their CFOs must work out where and how to invest across borders

Rodrigo Amaral

For the boldest companies, periods of high volatility are the perfect time to seek opportunities in new territories. CFOs will be assessing the risks and costs of many such ventures in 2022.

As capital markets turned bearish at the turn of the year, investment bankers reported increasing demand from clients for finance for M&A deals aiming to take advantage of distressed or undervalued assets around the world.

Take the acquisition of HX Tracker, a producer of solar tracker systems based in China, by its US-based rival, FTC Solar, in March, for instance. (Solar trackers are devices that change the orientation of solar panels to maximise the energy they absorb from the Sun.) FTC Solar said the deal would help to grow its business not only in China but also in the Middle East, Africa and other foreign markets.

Another example from March is the purchase of Florida-based wellness company JustCBD, by Canadian cannabis firm Flora Growth. The deal will enable Flora Growth to enter the US market for cannabis-based packaged goods via 300,000 direct customers. The acquisition will also give it access to 14,000 stores in the world's largest market for its product.

These are just two forward-looking deals in fast-growing areas that are likely to benefit from recent global developments. Renewable energy looks set to grow significantly as the global economy moves away from fossil fuels owing to ESG concerns and the war in Ukraine. Similarly, sales of cannabis-based products are on the rise as a growing number of countries legalise marijuana for medical or recreational use.

Further opportunities undoubtedly exist in the developed world, although these are perhaps more numerous in emerging markets, where companies and governments alike are making a strong effort to catch up in areas such as digitalisation. That has been creating potential for enterprises with proven expertise in this field.

> What has been particularly striking is the emergence of political risk as a key concern in developed markets, as well as in emerging markets

In such cases, joint ventures with local players could be a better way to enter a new market. Last year, private equity giant KKR joined forces with Telefónica and created businesses to deploy fibreoptic networks in Colombia and Chile. The Spanish telco is a seasoned operator in Latin America and its experience will help the new enterprises to navigate markets that can be tricky for new arrivals.

Local expertise is essential, especially in emerging markets, where the operational environment is often more challenging than it is in developed economies. Chile and Colombia are widely viewed as two of the most business-friendly economies in Latin America. Even so, both countries have been shaken by political and social unrest, including riots, over the past couple of years.

As CFOs work on the financial arrangements to expand into new markets, they need to be aware of not only the commercial opportunities but also the social and political circumstances of the territories in question. This imperative is more relevant today than it was a few years ago, warns Claudine Fry, a partner at intelligence provider Control Risks.

"Political risk has become a much greater concern for business over the past couple of years as the geopolitical environment has become more turbulent, and rising nationalism and populism have fuelled an increase in the risk of exposure to events such as contract violations, non-payment, regime changes and asset seizures," she says. "But what has been particularly striking is the emergence of political risk as a key concern in developed markets, as well as in emerging markets. It is a critical threat to business wherever you are."

Control Risks believes that a growing number of sectors will be seen as strategically sensitive by governments as the geopolitical temperature rises around the world. The threat of sanctions or nationalisation is also real, as hundreds of western companies realised after the Russian invasion of Ukraine. These are certainly not the outcomes a company expects when deciding to invest in new markets.

It's hardly surprising that recent surveys have found that CFOs are lukewarm when it comes to expanding their businesses across borders. But achieving growth in new markets may be a matter of looking for the safest opportunities.

In a recent note to its clients, credit insurer Atradius pointed to a handful of economies that it thinks present good opportunities for investors and exporters. Some aren't the types of names you'll often see in the financial pages – Ivory Coast, Qatar and Uruguay, for example. Others are better known as investment destinations, such as Taiwan and Israel.

What all five of these economies share, according to Atradius, is the ability to recover strongly once the pandemic ends and the potential for solid GDP growth even this year – 5.7% in the case of Ivory Coast.

Some experts think CFOs should focus on economies that won't keep them awake at night – in other words, countries that have institutions in place that ensure the rule of law and the sanctity of contracts. At a wider level, this includes elements such as a free press, a competitive party-based political system, an independent judiciary and other characteristics associated with mature democracies.

