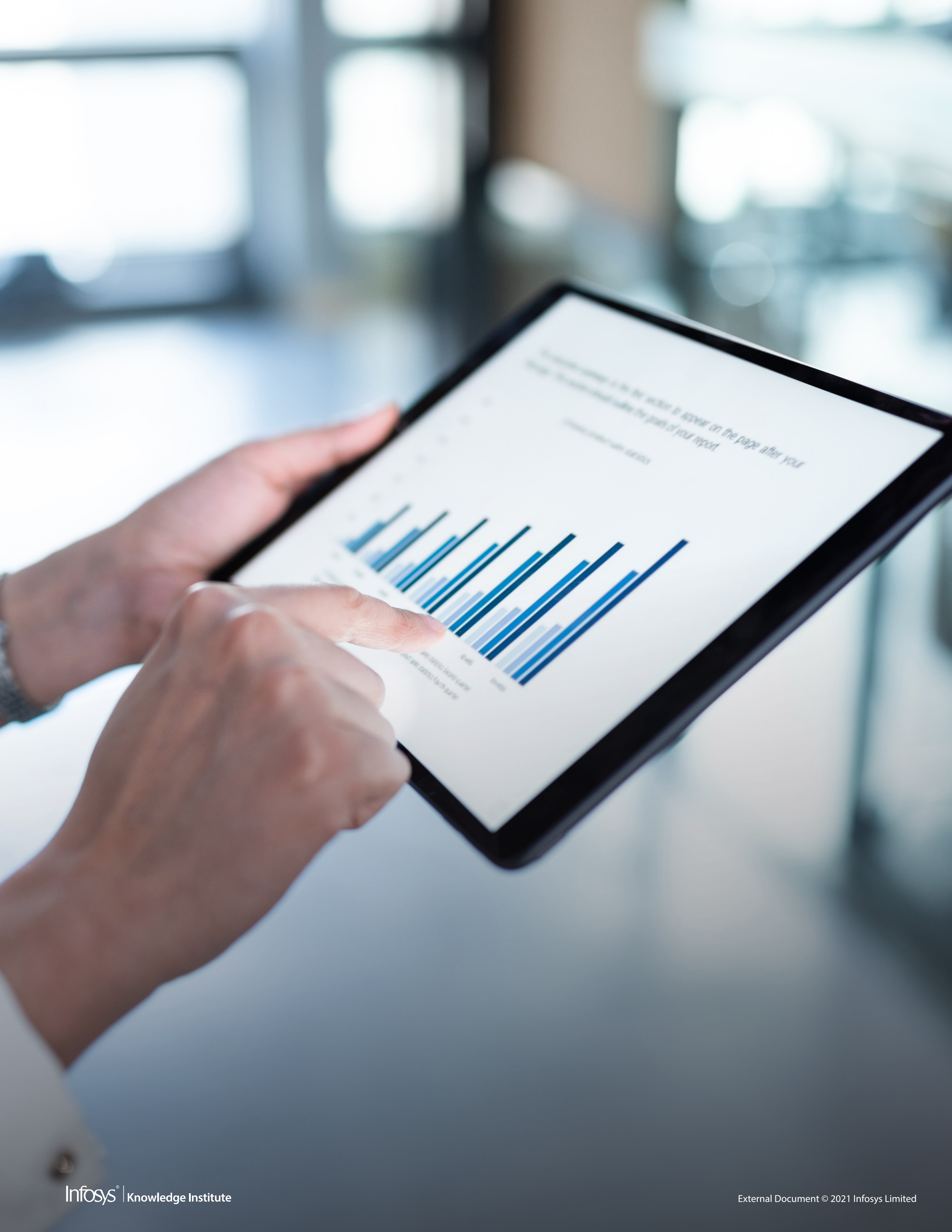
Infosys® Navigate your next

VIEWPOINT

# TEN STRATEGIES FOR THE DIGITAL CFO

The role of the CFO is quickly evolving, with environmental, social, and governance (ESG) indicators taking their place alongside other company health metrics. The CFO's office must make real-time, data-driven decisions to own performance on this new range of metrics. To do this, companies can consider 10 key strategies for digital transformation.