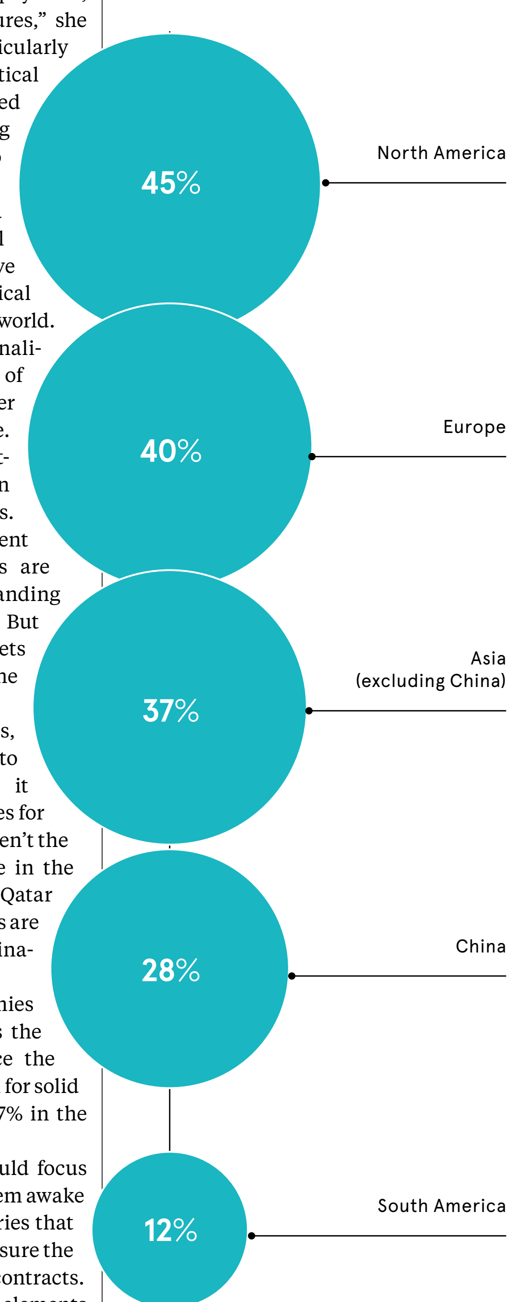
"Strong institutions, the rule of law and investor protections set the foundations for growth in markets." So says Perth Tolle, founder of Life + Liberty Indexes, a firm that models equity investment strategies from metrics based on social, political and economic freedoms in emerging markets.

This approach may provide peace of mind for investors in the long run, but it might also restrict the universe of potential markets for companies. When Tolle's own fund started applying its criteria to a group of 26 emerging markets, only 11 of them scored highly enough to receive allocations. China and India weren't among them and neither were Saudi Arabia and Turkey. Brazil barely made the cut. These are widely considered to be among the most important emerging economies.

On the other hand, Tolle managed to stay away from Russia. The fund based on her index returned almost 7% in 2021, while the MSCI Emerging Markets Index closed the year at -2.5%. Perhaps now is the time to pay greater attention to well-managed markets than to large ones.

WHICH ECONOMIES LOOK LIKE WINNERS IN 2022?

CFOs rating the prospects of regional economies as "good" or "very good" in 2022



Deloitte, 2021

AUTOMATION

Bot or not? Get ready for auto-accounting

Automating the finance function is proving valuable for CFOs, freeing up resources, boosting efficiency and even improving employee engagement

Morag Cuddeford-Jones

The CFO's world is changing. Although all companies have their own particular challenges and opportunities, a single technological development is at the heart of the transition: the rise of automation.

For some, automation is helping their businesses bootstrap their way to growth. Consider Double, a flexible assistant service for executives and their teams, for instance. The US startup has raised more than \$14m (£9.9m) in funding so far. According to Quentin Servais Laval, the firm's head of finance and strategy, it faces "a lot of heavy finance processes". Yet, until very recently, the finance team was "30% of one person".

Automating a range of finance tasks has freed up resources, enabling the company to appoint its first full-time recruit to the team. Servais Laval compares the set-up with the one he experienced in his previous role as director of finance and operations at the Benefit Cosmetics brand in the LVMH luxury goods group, where the finance department had a team of 50, of whom 30 were dedicated to routine accounting tasks. There was already some automation sitting inside the enterprise resource planning platform, such as accounts payable and payment processing.

> The world is shifting so much; you need to be agile. You can't wait even a month to make decisions

By contrast, thanks to automation, Double's finance team spends only 20% of its time on typical accounting duties. The other 80% is devoted to financial planning and analysis, nurturing investor relationships and serving as a partner to the business.

"Comparing my first experience in finance with now, it used to take us a day and a half to gather all the information needed to produce reports. Today, every Monday at 5am the process runs automatically and we receive an email. All we need to do is review the metrics," Servais Laval says. "We're able to gather much more information than we could in the past and run it more quickly. If we want to run an ad hoc analysis about a trend, we simply put together an Excel sheet. We're much more responsive."

Stefan Cars is the founder and CEO of Snowfall Travel, a technology company providing a multimodal marketplace to the travel industry, which works with some of the world's biggest travel brands. Automation has significantly reduced its accounting burden, he reports.

"Expenses used to be a cumbersome process. With automation, every expense is automatically taken from a linked Mastercard and uploaded to the system. It's checked against our policies, so we can focus on the real deal, such as setting the policies," Cars says.

The CFO doesn't usually perform tasks such as checking individual expense submissions, he notes, but automation generates better-quality inputs for the people who do, liberating the whole team to tackle more complex tasks.

This has benefits beyond making the department more efficient. IAt improves employee engagement and makes the company a more attractive place to work. This in turn helps it to lure high-quality recruits, who will be able to improve its performance. It's a virtuous circle.

Servais Laval says: "To attract the best talent, we need to ensure that people are engaged and focused on where they are adding value and what excites them. A lot of the traditional finance and accounting functions weren't very exciting."

None of this means that automation will replace skilled individuals. Finance departments still need to be skilled enough to ensure that automation is working as it should be, Servais Laval stresses, as well as dealing with the edge cases that platforms typically cannot handle.

80%
of finance chiefs have implemented, or are planning to implement, robotic process automation

3x
The cost of an offshore employee relative to a robotic full-time equivalent. Onshore employees cost five times as much as a robotic full-time equivalent

20/7
the minimum daily hours and days each week a robotic full-time equivalent will work

Gartner, 2020

"Having much more accurate cash flow forecasts and forecasting models, access to real-time data and applying machine learning or robotic process automation – the automation of largely repetitive tasks – has been a game-changer for the finance function and the CFO in particular," Cars suggests. "They can put more time into analysing the information and come to all those meanings with more accurate data. The world is shifting so much; you need to be agile. You can't wait even a month to make decisions."

Allowing technology to take care of the 'grunt work' is obviously liberating, but using automation and AI is about much more than merely getting the numbers crunched more efficiently. As a global travel technology company, Snowfall works across many borders and deals in several currencies. In today's volatile economic climate, getting its currency (FX) hedging strategy right to protect the business against sudden shifts in currency values is more important than ever. If companies choose to bring their FX hedging in house, it demands a lot of expertise and they expose themselves to a great deal of financial risk. If they outsource, fees tend to be significant.

Snowfall works with Bound, a digital hedging provider, to automate its trades and de-risk its FX hedging.

Cars says: "What Bound does is groundbreaking. If you are exposed to foreign exchange risks, it's a cumbersome process. Companies both large and small won't necessarily have someone who is super-savvy about all the risks that they are taking on in this respect. Even if CFOs have some understanding, being on calls with banks takes a lot of time. Using Bound, our FX transactions are automatically de-risked."

Going beyond robotic process automation and exploiting the 'intelligence' part of AI is what excites both Servais Laval and Cars.

"It's still early on, but helping on both the internal and external auditing side is a big help for the CFO, especially in the past couple of years when we've seen a lot of issues from the big four auditors," Cars says. "You'll see much higher accuracy in real-time data, finding irregularities and knowing where to focus, as well as in delivering data to auditors."

Servais Laval reports that Double has been able to automate on the processing side while it manages most of the edge cases. The firm expects that smart models will be used more for forecasting, which is largely a manual process today.