Infosys® | Knowledge Institute



The first draft of the future was written on January 23, 2020. On the day the World Economic Forum (WEF) met in Davos, Switzerland, to discuss stakeholder capitalism,[1] Wuhan, China, went into COVID-19 lockdown. Not only did the global pandemic redefine how we do business, communication, and culture, it also shifted the tectonics of capitalism itself.

Back in 2008, the Lehman Brothers collapse heralded many regulatory changes that made the chief financial officer (CFO) responsible for internal and external control systems, increasing the CFO's presence in regulatory compliance and control procedures. With the release of the United Nations' and WEF's "Measuring Stakeholder Capitalism" report[2] in September 2020, common metrics on nonfinancial factors and environmental, social, and governance (ESG) indicators are also now central to the CFO agenda.

> Companies with a strong ESG strategy perform better financially and are more resilient

Why the CFO and ESG? Research suggests companies with a strong ESG strategy are more resilient and deliver greater financial performance.

Fidelity International found a positive correlation between ESG ratings and financial performance during the pandemic, with A-rated companies outperforming the S&P 500 by an average of 3.8%.[3] Harvard Business School concluded that companies that protected their employees and supply chains benefited from higher institutional money flows and less negative returns.[4] Also, those companies that focused more on customer satisfaction generated up to 3.9% higher stock returns. BlackRock found that 51 out of 57 sustainable indices outperformed their non-ESG peers, with factors such as employee satisfaction, strong customer relations, and board effectiveness playing roles in this outperformance.[5]

While the role and nature of the CFO has evolved, severe revenue and cost pressure is forcing these executives to accelerate their digital transformation. Technology holds the key to unlocking synergies, enabling the real-time extraction of data sets to build meaningful and decision-enabling information highways within an enterprise. To adapt and digitally transform the CFO's office, companies must carefully consider the following 10 key strategies.

1. **Build the data lake to understand the data** — The first step in going digital is the ability to seamlessly extract data from multiple sources and disparate databases. Data capture and access can be leveraged through a data lake to provide a single, shared data source across the enterprise. An AI-driven data lake connects information islands in real time, allowing the CFO to make data-driven decisions, and sense, process, and adapt to changing business stimuli.

2. **Rationalize processes for efficient data flow** — Preparing financial statements involves extensive data extraction and validation, which increases the risk of errors creeping into reports. In February 2019, for example, Molson Coors Brewing Co. suffered reputational harm, a 6.2% fall in its share price, and $248 million in taxes after auditors discovered accounting issues for previous fiscal years. Digital process automation can enhance accounting controls and efficiency, plus improve compliance related to taxes, accounts payable, and accounts receivable.

3. **Embed AI and automation for data-led insights** — AI and automation lead to business sentience, where data-led insights are acted on with maximum human intuition and minimum human intervention. In its survey of 170 members, the Institute of Management Accountants found that organizations with leading-edge analytic techniques and technology uniformly reported improved performance.[6] AI and predictive analysis capabilities were a key driver. This helps organizations develop intuition to make decisions swiftly and accurately, and act with resilience in the face of disruption.

4. **Reimagine the value chain through five sentient principles** — Proximity to the source provides the CFO with the intelligence required to make decisions at the point where a decision needs to be made. Zero latency identifies the minimal number of steps required to complete the interaction quickly. Instant simulation delivers the ability to conduct what-if analyses and evaluate alternative scenarios in the same user flow. Micro-feedback gathers data in the workflow, revealing friction points in the value chain via continuous feedback at each interaction. Guided practice codifies best practices into the interaction flow itself, helping the CFO develop new routines and drive changes in behavior.