"Teaching our models to use our data and metrics to enable us to predict trends more accurately will also become more useful to other departments," he says. "If I could bet on what my finance team will look like in five years, this is what we'll be moving towards."

Overstretched tax and finance functions turn to co-sourcing

Digital transformation, talent shortages and regulatory change are putting pressure on already overworked tax and finance functions, forcing them to seek productive partnerships

Talent shortages, legislative change, technological transformation and disruption caused by the pandemic are some of the challenges placing unprecedented pressure on corporate tax departments.

The world has suddenly become difficult for in-house tax specialists as an growing set of requirements crowd their agenda.

These developments are increasing the workload for the same tax and finance functions that are facing budget cuts and unparalleled skills shortages.

In response to these pressures, many businesses are co-sourcing select tax affairs to tech-enabled tax specialists. The mounting complexity of modern tax systems is leading corporate tax departments to pass at least some of the responsibility for routine work to outside providers. Whether it's value-added tax (VAT) filings or statutory accounting, co-sourcing routine tax tasks is a way to improve efficiency and give senior staff the breathing space to help develop answers to some of the big strategic questions facing businesses.

"We have never seen a time like this in the tax profession," says Kate Barton, EY global vice chair – tax. "All of these issues are converging: talent challenges, the need to address environmental, social and governance (ESG) issues, a desire to drive long term value, unrelenting legislative and regulatory change, and cost pressures."

“Doing nothing is not an option. You might get your ESG wrong, you might over-pay on your tax bill, face a big controversy issue, or you might not understand all the big change that is coming. The stakes are high if you don't transform

Stuart Lang, EY EMEIA tax and finance operate leader, says data and technology are key enablers to help tax departments cope. "You can either automate basic tax tasks internally or undergo a tax transformation by working with an outside provider that has made significant investments in cloud technology," he says.

Dave Helmer, EY global tax and finance operate leader, agrees: "Doing nothing is not a valid option. You might get your ESG wrong, you might over-pay on your tax bill, face a big controversy issue, or you might not understand all of the legislative and regulatory change that is coming. The stakes are high if you don't transform."

Dealing strategically with these important issues is difficult because core responsibilities of tax and finance departments have also been made exponentially complicated by an increase in digital tax filing requirements from governments. An increasing number of jurisdictions are demanding tax information daily, weekly or monthly, with transactions provided directly to the government in digital filings. This has forced businesses to focus on their own data and technology for day-to-day tax management, even as they try to respond to increasing demands.

As a result, today's tax professional is having to become multiskilled, with the ability to process large amounts of new tax technical information while also mastering the technology and data needed to enable efficient and accurate filings with governments. For the tax industry, that means developing a whole new type of renaissance tax professional, as much a data analyst and tech specialist as a tax and accounting expert.

Hampering this process of professional transformation are the talent shortages that have hit the economy during the pandemic. Many employees have decided to change jobs, leave the job market all together or retrain in new fields. At the same time, many older professionals are reaching retirement age, just as the shift to digital technology has created a shortage of tax specialists with the right skills and qualifications to carry out the significantly more complex range of tasks at hand.

Tax was already getting harder for businesses before the pandemic came along. Led by the G20 and the Organisation for Economic Co-operation and Development, 141 jurisdictions have worked together to develop and agree a set of recommendations for significant alterations to the global framework for taxing international business income. This initiative has two main elements. The first pillar involves revisions to the historical approaches for how taxing rights over cross-border business income are divided among countries. The second pillar involves the establishment of a new system of global minimum tax rules for business income. These transformational changes will add to the complexity of global tax management.

The pace, volume and complexity of legislative change is increasing the pressure on tax and finance functions just as revenue authorities seek to recover approximately US$33tn in worldwide Covid-19 support measures. Moreover, the pandemic has had serious ramifications for tax departments, with remote workers often disconnected from their data centres and in some cases creating tax obligations for their own employers by their mere presence in new jurisdictions.

A survey carried out by EY and conducted by Euromoney Thought Leadership Consulting found that 84% of companies are transforming their tax and finance functions to get more value while 81% are more likely than not to co-source their activities in the next 24 months. The survey, released in January, questioned some 1,650 executives in more than a dozen industries, across 40 jurisdictions. It found that 87% of all companies surveyed plan to reduce the cost of the tax and finance function in the next two years. This demonstrates the dual pressures on tax departments, as they struggle to achieve more with tighter resources.

Many businesses have decided that the only way to cope with these pressures is to co-source some of their tax and finance activities to third-party providers. These are typically professional services organisations that have developed cloud-based solutions to managing routine tax operations.

Even data and technology companies including Microsoft and SAP SE have co-sourced tax activities with EY. Kirsten Birnbaum, head of global tax for SAP, says: "Working with a global network of specialists, jointly utilising our technologies has enabled us to considerably increase our efficiency in delivering tax compliance. We have more room to focus on strategic activities – and that's a great benefit for the company."

“Digital transformation that enables innovative services in finance, accounting and tax is helping organisations gain more relevant and actionable insights for their business, often at a lower cost

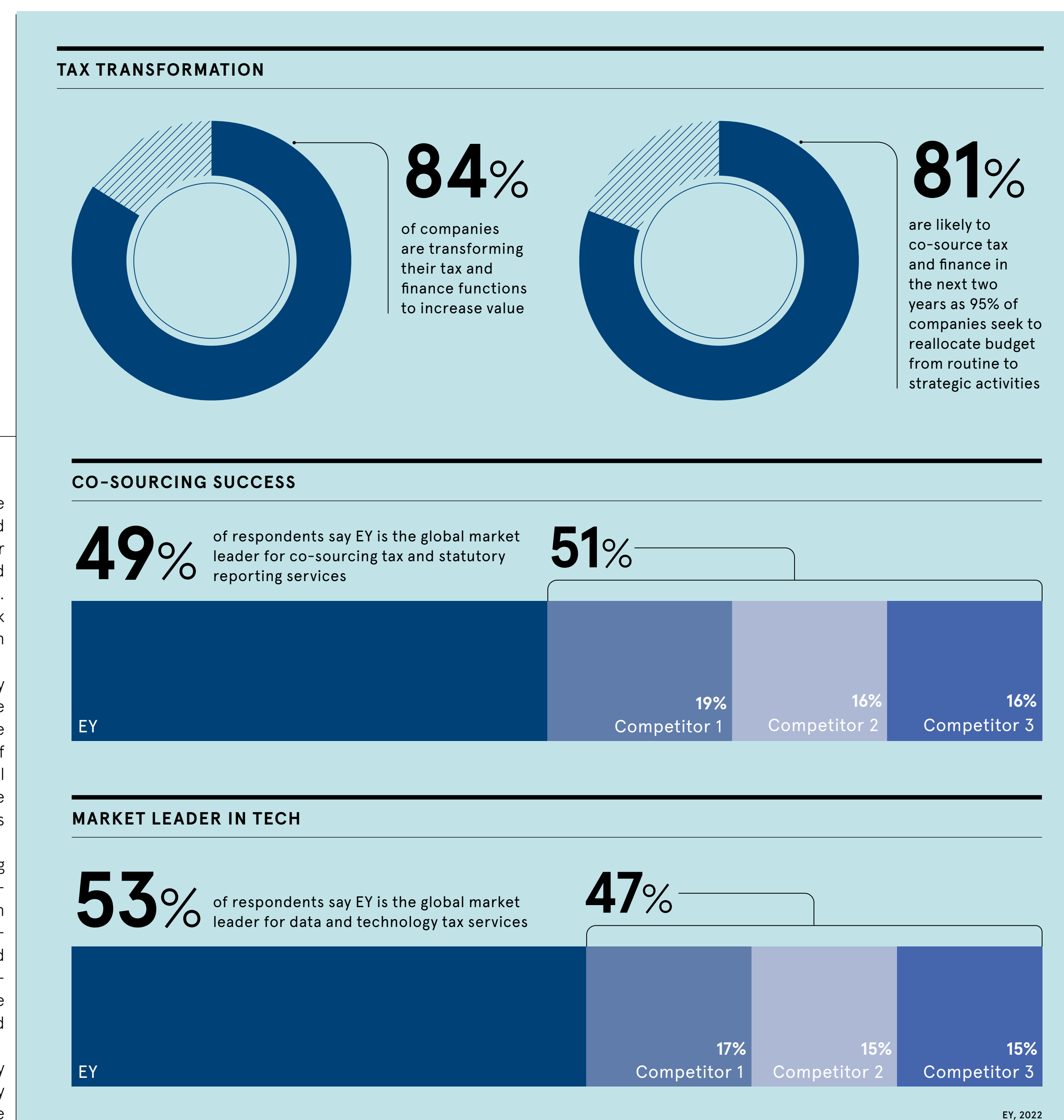
Asked about skills shortages, 95% of the survey respondents believe their tax and finance personnel need to augment their tax technical skills with data, process and technology skills in the next two years. Many are concluding it's easier to work with outside providers who specialise in developing people with the right skills.