5. **Unbundle and rebundle to solve and build** — Unbundle business processes and capabilities

that can create modular and layered services with value-added features and functions. These can be rebundled in multiple ways to help the CFO solve different problems or build new products and services.

> Knowledge graphs and digital brains form a powerful combination, helping CFOs make intelligent and intuitive decisions

6. **Evolve higher cognition through digital brains and knowledge graphs** — A digital brain processes inputs to determine if any action is required and, if so, assists users through nudges and guided feedback. It then monitors responses in order to learn and evolve, delivering higher cognition to the CFO's organization. Combined, knowledge graphs and digital brains continuously curate organizational knowledge to make intuitive decisions and help the CFO intelligently respond to emerging events.

7. **Design to evolve** — An architecture-first approach builds the right foundation through an unbundle-rebundle approach. Business and technology capabilities are unbundled into modular services and then rebundled to create value-added services. Layered technology architecture enables features, functions, and experiences to be built as the CFO's organization scales.

8. **Increase the velocity of ideas and innovation with digital runways** — Digital platforms, acting as a corporate digital runway, provide tools to scale ideas and innovation, and deliver enterprise-wide infrastructure that curates and organizes knowledge. These elements combine in a scalable model to increase the velocity of new ideas and innovation via shared digital infrastructure.

9. **Deconstruct complexity via micro-initiatives** — Small, hyperproductive, agile teams can better address problems by changing the organization's routines, behavior, and culture. Delivered via regular micro-releases, this is supported through the framework of micro-change management to deliver small, irreversible improvements that — when combined — create exponential change.

10. **Change the culture with the right talent** — Technology adaptation can be far easier if the culture is aligned. The most important talent skill is the ability to adapt to new technology quickly, master it, and ride the wave of progress. Such Z-skilled talent is the most effective for digital work, with Z-skilled employees able to learn, unlearn, and relearn as they move from one project to another. Digital quotient is an emerging means to measure capability in these skills areas.

The response to the pandemic demonstrated that companies can be lifelike, responsive, evolving entities at enterprise scale — and any organization, however large and complex, can transform to be adaptive and resilient. It is crucial that companies leverage technology to not only unearth the information for robust decision-making, but also help the C-Suite make the right decisions in real time. This requires an anytime, anywhere operating model, where users are empowered with digital tools and corporate sentience.

As the world of structured and unstructured data grows increasingly interwoven, it is imperative that the most important division of any enterprise quickly adapts to the new realities.

In fact, in the era of the Great Reset,[7] there may be no alternative.

## References


1. "Davos Manifesto 2020: The universal purpose of a company in the fourth industrial revolution," December 2, 2019, Klaus Schwab, World Economic Forum.
2. "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation," September 22, 2020, World Economic Forum, in collaboration with Deloitte, EY, KPMG, and PwC.
3. "Outrunning a crisis: Sustainability and market outperformance," April 16, 2020, Jenn-Hui Tan and Benjamin Moshinsky, Fidelity International.
4. Corporate resilience and response during COVID-19 (Working Paper), 2018, Alex Cheema-Fox, Bridget R. LaPerla, George Serafeim, and Hui (Stacie Wang), Harvard Business School.
5. Sustainable investing: Resilience amid uncertainty, 2020, BlackRock.
6. "The data analytics implementation journey in business and finance," 2019, Institute of Management Accountants.
7. "The Great Reset," n.d., World Economic Forum.


## Author


**Dr. Ashok Hegde**

*Vice President and Delivery Head,*
*Financial Services ADM, Infosys*

## About Infosys Knowledge Institute

The Infosys Knowledge Institute helps industry leaders develop a deeper understanding of business and technology trends through compelling thought leadership. Our researchers and subject matter experts provide a fact base that aids decision making on critical business and technology issues.

To view our research, visit Infosys Knowledge Institute at infosys.com/IKI

Infosys®
Navigate your next

For more information, contact askus@infosys.com