Meanwhile, three in four businesses say they are struggling to keep up with the pace of legislative and regulatory change and 83% expect to pay an average of US$11.1m to comply with emerging digital tax filing requirements over the next five years. An outside provider more likely has the right resources dedicated to help.

The area of ESG is especially challenging for companies, as historically few businesses have volunteered information on their tax affairs. But in the current environment where the general public and politicians are demanding greater transparency on corporate tax, businesses are getting ready to open up their books and reveal more.

Over half the companies in the survey said they were going to make voluntary disclosures about their tax governance frameworks (51%), and 45% on corporate income tax. Other areas they'll be publishing include excise taxes, direct taxes paid by employees and employer-paid payroll tax. All the companies interviewed said they would disclose at least one of these while 70% said they would disclose at least three. This new environment of social awareness adds to the need for the co-sourcing of routine activities to free up time for strategic thinking.

In order to create value while addressing these changes and recruiting tax-tech talent means technology is needed to drive a range of solutions. It must have the ability to collect data from multiple sources; gather, clean and deliver it into systems that fit all uses; prepare reports that meet the demands of multiple jurisdictions and multiple government agencies; update processes and numbers for accurate compliance; and analyse options for smarter planning and to help mitigate risk. Each of those tasks requires the most advanced technology platforms and cloud-based storage possible. However, implementing and maintaining such systems can be costly and half of the largest companies in the survey agree that a lack of a sustainable plan for data and technology is the biggest barrier to achieving their tax and finance function's vision.



"Digital transformation that enables innovative services in finance, accounting and tax is helping organisations gain more relevant and actionable insights for their business, often at a lower cost," says Daniel Goff, Microsoft corporate vice-president, worldwide tax and customs. "But transformation looks different to different companies. Some want to build internal capabilities. Some prefer to co-source with a provider. Often, a hybrid approach is the best approach. Companies that undertake such transformations are better positioned to redirect resources to focus on the most strategic finance and tax issues."

“We have never seen a time like this in the tax profession. All of these issues are converging: talent challenges, the need to address environmental, social and governance issues, a desire to drive long term value, unrelenting legislative and regulatory change, and cost pressures

Where businesses may have been able to get by in the past, the convergence of so many acute challenges piled on top of one another means many corporate tax departments will only be able to survive through co-sourcing. They need to find a specialist that is up to speed with all the legislative changes globally, that can help plan and deliver controversy advice and deliver routine services at scale.

In working towards a successful co-sourcing process, the tax and finance departments should first analyse and re-evaluate the existing operating model to identify areas that could be improved. Next, the company should determine which activities to keep in-house. This helps with the next stage which is to decide exactly which activities should be co-sourced. Finally, the company should consider a hybrid approach in which some activities are retained and others are outsourced.

The best-planned hybrid approach can improve both effectiveness and efficiency while empowering staff to become value-added partners to the business with the focus firmly on activities that improve the bottom line. The result of this should be the creation of a team with a single mindset. However good the in-house team is, working with a co-sourcing provider allows the tax and finance function to go even deeper and further with its analysis.

Many benefits are open to businesses that adopt the co-sourcing model. Employing a specialist to take care of routine tax activities can improve processes and accuracy, helping companies to better manage a range of emerging challenges from ESG reporting to controversy issues. Shifting to this model will allow the tax and finance function to fulfil its role as a value-added business partner engaging in high-level strategic tax issues.

Co-sourcing tax and finance allows CFOs to show their corporate boards that they are getting to grips with three significant challenges facing every business today – creating value, managing risk and reducing cost. No wonder so many businesses large and small are looking for a piece of the action.

ROUNDTABLE DISCUSSION

How assets can unlock finance for expansion

As Covid loan schemes come to an end in the UK and smaller businesses face renewed cash flow problems, asset-based borrowing could help to fund their sustainable growth

Ben Edwards

Now that most pandemic support schemes have been wound down and inflation bites in the UK, many firms are finding that working capital is tight. Cash is tighter still if they want to seize post-lockdown opportunities.

"British businesses are starting to sleepwalk into a brick wall when it comes to cash flow," warns Paul Goodman, chair of the National Association of Commercial Finance Brokers (NACFB) and managing director of Goodman Corporate Finance.

"They've had cash – they've had bounce-back loans and they've used the coronavirus business-interruption loan scheme – but then, all of a sudden, they have no cash and they need to grow," he says.

The result has been a boom in asset-based lending. Including invoice finance and equipment or real-estate financing, this is an alternative to traditional debt funding such as loans from high-street banks. Members of the NACFB helped small and medium-sized companies raise £40.9bn of funding in 2021, up from £26.7bn in 2020.

Goodman says that firms should consider asset-based borrowing, whether they want to fuel growth or simply put themselves in a stronger position to withstand future economic shocks.

Misconceptions about it – for instance, that it's a last resort to be used once all other options have been tried – are becoming rarer. So says Josh Levy, chief executive of Ultimate Finance, which offers a range of funding options that includes invoice and asset-based finance.

"All the myths that used to exist about asset-based lending – that it's an expensive and inflexible last resort – have all gone," Levy argues.

Assumptions that asset-based lending is complicated to manage are also outdated because technology has made the process more efficient, he adds.

"Cloud accounting packages have helped a lot as more SMEs become digitally savvy. That enables lenders to integrate with them and achieve efficiencies for everyone," Levy says.

Another popular misconception has been that asset-based borrowing is suitable only for large corporations, according to Katrin Herrling, co-founder and chief executive of Funding Xchange, a platform that helps companies to find funding.

> It's important to recognise this is not just for the big players or mid caps in the millions of pounds of turnover

"It's important to recognise this is not just for the big players or mid caps in the millions of pounds of turnover," she says. "This is something that's viable much further down the food chain as well."

One company that's using asset-based borrowing to support expansion is the Merlin Partnership, a fast-growing maker of motorcycle clothing and accessories based in Burntwood, Staffordshire.

The firm's tight control over manufacturing processes means that there is often a six-month gap between ordering raw materials and receiving cash from customers, so the business absorbs cash quickly as it grows, says its chief executive, Steven Franklin. This prompted him to look at alternatives to bank lending to help fund the business during that long order lead time. He eventually settled on a mix of trade and invoice financing.

This has not only helped his business to grow. When Covid brought operations to a standstill in early 2020, Franklin was able to negotiate a change to the facility.

"We have come out of this substantially stronger than we went in," he says, adding that asset-based borrowing has contributed to the business's strong position.

11%

The growth in total asset-based finance provided to new businesses in the UK between January 2021 and January 2022

Finance & Leasing Association, 2022

With continuing economic uncertainty ahead – Herrling, for instance, believes that insolvency rates will start ticking up as government support ends – alternative finance remains plentiful. Funding is available even for companies in financial distress, as long as their underlying businesses are strong.

"Asset-based lending is actually a form of finance that will be available based on your performance and the relationships you build," Herrling says. "Try to build relationships in good times, because you can then rely on those relationships when things get a bit harder."

Relationships will be critical, even as technological innovations drive further efficiencies. "This is about using tech in the right way," Levy says. "It's to enhance and enable the human relationship to be better and more effective, and to automate the manual bits."

An innovation making a difference is the ability to access live company financial data, which gives lenders a more reliable snapshot of a business's status. This was particularly valuable amid the dislocations of the pandemic's early stages.

"This helps to get personalised decisions based on what's happening in your business right now," Levy says. "That's where the market has helped SMEs in particular in the past couple of years, looking at data sources now to provide accurate information on what's going on."

That said, a human perspective is still needed to make sense of the data.

"It is very difficult to forecast at the moment," reports Will Wright, head of restructuring at Interpath Advisory. So many sectors have complicating factors. To try to understand what business as usual is going to look like, and therefore something you can lend against, is incredibly complex."

As the UK economy struggles with inflation, post-Brexit teething problems, the impact of the pandemic and now Russia's invasion of Ukraine, companies thinking about raising growth finance still have the option of alternative lending, he says.

"At this point in the cycle, it is a good opportunity to benefit from the market's high liquidity," Wright adds.

While the simplicity of an unsecured loan may be tempting, this might not provide the level of long-term growth support that a business might need. By contrast asset-based loans will typically grow in line with the business.

As Goodman concludes: "If you take an invoice finance line or an asset-based lending facility as you grow, that facility will grow."

Commercial feature

How payments processes can help finance teams mitigate ongoing disruption

Martin Seward, vice-president and general manager of global commercial services at American Express, weighs in on how improving payment processes can unlock valuable business insights

As the world emerges from the pandemic, many businesses are starting to feel more confident.

But they must still contend with redrawn expectations around the workplace and changed consumer habits, forcing many to reassess their growth opportunities. Well-publicised issues around rising costs and supply chain problems also continue to create headaches, signalling no end in sight for the disruption and uncertainty that finance teams have had to tackle.

However, there is still the opportunity for growth for those who can grasp it. And the finance functions who best respond to these challenges are the ones that can remain flexible and drive new innovations to help adapt to an increasingly unpredictable world.

Chief finance officers and their teams need more time to focus on the areas that matter, and to continue driving efficiencies and innovation in the finance function.

Reassessing and upgrading payments functions can help, mitigating some of the problems created by ongoing volatility. Whether it's spending on fuel, advertising or spare parts, improving B2B payment processes can help free finance functions up from administrative work, create more certainty and improve working capital.

> Chief finance officers and their teams need more time to focus on the areas that matter

There are several important areas where this can make a positive difference.

B2B payments are back on the rise. Recent data from American Express found that, after a very challenging period for UK businesses, business spending rose across nearly all categories in 2021, reflecting renewed optimism.

But this is still an area where businesses carry inefficiencies and have not yet fully digitised their operation. The same research found that around 40% of UK businesses planned to start or further automate both making payments to suppliers and receiving payments from customers in the following 12 months.

This suggests that while they see the clear benefits of doing this, there is still some way to go to unlock the full value that can be gained from these changes. This unnecessary administrative work could be holding back finance teams.

Secondly, one of the biggest areas of continued uncertainty is around the complexity of global supply chains. Geopolitical disruption, severe weather, the Covid-19 pandemic and labour shortages have all contributed to unplanned rises in costs and unexpected problems with supply.

As a result, many businesses have thought differently about supply chain management – from how they select suppliers to how and what they pay in order to consolidate operations and keep cash flow healthy.

To support this effort, finance teams should continue to build relationships with businesses across their full supply chain, mapping this network of companies and identifying opportunities to reduce risk. Scrutinising payment terms will also highlight the areas that most impact on cash flow, thereby identifying vulnerabilities or unnecessary exposure.

Many buyers are understandably looking for suppliers with more flexible payment terms to foster greater subsequent agility in their business. But they must invest in these relationships to strengthen supply chains. Prompt, efficient and easy B2B payments are vital to keeping suppliers on amicable terms.

Finally, one of the key new roles of the finance function is to help the business make smarter decisions. But it can't be across the whole business all the time.

Digitised payments don't just offer more certainty and security, they also generate valuable strategic insights. The data harvested can be used to build greater visibility around business spend and help inform better decision making in the finance function and beyond.

An effective and high-performing finance function can create the framework for the wider business to make better decisions. A deeper understanding of both the external environment and the organisation's resources, which in turn generate timely and relevant insights, will deliver greater value creation over time.

While the finance function has always played a key role in supporting better decision making and business growth, we are operating in extraordinary times. Those finance teams that grasp the imperative to innovate and improve business processes will be best placed to drive success.

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